The Fiji Sugar corporation Limited
2008 annual report

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Corporate Profile

Our Organisation

The Fiji Sugar Corporation Limited was incorporated in Fiji by an Act of Parliament in 1972 to take over the milling activities with effect from 1st April 1973. It is 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 In 2006 the Fiji Sugar Corporation Act was repealed allowing it to be governed solely under the Companies Act.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 decreased by 13.7% to $236.7 million over the previous year. Consequently the Corporation's share of proceeds decreased to $61.8 million, compared to $81.6 million in the previous year.

- Consolidated operating loss after tax and extraordinary items was $19.3 million compared to a profit of $6.6 million in the previous year and was directly attributed to decline in revenue.

- Cashflow during the year decreased by $0.1 compared to an increase of $7.6 million in the previous year.

- A total of $36.8 million was invested in the mills compared to $18.1 million in the previous year.

- Earnings per share decreased to negative $0.44 compared to $0.15 in the previous year.

- The 2007 comparatives have been restated in accordance with IFRS being First Time Adoption of International Financial Reporting Standards.

Operations

- A total of 2.5 million tonnes of sugarcane was crushed from an area of 52,558 hectares compared to 3.2 million tonnes from 55,438 hectares in the previous year.

- Sugar production decreased to 237,418 tonnes compared to 310,140 tonnes in the previous year, directly as a result of decrease in cane supply.

- Tonnes Cane to Tonnes Sugar (TCTS) ratio remained at 10.4 as in the previous year.

- Cane Quality (POCS) decreased slightly to 11.1 compared to 11.2 in the previous season.

- Sugar exports declined to 217,015 tonnes compared to 262,495 tonnes in the previous year.

Sugar Industry Reform

- The European Union has announced 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 2009 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 2013.

- In addition to upgrading the mills and increasing cane production, streamlining of major operations such as harvesting and transportation and organisational restructure will be required to achieve desired levels of efficiencies.

- During the year, significant progress was made on diversification projects such as cogeneration and production of ethanol. These projects are expected to be completed by mid 2010.

- Initiatives continued on redundancy program to rationalise manpower levels.

Mission Statement

Leading the change to a globally competitive Sugar Industry

Corporate Objective

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

Corporate Ideals

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

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

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

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

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

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

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

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

In Commercial Practice
Conducting our business with integrity, responding to national goals and seeking a wise return on investment 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

	2008 $000's	2007 $000's
Sales and Profit ($'000)		
Total sales	236,715	274,253
Operating profit/(loss) before extraordinary items and income tax	(11,575)	10,488
Income tax benefit	400	(299)
Operating profit/(loss) and extraordinary items after income tax	(19,331)	6,591
Cash Flow ($'000)		
Operating activities	(360)	6,041
Investing activities	(36,659)	(17,992)
Financing activities	36,858	19,602
Net increase in cash	(160)	_ 7,651
Financial Position ($'000)		
Working capital	(16,923)	16,394
Total assets	273,486	249,834
Non-current liabilities	72,240	55,932
Shareholders' equity	147,816	167,113
Total capitalisation	220,056	223,045
Additional Information		
Ratio of current assets to current liabilities	0.7	1.6
Ratio of debt to shareholders' equity	0.9	0.5

Corporate Governance

The FSC Board gives Corporate Governance its highest priority.

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 make the most of every opportunity. It involves leveraging its resources and aligning its activities to consumer need, shareholder benefit and employee growth. Thereby the Corporation succeeds in delighting its stakeholders while minimising risks.

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

Board's Responsibilities

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

The Corporation aims to be at the forefront of internationally recognised best governance practice. The Corporation complies in all material respects with the generally accepted governance principles. Corporate governance, as a dynamic interplay of forces, has its own sets of challenges which continue 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 7 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 Kamlesh Chandra (Chairman), Mr Peni Sikivou and Mr Arvind Singh.

The Remuneration Committee has been set up to assist the Board in 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 Bhoo Prasad Gautam (Chairman), Mr Peni Sikivou and Mr Kamlesh Chandra.

Remuneration of Directors

A total of $59,719 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 forum. The Board encourages full participation of shareholders to ensure a high level of accountability in determination of the Corporation's direction, strategies and goals.

Management's Responsibility

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

Boards of Subsidiaries and Associate Entities

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

Board of Directors

Bhoo Prasad Gautam

Chairman

Mr Gautam has been a member of the Board since 2004. He is the Chief Executive Officer of South Pacific Fertilizers Limited and is a director of Food Processors (Fiji) Limited. He is also the Chairman of the Board Remuneration Committee.

Peni Sikivou

Deputy Chairman

Appointed to the Board on 15 October 2007. Mr Sikivou is the Deputy Secretary, Ministry of Finance. He is a member of the Board Audit and Remuneration Committees.

Marika Gaunavou

Appointed to the Board on 16 February 2006. Mr Gaunavou is a retired Mill Chief Engineer and Factory Manager, FSC.

Kamlesh Chandra

Appointed to the Board on 16 February 2006. Mr Chandraisabusinessman and is an accountant by profession. He is a member of the Board Remuneration and is the chairman of the Board Audit Committee.

Arvind Singh

Mr Singh has been a member of the Board since April 2006. He is a businessman and cane farmer from Ba and is a member of the Board Audit Committee.

Osea Naiqamu

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

Krishna Prasad

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

Chairman's message

Bhoo Prasad Gautam
Chairman

The year under review was a pivotal year for the Corporation and indeed for the Sugar Industry. The Corporation recorded a loss of $19.3 million after tax, one of the biggest in recent years, reinforcing the need for the Sugar Industry as a whole to be restructured so that it becomes competitive in the international market and meet the stakeholder expectations.

Much has been said about the Industry over the past years and we now need to focus on the future. Together with other stakeholders we must now accelerate implementation of the industry reform programs, to bring the Sugar Industry back to global competitiveness and prepare the industry to survive the reductions in the Protocol Sugar Price of 14.3 % in 2008 and 36% in aggregate by 2009.

The Sugar Industry is perhaps the most talked about industry in Fiji, operating in a highly complex environment. It is hard to imagine Fiji without the Sugar Industry. In one way or the other it touches many aspects of our society, more particularly at the grass root level. It is estimated about 20% of Fiji's population or about 200,000 people rely directly or indirectly on the Sugar Industry for their income and some 40,000 people get their direct livelihood from sugar.

The Sugar Industry provides a solid foundation to the economy of Fiji and has contributed immensely to the development of Fiji in the past and will continue to do so in the future with the support of the stakeholders.

OPERATING RESULTS

For the year under review, the Corporation's operating revenue decreased to $236.7 million compared to $274.3 million in the previous year, primarily due to decline in sugar production.

Operating loss for the year was $19.3 million compared to an operating profit of $6.6 million in the previous year. This was directly attributed to reduction in crop size and subsequent reduction in sugar and molasses make and of delays in implementation of various reform programs which are now having adverse effect on the operating results of the Corporation.

CANE SUPPLY AND SUGAR PRODUCTION

Cane production for the 2007 season decreased to 2.5 million tonnes, compared to 3.2 million tonnes in the previous season. Total sugar produced during the season was 237,418 tonnes compared to 310,140. The tonnes cane to make a tonne of sugar ratio (TCTS) remained at 10.4 compared to the previous season.

The lack of a consistent supply of quality cane and burnt cane continued to be a major determinant of cane quality. 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. The challenge is for us to improve mill efficiency and to create a climate of confidence with growers that will ultimately alleviate the problem of cane burning.

MARKETS AND SUGAR PRICE

The most significant development is the reduction in the preferential sugar price we receive from the European Union. As part of the reform of the EU Sugar regime, the EU has announced total reduction in sugar price by 5.1% from 1 June 2006, 9.2 % in 2008 and 21.7 % in 2009, bringing total reductions to 36% by 2009.

The impact of this to the Corporation will be huge and as such, appropriate strategies as part of the reform of the Sugar Industry are put in place to ensure its survival.

A welder working replacing a part in the diffuser

The Mill Upgrade Program is delayed by almost two years and is a major concern as this is linked to the various initiatives being considered by the Corporation. During the year steps were taken to accelerate the progress on the project to ensure its completion by May 2009.

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. Removal of preferential prices will mean that the economics of the industry will be driven by volume, to realise the necessary economies of scale. Therefore, increased volume and better quality cane is essential for the adequate return on investments the Corporation is making on the Mill Upgrade programme.

Upon upgrading the mills, a total of 4.2 millions tonnes of cane will be required for a 25 week crushing season, compared to the current production levels of around 2.5 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.

A Long Term Agreement with our current buyer, Tate & Lyle Sugar, came into effect from 1 March 2008 and will end on 30 September 2015. It is anticipated that the annual value of the contract based on annual tonnage of 250,000 tonnes and the reference price of €335.2 per tonne is €83.80 million.
The total value of the contract to 2015 will be around €502.80 million or FJ$1.13 billion.

REFORM OF THE SUGAR INDUSTRY

Mill Upgrading Project

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 upgrading project also includes improvements in factory uptime, improved recovery of sugar, increased milling capacity and addressing environmental issues.

Mechanics service a FSC locomotive

Diversification

Diversification projects will be essential to enhancing the profitability of the Corporation. 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 for competing 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.

ACKNOWLEDGMENT

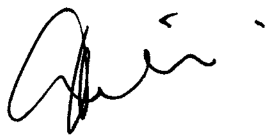
During the year, Mr. Peni Sikivou, Mr. Osea Naiqamu and Mr. Krishna Prasad were appointed to the Board. I take this opportunity to thank my fellow directors in taking up the challenge to embark on perhaps the biggest corporate and industry turnaround program in Fiji's history. It will be difficult but I am sure that we will succeed.

To the outgoing directors, Mr. Isoa Kaloumaira, Mr Jaoji Koroi, Ratu Savenaca Qomate and Mr Abdul Khan, I extend my appreciation for their dedication and contribution to the Corporation. I would also like to 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.

In addition I extend my gratitude to the outgoing Chief Executive Officer, Mr Abdul Shamsher for his leadership and dedication to the Corporation.

On behalf of the Board of Directors, I would like to thank the farmers, cane cutters and lorry, tractor trailer drivers and employees 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 your dedication and contributions to an industry faced with onerous challenges. 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.

I remain confident that FSC and the Sugar Industry will be successfully restructured and can reclaim their position of being globally competitive and once again be among the world's best and an industry that we can be proud of.



Bhoo P Gautam
Chairman

A sugarcane train with trucks makes its way to the Lautoka mill.

Executive Management

Deo Saran
Chief Executive Officer

Timoci Laqai
General Manager Corporate/ Administration and Company Secretary

Seru Vularika
General Manager Field Services

Shaneel Padarath
General Manager Finance (Acting)

Romulus Koster
Project Manager-Factory Upgrade

Mikaele Biukoto
General Manager Production Services

Rajneesh Lata Charan
Information Systems Manager

Vijendra P Sharma
Supply Chain Manager (Acting)

Ali Ubadutt
General Manager, Lautoka Mill

Bhan Pratap Singh
General Manager, Rarawai Mill, Ba.

Udai Nand
General Manager, Labasa Mill.

Sailasa Waitawa
General Manager (Acting), Penang Mill, Rakiraki.

Deo Saran
Chief Execuive Officer

Chief Executive Officer's Report

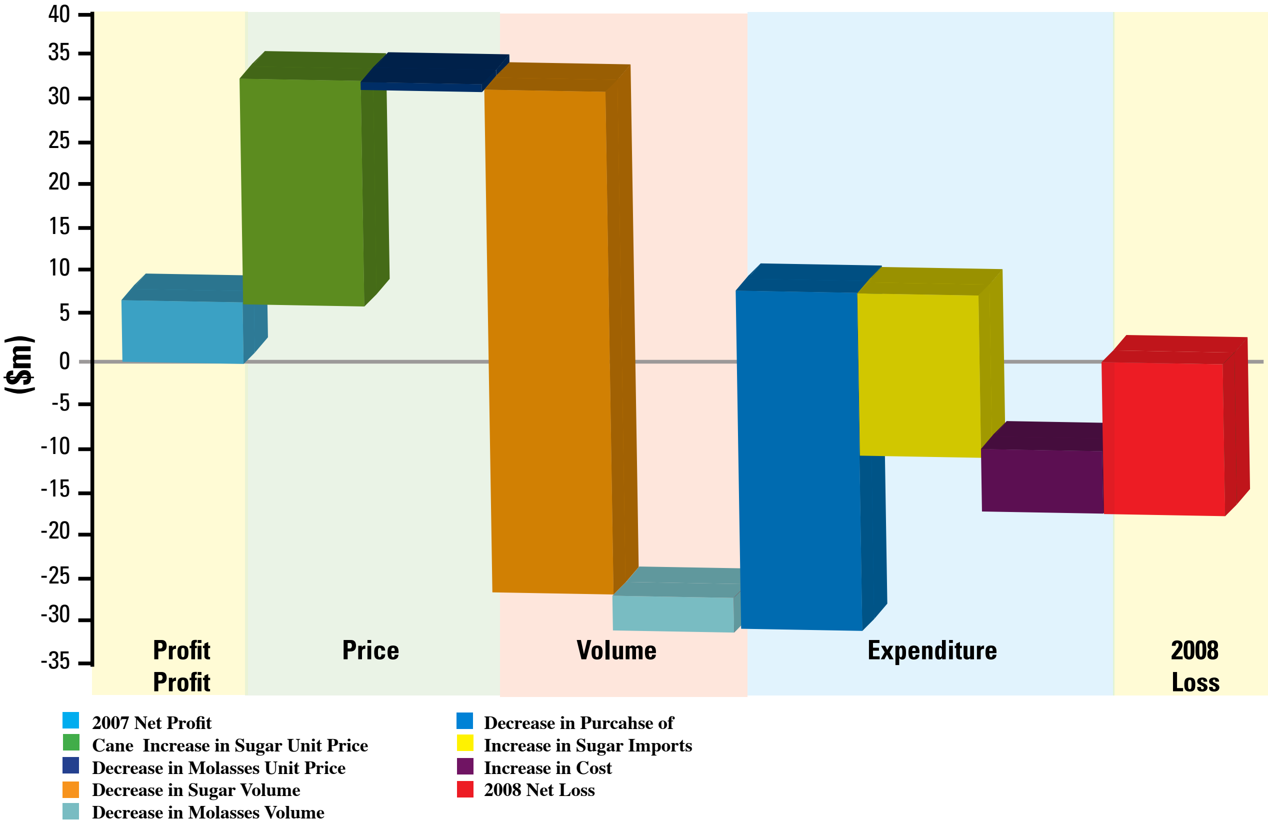
The year 2008 was a difficult year for the Corporation. While it was encouraging to see added focus on accelerating progress on Sugar Industry Reform programs, trading performance was disappointing which saw sharp decline in cane production and sugar make. Consequently, revenue also declined sharply resulting in one of the biggest operating losses in recent years. It is apparent that delays in implementation of various reform programs which are significantly behind schedule are now beginning to have adverse effect on the operating results of the Corporation.

REVIEW OF OPERATIONS

Trading

For the year under review, the Corporation's operating revenue decreased to $236.7 million compared to $274.3 million in the previous year. This was primarily due to a 23% decrease in sugar production which arose from a decrease in cane production of 22%. Average sugar price remained at around $858 per tonne as in the previous year.

CHANGES IN TRADING RESULTS



Operating loss for the year before net interest expense, share of loss from associate companies and income tax was $18.4 million compared to a profit of $7.3 million in the previous year. Net Loss for the year was $19.3 million, compared to a profit of $6.6 million in the previous year.

The huge decline in profitability was largely attributed to decline in production. Sugar production declined by 23% while molasses production by 35%, resulting in decline in revenue by $66.7 million.

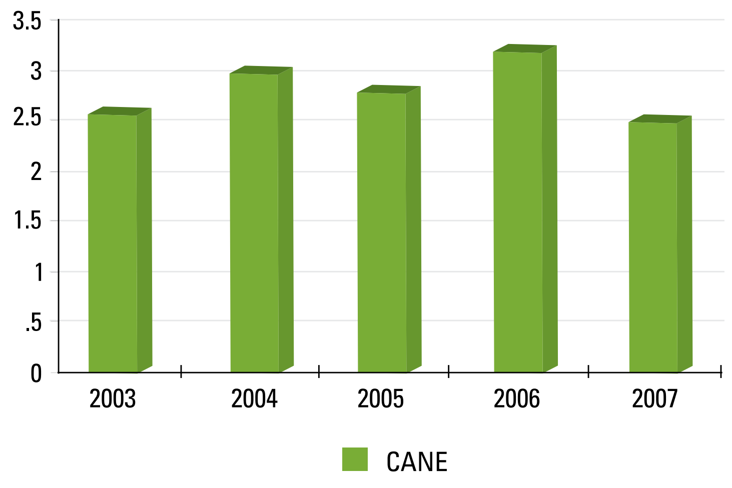
However, sugar price increased by 14% over the previous year while molasses price remained around the same levels, resulting in increase in revenue by $27.9 million.

Significant decrease in sugar production left the Corporation with no choice but to import 31,200 tonnes of sugar valued at $20.1 million. Savings in cane payment to growers arising principally from decline in cane production totalled $41.7 million.

Operating expenditure during the year increased by $8.7 million and was of real concern. This resulted primarily from increased maintenance costs in the factories which suffered major break downs during the season, write offs in respect of discontinued operations and projects and reduction in the reversal of the Impairment Charge.

Cane Production

Cane production for the 2007 season dropped to 2.5 million tonnes, compared to 3.2 million tonnes in the previous season. The harvest area decreased to 52,558 hectares giving an average yield of 47 tonnes per hectare, compared to 55,438 hectares and average yield of 58 tonnes per hectare in the previous season. The decline in production and yield was largely due to the onset of drought conditions during the traditionally drier period from late May to early September.



The significant decline in cane production which is expected to prevail if not addressed is of serious concern as milling operations are not sustainable at this level of production. A number of strategies is being undertaken by the Corporation and the Industry at large to increase cane production to levels that would optimise utilisation of milling capacities. Initiatives are also underway to bring vacant land and abandoned farms back into cane production.

Under their Accompanying Measures Program, the EU has provided a $ 1.35 million grant for cane replanting program. Launched in September 2007, the program has assisted in the planting of 747 hectares of new plant crops which will be available for harvest in 2008. Another 2,073 hectares is targeted to be planted in 2008 from the balance of fund.

The Industry through the Sugar Cane Growers Fund is also providing financial assistance to all farmers that wish to plant more cane, based on a criteria that would ensure sustainability. This is a major source of finance to the grower as the Fund was set specifically for this purpose.

The Farming Assistance Scheme that was set up to bring Fijian farmers into cane production is nearing completion. The unutilized funds will be reverted to Government.

Another major initiative is the setting up of Committee for Better Utilisation of Land (CBUL) Government has established this to examine the relevance, viability and acceptability or otherwise of NLTB's proposal for incentives to be offered to landowners. The committee has put in place taskforce groups at various mill centres to promote better utilisation of land by approaching landowners to give up their unutilised ALTA reverted lands, and available lands for lease to prospective tenants who can maximize farm returns.

It is encouraging to note that when the exercise was completed in June 2008, about 80% of ALTA leases expired are in the process of being reverted to cane land after approval being given by the land owning units. Indications are that leases expiring beyond 2008 will be reverted to cane farming. The initiative has also provided inroads on educating landowners of the benefits of cane farming.

Transportation

It is encouraging to see that during the year, cane transported by rail increased to 681,728 tonnes, representing 28% of total cane compared to 25% in the previous year. However, 21% of total cane which was originally carted by rail, is currently transported by lorry through conversions. Initiatives are being implemented to revert this conversion cane to rail cane which would take total rail cane to the targeted 50%.

This strategy supports the national objective to reduce congestion of traffic on the road and fuel imports as rail being a more economical mode of transportation. However, most growers prefer lorry transport as it is more convenient. It is envisaged that this will change once the efficiency of the rail system is improved to acceptable levels.

Major upgrading of the rail infrastructure, locomotives and cane trucks will be required to improve reliabilities and efficiencies of the rail transportation system. Given the scope and logistics of work involved, upgrading works will be undertaken over the next five years.

Burnt Cane

It is noteworthy that there was a marked decline in the burnt cane delivered to the mills. Burnt cane for the season was 31% compared to 52% in the previous year. Each of the mills recorded reductions but Labasa has set a target achieved last season of 25.6% for the rest of the mills to follow. While this is a significant improvement, the distribution of burnt cane remains a major problem where the burnt cane ratio increases sharply towards the end of the crushing season.

Inspite of every effort being made to bring harvested cane to the mill as quickly as possible, the occasional mill stoppages and less than desired operational efficiencies of the rail system, invariably results in delayed supply of burnt cane which seriously affected milling efficiencies.

An industry-wide initiative to be spearheaded by Sugar Commission of Fiji is desperately needed to address this perennial problem. Combined efforts with the Sugar Cane Growers Council to eliminate cane burning, by explaining the consequences both in terms of quality and processing costs, also remains a top priority.

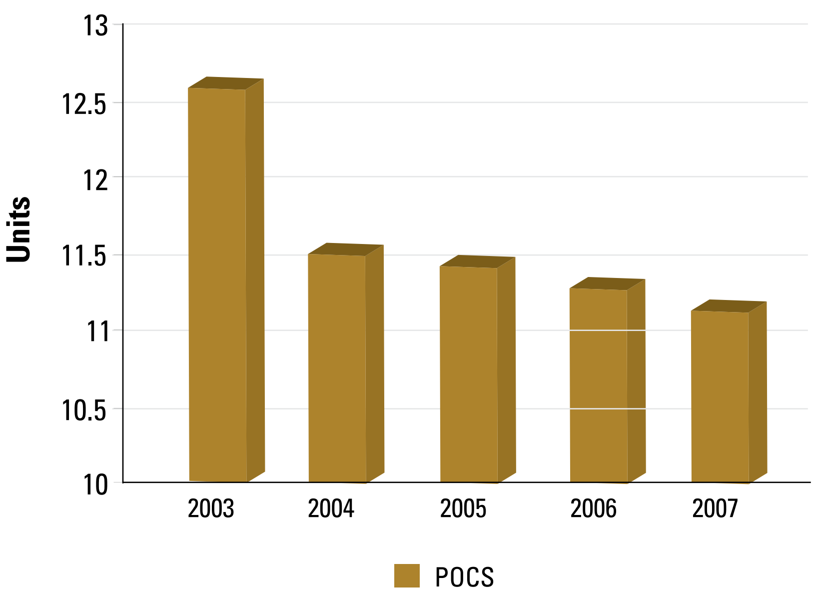
Harvesting and Delivery Trials

The Corporation recognizes the need to increase the efficiency of the cane harvesting and transport system to advance the industry's competitiveness in the international market with the expiry of preferential prices from the EU. Initiatives to reform the harvesting and transportation sectors which will have bearings on the ability to supply fresher cane to the mills is still slow. Trials have commenced, albeit slow due to resistance by the farmers on initial technical problems that are currently being sorted out.

In this regard Sugar Commission of Fiji is spearheading an industry initiative on harvesting and transportation trials. This will involve setting up of larger harvesting units of around 5 – 7,000 tonnes using prototype mechanical harvesting units and manual loading on to modified 10 tonne rail trucks.

Cane Quality

For the 2007 season POCS (Pure Obtainable Cane Sugar), a measure of cane quality, declined to 11.1 which was the lowest in the last five years. The Cane purity of 81.5 was the lowest in the last 6 years. The continual decline in the quality of raw material is a serious concern to the industry and should be given the highest priority by stakeholders. Fibre level also was lower by 0.2 unit compared to the previous year. The overall chemical qualities of cane was at its lowest. With the introduction of

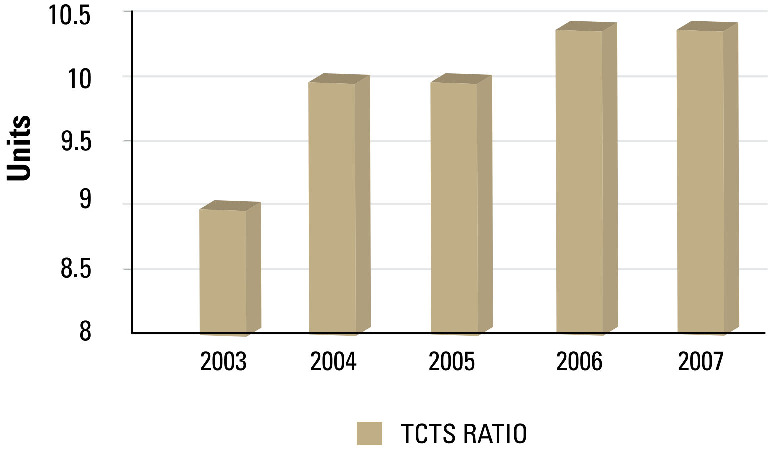


mechanical harvesters physical quality is being monitored closely and sampling of this cane will need to be strengthened. The Corporation, in partnership with Industry Stakeholders, will need to consolidate its efforts to improve these important parameters.

Milling Operations

During the season, weekly average crush increased slightly to 110,232 tonnes as compared to 110,134 tonnes in the previous season. However the average weekly operating hours declined to 112 which was one of the lowest in recent years, compared to 122 hours the previous season. This was attributed to both mill failures and insufficient cane supply resulting in mill stoppages. This is well below the expected weekly operating hours of 140 based on current operations.

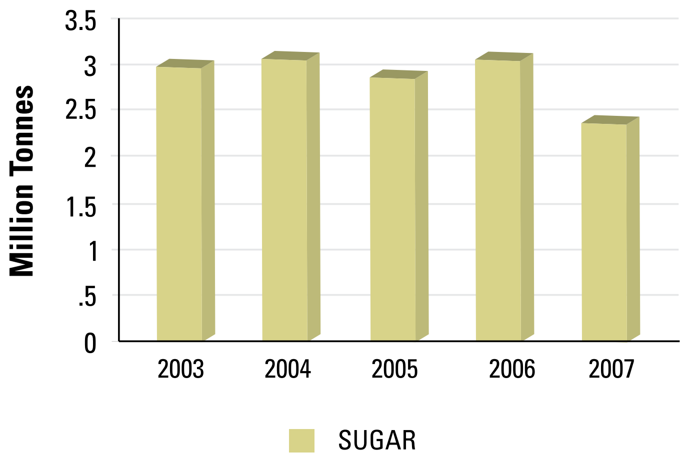
Tonnes cane per tonne sugar (TCTS) worsened to 10.44 compared to 10.36 in the previous year. Again this was attributed to decline in cane quality and milling efficiencies. Improvements are expected with the mill upgrades which are in progress and the reform of the field operations.



The Extractor Plant separates the juice from the sugarcane.

Sugar and Molasses Production

Sugar production for 2007 season was the lowest ever in history at 237,418 tonnes. This was well short of the more favourable 310,000 tonnes the previous year. However, the ten year average production up to 2005 season was 315,000 tonnes. The marked decline in sugar production is unacceptable as this is well below the level required for financial sustainability. While it is recognised that the sugar production is largely dependent on cane production and to some extent on milling efficiencies, concerted efforts from the Industry Stakeholders is required to bring production and efficiencies to expected levels.



Molasses production at a ratio of 4.6% on cane showed some improvement of 0.3 units over the previous year mainly due to the reduction in burnt cane delivered to the mills.

Sugar Quality

Except for the high dextran in sugar that is recorded when handling large volume of stale burnt cane especially toward the latter part of the crushing season there were no major issues raised by our buyers regarding sugar quality in 2007.

With the expected completion of the factory upgrades in May 2009 and the streamlining of harvesting and transportation of cane from the field to the factory major improvement will be further expected on our sugar quality.

Mill Upgrade Programme

The Corporation is upgrading its mills as part of the reform of the Sugar Industry. 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. The project is expected to cost $86.0 million and is financed by Export-Import Bank of India.

The Mill Upgrade Programme is almost 2 years behind schedule. However, during the year upgrading works were accelerated to avoid further delays. Most of the plant and equipment required for the Mill Upgrade Programme were acquired during the year. Civil works were nearing completion at the end of the financial year allowing commencement of construction works. Approximately 10% of the upgrading works were completed as at the end of the financial year. Further 50% will be completed by 31 December 2008 and the remaining works will be completed by 31 May 2009, in time for the commencement of the 2009 crushing season.

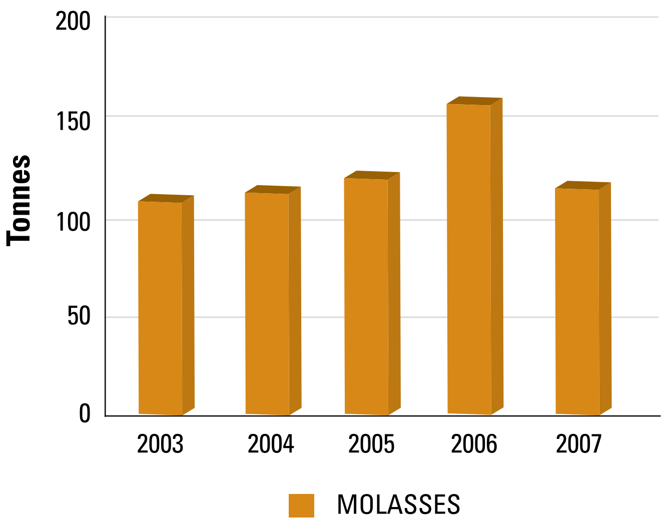
Capital Investments

The Corporation invested $10.5 million in fixed assets during the year as compared to $9.9 million in the previous year, in addition to $21.3 million investment in the Mill Upgrade Program. Total investment in Mill Upgrade Program at year end was $43.2 million, representing borrowings from EXIM Bank of India.

MARKETING

Sugar Exports

During the year, a total of 217,015 tonnes of sugar, comprising of 164,368 tonnes of Protocol sugar and 23,490 tonnes of Complementary Quantity sugar, representing 87% of exports, was sold to the United Kingdom, compared to 209,053 tonnes (80%) in the previous year. A total of 9,157 tonnes was sold to USA while for the world market, 20,000 tonnes was sold to Japan.



A total of 15,642 tonnes were exported to the regional markets. Domestic sales was 27,585 tonnes, compared to 21,587 in the previous year.

Sugar Imports

In view of the shortfall in the 2007 season sugar production, the decision was taken to import sugar for local consumption and sales into the regional markets to enable us to fully ship our preferential quota. A total of 31,200 tonnes sugar was therefore imported from India and this is currently being sold locally and into the region.

Due to the estimated shortfall in the 2008 season sugar production, arrangements are underway for importation of the full annual requirement of 45,000 tonnes for local and regional sales.

Sugar Protocol and Economic Partnership Agreement Negotiations

During the year, the European Commission made an offer on market access to the ACP States in the context of EPA negotiations on the basis of duty-free, quota-free for all products with the exception of sugar and rice. For these two products, duty-free, quota-free treatment was proposed to be phased in over a transition period from 2009-2015.

The EC's offer on the transition arrangements for sugar provided for Continuation of the Sugar Protocol until 30/09/2009 with guaranteed prices and additional market access for ACP non-LDCs parties to the Sugar Protocol.

Free access for ACP sugar has been allowed from 1 October 2009 to 30 September 2015 subject to an automatic volume safeguard clause. From 1 October 2015 ACP sugar would be duty-free, quota-free subject to a special safeguard clause.

As part of the Interim Economic Partnership Agreement between Fiji and the European Union, the additional tariff rate quota at zero duty for sugar for the 2008/09 marketing year for the Pacific States was increased from 10,000 to 30,000 tonnes following intensive negotiations.

A series of joint ACP-EC technical meetings, to jointly address the various implementation issues related to the new sugar arrangements under EPAs. After discussions among ACP countries and sugar industry stakeholders, the ACP countries have advised the European Commission of their preferred approach on some of these implementation issues.

These relate to a regional approach to manage safeguard thresholds, a global approach to the ACP guaranteed price negotiations for the three years till the period ending September 2009 and the ACP preference for the opening of 125% of the Sugar Protocol agreed quantities by May 2008 for the full 15 months covering the July 2008 – September 2009 period. Discussions on the above issues are on-going.

Long Term Contract with Tate & Lyle

During the year negotiations were held with various interested Buyers of Fiji sugar into the European Union with the view of entering into a long term arrangement with a preferred partner.

Fiji's annual quota under the Sugar Protocol to the EU amounts to 165,348 tonnes white value which equates to about 172,500 tonnes raw sugar. Fiji's total quota has historically been shipped to Tate & Lyle Sugar since the inception of the Sugar Protocol in 1975. Apart from the above quota, Fiji normally ship additional sugar to the EU market through re-allocation of shortfalls and via allocation under the Special Preferential Sugar (SPS) and subsequently Complementary Quantity (CQ) arrangement.

During this period wide consultations were held with Sugar Brokers, Freight Brokers, FSM Brussels office and our other ACP colleagues in order to determine best strategy to fully evaluate the various proposals on hand.

After careful evaluation of the proposals and based on recommendation by Fiji Sugar Marketing the Corporation decided to enter into a Long Term Agreement with our current buyer, Tate & Lyle Sugar. The agreement came into effect from 1 March 2008 to 30 September 2015.

Annual value of the contract based on annual tonnage of 250,000 tonnes and the reference price of €335.2 per tonne is €83.80 millions. The total value of the contract to 2015 will be around €502.80 million or FJ$1.13 billion.

World Market

The world market was under pressure for much of 2007. The Indian export programme had previously been restricted by the range of regional destinations willing to accept Indian whites. These exports totalled around 1.8 million tonnes in the 2006/07 season but the 2007/08 season is likely to see exports of around 4 million tonnes in total as a result of India's raw sugar export programme.

Meanwhile, the 2007 production cycle in CS Brazil, the biggest global producer, came to an orderly end in November, with the final cane reaching 431 million tonnes, or 11 million tonnes ahead of the mid-season estimate. Sugar production totalled 26.2 million tonnes, compared to 25.7 million tonnes last year, as most of the growth in cane availability was absorbed by the ethanol balance.

Nonetheless, the Brazil sugar export programme ran into trouble during the fourth quarter, with exports down 1.2 million tonnes on last year as a direct result of higher futures prices and Indian raw sugar sales capturing markets. The first quarter 2008 has also seen a decline in Brazilian shipments as a consequence of Russia's seasonal import duty restricting demand during this period.

In the medium term, forthcoming CS Brazil harvest is expected to generate yet another record cane crop with estimates approaching 500 million tonnes of cane. This will undoubtedly keep the market capped as stock levels rise. Though analysts are expecting the balance sheet to tighten in 2009, stocks are likely to be carried forward which will continue to keep cash market values at a discount to futures prices.

Much off the positive forward sentiment in the market is linked to ethanol. US demand for bio-ethanol seems set to become an increasingly important factor for the sugar market. While biofuels have recently received some criticism in the press, particularly in Europe, cane ethanol is likely to emerge stronger as a result of the debate on the benefits of differing feedstocks.

Molasses

During the year a total of 102,768 tonnes of molasses was exported with a little over 50% being exported to Caribbean Ports and the balance to Korea and New Zealand.

HUMAN RESOURCES

Industrial Relations

Relations with the employees and Unions remained cordial. Issues that came up were solved amicably through dialogue. Regular meetings and informal discussions ensured that concerns were addressed in time and were not allowed to turn into disputes.

Training and Development

Training and Development continues to be a major area of focus to ensure that our workforce are equipped with the relevant skills, knowledge and attitude in order for them to perform their duties effectively and efficiently. The major focus on training during the year was on technical training and behavioral skills since we believe that developing our employees is essential to the Corporation's overall success.

A total of 105 training programs were conducted during the year in which 1358 employees and staff were trained. The average cost per participant trained was $300.

The Corporation remains committed to its apprentice training programs. A total of 47 apprentices graduated in their respective trades in November, 2007. Our apprentices featured prominently during the graduation ceremony by winning 13 of the 25 awards at stake including the Second Runner Up, First Runner Up and the Best Overall Apprentice.

Occupational Health and Safety

Our Occupational Health and Safety program has been the core of the way we run our business. With the introduction of our OHS Management

Technician monitoring machines in the boiler control room to ensure availabililty of steam.

System since 2004 which aims at behavioral-based safety processes, there has been significant improvement in our safety performance and the Corporation remains committed to further this improvement in future.

RISK MANAGEMENT

Risk Management plays a vital role to our operation and all risks are being continuously monitored and systematically managed by using established framework and processes in Risk Management.

ENVIRONMENT

Environment remains an area of concern for the Corporation. The Corporation clearly understands its responsibilities on this and an all out effort has been made throughout the year to minimize discharges resulting from our operations that may affect the environment. Major environment capital projects have been integrated with the current Mill Upgrade Program to fully address pertinent issues in this area.

INFORMATION SYSTEMS

During the year efforts at the Information Systems Centre have focused mainly on quality service delivery, system enhancements, new applications developments and strengthening the aging ICT infrastructure.

Some significant projects undertaken by the department has been automation and decentralization of debit (commodity) inputs, Computerization of accelerated cane planting program, Design and Implementation of Social Security Benefit Fund for Staff Officers, Design of Farm Allocation System (FATS), Enhancements to the Land Lease Register System, Enhancements to IT Asset/Inventory Management System, Enhancements to Supply Chain Management system and Development of GIS based database for SRIF based on a scientific model.

We continued to support the ICT related needs, infrastructure and provide consultancy services for other industry stakeholders such as SCGF, SIT, SCOF, SRIF SCGC and all FSC trade unions. Apart from supporting the other Industry stakeholders we continued supporting ICT needs for other customers.

RESEARCH

During the year activities of the Research Centre were transferred to the Sugar Research Institute of Fiji. Arrangements were put in place to ensure effective dissemination of research information to the farmers for application in the field.

CRITICAL SUCCESS FACTORS AND STRATEGIC DIRECTION

There were no significant changes or progress on the Corporation's critical success factors and its strategic direction during the year. The operating results for the year further underscored the need to pursue these issues with greater urgency to enable the Corporation to position itself for the challenges and opportunities that lie ahead.

Programmers and system analysts at the FSC's Information Systems Centre.

Mill Upgrade Program

It is crucial that the upgrading of the mills is completed by mid 2009 as it is already delayed by almost two years. Further delays would have serious operational and financial consequences to the Corporation considering its debt servicing obligations on the investments in the mills.

Cane Production

The sharp decline in cane production for the 2007 season which is also expected to prevail for the 2008 season is of major concern. A plan to increase cane is in place which will require change in direction and significant investments in the field. With the temporary suspension of EU grants which were targeted for investments in the field alternative funding will be required to provide necessary assistance and support the farmers to increase cane production to required levels.

Harvesting and Transportation Operations

In addition to increasing cane production adequate supply of quality cane to the mills will be critical for the mills to achieve desired efficiency levels. This is now emerging as a major problem and needs to be addressed urgently. The field function will need to be re-organised to provide a one-stop shop service to the farmers on all field, harvesting and transportation operations.

Diversification Projects

Diversification projects such as cogeneration and production of ethanol are significantly behind schedule and will need to be completed by mid 2010. These value adding projects were relied heavily to negate the effect of reduction in the protocol sugar price.

The Corporation owns significant areas of prime land which need to be developed to realise their full potential and maximise its shareholder value.

Organisational Initiatives

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

The Future

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

Given the geographic location in terms of remoteness from the market and its size, the industry will continue to face huge challenge to compete in the world market. This coupled with the decline in sugar price will mean the Corporation will need to re-position itself if it is to continue to provide growth in the rural sector and strengthening of the country's economic base that it has always provided.

These developments certainly present huge challenges for the Corporation. Fortunately with these challenges lie the opportunities that can turnaround the Corporation. To achieve this, the Corporation will need to become a fully integrated sugar and energy company by 2011. The Corporation will need to shift its focus to renewable energy as returns from sugar become marginal and at the same time develop the flexibility to maximise its shareholder returns. Herein lies the future for the Corporation. Guided by a shared vision and direction, the Corporation certainly has the resources, capabilities and the commitment of its people to realise these opportunities.

ACKNOWLEDGEMENT

In retrospect the year under review was a difficult one for the Corporation. I would like to thank our employees for their commitment and efforts during the year and our cane farmers for supporting our operations through these difficult times. In light of the unsatisfactory operating results we can draw on the experiences gleaned from the year and shoulder responsibilities for improving our performances in the future and accelerating progress on sugar industry reform programs.

Deo Saran
Chief Executive Officer

The quality of the juice from the sugarcane is constantly tested in the Mill's laboratory.

FINANCIAL STATEMENTS

Directors' Report

In accordance with a resolution of the board of directors, the directors herewith submit the balance sheet of The Fiji Sugar Corporation Limited (the Corporation) and of the Group as at 31 May 2008 and the related income statement, statement of movements in equity and cash flow statement for the year then ended and report as follows:

Directors

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

Mr. Bhoo Prasad Gautam (Chairman)
Mr. Peni Sikivou (Deputy Chairman)
Mr. Marika Gaunavou
Mr. Krishna Prasad
Mr. Arvind Singh
Mr. Kamlesh Chandra
Mr. Osea Naiqamu

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

Principal Activities
The Corporation owns and operates four sugar mills and is involved in the purchase of cane, manufacture and sale of sugar.

Principal activities of subsidiary companies are as follows:

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

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

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

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

Results
The consolidated results of the group are summarized below:

	2008	IFRS Restated 2007
	$	$
Operating profit / (loss)	(18,836,993)	4,400,895
Provision for inventory obsolescence	(934,117)	(160,000)
Reversal of impairment loss on plant and equipment	550,358	3,685,013
Share of losses from associates	(510,244)	(1,035,219)
Operating profit / (loss) before income tax	(19,730,996)	6,890,689
Income tax (expense) / benefit	399,960	(299,230)
Net profit / (loss) for the year	(19,331,036)	6,591,459

Directors' Report [cont'd]

Application of International Financial Reporting Standards (IFRS)

These financial statements are the first financial statements for the Corporation and the Group prepared in accordance with IFRS. IFRS 1: "First-time Adoption of International Financial Reporting Standards" has been applied in preparing these financial statements.

Financial statements of the Corporation and the Group until 31 May 2007 had been prepared in accordance with Fiji Accounting Standards (FAS). FAS differ in certain respects from IFRS. When preparing 2008 financial statements for the Group, management has amended certain accounting, measurement and valuation methods applied in the FAS financial statements to comply with IFRS. The comparative figures in respect of 2007 have been restated to reflect these adjustments.

Dividends
The directors recommend that no dividends be declared for the year ended 31 May 2008.

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

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

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

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

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

Basis of Accounting
The financial statements have been prepared on a going concern basis on the assumption that the Corporation and the Group will generate adequate profits and cash flows 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.

Directors' Report [cont'd]

Basis of Accounting (cont'd)
Furthermore, notwithstanding political events which have occurred in Fiji since December 2006, 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 carrying amounts of the assets and liabilities as stated in the financial statements to be appropriate.

Unusual Transactions
The results of the operations of the Group or any company in the Group during the financial year have not in the opinion of the directors been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

Events Subsequent To Balance Date
Subsequent to balance date, on 12 June 2008, the Corporation secured domestic funding for its working capital requirements through issuance of promissory notes for a total face value of $15 million. The tenor of these promissory notes was for 82 days and these promissory notes are due for redemption on 2 September 2008.

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

Other Circumstances
As at the date of this report:

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

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

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

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

Directors' Report [cont'd]

Directors' Benefits

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

Signed in accordance with a resolution of the Board of Directors this 3rd day of September 2008.

For and on behalf of the Board:

....
Director

....
Director

Statement by Directors

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

(a) the accompanying income statement of the Corporation and of the Group 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 2008;

(b) the accompanying balance sheet of the Corporation and of the Group 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 2008;

(c) the accompanying statement of movements in equity of the Corporation and of the Group 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 2008;

(d) the accompanying cash flow statement of the Corporation and of the Group 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 2008,

(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 and the companies in the Group.

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

Dated this 3rd day of September 2008

....
Director

....
Director

G.LAL + CO.

CHARTERED ACCOUNTANTS

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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 2008 as set out on pages 32 to 71. 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 International Financial Reporting Standards and the Companies Act, 1983 so as to present a view which is consistent with our understanding of the Corporation's and the Group's financial position, the results of its operations, cash flows and movements in the shareholders' equity.

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

Audit Opinion

In our opinion:

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

(b) the accompanying financial statements of the corporation and the group which have been prepared in accordance with International Financial Reporting Standards:

  i) are in agreement with the books of account;

  ii) to the best of our information and according to the explanations given to us:

    (a) give a true and fair view of the state of affairs of the Corporation and the Group as at 31 May 2008 and of the results, movements in shareholders' equity and cash flows of the Corporation and of the Group for the year ended on that date; and

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

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

Independent Audit Report (cont'd)

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

Emphasis of Matter

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

1. Inherent Uncertainty regarding Continuation as a Going Concern

As referred to in note 2.1 (d) to the financial statements which refers to the basis of preparation of accounts on a going concern basis, and note 21 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 are dependent upon successful implementation of the initiatives and strategies as outlined in note 21.

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

G Lal & Co

SUVA, FIJI
3 September 2008

CHARTERED ACCOUNTANTS.

Income Statement
For The Year Ended 31 May 2008

	Notes	Consolidated		Holding Company	
		2008	IFRS Restated 2007	2008	IFRS Restated 2007
		$	$	$	$
Turnover		234,900,119	274,253,268	234,900,119	274,253,268
Less: Cost of sales		(246,474,825)	(262,814,577)	(246,474,825)	(262,814,577)
Gross profit / (loss)		(11,574,706)	11,438,691	(11,574,706)	11,438,691
Other income		3,278,015	240,923	3,278,015	240,923
Administrative expenses		(6,926,084)	(6,535,798)	(6,918,999)	(6,467,663)
Other expenses		(2,802,240)	(1,416,166)	(2,802,240)	(1,416,166)
Provision for inventory obsolescence		(934,117)	(160,000)	(934,117)	(160,000)
Reversal of impairment loss on plant and equipment	10(d)	550,358	3,685,013	550,358	3,685,013
		(6,834,068)	(4,186,028)	(6,826,983)	(4,117,893)
Profit / (Loss) from operations	5	(18,408,774)	7,252,663	(18,401,689)	7,320,798
Finance income	6	294,421	1,248,302	292,057	1,243,789
Finance costs	6	(1,106,399)	(575,057)	(1,106,399)	(575,057)
Share of losses from associate companies	11(c)	(510,244)	(1,035,219)	(577,750)	(1,100,396)
Profit / (loss) before income tax		(19,730,996)	6,890,689	(19,793,781)	6,889,134
Income tax (expense) / benefit	8(b)	399,960	(299,230)	399,960	(303,860)
Net profit / (loss) for the year		(19,331,036)	6,591,459	(19,393,821)	6,585,274
Basic earnings / (loss) per share	9	(0.44)	0.15		
Diluted earnings / (loss) per share	9	(0.44)	0.15		

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

Balance Sheet
As At 31 May 2008

	Notes	Consolidated 2008 $	Consolidated IFRS Restated 2007 $	Holding Company 2008 $	Holding Company IFRS Restated 2007 $
Non-current assets					
Property, plant and equipment	10	220,830,391	191,498,632	220,830,391	191,498,632
Available-for-sale financial assets	11	2,575,047	3,129,186	1,792,553	2,334,718
Inventories	12	6,946,054	5,775,768	6,946,054	5,775,768
Total non-current assets		230,351,492	200,403,586	229,568,998	199,609,118
Current assets					
Inventories	12	13,639,736	10,722,793	13,639,736	10,722,793
Trade and other receivables	13	15,865,864	24,920,952	15,786,383	25,038,741
Short term deposits		8,534,533	8,280,225	8,534,533	8,280,225
Cash on hand and at bank		5,093,907	5,505,944	5,093,108	4,813,702
Total current assets		43,134,040	49,429,914	43,053,760	48,855,461
Total assets		273,485,532	249,833,500	272,622,758	248,464,579
Shareholders' equity					
Share capital	15	22,199,999	22,199,999	22,199,999	22,199,999
Share of reserve in associate company		35,585	-	35,585	-
Retained earnings		125,579,943	144,912,552	124,061,887	143,455,708
Total shareholders' equity		147,815,527	167,112,551	146,297,471	165,655,707
Non-current liabilities					
Borrowings	16	43,204,157	26,812,663	43,204,157	26,812,663
Deferred income	17	1,115,667	1,290,027	1,115,667	1,290,027
Deferred tax liability	8(c)	25,872,695	25,570,047	25,872,695	25,570,047
Provisions	18	2,047,954	2,259,305	2,047,954	2,259,305
Total non-current liabilities		72,240,473	55,932,042	72,240,473	55,932,042
Current liabilities					
Borrowings	16	17,591,969	-	18,247,251	100,005
Provisions	18	2,939,444	3,236,099	2,939,444	3,224,017
Trade and other payables	19	32,898,119	23,552,808	32,898,119	23,552,808
Total current liabilities		53,429,532	26,788,907	54,084,814	26,876,830
Total equity and liabilities		273,485,532	249,833,500	272,622,758	248,464,579

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

For and on behalf of the Board

....
Director

....
Director

Statement Of Movements In Shareholders' Equity For The Year Ended 31 May 2008

	Notes	Share Capital	Reserves	Share of Reserve in Associate	Retained Earnings	Total
Consolidated		$	$		$	$
Balance as at 31 May 2006 as per Fiji Accounting Standards as reported in 2006		22,199,999	126,425,303	-	21,257,143	169,882,445
Adjustments as on 1 June 2006 as per IFRS 1 – First time adoption of IFRS		-	(126,425,303)	-	117,061,602	(9,363,701)
Balance under IFRS as at 1 June 2006		22,199,999	-	-	138,318,745	160,518,744
Changes in equity for 2007						
Foreign currency translation adjustment		-	-	-	2,348	2,348
Net profit for the year		-	-	-	6,591,459	6,591,459
Balance at 31 May 2007		22,199,999	-	-	144,912,552	167,112,551
Changes in equity for 2008						
Foreign currency translation adjustment		-	-	-	(1,573)	(1,573)
Recognition of share of post acquisition movement in investment revaluation reserve of associate company	11(c)	-	-	35,585	-	35,585
Net loss for the year	5	-	-	-	(19,331,036)	(19,331,036)
Balance at 31 May 2008		22,199,999	-	35,585	125,579,943	147,815,527
Holding Company						
Balance as at 31 May 2006 as per Fiji Accounting Standards as reported in 2006		22,199,999	126,425,303	-	19,808,832	168,434,134
Adjustments as on 1 June 2006 as per IFRS 1 – First time adoption of IFRS		-	(126,425,303)	-	117,061,602	(9,363,701)
Balance under IFRS as at 1 June 2006		22,199,999	-	-	136,870,434	159,070,433
Changes in equity for 2007						
Net profit for the year		-	-	-	6,585,274	6,585,274
Balance at 31 May 2007		22,199,999	-	-	143,455,708	165,655,707
Changes in equity for 2008						
Recognition of share of post acquisition movement in investment revaluation reserve of associate company	11(c)	-	-	35,585	-	35,585
Net loss for the year	5	-	-	-	(19,393,821)	(19,393,821)
Balance at 31 May 2008		22,199,999	-	35,585	124,061,887	146,297,471

a) The retained earnings balance as at 1 June 2006 and 31 May 2007 have been restated in accordance with IFRS 1: "First Time Adoption of International Financial Reporting Standards" (Refer note 2 and 26).

b) Net profit for the year ended 31 May 2007 has been restated on transition to IFRS from Fiji Accounting Standards (Refer note 2 and 26).

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

Cash Flow Statement
For The Year Ended 31 May 2008

	Consolidated		Holding Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Cash flows from operating activities				
Receipts from customers and other operating activities	245,951,747	258,824,156	245,951,747	258,558,084
Payments to suppliers, employees and for operating activities	(244,969,242)	(252,886,051)	(244,827,976)	(252,575,108)
Cash generated from operations	982,505	5,938,105	1,123,771	5,982,976
Interest received	374,325	1,165,872	371,961	1,161,359
Income tax refund received	702,608	13,483	702,608	-
Interest and other cost of finance paid	(2,419,225)	(1,076,766)	(2,419,225)	(1,076,766)
Net cash flows provided by / (used in) operating activities (Note 14(a))	(359,787)	6,040,694	(220,885)	6,067,569
Cash flows from investing activities				
Payments for property, plant and equipment	(36,739,873)	(18,063,281)	(36,739,873)	(18,063,281)
Proceeds from sale of property, plant and equipment	80,683	71,088	80,683	71,088
Net cash flows used in investing activities	(36,659,190)	(17,992,193)	(36,659,190)	(17,992,193)
Cash flows from financing activities				
Proceeds from Export Import Bank of India loan	21,260,306	19,602,042	21,260,306	19,602,042
Proceeds from Sugar Cane Growers Fund loan	15,598,206	-	15,598,206	-
Proceeds from related entity advances, net of repayment	-	-	555,277	-
Net cash flows provided by financing activities	36,858,512	19,602,042	37,413,789	19,602,042
Net increase / (decrease) in cash and cash equivalents	(160,465)	7,650,543	533,714	7,677,418
Effect of exchange rate movement on cash and cash equivalents	2,736	1,055	-	-
Cash and cash equivalents at the beginning of the financial year	13,786,169	6,134,571	13,093,927	5,416,509
Cash and cash equivalents at the end of the financial year (Note 14(b))	13,628,440	13,786,169	13,627,641	13,093,927

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

Notes to and Forming Part of The Financial Statements For The Year Ended 31 May 2008

1. GENERAL INFORMATION

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

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

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

Subsidiary companies

Principal activities of subsidiary companies are as follows:

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

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

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

Statement of compliance

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

These financial statements were authorised for issue by the directors on 3rd September, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of accounting

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

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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

2.1 Basis of accounting (Cont'd)

a) Application of IFRS 1: First-time adoption of International Financial Reporting Standards

These financial statements are the first financial statements for the Corporation and the Group prepared in accordance with IFRS. IFRS 1: "First-time Adoption of International Financial Reporting Standards" has been applied in preparing these financial statements.

Financial statements of the Corporation and the Group until 31 May 2007 had been prepared in accordance with Fiji Accounting Standards (FAS). FAS differ in certain respects from IFRS. When preparing the 2008 financial statements for the Group, management has amended certain accounting, measurement and valuation methods applied in the FAS financial statements to comply with IFRS. The comparative figures in respect of 2007 have been restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from FAS to IFRS on the Group's equity and its net income are given in note 26.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them. No significant impact is expected to arise out of these standards, amendments and interpretations.

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14.
- IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008).

c) Economic uncertainty

Notwithstanding the political events which have occurred in Fiji, since December 2006, 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 carrying amounts of the assets and liabilities as stated in the financial statements to be appropriate.

d) Going concern basis of accounting

The financial statements have been prepared on a going concern basis on the assumption that the corporation and the group will generate adequate profits and cash flows 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.

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.

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

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

2.2 Basis of consolidation

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

Accounting for Subsidiaries

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

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

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

Investment in associates

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

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

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

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

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

2.3 Borrowings

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

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

2.4 Borrowing costs

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

2.5 Cash and cash equivalents

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

2.6 Comparatives

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

2.7 Dividend income

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

2.8 Earnings per share

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.

Diluted earnings per share

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

Notes to and Forming Part of The Financial Statements [cont'd]
For The Year Ended 31 May 2008

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

2.9 Employee benefits

Wages and salaries

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

Annual leave and sick leave

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

Long service leave

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

Defined contribution plans

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

2.10 Financial assets

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

(a) Loans and receivables

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

(b) Held-to-maturity investments

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

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

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

2.10 Financial assets (Cont'd)

(c) Available-for-sale financial assets

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

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

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

Dividends on available-for-sale equity instruments other than equity investments in associate companies, are recognised in the income statement as part of other income when the Group's right to receive payments is established.

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

2.11 Foreign currency translation

(a) Measurement currency

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

(b) Transaction and balances

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

(c) Group companies

Income statements and cash flows of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling on 31 May 2008.

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

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

2.12 Government grants

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

2.13 Impairment of non-financial assets

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

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

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

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

2.14 Income tax

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

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

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

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

2.14 Income tax (Cont'd)

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax for the period

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

2.15 Inventories

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

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

2.16 Leases

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

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

2.17 Property, plant and equipment

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

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

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

Notes to and Forming Part of The Financial Statements [cont'd]
For The Year Ended 31 May 2008

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

2.17 Property, plant and equipment (Cont'd)

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

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

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

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

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

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

Capital works in progress principally relates to costs and expenses incurred for 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.

2.18 Provisions

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

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

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

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

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

2.18 Provisions (Cont'd)

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

2.19 Revenue recognition

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

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

Interest income

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

Dividend income

Dividend income from investments is recognised when the right to receive payment is established.

2.20 Segment reporting

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

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

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

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

2.21 Trade receivables

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

Subsequent recoveries of amounts previously written off are credited in the income statement.

2.22 Trade payables

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

2.23 Value Added Tax (VAT)

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(i) Foreign exchange risk (Cont'd)

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

(ii) Price risk

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

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

(iii) Regulatory risk

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

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

(iv) Cash flow and fair value interest rate risk

The Group has interest-bearing assets in the form of short-term deposits. These are at fixed interest rates and hence there are no interest rate risks during the period of investment. For re-investment of short and long term deposits, the Group negotiates an appropriate interest rate with the banks and invests with the bank which offers the highest interest return.

Given the fixed nature of interest rates described above, the Group has a high level of certainty over the impact on cash flows arising from interest income. Accordingly, the Group does not require simulations to be performed over impact on net profits arising from changes in interest rates.

The Group also has significant interest-bearing borrowings. These are at floating rates based on "US Dollar London Inter Bank Offered Rate (LIBOR)".

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

(b) Credit risk

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

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (Cont'd)

(c) Liquidity risk

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

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

	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
At 31 May 2008	**$**	**$**	**$**	**$**
Borrowings	17,591,969	4,070,067	16,949,221	22,184,869
Trade and other payables	32,898,119	-	-	-
At 31 May 2007				
Borrowings	-	21,183,363	10,054,749	14,574,551
Trade and other payables	23,552,808	-	-	-

3.2 Capital risk management

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

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

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

The gearing ratios at 31 May 2008 and 2007 were as follows:

	2008	2007
	$	**$**
Total borrowings (note 16)	60,796,126	26,812,663
Less: Cash on hand and at bank	(5,093,907)	(5,505,944)
Less: Short term deposits	(8,534,533)	(8,280,225)
Net debt	47,167,686	13,026,494
Total equity	147,815,527	167,112,551
Total capital (total equity plus net debt)	194,983,213	180,139,045
Gearing ratio (net debt / total capital x 100)	24%	7%

The movement in the gearing ratio during 2008 resulted primarily from increased borrowings in relation to the mill upgrade and mill modernisation program.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.3 Fair value estimation

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

4.1 Critical accounting estimates and judgments

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

(a) Impairment of accounts receivable

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

(b) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment of all property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment and when there are indicators that the carrying amount may not be recoverable, reasonable provision for impairment are created. For the year ended 31 May 2008, no additional provision for impairment has been made as the Group reasonably believes that no indicators for impairment exists. However, for the year ended 31 May 2008 provision for impairment created in prior years amounting to $580,358 were reversed. (Refer note 10)

(c) Deferred tax assets

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

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

	Consolidated 2008 $	Consolidated Restated 2007 $	Holding Company 2008 $	Holding Company Restated 2007 $
5. PROFIT / (LOSS) FROM OPERATIONS				
Profit / (loss) from operations have been arrived at after crediting the following items:				
Amortisation of government grants (note 17)	174,360	174,360	174,360	174,360
Gain on sale of property, plant and equipment	62,988	63,303	62,988	63,303
Unrealised foreign exchange gain	3,032,757	-	3,032,757	-
Profit / (loss) from operations have been arrived after charging the following expenses:				
Auditors remuneration for:				
- Audit services	66,000	69,356	64,000	64,000
- Other services	5,000	5,000	5,000	5,000
Bad debts written off	52,244	14,630	52,244	14,630
Depreciation and amortisation:				
- Leasehold land, building and improvements	1,579,807	1,551,311	1,579,807	1,551,311
- Plant, machinery and equipment	9,634,716	10,029,575	9,634,716	10,029,575
- Motor vehicles and transport systems	1,522,546	1,506,215	1,522,546	1,506,215
Directors' emoluments for:				
- Services as directors	42,523	59,346	42,523	59,346
- Other services	-	58,656	-	36,957
Fixed assets written off	2,568,640	779,212	2,568,640	779,212
Provision for impairment of receivables	22,248	116,329	22,248	116,329
Provision for litigation claims	137,000	263,000	137,000	263,000
Provision for inventory obsolescence	934,117	160,000	934,117	160,000
Staff costs (note 7)	36,877,441	36,450,594	36,877,441	36,428,528
Unrealised foreign exchange loss	22,109	168,026	22,109	168,026
6. FINANCE INCOME AND COSTS				
FINANCE INCOME				
Interest income	294,421	1,248,302	292,057	1,243,789
FINANCE COSTS				
Interest expense:				
- Secured borrowings	(429,508)	(396,593)	(429,508)	(396,593)
- Others	(676,891)	(178,464)	(676,891)	(178,464)
	(1,106,399)	(575,057)	(1,106,399)	(575,057)

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

	Consolidated		Holding Company	
		Restated		Restated
	2008	2007	2008	2007
	$	$	$	$
7. STAFF COSTS				
Wages and salaries	33,573,113	32,791,349	33,573,113	32,791,349
Other employee benefits	3,781,127	3,581,419	3,781,127	3,559,353
	37,354,240	36,372,768	37,354,240	36,350,702
Less: staff costs associated with capital works	(847,892)	(213,447)	(847,892)	(213,447)
	36,506,348	36,159,321	36,506,348	36,137,255
Provisions for employee benefits	371,093	291,273	371,093	291,273
Total staff costs	36,877,441	36,450,594	36,877,441	36,428,528
Number of permanent employees as at balance date. This increases by approximately 650 employees during the crushing period.	1,729	1,756	1,729	1,755
8. INCOME TAX				
(a) Income tax (expense) / benefit				
Deferred tax liability	(302,648)	(268,487)	(302,648)	(268,487)
Over / (Under) provision in prior years	702,608	(30,743)	702,608	(35,373)
Income tax (expense) / benefit	399,960	(299,230)	399,960	(303,860)

8. INCOME TAX (CONT'D)

(b) Numerical reconciliation of income tax (expense) / benefit to prima facie tax payable

	Consolidated 2008 $	Consolidated Restated 2007 $	Holding Company 2008 $	Holding Company Restated 2007 $
Profit / (loss) before income tax expense	(19,730,996)	6,890,689	(19,793,781)	6,889,134
Tax (expense) / benefit at the Fiji tax rate of 31%	6,116,609	(2,136,114)	6,136,072	(2,135,631)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-deductible expenses	(280,260)	(438,160)	(280,260)	(438,160)
Amortisation of government grant	54,052	54,052	54,052	54,052
Exempt income	20,927	20,205	-	-
Difference in overseas tax rates	-	1,138	-	-
Deferred tax assets in respect of tax losses and temporary differences not brought into account, net	(6,213,976)	(20,860)	(6,212,512)	-
Realisation of previously un-recognised tax losses and temporary differences	-	2,251,252	-	2,251,252
Over / (Under) provision in prior years	702,608	(30,743)	702,608	(35,373)
Income tax (expense) / benefit	399,960	(299,230)	399,960	(303,860)

(c) Deferred tax liability

	Consolidated 2008 $	Consolidated Restated 2007 $	Holding Company 2008 $	Holding Company Restated 2007 $
The following provides a breakdown of deferred tax liabilities as at balance sheet date:				
Unrealised gains on stock of sugar and molasses	562,706	348,464	562,706	348,464
Unrealised foreign exchange gain	940,155	-	940,155	-
Difference between accounting and tax written down value of property, plant and equipment	24,369,834	25,221,583	24,369,834	25,221,583
Total deferred tax liability	25,872,695	25,570,047	25,872,695	25,570,047

8. INCOME TAX (CONT'D)

(d) Deferred tax assets

Deferred tax assets relating to tax losses and provisions have not been brought to account as it is not probable that future taxable profit will be available against which temporary differences and eligible tax losses can be utilised. The asset will only be recognised if:

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

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

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

9. EARNINGS / (LOSS) PER SHARE

(a) Basic

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

	Consolidated	
	2008	**Restated 2007**
	$	**$**
Net profit / (loss) attributable to shareholders	(19,331,036)	6,591,459
Weighted average number of ordinary shares in issue	44,399,998	44,399,998
Basic earnings / (loss) per share	(0.44)	0.15

(b) Diluted

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

10. PROPERTY, PLANT AND EQUIPMENT

Consolidated and Holding Company	Freehold Land	Leasehold Land	Buildings and Improvements	Plant, Machinery and Equipment	Vehicles and Transport Systems	Capital Work In Progress	Total
	$	$	$	$	$	$	$
At 31 May 2008							
Cost	21,903,686	159,022	65,965,026	261,162,425	44,412,858	66,218,820	459,821,837
Accumulated depreciation	-	(25,857)	(14,964,372)	(186,439,091)	(35,592,763)	-	(237,022,083)
Impairment loss	-	-	-	(1,969,363)	-	-	(1,969,363)
Balance as at 31 May 2008	21,903,686	133,165	51,000,654	72,753,971	8,820,095	66,218,820	220,830,391
At 31 May 2007							
Cost	21,903,686	159,022	65,105,894	260,042,781	44,196,475	29,548,050	420,955,908
Accumulated depreciation	-	(24,861)	(13,401,899)	(178,255,139)	(35,255,656)	-	(226,937,555)
Impairment loss	-	-	-	(2,519,721)	-	-	(2,519,721)
Balance as at 31 May 2007	21,903,686	134,161	51,703,995	79,267,921	8,940,819	29,548,050	191,498,632

Note 10(a)

In prior years, land and buildings were revalued based on the valuation carried out by independent registered valuers, Rolle Hillier Parker of Suva, Fiji in July 2002. Upon adoption of IFRS (effectively from, 1 June 2006), the Corporation has elected the option provided under IFRS 1 to apply the cost model (deemed cost) for land and buildings previously revalued, and accordingly, the cost value of land and buildings include revaluation increments amounting to $54,375,740.

Note 10(b)

Capital 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.

During the year, borrowing costs of $1,313,110 were capitalised to capital work in progress.

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

Consolidated and Holding Company

Note 10(c)

In 2007, an independent assessment of the impairment of plant and equipment was performed by consulting engineers, Erasito Consultants Limited.

Note 10(d)

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 year 2006 based upon the Corporation's plans and assertions of phasing out the rail system in the next five years was reversed in the year 2007. During 2008, impairment loss recognised in the year 2006 amounting to $550,358 was reversed to the extent of the depreciation charges. (Refer income statement).

Note 10 (e)

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

	Freehold Land	Leasehold Land	Buildings and Improvements	Plant, Machinery and Equipment	Vehicles and Transport Systems	Capital Work In Progress	Total
	$	$	$	$	$	$	$
Balance as at 1 June 2007	21,903,686	134,161	51,703,995	79,267,921	8,940,819	29,548,050	191,498,632
Additions	-	-	933,084	4,084,509	1,445,482	37,641,730	44,104,805
Disposals / write off	-	-	(57,614)	(1,514,101)	(43,660)	(970,960)	(2,586,335)
Reversal of impairment loss (Note 10(d))	-	-	-	550,358	-	-	550,358
Depreciation (Note 5)	-	(996)	(1,578,811)	(9,634,716)	(1,522,546)	-	(12,737,069)
Balance as at 31 May 2008	21,903,686	133,165	51,000,654	72,753,971	8,820,095	66,218,820	220,830,391

Notes to and Forming Part of The Financial Statements [cont'd]
For The Year Ended 31 May 2008

	Consolidated 2008	Consolidated Restated 2007	Holding Company 2008	Holding Company Restated 2007
	$	$	$	$
11. AVAILABLE-FOR-SALE FINANCIAL ASSETS				
Subsidiary companies				
Shares in subsidiary companies, at cost	-	-	11,977	11,977
Associate companies				
Equity accounted investments in associate companies	2,575,047	3,129,186	1,780,576	2,322,741
	2,575,047	3,129,186	1,780,576	2,322,741
Total available-for-sale financial assets	2,575,047	3,129,186	1,792,553	2,334,718

Refer note 2.2 relating to accounting policy on accounting for investments in associates.

(a) Investments in subsidiaries

Name of Company	Place of Incorporation	Contribution to Group Results 2008	Contribution to Group Results 2007	Book Value of Holding Company Investments (Ordinary shares) 2008	Book Value of Holding Company Investments (Ordinary shares) 2007	% Shareholding 2008	% Shareholding 2007
		$	$	$	$	%	%
Unlisted							
FSC Projects Ltd	Fiji	66,980	63,067	100	100	100	100
FSC Services Pty Ltd	Australia	(4,195)	(56,882)	11,875	11,875	100	100
Pacific Cogeneration Limited	Fiji	-	-	2	2	100	100
		62,785	6,185	11,977	11,977		

All companies are incorporated in Fiji and have the same balance sheet date as the parent entity.

The financial statements of FSC Projects Limited are audited by G.Lal + Co. The financial statements of FSC Services Pty Limited for the year ended 31 May 2008 have not been audited. Pacific Cogeneration Limited has yet to commence operations.

(b) Investments in associate companies

Name of Company	Place of Incorporation	Issued Capital (ordinary @ $1 par) 2008	Issued Capital (ordinary @ $1 par) 2007	Issued to FSC Group (ordinary @ $1 par) 2008	Issued to FSC Group (ordinary @ $1 par) 2007	% Shareholding 2008	% Shareholding 2007
		$	$	$	$	%	%
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		

	Consolidated		Holding Company	
		Restated		Restated
	2008	2007	2008	2007
	$	$	$	$

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONT'D)

(c) Movement in carrying amount of associate companies

	2008	2007	2008	2007
Shares in associate companies – opening balance	3,129,186	4,243,886	2,322,741	3,423,137
Add: Recognition of share of post acquisition movement in investment revaluation reserve of associate company	35,585	-	35,585	-
Less: Share of loss from associates	(510,244)	(1,035,219)	(577,750)	(1,100,396)
Less: Dividends received / receivable	(79,480)	(79,481)	-	-
	2,575,047	3,129,186	1,780,576	2,322,741

12. INVENTORIES

	2008	2007	2008	2007
Non-Current				
Capital spare parts and spare gears	8,790,171	6,685,768	8,790,171	6,685,768
Deduct: Provision for inventory obsolescence	(1,844,117)	(910,000)	(1,844,117)	(910,000)
Total non-current inventories, net	6,946,054	5,775,768	6,946,054	5,775,768
Current				
Sugar and molasses	6,050,602	3,746,920	6,050,602	3,746,920
Maintenance spares and consumables	7,466,408	6,975,873	7,466,408	6,975,873
Goods in transit	122,726	-	122,726	-
Total current inventories	13,639,736	10,722,793	13,639,736	10,722,793

13. TRADE AND OTHER RECEIVABLES

	2008	2007	2008	2007
Trade receivables	2,489,336	18,891,845	2,489,336	18,891,845
Dividend receivable from associate company	79,480	-	-	-
Receivable from related parties	632,804	685,031	632,804	802,822
VAT receivable	8,475,691	2,831,323	8,475,691	2,831,323
Growers advance	703,080	406,501	703,080	406,501
Other receivables	1,744,280	617,958	1,744,279	617,956
	14,124,671	23,432,658	14,045,190	23,550,447
Less: Provision for impairment	(281,087)	(258,839)	(281,087)	(258,839)
	13,843,584	23,173,819	13,764,103	23,291,608
Prepayments and deposits	2,022,280	1,747,133	2,022,280	1,747,133
Total trade and other receivables, net	15,865,864	24,920,952	15,786,383	25,038,741

The carrying value of trade and other receivables and receivables from related parties are considered to be their reasonable approximation of their fair values.

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

13. TRADE AND OTHER RECEIVABLES (CONT'D)

Movements on the provision for impairment of trade and other receivables are as follows:

	Consolidated		Holding Company	
		Restated		Restated
	2008	2007	2008	2007
	$	$	$	$
As at 1 June 2007	258,839	335,510	258,839	335,510
Provision for impairment of receivables (note 5)	22,248	116,329	22,248	116,329
Amounts written off during the year	-	(193,000)	-	(193,000)
As at 31 May 2008	281,087	258,839	281,087	258,839

14. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of net cash provided by / (used in) operating activities to net profit /(loss) for the year:

Net profit / (loss) for the year	(19,331,036)	6,591,459	(19,393,821)	6,585,274
Adjustment for:				
Amortisation of deferred income	(174,360)	(174,360)	(174,360)	(174,360)
Depreciation and amortisation	12,737,069	13,087,101	12,737,069	13,087,101
Gain on sale of property, plant and equipment	(62,988)	(63,303)	(62,988)	(63,303)
Fixed assets written off	2,568,640	779,212	2,568,640	779,212
Provision for impairment of receivables	22,248	116,329	22,248	116,329
Provision for inventory obsolescence	934,117	160,000	934,117	160,000
Reversal of impairment loss on plant and equipment	(550,358)	(3,685,013)	(550,358)	(3,685,013)
Share of losses from associate companies	510,244	1,035,219	577,750	1,100,396
Unrealised foreign exchange (gain) / loss , net	(3,010,648)	168,026	(3,010,648)	168,026
Changes in assets and liabilities:				
(Increase) / decrease in trade and other receivables	9,483,148	(17,709,626)	9,483,148	(17,977,698)
(Increase) / decrease in inventories	(5,021,346)	(866,527)	(5,021,346)	(866,527)
(Increase) / decrease in prepayments and deposits	(275,147)	(1,559,693)	(275,147)	(1,559,693)
Increase / (decrease) in trade and other payables	2,016,200	8,678,845	2,138,087	8,935,735
Increase / (decrease) in provisions	(508,218)	(829,689)	(495,924)	(841,770)
Increase / (decrease) in income tax payable	-	8,854	-	-
Increase / (decrease) in deferred tax liability	302,648	303,860	302,648	303,860
Net cash provided by / (used in) operating activities	(359,787)	6,040,694	(220,885)	6,067,569

14. NOTES TO THE CASH FLOW STATEMENT (CONT'D)

(b) Cash and cash equivalents

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

	Consolidated		Holding Company	
	2008	Restated 2007	2008	Restated 2007
	$	$	$	$
Cash and bank balances	5,093,907	5,505,944	5,093,108	4,813,702
Short term deposits	8,534,533	8,280,225	8,534,533	8,280,225
Total cash and cash equivalents	13,628,440	13,786,169	13,627,641	13,093,927

15. SHARE CAPITAL

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

16. BORROWINGS

Non-current				
Export Import Bank of India (a)	43,204,157	26,812,663	43,204,157	26,812,663
Total non-current borrowings	43,204,157	26,812,663	43,204,157	26,812,663
Current				
Export Import Bank of India (a)	1,993,763	-	1,993,763	-
Advance from Sugar Cane Growers Fund (b)	15,598,206	-	15,598,206	-
Advances from subsidiaries (c)	-	-	655,282	100,005
Total current borrowings	17,591,969	-	18,247,251	100,005
Total borrowings	60,796,126	26,812,663	61,451,408	26,912,668

16. BORROWINGS (CONT'D)

Particulars relating to borrowings:

(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 London Inter Bank Offerred Rate (LIBOR) plus 0.5%. Interest paid and / or accrued has been capitalised to capital work in progress relating to sugar mills upgrade and modernization.

(b) The advance from Sugar Cane Growers Fund is subject to interest at the rate of 2% per annum. The loan is secured by a Government guarantee and is repayable by August 2008.

(c) Borrowings from subsidiaries comprises of the following:

(i) Advance from FSC Projects Limited of $638,005 as at balance date. The advance is unsecured, interest free and repayable on demand.

(ii) Advance from FSC Services (Pty) Limited of $17,277 as at balance date. The advance is unsecured, interest free and repayable on demand.

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

17. DEFERRED INCOME

	Consolidated		Holding Company	
		Restated		Restated
	2008	2007	2008	2007
	$	$	$	$
Government grants	5,014,371	5,014,371	5,014,371	5,014,371
Less: Accumulated amortisation	(3,898,704)	(3,724,344)	(3,898,704)	(3,724,344)
Deferred income, net	1,115,667	1,290,027	1,115,667	1,290,027

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.

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

18. PROVISIONS

	Employee entitlements	Litigation claims	Unpaid Rent	Total
	$	$	$	$
Consolidated				
As at 1 June 2007	4,902,899	263,000	329,505	5,495,404
Additional provisions recognised / paid during the year , net	(674,321)	137,000	29,315	(508,006)
Carrying amount as at 31 May 2008	4,228,578	400,000	358,820	4,987,398
Holding Company				
As at 1 June 2007	4,890,817	263,000	329,505	5,483,322
Additional provisions recognised / paid during the year , net	(662,239)	137,000	29,315	(495,924)
Carrying amount as at 31 May 2008	4,228,578	400,000	358,820	4,987,398

Analysis of total provisions:

	Consolidated		Holding Company	
	2008	Restated 2007	2008	Restated 2007
	$	$	$	$
Non-current	2,047,954	2,259,305	2,047,954	2,259,305
Current	2,939,444	3,236,099	2,939,444	3,224,017
Total provisions	4,987,398	5,495,404	4,987,398	5,483,322

(a) Employee entitlements consist of the following:

Annual and sick leave	2,035,021	1,893,594	2,035,021	1,881,512
Long service leave	1,909,311	2,114,562	1,909,311	2,114,562
Redundancy	145,603	750,000	145,603	750,000
Compassionate allowance	138,643	144,743	138,643	144,743
Total employee entitlements	4,228,578	4,902,899	4,228,578	4,890,817

Annual Leave

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

Long service leave and retirement benefits

Long service leave and retirement benefits are accrued for employees entitled to the same under their terms of employment. Note 2.9 outlines the accounting policy and underlying basis for these accruals.

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

19. TRADE AND OTHER PAYABLES

	Consolidated 2008 $	Consolidated Restated 2007 $	Holding Company 2008 $	Holding Company Restated 2007 $
Trade creditors and accruals	21,657,166	21,609,622	21,657,166	21,609,622
Grant payable to South Pacific Fertilizers Limited	6,350,000	-	6,350,000	-
Cane access road and Accelerated Cane Replanting Program (ACRP) grants payable	4,440,606	1,457,318	4,440,606	1,457,318
Interest and commitment fees payable	450,347	485,868	450,347	485,868
Total trade and other payables	32,898,119	23,552,808	32,898,119	23,552,808

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

20. CONTINGENT LIABILITIES

	Consolidated 2008 $	Consolidated Restated 2007 $	Holding Company 2008 $	Holding Company Restated 2007 $
Manufacturing wage claims and litigations (a)	680,397	1,018,358	680,397	1,018,358
Letters of credit undertakings by the bank (b)	22,174,162	38,442,217	22,174,162	38,442,217
Guarantees or bonds given by the bank	208,676	54,416	208,676	54,416
Total contingent liabilities	23,063,235	39,514,991	23,063,235	39,514,991

(a) Litigations

At balance date, $400,000 of provision was made in respect of sundry court actions against the Corporation (Refer note 18); The Corporation's directors believe that claims arising from such actions are not likely to be of material nature based on the advice of the Corporation's solicitors.

(b) Letters of credit

Letters of credit relates to letter of credit issued by Bank of Baroda in favour of various suppliers and engineering entities in relation to 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 16).

21. GOING CONCERN

The Corporation incurred operating losses from ordinary activities during years ended 31 May 2008, 2006 and 2005.

During the year ended 31 May 2008, the Corporation has incurred net loss of $19.4 million. Further as at 31 May 2008, the current liabilities exceed the current assets by $10.3 million and the Corporation has generated negative cash flows from operations for the year ended 31 May 2008.

The Corporation's revenue and margins are expected to decline in future due to expected reduction in the European Union 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 16).

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 are 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.

22. COMMITMENTS

	Consolidated		Holding Company	
	2008	2007	2008	2007
	$	$	$	$
(a) Capital commitments				
Capital commitments contracted but not provided for in the accounts	26,234,112	48,615,466	26,234,112	48,615,466
Capital commitments approved by the directors but not yet contracted	19,094,093	5,937,540	19,094,093	5,937,540
Total capital commitments	45,328,205	54,553,006	45,328,205	54,553,006

On 28 May 2008, the Board of Directors approved to acquire additional equity shareholding of 40% in South Pacific Fertilizers Limited for a total consideration of $640,000, which is included in the above capital commitments approved by the directors but not yet contracted. After acquisition of additional 40% shareholding, South Pacific Fertilizers Limited will become a subsidiary of the corporation.

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

22. COMMITMENTS (CONT'D)

(a) Capital commitments (Cont'd)

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 year, and total cost is estimated to be around F$86 million. The principal objective of the mill upgrading works is to improve milling efficiencies, introduce energy conservation measures and produce better quality, Very High Pol (VHP) sugar.

During the year, good progress was made on the sugar mills upgrade project. Substantial portion of plant and equipment was acquired during the year. It is anticipated that the remaining plant and equipment will be acquired before the end of 2008.

	Consolidated		Holding Company	
	2008	2007	2008	2007
	$	$	$	$
(b) Operating lease commitments				
Non-cancelable operating land lease rental commitments are payable as follows:				
Not later than one year	192,768	166,529	192,768	166,529
Later than one year but not later than five years	698,358	641,871	698,358	641,871
Later than five years	8,032,633	7,824,089	8,032,633	7,824,089
Total operating lease commitments	8,923,759	8,632,489	8,923,759	8,632,489

23. 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 2008 crushing season, the growers are expected to supply to the Corporation a total of 2.6 million tonnes of cane from which approximately 256,000 tonnes of sugar is expected to be produced. The Corporation is expected to meet all its supply commitments to the European Union for the next twelve months.

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. The Sugar Protocol is to continue until 30 September 2009 with guaranteed prices. The EU and the ACP had negotiated Market Access arrangement of the new Economic Partnership Agreements to apply from 1 October 2009.

Fiji's annual quota to the European Union 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 in London under a Long Term Agreement signed between Tate & Lyle and the Corporation. The Agreement is for 5 years commencing 1 July 2008.

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

NOTE 24. RELATED-PARTY INFORMATION

(a) Ownership interests in related parties

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

(b) Directors

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

Mr. Bhoo Prasad Gautam (Chairman)
Mr. Peni Sikivou (Deputy Chairman)
Mr. Marika Gaunavou
Mr. Krishna Prasad
Mr. Arvind Singh
Mr. Kamlesh Chandra
Mr. Osea Naiqamu
Mr. Isoa Kaloumaira (resigned)
Mr. Joveci Tuinamuana (resigned)
Mr. Jaoji Koroi (resigned)
Ratu Savenaca Qomate (resigned)

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

(c) Transactions with related parties

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

	Consolidated		Holding Company	
	2008	2007	2008	2007
	$	$	$	$
Purchases by holding company from associate entity	11,051,547	13,243,675	11,051,547	13,243,675
Service fee income from associate entity	165,541	170,096	165,541	170,096
Marketing income from related entity, net	746,884	681,366	746,884	681,366

(d) Other transactions

Dividends from associate company	79,480	79,481	-	-

(e) Key management personnel compensation

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

Executive Management Group – Total number -10
The aggregate remuneration to the executive management group for year ended 31 May 2007 and 2008 were:

	Consolidated		Holding Company	
	2008	2007	2008	2007
	$	$	$	$
Salaries and other short-term employee benefits	1,471,380	1,315,780	1,471,380	1,315,780
	1,471,380	1,315,780	1,471,380	1,315,780

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

NOTE 24. RELATED-PARTY INFORMATION (CONT'D)

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

Receivables from related parties (note 13):				
- Other related entities	632,804	685,031	632,804	802,822
Payables to related parties:				
- Associate company (note 19)	6,350,000	-	6,350,000	-

(g) Loans and advances from related parties

Advance from subsidiary company (note 16)	-	-	655,282	100,005

(h) Government guarantee

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

25. GOVERNMENT GUARANTEE

The Government has approved a guarantee limited to $25 million, valid until 31 May 2009 to enable the Corporation to borrow from commercial banks and short term money markets.

Furthermore, as noted in note 16, the Government has provided a guarantee of US$50.4 million and $15.6m for borrowings from Export Import Bank of India and Sugar Cane Growers Fund respectively.

In prior years, the Government has provided a guarantee of US$50.4 million for borrowings from Export Import Bank of India in relation to the sugar mills upgrade and modernization. As at balance date, the Corporation had borrowed funds amounting to US$29.9 million under this guarantee.

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

26. EXPLANATION OF TRANSITION TO IFRS

(1) Reconciliation of equity reported under previous Fiji Accounting Standards (FAS) to equity under IFRS.

(a) At the date of transition to IFRS: 1 June 2006

		Consolidated			Holding Company		
	Note	Previous FAS	Effect of transition to IFRS	IFRS Restated	Previous FAS	Effect of transition to IFRS	IFRS Restated
Assets							
Non-current assets							
Property, plant and equipment	1	180,561,304	-	180,561,304	180,561,304	-	180,561,304
Available-for-sale financial assets		4,243,886	-	4,243,886	3,435,114	-	3,435,114
		184,805,190	-	184,805,190	183,996,418	-	183,996,418
Current assets							
Inventories		15,792,034	-	15,792,034	15,792,034	-	15,792,034
Trade and other receivables		5,664,536	-	5,664,536	5,617,679	-	5,617,679
Cash on hand and at bank		6,134,571	-	6,134,571	5,416,509	-	5,416,509
		27,591,141	-	27,591,141	26,826,222	-	26,826,222
Total assets		212,396,331	-	212,396,331	210,822,640	-	210,822,640
Equity							
Ordinary shares		22,199,999	-	22,199,999	22,199,999	-	22,199,999
Capital reserves	2	2,393,327	(2,393,327)	-	2,393,327	(2,393,327)	-
Uninsured risk reserves	2	3,500,000	(3,500,000)	-	3,500,000	(3,500,000)	-
Asset revaluation reserves	2	54,531,976	(54,531,976)	-	54,531,976	(54,531,976)	-
Asset replacement reserves	2	66,000,000	(66,000,000)	-	66,000,000	(66,000,000)	-
Retained earnings	5	21,257,143	117,061,602	138,318,745	19,808,832	117,061,602	136,870,434
Total equity		169,882,445	(9,363,701)	160,518,744	168,434,134	(9,363,701)	159,070,433
Liabilities							
Non-current liabilities							
Borrowings		7,043,755	-	7,043,755	7,043,755	-	7,043,755
Provisions	3	1,547,163	400,000	1,947,163	1,547,163	400,000	1,947,163
Deferred tax liabilities	4	16,302,486	8,963,701	25,266,187	16,302,486	8,963,701	25,266,187
Deferred income		1,464,387	-	1,464,387	1,464,387	-	1,464,387
		26,357,791	9,363,701	35,721,492	26,357,791	9,363,701	35,721,492
Current liabilities							
Provisions		4,377,929	-	4,377,929	4,377,929	-	4,377,929
Trade and other payables		11,778,166	-	11,778,166	11,652,786	-	11,652,786
		16,156,095	-	16,156,095	16,030,715	-	16,030,715
Total liabilities		42,513,886	9,363,701	51,877,587	42,388,506	9,363,701	51,752,207
Total equity and liabilities		212,396,331	-	212,396,331	210,822,640	-	210,822,640

Notes to and Forming Part of The Financial Statements [cont'd] For The Year Ended 31 May 2008

26. EXPLANATION OF TRANSITION TO IFRS (CONT'D)

(1) Reconciliation of equity reported under previous Fiji Accounting Standards (FAS) to equity under IFRS.

(b) At the end of the last reporting period under previous FAS: 31 May 2007

		Consolidated			Holding Company		
	Note	**Previous FAS**	**Effect of transition to IFRS**	**IFRS Restated**	**Previous FAS**	**Effect of transition to IFRS**	**IFRS Restated**
Assets							
Non-current assets							
Property, plant and equipment	1	191,498,632	-	191,498,632	191,498,632	-	191,498,632
Available-for-sale financial assets		3,129,186	-	3,129,186	2,334,718	-	2,334,718
Inventories		5,775,768	-	5,775,768	5,775,768	-	5,775,768
		200,403,586	-	200,403,586	199,609,118	-	199,609,118
Current assets							
Inventories		10,722,793	-	10,722,793	10,722,793	-	10,722,793
Trade and other receivables		24,920,952	-	24,920,952	25,038,741	-	25,038,741
Short term deposits		8,280,225	-	8,280,225	8,280,225	-	8,280,225
Cash on hand and at bank		5,505,944	-	5,505,944	4,813,702	-	4,813,702
		49,429,914	-	49,429,914	48,855,461	-	48,855,461
Total assets		249,833,500	-	249,833,500	248,464,579	-	248,464,579
Equity							
Ordinary shares		22,199,999	-	22,199,999	22,199,999	-	22,199,999
Capital reserves	2	2,393,327	(2,393,327)	-	2,393,327	(2,393,327)	-
Uninsured risk reserves	2	3,500,000	(3,500,000)	-	3,500,000	(3,500,000)	-
Asset revaluation reserves	2	54,375,740	(54,375,740)	-	54,375,740	(54,375,740)	-
Asset replacement reserves	2	66,000,000	(66,000,000)	-	66,000,000	(66,000,000)	-
Retained earnings	5	27,658,578	117,253,974	144,912,552	26,201,734	117,253,974	143,455,708
Total equity		176,127,644	(9,015,093)	167,112,551	174,670,800	(9,015,093)	165,655,707
Liabilities							
Non-current liabilities							
Borrowings		26,812,663	-	26,812,663	26,812,663	-	26,812,663
Deferred income		1,290,027	-	1,290,027	1,290,027	-	1,290,027
Deferred tax liabilities	4	16,954,954	8,615,093	25,570,047	16,954,954	8,615,093	25,570,047
Provisions	3	1,859,305	400,000	2,259,305	1,859,305	400,000	2,259,305
		46,916,949	9,015,093	55,932,042	46,916,949	9,015,093	55,932,042
Current liabilities							
Borrowings		-	-	-	100,005	-	100,005
Provisions		3,236,099	-	3,236,099	3,224,017	-	3,224,017
Trade and other payables		23,552,808	-	23,552,808	23,552,808	-	23,552,808
		26,788,907	-	26,788,907	26,876,830	-	26,876,830
Total liabilities		73,705,856	9,015,093	82,720,949	73,793,779	9,015,093	82,808,872
Total equity and liabilities		249,833,500	-	249,833,500	248,464,579	-	248,464,579

Notes to and Forming Part of The Financial Statements [cont'd]
For The Year Ended 31 May 2008

26. EXPLANATION OF TRANSITION TO IFRS (CONT'D)

(2) Effect of IFRS on the income statement for the financial year ended 31 May 2007

		Consolidated			Holding Company		
	Note	Previous FAS	Effect of transition to IFRS	IFRS Restated	Previous FAS	Effect of transition to IFRS	IFRS Restated
Turnover		274,253,268	-	274,253,268	274,253,268	-	274,253,268
Less: Cost of sales		(262,814,577)	-	(262,814,577)	(262,814,577)	-	(262,814,577)
Gross Profit		11,438,691	-	11,438,691	11,438,691	-	11,438,691
Other income		240,923	-	240,923	240,923	-	240,923
Administrative expenses		(6,535,798)	-	(6,535,798)	(6,467,663)	-	(6,467,663)
Other expenses		(1,416,166)	-	(1,416,166)	(1,416,166)	-	(1,416,166)
Provision for obsolescence		(160,000)	-	(160,000)	(160,000)	-	(160,000)
Reversal of impairment loss on plant and equipment		3,685,013	-	3,685,013	3,685,013	-	3,685,013
		(4,186,028)	-	(4,186,028)	(4,117,893)	-	(4,117,893)
Profit from operations		7,252,663	-	7,252,663	7,320,798	-	7,320,798
Finance income, net		673,245	-	673,245	668,732	-	668,732
Share of losses from associate companies		(1,035,219)	-	(1,035,219)	(1,100,396)	-	(1,100,396)
Operating profit before income tax		6,890,689	-	6,890,689	6,889,134	-	6,889,134
Income tax expense	4	(647,838)	348,608	(299,230)	(652,468)	348,608	(303,860)
Net profit for the year		6,242,851	348,608	6,591,459	6,236,666	348,608	6,585,274

(3) Reconciliation of cash flow statement for the year ended 31 May 2007

The adoption of IFRS has not resulted in any material adjustments to the cash flow statement.

(4) Notes to the reconciliations

1. Property, plant and equipment

The group has elected to measure property, plant and equipment on transition to IFRS at deemed costs and has used that fair value at 1 June 2006 as the deemed cost. The effect of the revaluation, to fair value, for property, plant and equipment previously held in the carrying amount of property, plant and equipment was $54.5m at 1 June 2006. The asset revaluation reserve associated with these items was transferred to retained earnings on transition to IFRS, with a corresponding adjustment to deferred tax liability.

2. Reserves

On transition to IFRS, asset replacement reserves, capital reserves and uninsured risk reserve were transferred to retained earnings. As these balances appear to be in the nature of provision, as it relates to setting aside funds for potential future

Notes to and Forming Part of The Financial Statements [cont'd]
For The Year Ended 31 May 2008

26. EXPLANATION OF TRANSITION TO IFRS (CONT'D)

(4) Notes to the reconciliations (Cont'd)

2. Reserves (Cont'd)

These reserves however does not meet the requirements of provisions in terms of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", which state that an actual liability would need to exist at balance sheet date in order for a provision to qualify for recognition.

Based on the above assessment the existing reserves were transferred to retained earnings.

3. Provision for long service leave

Provision for long service leave was recomputed in accordance with IAS – 19 "Employee Benefits". The provision for long service leave was computed taking into account the probability of each employee being ultimately entitled to this benefit and the present value of the expenditures expected to settle the obligation. Based on the detailed calculation, additional amount of $400,000 has been recognised as provision for long service leave with a corresponding adjustment to retained earnings.

4. Deferred income tax liabilities

Under superseded policies, the group adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable.

Under IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases.

The effect on the deferred tax liability balances for the company and the group are as follows:

	Consolidated		Holding Company	
	31 May 2007	1 June 2006	31 May 2007	1 June 2006
	$	$	$	$
Deferred tax liability not recognised under FAS	8,615,093	8,963,701	8,615,093	8,963,701
Net increase in deferred tax liability balances	8,615,093	8,963,701	8,615,093	8,963,701

The effect on profit for the financial year ended 31 May 2007 was to decrease previously reported income tax expense by $348,608.

26. EXPLANATION OF TRANSITION TO IFRS (CONT'D)

(4) Notes to the reconciliations (Cont'd)

5. Retained earnings reconciliation

Amount represents a net adjustment to retained earnings relating to notes above. The effect is summarized as follows:

	Consolidated		Holding Company	
	31 May 2007	1 June 2006	31 May 2007	1 June 2006
	$	$	$	$
Retained earnings as per FAS	27,658,578	21,257,143	26,201,734	19,808,832
Asset replacement reserve transferred	66,000,000	66,000,000	66,000,000	66,000,000
Uninsured risk reserve transferred	3,500,000	3,500,000	3,500,000	3,500,000
Capital reserve transferred	2,393,327	2,393,327	2,393,327	2,393,327
Assets revaluation reserve transferred	54,375,740	54,531,976	54,375,740	54,531,976
Additional deferred tax liabilities accounted	(8,615,093)	(8,963,701)	(8,615,093)	(8,963,701)
Additional long service leave provided	(400,000)	(400,000)	(400,000)	(400,000)
Retained earnings as per IFRS	144,912,552	138,318,745	143,455,708	136,870,434

27. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date, on 12 June 2008, the Corporation secured domestic funding for its working capital requirements through issuance of promissory notes for a total face value of $15 million. The tenor of these promissory notes was for 82 days and these promissory notes are due for redemption on 2 September 2008.

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 2008, Directors' interests in the share capital of the Corporation or related companies were nil.

2. DIRECTORS' INTEREST IN CONTRACTS

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

3. DIRECTORS' TERMINATION BENEFITS

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

4. STATEMENT OF SHAREHOLDERS

Distribution of Share Holding

Holding	No. of Holders	No. of Shares	% Holding
Less than 500 shares	1,471	310,724	0.70
501 to 5,000 shares	513	684,004	1.54
5,001 to 10,000 shares	21	146,625	0.33
10,001 to 20,000 shares	11	149,490	0.34
20,001 to 30,000 shares	-	-	-
30,001 to 40,000 shares	-	-	-
40,001 to 50,000 shares	1	40,800	0.09
50,001 to 100,000 shares	1	98,720	0.22
100,001 to 1,000,000 shares	5	985,769	2.22
Over 1,000,000 shares	3	41,983,866	94.56

5. TWENTY LARGEST SHAREHOLDRES

As at 31 May 2008 the twenty largest shareholders held 43,258,645 shares which is equal to 97.43% 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

South Pacific Stock Exchange Requirements [cont'd]

5. TWENTY LARGEST SHAREHOLDRES (CONT'D)

5.	**Colonial Mutual Life** Assurance Society Ltd PO Box 155, Suva	250,080	**6.**	**Reddys' Enterprises Limited** PO Box 784 Lautoka	241,749
7.	**Sugar Cane Growers Council** PO Box 5162 Lautoka	119,401	**8.**	**Robert Lee** GPO Box 13510 Suva	98,720
9.	**Morris Hedstrom Limited** Scholarship Fund Trustees PO Box 299, Suva	40,800	**10.**	**Lionel Ding Sun Yee** GPO Box 13600 Suva	18,360
11.	**Pacific Transport Ltd.** PO Box 1266 Suva	18,000	**12.**	**Manohar Lal** PO Box 1528 Nausori	15,450
13.	**Amraiya Naidu** GPO Box 13153 Suva	14,800	**14.**	**Rotuma Development Fund** Government Station PO Box 18 Rotuma	14,400
15.	**Saimone Lutu** PO Box 3359 Lami Suva	12,120	**16.**	**Fiji Public Service** Association-Investments Co-op Ltd. PO Box 1405	12,000
17.	**Johnson Fong** 5/113 Mount Street Coogee, NSW 2034 Australia	12,000	**18.**	**Joyce Due & Rasmus Due** 93 Mallawa Ave Palm Beach, QLD 4221 Australia	11,320
19.	**Sugar Milling Staff Officers'** Association The Secretary The Sugar Milling Staff Officers' Association FSC Limited, Lautoka	10,800	**20.**	**Heihachiro & Masako Omamoto** 8-4-14-403, Akasaka Minato-Ku, Tokyo Japan 107	10,240

6. VOTING RIGHTS OF SHAREHOLDERS

Article 65 provides for:
On show of hands - 1 vote
On a poll - 1 vote for each share held

South Pacific Stock Exchange Requirements [cont'd]

7. MAJOR SHAREHOLDERS

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

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

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

8. SITUATION OF THE SHARE REGISTER

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

Statistical Review

- Financial Statistics
- Production Statistics
- Field Statistics
- Sugar Exports

THE FIJI SUGAR CORPORATION LIMITED AND SUBSIDIARY COMPANIES

10-YEAR STATISTICAL REVIEW

Financial statistics											
for year ended 31 May (Prior to 2004 -31 March)		**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**
Turnover	($m)	236.7	274.3	235.2	242.7	227.5	265.7	243.8	251.2	287.2	257.1
Profit/Loss before taxation	($m)	(19.7)	6.9	(6.9)	(2.7)	0.7	(13.4)	(13.6)	(20.9)	(5.3)	3.0
Income Tax expense/benefit	($m)	0.4	(0.3)	3.3	0.7	1.6	1.2	(2.8)	-	2.0	1.0
Profit/Loss after taxation & Extra-ordinary items		(19.3)	6.6	(3.6)	51.9	2.3	(15.8)	(16.4)	(20.9)	(3.3)	2.0
Total Assets	($m)	273.5	249.9	211.4	222.8	220.1	252.3	252.6	274.1	304.1	237.2
Net Assets	($m)	125.7	167.1	168.4	168.6	116.6	114.3	130.1	153.7	174.6	114.4
Proceeds of Sugar & Molasses	($m)	206.1	272.1	231.6	237.8	223.6	261.1	239.4	236.6	282.0	245.1
FSC's share of proceeds	($m)	61.8	81.6	69.5	71.4	67.1	78.2	71.8	70.7	83.1	73.5
Price per tonne cane	($)	58.21	59.05	58.13	55.48	60.12	53.80	60.80	44.01	50.76	81.79
Production statistics											
Season		**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**
Cane Crushed	(000t)	2,479	3,226	2,789	3,001	2,610	3,422	2,805	3,786	3,958	2,098
Sugar Produced	(000t)	237	310	289	314	294	330	293	341	377	256
Molasses Produced	(000t)	115	157	118	113	107	149	106	164	159	96
Tonnes Cane/Tonnes Sugar		10	10	10	10	9	10	10	11	10	8
Molasses % Cane		5	5	4	4	4	4	4	4	4	5
POCS %		11	11	11	12	13	11	12	10	10	13
Cane Purity %		81	81	82	83	84	82	83	81	80	84
Fibre in Cane %		11.40	11.60	11.60	12.00	12.20	11.86	11.96	11.79	11.40	12.77
Average Crushing Rate for all mills (tcph)		885	919	953	972	895	978	1,083	1,115	1,025	968
Actual Crushing Time as % of Available Time		68	76	75	79	82	76	71	70	74	77
Field statistics											
Season		**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**
Number of Growers		18,691	18,649	20,290	20,492	20,693	21,253	21,882	22,179	22,178	22,146
Number of Active Growers		14,948	15,730	16,527	17,639	17,362	17,773	18,615	19,081	19,384	19,430
Tonnes Cane per Hectare		46	58	48	49	43	42	42	57	61	37
Average Tonnes Cane per Grower		166	205	172	170	126	161	128	171	178	95
Number of Cane Cutters		11,536	15,205	15,652	15,270	15,285	16,772	15,280	17,251	13,866	13,417
Output per Cutter (tonnes)		117	212	172	196	170	204	184	219	285	156
Burnt Cane %		33	51	36	34	33	36	43	50	31	64
Sugar exports - destinations and quantities (metric tonnes)											
Season		**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**
UK/EU		187,858	209,053	178,905	170,742	167,585	175,825	152,233	163,624	200,074	186,770
Malaysia		-	-	-	-	-	-	-	22,000	-	-
USA		9,157	13,442	10,111	9,006	9,061	9,035	9,065	9,044	18,420	-
Japan		20,000	40,000	57,481	62,000	37,008	58,637	46,615	18,385	49,410	17,000
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
Taiwan		-	-	-	-	-	-	-	27,650	-	-
Portugal		-	-	-	-	17,000	-	-	-	-	-
TOTAL		217,015	262,495	246,497	273,648	255,654	288,942	247,373	309,081	336,404	253,050