THE FIJI SUGAR CORPORATION LIMITED

Annual Report 2010

MISSION STATEMENT

Leading the change to a globally competitive Sugar Industry

CORPORATE OBJECTIVE

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

CORPORATE IDEALS

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

In the Field

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

In Transport

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

In the Factory

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

In the Workplace

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

In the Community

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

In the Environment

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

In the Marketplace

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

In Commercial Practice

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

In Word and Deed

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

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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 In 2006 the Fiji Sugar Corporation Act was repealed allowing it to be governed solely under the Companies Act.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 is responsible for the manufacture and sale of raw sugar together with molasses as a by-product. The Corporation owns and maintains some 720 kilometres of railway network on which sugar cane is transported to the mills. The Corporation is one of the largest sector employers with a workforce exceeding 1,639 individuals during the peak crushing session.

The Sugar Industry is important to Fiji's economy as it contributes about 2.9 percent of GDP, generates about 16 percent of total exports with a total foreign earning of $187 million in 2009. 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) and agriculture chemicals (Agchem Limited).

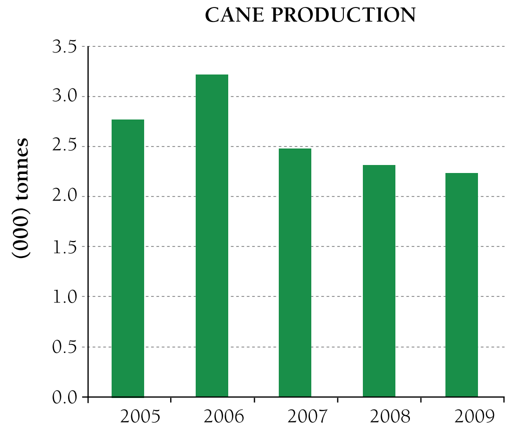
CORPORATE HIGHLIGHTS

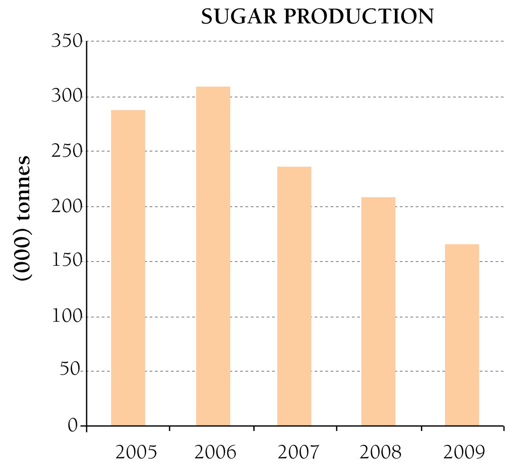
FINANCIAL RESULTS

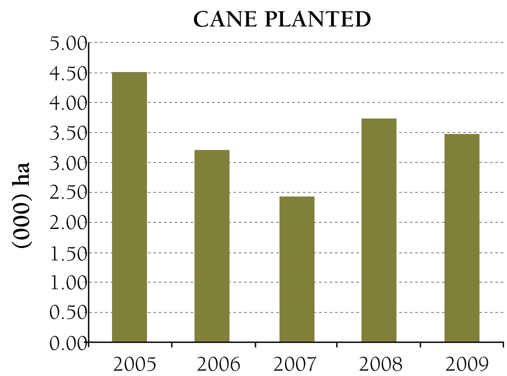
- Corporation's share of proceeds was $54.1 million compared to $61.3 million in the previous year.
- Consolidated gross loss was $13.2 million, compared to a loss of $2.0 million in the previous year.
- Loss from operations increased to $19.4 million, compared to $5.4 million in the previous year.
- After taking into account impairment loss of $173.4 million net loss for the year was $175.1 million, compared to $36.8 million in the previous year.
- A total of $21.3 million was invested in Property Plant and Equipment, compared to $54.7 million in the previous year.
- Loss per share increased to ($3.94) from ($0.83) in the previous year.

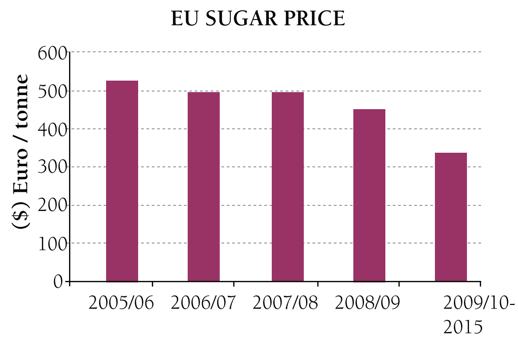
OPERATIONS

- A total of 2.2 million tonnes of sugarcane was crushed from an area of 49,004 hectares compared to 2.3 million tonnes from 50,907 hectares in the previous year.
- Sugar production decreased to 167,611 tonnes compared to 207,968 tonnes in the previous year primarily as a result of milling performance.
- Tonnes Cane to Tonnes Sugar (TCTS) ratio increased to 13.4 compared to 11.2 in the previous year.
- Cane Quality (POCS) decreased to 10.3 from 10.8 in the previous season.
- The total sugar exported to EU was 152,906 tonnes compared to 207,575 tonnes in the previous year.









CORPORATE GOVERNANCE

FSC views 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 and continues to evolve, especially in a small country like Fiji.

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

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

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

Board Meeting in Progress

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 6 directors on the Board, appointed by the shareholders. Board representation also includes key stakeholders.

Remuneration of Directors

A total of $56,028 was paid during the year for directors' services. Remuneration of directors is based on fees of directors approved by the shareholders. In addition, the Company provides travel, medical and professional indemnity insurance for the directors. The Board sets remuneration and scope of technical and professional services required by directors in addition to their services as directors. Total amount paid in this regard was $116,028.

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.

Executive Management Meeting in Progress

FINANCIAL SUMMARY

	2010 $000	2009 $000
Sales and Profit		
Total sales	194,695	245,806
Gross loss	(13,233)	(2,029)
Income tax benefit	22,944	3,310
Unrealised exchange gain/(loss)	3,996	(24,379)
Impairment Loss	173,378	1,297
Loss for the year	(175,065)	(36,751)
Cash Flow		
Operating activities	(23,035)	(6,901)
Investing activities	(24,505)	(53,409)
Financing activities	54,908	45,162
Net increase/(decrease) in cash	7,368	(15,148)
Financial Position		
Working capital	(51,860)	(54,292)
Current assets	31,046	40,751
Total assets	140,345	311,953
Non-current liabilities	121,475	105,881
Current liabilities	82,906	95,043
Shareholders' equity	(64,036)	111,029
Additional Information		
Ratio of current assets to current liabilities	0.4	0.4
Ratio of debt to shareholders' equity	(3.2)	1.8

BOARD OF DIRECTORS

Marika Gaunavou
Deputy Chairman

Re-appointed to the Board on 28 October 2009. Mr Gaunavou is a retired Mill Chief Engineer and Factory Manager-FSC.

Ratu Aisea Kotonivere

Appointed to the Board on 28 October 2009. Ratu Aisea is a former Civil Servant. He is now a businessman and is also a Director of the Native Land Trust Board.

Alipate Qetaki

Appointed to the Board on 26 November 2008. Mr Qetaki is a lawyer by profession and is the General Manager of Native Land Trust Board.

Abdul Khan

Appointed to the Board on 28 October 2009. Mr Khan is a businessman and an Engineer by profession.

Viliame Gucake

Appointed to the Board on 26 November 2008. Mr Gucake is the Director Sugar of the Sugar Unit at the Ministry of Provincial Development,Multi Ethnic Affairs, Natural Disaster Management and Sugar.

Ratu Deve Toganivalu

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

CHAIRMAN'S REPORT

Marika Gaunavou
Deputy Chairman

The year under review will go down as one of the most difficult for the Corporation and the Industry. During the year, the Mill Upgrade Program was substantially completed despite the progress adversely affected by natural disasters. Our factories have struggled to perform after the upgrade. Improving mill performance is now top priority for the Corporation.

SUGAR INDUSTRY REFORMS

Government has declared its commitment to the revival of the Sugar Industry given its significance to the economy and rural sector.

The way forward for the Industry is to restore confidence in the sugar sector by inspiring stakeholders into cane farming and this is being addressed through various Industry reforms and Government initiatives.

The Land Reform Program is seen as the key to regaining lost confidence in the cane growing sector. Sugar and the agriculture sector will grow with the impending land reform which promises to free up idle land for production. A longer lease term will also encourage farmers to invest on the farm. It is the impetus for Government's initiatives in this important industry to stimulate economic recovery.

The program of the Committee for Better Utilization of Land (CBUL) which was established by Government to identify idle lands and encourage the respective landowning units to lease them out so that they could be brought to productive use is being reviewed in line with the Land Reform Program to strengthen the initiative of government in making more land available for productive purpose.

Government's grant of $6.0 million for the 2010 cane planting season will increase plant acreage and cane yield. Low level of farm investment has taken its toll on the sugar cane yield.

Improving efficiency levels from the grower to the mill level is crucial to reducing cost of production. The EU-commissioned cane harvest and transport study has been completed and the industry is in a good position to move on some of the study recommendations, provided funding is available.

While the adoption of the Quality Cane Payment System is moving with a definite timeline, a payment system where farmers are paid more regularly is also being considered.

FSC needs to become a bigger player and participate in producing the cane as this has been a key success factor in other sugar producing countries. This is the Government's mission and I believe FSC has the capacity to unlock the economies of scale by undertaking commercial farming on a larger scale.

Landowners are being encouraged to merge small farms and enter into partnership with the miller to develop larger holdings.

PROVISION FOR IMPAIRMENT LOSS

As required under the International Accounting Standards, for the year ended 31 May 2010, the Corporation engaged an independent consultant from New Zealand, to carry out an impairment assessment of its fixed assets. Based on this, Management has carried out an assessment of the recoverable amount of its fixed assets and has recognized impairment loss amounting to $173.4 million. This loss has been attributed to Property Plant and Equipment and has arisen from projected factory performance and cane production being significantly lower than those that formed the basis of the investments in the Mill Upgrade Program.

FINANCIAL RESTRUCTURE REFORM

The Mill Upgrade Program has proved expensive and problematic, raising the Corporation's debt situation to unsustainable levels.

Government is reviewing FSC's performance and capital structure to identify the level of financial support required by FSC in the short term, and an appropriate capital structure in the medium-long term.

DIVERSIFICATION

The potential demand for sugar globally is intriguing and the recovery of the sugar industry in Fiji lies in its capacity to diversify into ethanol and energy production as well as establishing a sugar refinery to meet local demands.

Globally, ethanol from corn is being replaced with ethanol from sugarcane. The growing appetite of more consumers preferring beverages and food sweetened with sugar as a natural sweetener continues to increase sugar demand.

ACKNOWLEDGEMENT

The sustainability of the Sugar Industry is very critical to our country and I assure all stakeholders, shareholders and customers that we are taking all necessary measures through reforms to address it now.

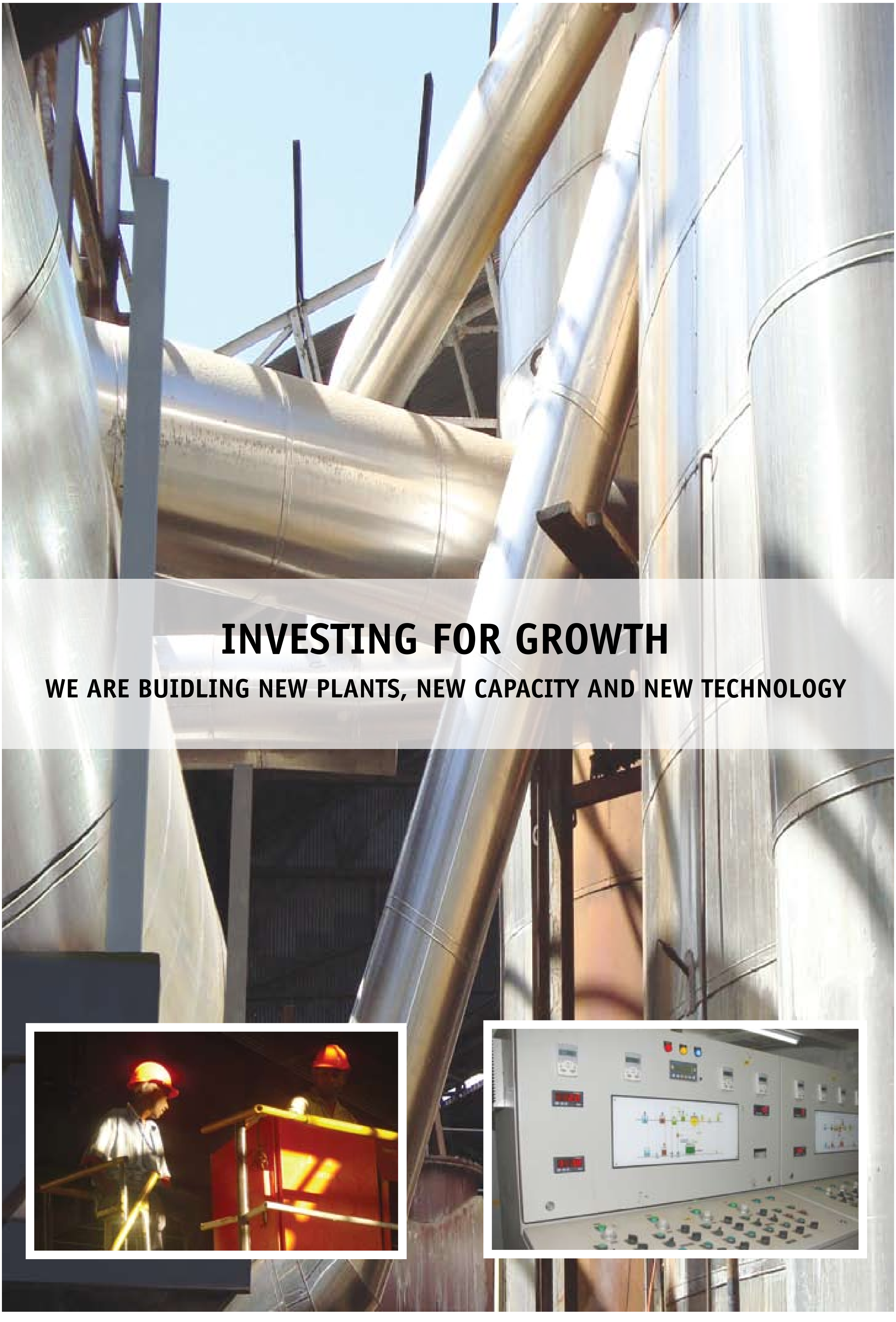
The Corporation is focused on the need to transform and change, so it can better meet its core purposes. For this, the Board acknowledges the continued support of shareholders, in particular Government, during these very difficult times in facilitating the workings and realization of the reforms.

My special appreciation goes to all farmers, cane cutters and lorry drivers for their support and contribution to the sugar industry in these difficult times.

On behalf of the Board of Directors and shareholders, I take this opportunity to thank the Chief Executive Officer and the Executive Management Group, staff and employees for their continued hard work and support in what has been a difficult season.

A special mention is also made to the engineers, tradesmen and operators for their dedication to ensure timely commencement of crush following the Mill Upgrade Program and to their families for their continued support.

Deputy Chairman



INVESTING FOR GROWTH

WE ARE BUIDLING NEW PLANTS, NEW CAPACITY AND NEW TECHNOLOGY

EXECUTIVE MANAGEMENT GROUP

Deo Saran
Chief Executive Officer

Annamale Naicker
General Manager Operations

Ali Ubadutt
General Manager Finance

Timoci Laqai
General Manager Corporate & Administration Company Secretary

Seru Vularika
General Manager Field Services

Mikaele Biukoto
Mill Manager, Lautoka Mill

Bhan Pratap Singh
Mill Manager, Rarawai Mill, Ba.

Karia Christopher
Mill Manager, Labasa Mill.

Sailasa Waitawa
Mill Manager, Penang Mill, Rakiraki.

CHIEF EXECUTIVE OFFICER'S REPORT

Deo Saran
Chief Executive Officer

REVIEW OF OPERATIONS

Operating Results

For the financial year ended 31 May 2010, the Fiji Sugar Corporation Limited recorded an Operating Loss of $24.6 million before Income Tax and Impairment Loss, compared to an Operating Loss of $38.8 million in the previous year. This reduction was largely attributed to decline in revenue and reduction in unrealized exchange loss and flood damages.

During the year under review, the Corporation's operating revenue decreased by $51.1 million to $194.7 million when compared to the previous year. This was primarily due to decrease in sugar production by 19% and decrease in average sugar price by 8% in comparison to the previous year. As a result of this the Corporation's trading loss increased by $11.2 million to $13.2 million when compared to the previous year.

During the year the Corporation also booked impairment loss of $173.4 million, resulting in operating loss before income tax of $198.0 million. The loss for the year after income tax benefit of $22.9 million was $175.1 million.

Provision for Impairment Loss

In accordance with International Accounting Standards 36 "Impairment of Assets", each year the Corporation assesses carrying value of its assets to determine whether there is any indication that those assets have suffered an impairment loss. For the year ended 31 May 2010, an independent consultant from New Zealand was engaged to carry out an impairment review of the assets of FSC.

Based on this independent assessment, an Impairment Loss of $173.4 million has been recognised. After taking Impairment Loss into account, loss for the year was $175.1 million compared to a loss of $36.8 million in 2009.

Upon completion of the Mill Upgrade Program in 2010 and taking into account current and expected cane production, it is now evident that milling efficiencies and projected cane production are expected to be well below the levels that formed the basis of investment in the Mill Upgrade Program. This has led to recognition of Impairment Loss in the 2010 financial year.

Improvements in mill performance and cane production over current projections would have a positive impact on the Impairment Loss recognised, quantum of which will be determined through annual impairment assessments.

CHANGES IN TRADING RESULTS

As depicted in the graph below the Corporation's profitability after tax deteriorated by $138.3 million during the year.

Sugar production declined by 19.4%, and molasses production increased by 13.3% resulting in the net decline in revenue by $42.7 million.

The revenue declined further by $11.0 million due to decrease in sugar unit price by 7.6% and increase in molasses unit price by 14.6%. The total decline in trading results due to decrease in volume and unit price of sugar and molasses is $53.7 million.

During the year, the Corporation reduced its importation of sugar, resulting in reduction of importation costs, which improved the trading results by $25.9 million.

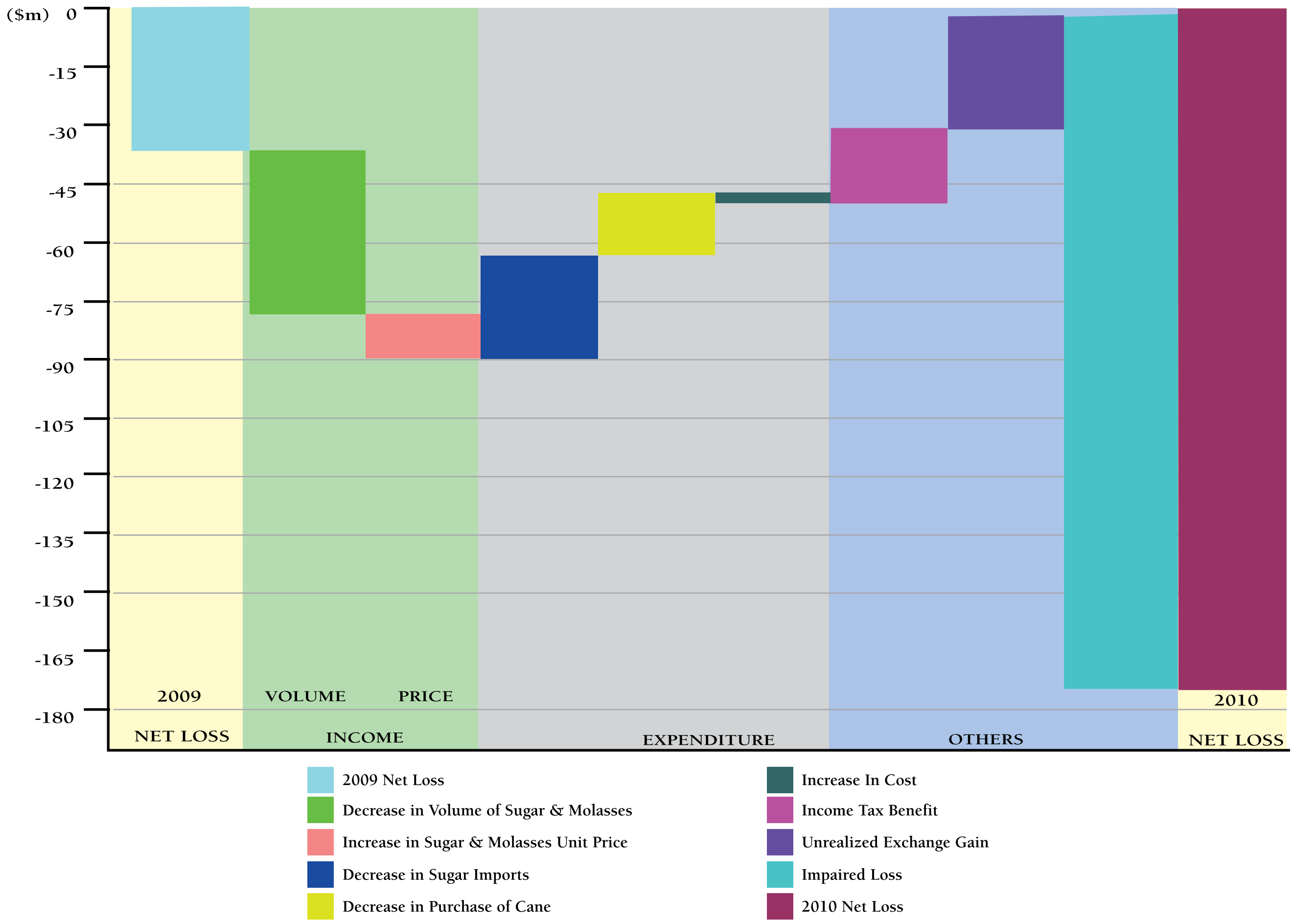
Taking into account the above factors, the net revenue available for distribution declined, resulting in reduction in cane payment to growers by $16.8 million.

Overall the Corporation's cost of production increased by $3.0 million when compared to the previous year. This is largely due to increase in cost of finance in relation to increased level of borrowings.

The Corporation had deferred income tax liability from prior years and as a result of the impairment loss, this has been reversed, resulting in an income tax benefit of $22.9 million.

With the devaluation of the Fijian dollar last year, the Corporation recognised unrealised exchange loss of $24.4 million for 2009 financial year in relation to EXIM Bank loan.

CHANGES IN TRADING RESULTS



Due to improvement in the exchange rate during the current financial year, an exchange gain of $4.8 million was recognized, thus yielding an overall improvement in the trading result by $29.2 million when compared to the previous year.

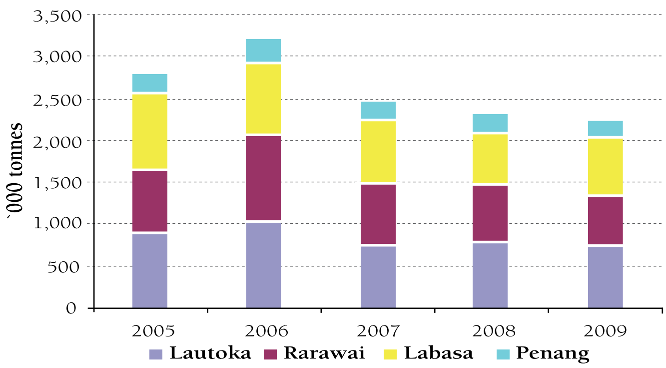
During the year, based on the independent assessment of the book value of assets against the Value In Use, the Corporation recognised an impairment loss of $173.4 million. Taking into account the above factors, the Corporation recorded a net loss after tax of $175.1 million for the financial year ended 31 May 2010, compared to a net loss of $36.8 million in the previous year.

Launch of Cane Planting Programme

Cane Production

The four mills crushed 2,246,631 tonnes cane in the 2009 season, a decrease of 74,987 tonnes from the previous year. An estimated 35,000 tonnes cane was unharvested when the mills ceased crushing.

The Corporation recorded an average crop yield of 46 tonnes per hectare from an area of 49,004 hectares, compared to 45 tonnes per hectare from an area of 50,907 hectares in 2008. A total of 3,400 hectares of new crops were planted during the year, compared to 3,700 hectares in the previous year.



The decline in crop was mainly attributed to expiry of some 6,000 cane leases under ALTA in the last 13 years and abnormally dry weather conditions. The loss of productive cane lands to industrial and residential use mainly in Fiji's western division is also a major threat.

The decline in preferential prices of sugar from the European Union which has seen a 36% reduction in price is having an adverse impact on the grower's interest to farm the land. Testament to this is the growing number of abandoned farms, as cane farming residents drift to peri-urban centres in search of alternative livelihood.

Field Efficiencies

Improving efficiency and profitability of growers has to come from reducing production cost and increasing yield. Yields need to increase by progressive cane replanting of old uneconomical ratoons.

The EU had provided $4.65 million for a cane replanting program in 2007/9 which assisted in establishing 3,200 hectares of new plant crops.

Currently, the Fiji Government has also injected a $6.0 million grant to assist growers in preparing their available fallow land for planting in 2010 season. The target of this project is to establish 6,000 hectares of new plant crops for harvest in 2011.

Large Scale Commercial Farms

The sugar industry is characterized by small sized farms with average holdings of 10 acres, which makes it difficult to achieve profitability, let alone adapt to world best farming practices.

Large scale farming operations provide for economies of scale by lowering the average cost per unit through increased production as fixed costs are shared over an increased volume of output.

FSC will now become a bigger participant in producing the raw material on a larger scale.

Harvesting and Transport Training conducted by European Commission

The miller must take ownership of cane production, which has fallen drastically to a level that is not sustainable for the mills.

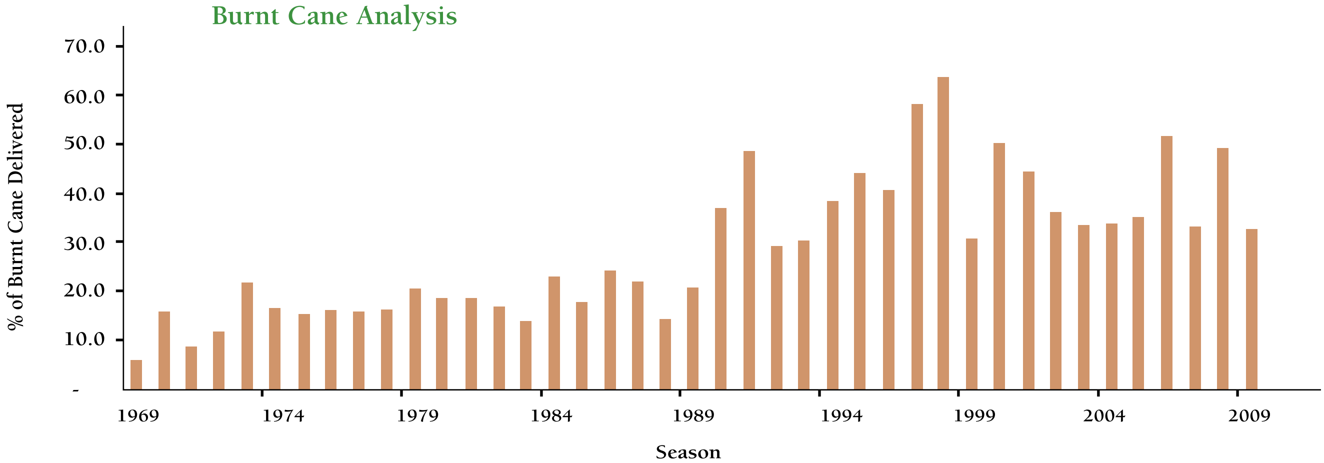
FSC will lease and develop suitable, contiguous land parcels as part of its drive to boost cane production and generate income. These nucleus farms will act as demonstration farms, providing technical support like quality seed materials, farm machinery and extension services to smaller growers in the vicinity.

Cane transport, cane supply and infrastructure

The European Commission Mission had commissioned a detailed study of the cane harvest and transport sector in Fiji with the aim of identifying and evaluating the potential improvements that can be made to harvesting and transportation of sugar cane in order to bring the costs down to ensure the economic viability of the sugar-cane cluster in the medium and long terms.

As it is, the harvesting operation is fragmented; the gang system has virtually collapsed. There is a need to reorganize the growers into larger, more efficient clusters.

Burnt Cane Analysis



Operation has to go large scale. Appropriate mechanization of harvesting and/or loading operations should be introduced to address the shortage of labour.

FSC is expected to lead the reforms and be a prominent player in this sector. The transportation of cane from transfer points to the mill will be the responsibility of the miller. The 70/30% sharing formula will have to be reviewed in this regard.

SUGAR PRODUCTION

Cane Quality

Sugar content in cane (POCS) continued to decline and was recorded at 10.3 for the 2009 season. Cane Purity for the season was 78.8. These results were the lowest in the last five years. Fibre in Cane was low and the mills had to depend on extraneous fuel at considerable costs.

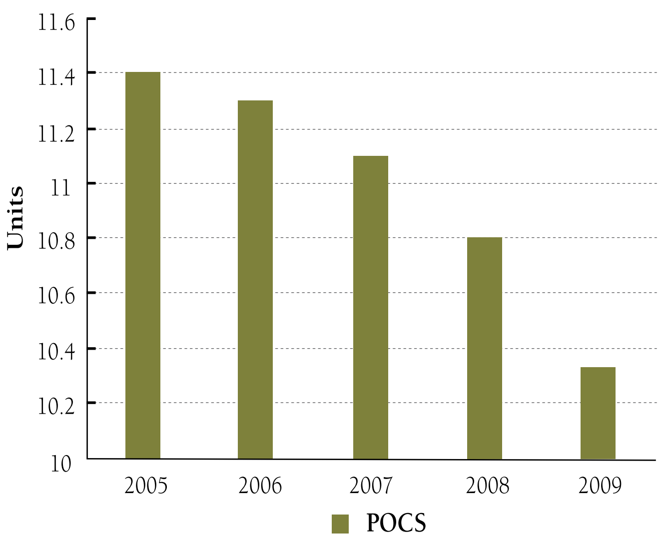
Burnt Cane

Burnt cane continues to be an evasive issue in the Sugar Industry. Everyone desires to see the industry rid itself of burnt cane. There is no solution in sight despite several measures being put in place in the past. Legislation may be the solution.

While the overall burnt cane ratio has come down to 33 percent from 50 percent in 2008, it needs to be noted that the scale of burnt cane supplied daily during the last quarter of the season at each mill averaged between 85 – 98 percent.

Quality Payment Trial

Technical evaluation has been completed with positive results and the Corporation is in the position to progress the project to the implementation stage.



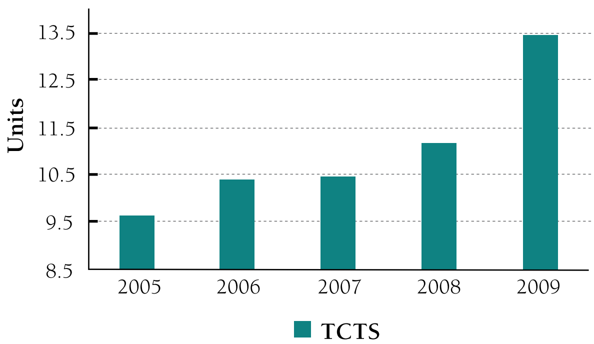
Milling Operations

The weekly average crush for the 2009 season was 77,575 tonnes compared to 94,346 in 2008.

The low factory uptime and poor recoveries was largely attributed to commissioning issues of the new plant and equipment installed under the upgrade program. Rarawai Mill was the worst affected, and it continues to have difficulties in dovetailing the new and existing technologies, incomplete project works and low operator skills.

Tonnes Cane per Tonnes Sugar (TCTS) of 13.4 for the season was the poorest in the last five years.

The Upgrade Program has been substantially completed with almost all remedial and residual works completed. Tidying up works is continuing and is expected to be completed by end August 2010. Plant operators and supervisors have been given class room training and on the job coaching and mentoring in the new technologies by specialist operators from India.



Sugar and Molasses Production

Sugar production for the 2009 season was 167,611 tonnes and was about 40,300 tonnes below the 2008 production. Major initiatives and plans have been implemented to arrest and reverse the declining trend in Factory Recovery. Early results in the 2010 indicate positive changes in results and Operations team is working on building up and consolidating the position.

Molasses production at 6.1% on cane was the highest in the last five years and reflects loss of sugar due to unusual processing difficulties, low uptime and the usual problem of high volumes of delayed burnt cane.

Sugar Quality

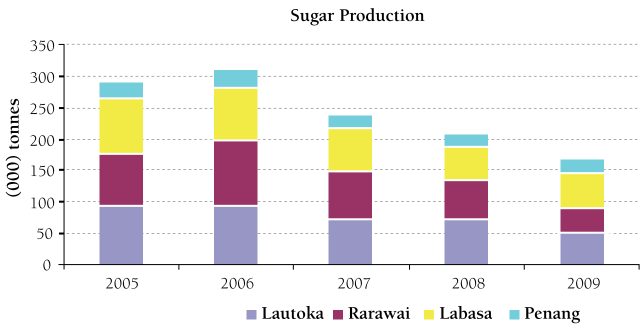
Sugar quality improved against the results of 2008. Dextran level in sugar was brought under reasonable control and there were no issues from the buyers.

Sugar Loading

Mill Upgrade Program

The Mill Upgrade Program is now substantially complete and tiding up works is in progress.

Upgrade works that require major local expenditure have been put on hold for lack of funds. These include boiler emission control and effluent treatment. All other Project works will be completed and Vendors released by end August 2010.



MARKETING

Sugar sales to the European Union

Economic Partnership Agreements (EPA) came into effect last October, when previous agreements that had long governed the export of sugar to Tate & Lyle of the United Kingdom came to an end.

As dictated in the agreement for 2010/11 season Fiji will be required to deliver 190,000 mt of raw sugar to the United Kingdom. Fiji is expected to export this entire quantity from the Pacific Region. This is sold to Tate & Lyle PLC in London under a Long Term Agreement.

Sugar Exports

During the 2009 season a total of 152,906 tonnes of sugar was manufactured for export to the United Kingdom under preferential trade arrangement with European Union. This compares with 207,575 tonnes exported in 2008 season.

With the reduced crop and the need to maximize sugar export the Corporation after reviewing sugar production decided to cease sugar sales to the Pacific region namely to Samoa, Tonga, Kiribati, Tuvalu, Solomon Islands and New Zealand.

Economic Partnership Agreement (EPA)

The Economic Partnership Agreement (EPA) came into effect on 1st October, 2009 and with it came the final reduction to the preferential price under the Special Preferential Agreement from €448.0 per metric ton to €335.0 per metric ton. This final price will be effective until EPA comes to an end in 2015.

World Market

The last year has been a turbulent one for the global sugar market, with the raw sugar price strengthening through 2009 to peak at just over US30c/lb at the start of 2010, before plummeting back down to near US13c/lb. Following the global production deficit in 2008/09, the 09/10 season saw a further deficit develop with Indian production remaining below consumption and requiring imports.

Disruption in CS Brazil due to wet weather at the peak of the 09/10 crop, and poor yields across many Northern Hemisphere cane crops exacerbated the situation.

The combined stock drawdown over the 08/09 and 09/10 seasons is estimated to total around 27 million tonnes (raw value) and the world market rallied over US30c/lb in the early part of 2010.

CEO presenting at World Sugar Summit

A weakening in investor confidence at these highs saw prices begin to retrace in early February 2010. Negative sentiment increased following an announcement from the EU Commission that they would allow an additional 0.5 million tonnes of white sugar exports over and above WTO agreed limits, while a strong CS Brazilian export program during the traditional off-crop season in Q1 2010 did not help matters.

News that the Indian crop would be far larger than almost all analysts' predictions, ending at around 19 million tonnes rather than below 16 million tonnes virtually eliminated the need for largescale world market white imports in Q2 and Q3 2010, and this resulted in a mass liquidation of investor positions.

The move became self-feeding as order flow from the speculative community swamped physical activity in the market. As a result, prices retraced by over 50%, reaching US13c/lb in the beginning of May 2010.

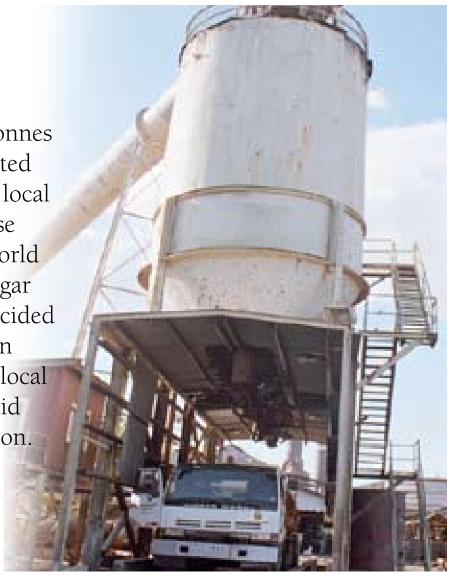
Since then the market has rallied back over 18c despite record CS Brazilian sugar production so far in the 2010 season. Strong pent-up demand for prompt sugars hit the market in Q2 2010, and has overrun increased CS Brazil sugar availability from the current crop.

CS Brazilian ports have been unable to meet this demand, and vessels are now waiting more than a month at ports to load sugar. As a result, physical values for CS Brazil sugars are quoted at substantial premiums, while the futures market has reverted to a backwardated structure, with the July 10 expiring at around 200 points premium to the October 10 contract, which is now trading at a small premium to the March 11 contract.

Looking to the end of 2010, global sugar demand should reduce as northern hemisphere countries begin their own domestic production, while Brazilian export availability will remain strong. However, with the futures market not incentivising producers to carry stocks forward and with global stocks remaining tight following two years of deep deficit, the outlook for the world market is fragile.

Sugar Imports

A total of 11,250 tonnes of sugar was imported from India to meet local demand but because of the increasing world market price for sugar the Corporation decided to cease importation and recommenced local production from mid 2009 crushing season.



Molasses Loading

Molasses

During the year a total of 135,299 tonnes of molasses was produced and sold mainly to the export markets.

RISK MANAGEMENT

The Corporation recognizes the need that a robust Risk Management program is essential to business growth and development. In order to practically demonstrate this recognition, the Corporation continues to develop appropriate business strategies to address risks in all areas of its operation.

HUMAN RESOURCES

Manpower

The workforce now stands at 1,639 compared to 2,500 in 2008. The 34% reduction has come about through the ongoing manpower rationalization program of organizational restructure and outsourcing of non-core functions.

Other initiatives to acquire optimum manning levels include streamlining of processes and centralizing finance, human resources and technical support functions.

Industrial

The role of the unions is crucial in facilitating the on-going reforms and organizational restructure in the face of declining efficiencies and productivity levels.

There has been little resistance to change, perhaps from realizing the financial situation of the Corporation. Changing mindsets remains a challenge.

Training & Development

Training and development has been an on-going challenge for the Corporation as it pursues the alignment of knowledge, skills and attitude of its workforce to new technologies associated with the Mill Upgrade Program and high employee turn over in recent years.

A total of 86 training programs were conducted during the year in which 1,286 workers were trained. Training programs were focused on Corporation's key operational areas such as technical, field operations, management, OHS and Information Technology. The average training cost of training was $182 per trainee.

The Corporation's apprentices again dominated the apprentice graduation by winning most of the awards at stake besides winning the Best Overall and First Runner Up for the National Apprentice Award.

A total of 60 tradesmen have undergone formal training through our partnership program with Australian Pacific Technical College (APTC) and have successfully completed their first block of training with the APTC and are now pursuing their second block training. Fitting & Machining and Welding & Fabrication students will be the first group of students who will be graduating under this scheme towards the end of the 2010 year.

Occupational Health And Safety

The Occupational Health and Safety Management system is undergoing a review and integration process with Environment and associated legislation. Appropriate training programs and awareness were conducted across the workforce to build skills and knowledge in this important area.

Other areas of focus by the Corporation during the year have been the integration and monitoring of the OHS and Environment procedures. We continue to invest in improvement of safety and working environment of our workers as this hold the key and is a catalyst to improve productivity.

INFORMATION SYSTEM

Information & Communications Technology is integral to the organization's business processes. It must strive for continuous improvement to increase service delivery, reduce cost and strengthen day to day decision making and long term planning capabilities.The Wide Area Network (WAN) was upgraded from old Frame Relay Technology to Point to Point Lease Lines. Communication networks at remote sector sites were also upgraded to VTSAT and Wireless Airmux Solutions which now provides them with e-mail access.

SMS broadcasting solution was introduced for easier and quick communication with the growers in cases of mill breakdowns and for other grower related services. Applications and networking infrastructure for successful implementation of NIR Project and redesigning of the Corporation's Global website was also developed. A substantial amount of time was spent in streamlining and automating various business processes for Supply Chain, Human Resources, Finance and Payroll.

Capabilities were developed in-house to manage and maintain Geographical Information Systems (GIS) and GPS handhelds for accurately gathering information from the field.

FSC takes communications to the fields

Network Analyst at work

ENVIRONMENT

The Corporation is mindful of the importance of maintaining a clean environment for it's workforce and other stakeholders and the community. It is important that it continues to address areas of concern such as pollution in particular waste water discharge during mill operation and air pollution.

The main focus during the year has been the implementation of various engineering controls in line with the Mill Upgrade Program in order to minimize waste to the environment. Works of putting in a systematic approach to address Environment and OHS was also carried out as a result of integration of OHS and Environment Management System. A committee has been formed at all mills to monitor and address pollution.

ACKNOWLEDGEMENT

The year under review was a difficult one for the Corporation. The decline in EU sugar price continued and the operational issues relating to the commissioning of new plant installed under the Mill Upgrade Program had adverse effects on sugar production, crushing operations and our financial results.

I thank the Chairman and the Board of Directors for their valuable guidance and constructive support to ensure we faced these adversities with diligence.

I also thank my colleagues in the Executive Management team for their continuous support and tireless contributions throughout the year. My sincere appreciation to all the employees of the Corporation who despite trying and difficult times and conditions, continued to persevere.

Deo Saran
Chief Executive Officer

FINANCIAL STATEMENTS

DIRECTORS' REPORT

In accordance with a resolution of the board of directors, the directors herewith submit the statement of financial position of The Fiji Sugar Corporation Limited (the Corporation) and of the Group as at 31 May 2010 and the related statement of comprehensive income, statement of changes in equity and statement of cash flow together with notes thereon for the year then ended and report as follows:

Directors

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

Mr Marika Gaunavou – Deputy Chairman
Ratu Deve Toganivalu
Mr Abdul Khan
Mr Alipate Qetaki
Mr Viliame Gucake
Ratu Aisea Katonivere

Group Financial Statements

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

Principal Activities

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

Principal activities of subsidiary companies are as follows:

FSC Projects Limited - equity investments.

FSC Services Pty Limited - 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 significant changes in the nature of these activities during the financial year.

Results

The consolidated results of the Group are summarized below:

	2010 $'000	2009 $'000
Loss from operations	(19,364)	(5,413)
Finance income	724	153
Finance costs	(6,594)	(565)
Allowance for inventory obsolescence	(1,872)	(100)
Unrealised exchange gain / (loss), net	3,996	(24,379)
Impairment loss on property, plant and equipment	(173,378)	(1,297)
Employee redundancy cost	(1,507)	-
Losses due to floodings	-	(6,112)
Loss on sale of investments in associate companies	-	(2,425)
Share of profit/ (loss) from associate	(14)	77
Loss before income tax	(198,009)	(40,061)
Income tax benefit	22,944	3,310
Loss for the year	(175,065)	(36,751)

DIRECTORS' REPORT [CONT'D]

Dividends

The directors recommend that no dividends be declared for the year ended 31 May 2010.

Reserves

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

Basis of Accounting – Going Concern

The financial statements have been prepared on a going concern basis on the assumption that the Corporation will continue to receive financial support and ongoing support from the Government of the Republic of Fiji Islands, the Corporation's debt will be restructured with additional equity and /or funding provided by the Government, the Corporation will achieve improvements in mill efficiency and mill performance together with improved cane supply and thereby generate adequate profit and cash flows from future operations and will have the funding facilities from the banks and other financial institutions which will enable the Corporation and the Group to meet its funding requirements for operations and to meet its obligations as and when they fall due. The directors believe that with the financial and other support of the Government, the Corporation and the Group entities will be able to continue in operation for at least 12 months from the date of this statement and the classification and carrying amounts of assets and liabilities as stated in these accounts are appropriate.

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

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

Significant Events During the Year

a) Mill Upgrade Program

During the year, the Mill Upgrade Program has been substantially completed. The mill upgrade has so far failed to bring improvement in the plant reliability, sugar extraction, sugar quality and energy efficiency as envisaged. The performance of mill continues to be significantly problematic with frequent mill interruptions resulting in the low level of mill uptime, poor TCTS ratio and higher operating costs.

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

b) Impairment of Plant and Equipment

For the year ended 31 May 2010, an independent impairment review of the assets of the Corporation was carried out by an independent consultant from New Zealand. The impairment assessment was undertaken in accordance with International Accounting Standards 36 "Impairment of Assets". Based on the independent assessment, the Management has carried out an assessment of the recoverable amount and has recognized impairment loss amounting to $173.4 million.

DIRECTORS' REPORT [CONT'D]

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

Prior to the completion of the financial statements of the Corporation and the Group, the directors took reasonable steps to ascertain whether any non-current assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Corporation and the Group.

Where necessary, these assets have been written down or adequate allowance has been made to bring the values of such assets to an amount that they might be expected to realise.

Subject to disclosures made under note 4 on critical accounting estimates and judgements in relation to impairment of property, plant and equipment, as at the date of this report, the directors are not aware of any circumstances, which would render the values attributed to non-current assets in the Corporation's and Group's financial statements misleading.

Unusual Transactions

During the financial year, the results of the Corporation were significantly affected by impairment of plant and equipment.

Except for the impairment loss, in the opinion of the directors, the results of the operations of the Corporation and the Group during the financial year were not substantially affected by any other item, transaction or event of an abnormal character, nor has there arisen between the end of the financial year and the date of this report, any item, transaction or event of an abnormal character likely, in the opinion of the directors, to affect substantially the results of the operations of the company in the current financial year.

Events Subsequent to Balance Date

Subsequent to balance date:

a) the Corporation obtained funding of $17.4 million (including loan from the Government) to fund its ongoing working capital requirements and obtained a roll over of the $29.3 million loan from Fiji National Provident Fund;

b) on 1 July 2010 Tate & Lyle PLC ("Tate & Lyle") announced that it had signed an agreement for the sale of its EU Sugar Refining operations to American Sugar Holdings, Inc ("ASH"). The sale of Tate and Lyle facilities to ASH will have no impact on the delivery of the Corporation's raw sugar.

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.

DIRECTORS' REPORT [CONT'D]

Other Circumstances

As at the date of this report:

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

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

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

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

Directors' Benefits

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

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

Dated this 7th day of September 2010.

....

Director Director

STATEMENT BY DIRECTORS

In accordance with a resolution of the board of directors of The Fiji Sugar Corporation Limited, and subject to disclosures made in the financial statements including disclosure under Note 21 in relation to going concern and support by the Government, we state that in the opinion of the directors:

(a) the accompanying statement of comprehensive income of the Corporation and of the Group is drawn up so as to give a true and fair view of the results of the Corporation and of the Group for the year ended 31 May 2010;

(b) the accompanying statement of financial position of the Corporation and of the Group is drawn up so as to give a true and fair view of the state of affairs of the Corporation and of the Group as at 31 May 2010;

(c) the accompanying statement of changes in equity of the Corporation and of the Group is drawn up so as to give a true and fair view of the changes in equity of the Corporation and of the Group for the year ended 31 May 2010;

(d) the accompanying statement of cash flow of the Corporation and of the Group is drawn up so as to give a true and fair view of the cash flows of the Corporation and of the Group for the year ended 31 May 2010;

(e) at the date of this statement, we believe that the Corporation and the companies in the Group will be able to pay their debts as and when they fall due; and

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

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

Dated this 7th day of September 2010.

…………………………………	…………………………………
Director	Director

INDEPENDENT AUDITORS' REPORT

To the members of The Fiji Sugar Corporation Limited

Report on the Financial Statements

We have audited the accompanying financial statements of The Fiji Sugar Corporation Limited (the "Corporation") and the Group, which comprise the statement of financial position as at 31 May 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 27 to 68.

Director's and Management's Responsibility for the Financial Statements

Directors and management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies Act, 1983. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion:

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

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

- i) are in agreement with the books of account;
- ii) to the best of our information and according to the explanations given to us:
  - (a) give a true and fair view of the state of affairs of the Corporation and of the Group as at 31 May 2010 and of the results, changes in shareholders' equity and cash flows of the Corporation and of the Group for the year ended on that date; and
  - (b) give the information required by the Companies Act, 1983 in the manner so required.

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

Emphasis of Matter

Without qualifying our opinion expressed above, we draw attention to the following matter:

Uncertainty Regarding Continuation as a Going Concern

The Corporation incurred significant losses during recent years. During the year ended 31 May 2010, the Corporation incurred a loss of $175.1 million (2009 : $36.8 million), including impairment losses of $173.4 million. The Corporation has generated negative cash flows from operations of $23.1 million for the year ended 31 May 2010.

As at 31 May 2010, total liabilities of the Corporation exceed total assets resulting in net liabilities of $65.6 million. The current liabilities exceed the current assets by $52.8 million.

The Corporation has significant debt repayment commitments amounting to over $60 million during the financial year ending 31 May 2011. Furthermore, the Corporation will require significant funding to meet its working capital requirements, capital expenditure and fund the operating losses.

The above conditions and other matters as disclosed in Note 21 of the financial statements indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's and the Group's ability to continue as a going concern.

The appropriateness of the going concern assumption on which the financial statements are prepared is critically dependent on the Government's financial and other support to the Corporation and the sugar industry, the restructuring of the Corporation's debt and additional equity and /or funding provided by the Government to enable the Corporation to continue in operation for at least twelve months. The appropriateness of the going concern assumption is also dependent on significant improvements in mill performance, and other factors as outlined in Note 21.

Should the going concern assumption be not appropriate, adjustments would have to be made to reflect a situation where the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the statement of financial position of the Corporation and of the Group. In addition, the Corporation and the Group may have to provide for further liabilities which may arise, and to classify the non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.

SUVA, FIJI
7 SEPTEMBER 2010

G Lal & Co

CHARTERED ACCOUNTANTS.

The Fiji Sugar Corporation Limited And Subsidiary Companies

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2010

	Notes	Consolidated		Holding Company	
		2010	2009	2010	2009
		$'000	$'000	$'000	$'000
Turnover					
Exports, sugar and molasses		170,899	221,104	170,899	221,104
Local, sugar and molasses		23,796	24,702	23,796	24,702
		194,695	**245,806**	**194,695**	**245,806**
Less: Cost of sales		(207,928)	(247,835)	(207,928)	(247,835)
Gross loss		(13,233)	(2,029)	(13,233)	(2,029)
Other income		182	2,328	182	2,328
Realised exchange gain / (loss), net		884	(96)	884	(96)
Administrative and operating expenses		(7,197)	(5,616)	(7,194)	(5,613)
		(6,131)	(3,384)	(6,128)	(3,381)
Loss from operations	5	(19,364)	(5,413)	(19,361)	(5,410)
Finance income	6	724	153	723	151
Finance costs	6	(6,594)	(565)	(6,594)	(565)
Unrealised exchange gain / (loss), net		3,996	(24,379)	3,996	(24,379)
Employee redundancy cost		(1,507)	-	(1,507)	-
Allowance for non-current inventory obsolescence		(1,872)	(100)	(1,872)	(100)
Impairment loss on property, plant and equipment	10(a)	(173,378)	(1,297)	(173,378)	(1,297)
Loss on sale of investments in associate company		-	(2,425)	-	(2,425)
Share of profit/(loss) from associated companies	11(c)	(14)	77	-	-
Losses due to floodings		-	(6,112)	-	(6,112)
Loss before income tax		(198,009)	(40,061)	(197,993)	(40,137)
Income tax benefit	8(b)	22,944	3,310	22,944	3,311
Loss for the year		(175,065)	(36,751)	(175,049)	(36,826)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		(175,065)	(36,751)	(175,049)	(36,826)
Earnings (loss) per share					
Basic loss and diluted loss per share (expressed in dollars per share)	9	(3.94)	(0.83)		

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

The Fiji Sugar Corporation Limited And Subsidiary Companies

STATEMENT OF FINANCIAL POSITION

AS AT 31ST MAY 2010

	Notes	Consolidated		Holding Company	
		2010	2009	2010	2009
ASSETS		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	10	95,527	261,477	95,527	261,477
Available-for-sale financial assets	11	699	792	12	12
Inventories	12	7,191	8,933	7,191	8,933
Trade and other receivables	13	5,882	-	5,882	-
Total non-current assets		109,299	271,202	108,612	270,422
Current assets					
Inventories	12	9,479	18,249	9,479	18,249
Trade and other receivables	13	14,048	22,079	13,969	21,999
Held to maturity investments		82	81	-	-
Current tax assets		224	-	223	-
Cash and bank balances		7,213	342	7,134	341
Total current assets		31,046	40,751	30,805	40,589
Total assets		140,345	311,953	139,417	311,011
EQUITY AND LIABILITIES					
Capital and reserve					
Issued capital	15	22,200	22,200	22,200	22,200
Retained earnings		(86,236)	88,829	(87,813)	87,236
Total equity		(64,036)	111,029	(65,613)	109,436
Non-current liabilities					
Borrowings	16	118,583	80,610	118,583	80,610
Deferred income	17	966	1,002	966	1,002
Deferred income tax	8(c)	-	22,562	-	22,562
Provisions	18	1,926	1,707	1,926	1,706
Total non-current liabilities		121,475	105,881	121,475	105,880
Current liabilities					
Borrowings	16	62,336	49,781	62,985	50,434
Provisions	18	2,649	3,263	2,649	3,262
Trade and other payables	19	17,921	41,999	17,921	41,999
Total current liabilities		82,906	95,043	83,555	95,695
Total equity and liabilities		140,345	311,953	139,417	311,011

The above statement of financial position 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

The Fiji Sugar Corporation Limited And Subsidiary Companies

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2010

Consolidated	**Notes**	**Share Capital $'000**	**Share of Reserve in Associate $'000**	**Retained Earnings $'000**	**Total $'000**
Balance at 1 June 2008		22,200	36	125,580	147,816
Changes in equity for 2009					
Adjustments to investments revaluation reserve on account of sale of investments in associate company	11(c)	-	(36)	-	(36)
Loss for the year		-	-	(36,751)	(36,751)
Other comprehensive income		-	-	-	-
Balance at 31 May 2009		22,200	-	88,829	111,029
Changes in equity for 2010					
Loss for the year		-	-	(175,065)	(175,065)
Other comprehensive income		-	-	-	-
Balance at 31 May 2010		22,200	-	(86,236)	(64,036)

Holding Company	**Notes**	**Share Capital $'000**	**Share of Reserve in Associate $'000**	**Retained Earnings $'000**	**Total $'000**
Balance at 1 June 2008		22,200	36	124,062	146,298
Changes in equity for 2009					
Adjustments to investments revaluation reserve on account of sale of investments in associate company	11(c)	-	(36)	-	(36)
Loss for the year		-	-	(36,826)	(36,826)
Other comprehensive income		-	-	-	-
Balance at 31 May 2009		22,200	-	87,236	109,436
Changes in equity for 2010					
Loss for the year		-	-	(175,049)	(175,049)
Other comprehensive income		-	-	-	-
Balance at 31 May 2010		22,200	-	(87,813)	(65,613)

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

The Fiji Sugar Corporation Limited And Subsidiary Companies

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 MAY 2010

	Consolidated		Holding Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Cash flows from operating activities				
Receipts from customers and other operating activities	196,245	240,618	196,245	240,616
Receipt from government grant	-	889	-	889
Payments to suppliers, employees and other operating activities	(213,409)	(246,212)	(213,406)	(246,208)
Cash used in operations	(17,164)	(4,705)	(17,161)	(4,703)
Dividends received	79	79	-	-
Finance income received	500	155	499	154
Finance cost paid	(6,448)	(2,430)	(6,448)	(2,430)
Income tax paid	(2)	-	-	-
Net cash flows used in operating activities	(23,035)	(6,901)	(23,110)	(6,979)
Cash flows from investing activities				
Payments for property, plant and equipment	(24,552)	(52,792)	(24,552)	(52,792)
Proceeds from sale of property, plant and equipment	47	63	47	63
Payments for acquisition of additional shares in associated companies`	-	(680)	-	(680)
Net cash flows used in investing activities	(24,505)	(53,409)	(24,505)	(53,409)
Cash flows from financing activities				
Proceeds from borrowings	88,563	55,238	88,563	55,238
Repayment of borrowings	(33,655)	(10,076)	(33,655)	(10,076)
Repayment of advances from subsidiary entity	-	-	(4)	(3)
Net cash flows provided by financing activities	54,908	45,162	54,904	45,159
Net increase / (decrease) in cash and cash equivalents	7,368	(15,148)	7,289	(15,229)
Cash and cash equivalents at the beginning of the financial year	(1,519)	13,629	(1,601)	13,628
Cash and cash equivalents at the end of the financial year (Note 14)	5,849	(1,519)	5,688	(1,601)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2010

1. GENERAL INFORMATION

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

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

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

Subsidiary companies

Principal activities of subsidiary companies are as follows:

FSC Projects Limited - equity investments.

FSC Services Pty Limited - 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

Basis of accounting - Going concern

The financial statements have been prepared on a going concern basis on the assumption that the Corporation will continue to receive financial support and ongoing support from the Government of the Republic of Fiji Islands, the Corporation's debt will be restructured with additional equity and /or funding provided by the Government, the Corporation will achieve improvements in mill efficiency and mill performance together with improved cane supply and thereby generate adequate profit and cash flows from future operations and will have the funding facilities from the banks and other financial institutions which will enable the Corporation and the Group to meet its funding requirements for operations and to meet its obligations as and when they fall due. The directors believe that with the financial and other support of the Government, the Corporation and the Group entities will be able to continue in operation for at least 12 months from the date of this statement and the classification and carrying amounts of assets and liabilities as stated in these accounts are appropriate.

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

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

2.1 Basis of preparation

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

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

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

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

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

Standards and Interpretations affecting amounts reported in the current period (and / or prior periods)

During the year, IAS 1 Revised Standard has been adopted. IAS 1 (Presentation of Financial Statements - 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

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 statement of comprehensive income.

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 statement of comprehensive income, 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.

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

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

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 statement of comprehensive income 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 statement of financial position date.

2.4 Borrowing costs

The borrowing costs that are directly attributable to the acquisition of the qualifying 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 statement of cash flow, cash and cash equivalents include cash on hand, deposits held at call with banks, and net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.6 Comparatives

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

2.7 Dividend income

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

Dividends received from associate companies are adjusted against the carrying value of the investments in associate companies by virtue of applying the equity method of accounting for investments in associates.

2.8 Earnings per share

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

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

2.9 Employee benefits

Wages and salaries

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

Annual leave and sick leave

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

Long service leave

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

Terminal benefits

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

Defined contribution plans

Contributions to Fiji National Provident Fund are expensed when incurred. 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-tomaturity 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 statement of financial position date, which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' disclosed in the statement of financial position (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 statement of financial position date.

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

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

The Group assesses at each statement of financial position 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 statement of comprehensive income.

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 statement of comprehensive income.

(c) *Group companies*

Statement of comprehensive income and cash flows of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and their statement of financial positions are translated at the exchange rates ruling on 31 May 2010.

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

2.12 Government grants

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

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

Government grants whose primary condition is that the Group should purchase, construct or other wise acquire non-current assets are recognized as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

2.13 Impairment of non-financial assets

At each statement of financial position 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 the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

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

2.14 Income tax

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

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

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

Current and deferred tax for the period

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

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. Allowances 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 statement of comprehensive income 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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 statement of comprehensive income during the financial period in which they are incurred.

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

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

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 statement of financial position date.

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

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

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

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

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

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

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.

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

2.19 Revenue recognition

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

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

Finance income

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

2.20 Segment reporting

An operating segment is a group of assets and operations engaged in providing product or services that are subject to risks and returns and that have similar economic characteristics.

For reporting purposes, the Group considers itself to be operating in one business segment as its predominant revenue sources is from sugar milling. 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.

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 statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

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

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.23 Trade payables

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

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

2.24 Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of Value Added Tax (VAT), except:

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

ii) for receivables and payables which are recognised inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

The VAT component of cash flows arising from operating and investing activities which is recoverable from or payable to, the taxation authority is classified as operating cash flows.

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

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

	2010	2009
	$'000	$'000
Liabilities		
Australian Dollar	363	3,046
Europe Euro	-	15
Japanese Yen	-	163
New Zealand Dollar	29	1,193
US Dollar	84,233	84,378
UK Pound	-	24
Assets		
Europe Euro	-	3,036

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (Cont'd)

Foreign currency sensitivity analysis

The company is mainly exposed to the currency of USA, New Zealand and Australia.

The following table details the company's sensitivity to a 10% increase and decrease in Fiji dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. If the FJD strengthen/weaken by 10% against the AUD, NZD, EUR, JPY, GBP and USD with all other variables held constant, pre- tax profit impact is as follows:

	Profit or loss			
	Strengthen		Weaken	
	2010	2009	2010	2009
	F$ 000	F$ 000	F$ 000	F$ 000
Australian Dollar – AUD	33	277	(40)	(338)
Europe Euro – EUR	-	(276)	-	335
Japanese Yen – JPY	-	15	-	(18)
New Zealand Dollar – NZD	3	108	(3)	(133)
US Dollar – USD	7,658	7,671	(9,359)	(9,375)
UK Pound – GBP	-	2	-	(3)

(ii) Price risk

The Group is exposed to world sugar price for sugar exports to European Union. The Corporation has commenced undertaking the necessary re-structuring and significantly completed the mill modernization and upgrade 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 EU and the ACP have negotiated market access arrangements specific to sugar under the new regional Economic Partnership Agreements (EPA) to apply from 1 October 2009 until 30 September 2015.

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (Cont'd)

(iv) Cane supply risk

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

	Gross Loss ($ million)		
Cane supply for the year 2010 (000t)	For the year ended May 2010	Effect of cane supply increase by 10%	Effect of cane supply decrease by 10%
2,246	13.2	7.8	18.6

(v) Cash flow and fair value interest rate risk

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

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

In relation to borrowings from Fiji National Provident Fund, Reserve Bank of Fiji, Bank of Baroda, Bank of South Pacific the group is not exposed to interest rate risk as it borrows funds at fixed interest rates. However, the Group is exposed to market interest at the time of the rollover of borrowings or refinancing of borrowings. The borrowings by the Corporation during the year and after balance date have been at increased interest rate. In relation to the bank overdraft from bank, the group is exposed to interest rate risk as the bank overdraft is at floating interest rate.

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

(b) Credit risk

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

(c) Liquidity risk

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

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 year
At 31 May 2010	**$'000**	**$'000**	**$'000**	**$'000**
Short term borrowings	56,020	-	-	-
Long term loans and bonds	-	4,201	36,702	-
Export Import Bank of India	6,316	10,219	36,488	30,973
Trade and other payables	17,921	-	-	-
	80,257	14,420	73,190	30,973
At 31 May 2009				
Short term borrowings	46,942	-	-	-
Export Import Bank of India	2,839	5,795	30,237	44,578
Trade and other payables	41,999	-	-	-
	91,780	5,795	30,237	44,578

The Corporation is facing cash flow constraints and has sought assistance from the Government by way of equity funding and restructuring of debt, together with other support and assistance. In this regard, the Government has set a Sugar Taskforce for restructuring the Corporation's debt and to assess the level of financial support required by the Corporation.

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 noncurrent borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents and short term deposits. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2 Capital risk management (Cont'd)

The gearing ratios at 31 May 2010 and 2009 were as follows:

	2010 $'000	2009 $'000
Total borrowings (Note 16)	180,919	130,391
Less: Cash on hand and at bank	(7,213)	(342)
Less: Short term deposits	(82)	(81)
Net debt	173,624	129,968
Total equity	(64,036)	111,029
Total capital (total equity plus net debt)	109,588	240,997
Gearing ratio (net debt / total capital x 100)	158%	54%

The gearing ratio during 2010 deteriorated significantly resulting from the recognition of impairment loss, significant losses from the operations, increased borrowings in relation to the mill upgrade and mill modernisation program, other short term borrowings to meet the working capital requirements and borrowings to fund the losses.

3.3 Fair value estimation

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Corporation's and the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Corporation's and the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Key sources of estimation uncertainty

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

(a) Impairment of property, plant and equipment

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

For the year ended 31 May 2010, an independent impairment review of the assets of the Corporation was carried out by an independent consultant from New Zealand. The impairment assessment was undertaken in accordance with International Accounting Standards 36 "Impairment of Assets". The recoverable amount of the relevant assets has been determined on the basis of their value in use. The value in use has been determined based on discounted cash flow assessment covering 10 years from 2011 to 2020 based on a scenario with cane volumes of 1.99 million tonnes for 2011 and increasing to 3.25 million tonnes in 2016, and estimated terminal value. The discount rate of 10.5% has been used in measuring value in use. In making financial forecasts, the Management has relied on technical experts wherever deemed appropriate, including the areas of marketing and engineering aspects of operations.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2010

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

(a) Impairment of property, plant and equipment (Cont'd)

The Government has set a Sugar Taskforce for Financial Restructuring of the Corporation and reforming of the Fiji Sugar industry. The Sugar Taskforce has recently engaged the consulting firm from New Zealand to undertake an independent review of the Corporation's performance and capital structure to help the Government identify the level of financial support required by the Corporation in the short term and an appropriate capital structure for the Corporation in the medium term together with review of wider industry structure and necessary industry reforms.

(b) Impairment of accounts receivable

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

(c) Fair value of equity instruments

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

(d) Deferred income tax assets

Deferred income tax assets are recognized for all unused tax losses and benefits arising from temporary differences to the extent that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely and level of future taxable profits together with future planning strategies. The deferred income tax asset relating to tax losses and temporary differences have not been brought to account as in the opinion of the Management its realization is not considered to be probable. Further details are contained in Note 8(d).

(e) Allowances for stock obsolescence

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

5. LOSS FROM OPERATIONS

	Consolidated		Holding Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Loss from operations have been arrived at after crediting the following items:				
Amortisation of government grants (Note 17)	36	114	36	114
Government grants	-	889	-	889
Creditors and payables written back	105	1,265	105	1,265
Gain on sale of property, plant and equipment	41	60	41	60
Loss from operations have been arrived after charging / (crediting) the following expenses:				
Auditors' remuneration for:				
- Audit services	66	66	64	64
- Other services	5	5	5	5
Bad debts written off	110	103	110	103
Depreciation and amortisation:				
- Leasehold land, building and improvements	1,626	1,572	1,626	1,572
- Plant, machinery and equipment	9,856	8,943	9,856	8,943
- Motor vehicles and transport systems	1,490	1,573	1,490	1,573
Directors' emoluments for:				
- Services as directors	56	55	56	55
- Other services	60	132	60	132
Impairment loss on receivables	75	113	75	113
Provision reversal for litigation claims	(83)	(77)	(83)	(77)
Staff costs (Note 7)	32,242	38,292	32,242	38,292

6. FINANCE INCOME AND COSTS

FINANCE INCOME				
Finance income	724	153	723	151
FINANCE COSTS				
Finance expense				
- Secured borrowings	(6,485)	(552)	(6,485)	(552)
- Others	(109)	(13)	(109)	(13)
Total finance cost	(6,594)	(565)	(6,594)	(565)

7. STAFF COSTS

	Consolidated 2010 $'000	Consolidated 2009 $'000	Holding Company 2010 $'000	Holding Company 2009 $'000
Wages and salaries	30,495	37,728	30,495	37,728
FNPF contribution	3,092	3,920	3,092	3,920
Other employee benefits	279	309	279	309
	33,866	41,957	33,866	41,957
Less: staff costs for capital works	(1,426)	(3,437)	(1,426)	(3,437)
	32,440	38,520	32,440	38,520
Provisions for employee benefits, net movement	(198)	(228)	(198)	(228)
Total staff costs	32,242	38,292	32,242	38,292
Number of permanent employees as at balance date. This increases by approximately 349 employees during the crushing period.	1,344	1,732	1,344	1,732

8. INCOME TAX

(a) Income tax benefit

	Consolidated 2010 $'000	Consolidated 2009 $'000	Holding Company 2010 $'000	Holding Company 2009 $'000
Deferred income tax	22,562	3,311	22,562	3,311
Over provision in prior years	382	-	382	-
Current tax	-	(1)	-	-
Income tax benefit	22,944	3,310	22,944	3,311

(b) Income tax benefit

	Consolidated 2010 $'000	Consolidated 2009 $'000	Holding Company 2010 $'000	Holding Company 2009 $'000
Loss before income tax expense	(198,009)	(40,061)	(197,993)	(40,137)
Tax benefit at the rate of 29% (2009: 31%)	57,423	12,419	57,418	12,443
Tax effect of:				
Non-deductible expenses	(258)	(103)	(253)	(102)
Unrealised exchange gain / (loss), net	1,159	(7,530)	1,159	(7,530)
Loss from disposals of associate	-	(752)	-	(752)
Amortisation of government grant	10	35	10	35
Tax incentives and concessions	-	29	-	29
Exempt income	-	24	-	-
Deferred income tax assets in respect of tax losses and temporary differences not brought into account, net	(58,334)	(2,368)	(58,334)	(2,368)
Deferred income tax written back	22,562	-	22,562	-
Over provision in prior years	382	-	382	-
Change in tax rates on deferred tax balances	-	1,556	-	1,556
Income tax benefit	22,944	3,310	22,944	3,311

8. INCOME TAX (CONT'D)

(c) Deferred income tax

	Consolidated 2010 $'000	Consolidated 2009 $'000	Holding Company 2010 $'000	Holding Company 2009 $'000
Deferred income tax comprises the estimated future expense at future income tax rate of the following items:				
Unrealised gains on stock of sugar and molasses	-	921	-	921
Unrealised foreign exchange gain	-	148	-	148
Difference between accounting and tax written down value of property, plant and equipment	-	21,493	-	21,493
Total deferred income tax	-	22,562	-	22,562

Deferred income tax has been written back during year ended 31 May 2010 subsequent to impairment of property, plant and equipment and given that deferred income tax assets arising on impairment have not been recognized.

(d) Deferred Tax Assets Not Recognised

The deferred tax assets relating to estimated tax losses and temporary differences amounting to approximately $49.6 million (2009 : $14.9 million) have not been brought to account as its realization is not considered to be probable. The deferred tax asset will only be realized if:

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

(ii) the Corporation continues to comply with the conditions for deductibility imposed by tax legislation; 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 (loss) per share is calculated by dividing the net loss attributed to equity holdings of the Corporation by the weighted average number of ordinary shares in issue during the year.

	Consolidated 2010 $	Consolidated 2009 $
Loss attributable to shareholders	(175,064,554)	(36,751,017)
Weighted average number of ordinary shares in issue (nos.)	44,399,998	44,399,998
Basic loss per share (dollar per share)	(3.94)	(0.83)

(b) Diluted

Diluted loss per share is same as basic loss per share.

FOR THE YEAR ENDED 31 MAY 2010

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
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 May 2010							
Cost	21,904	159	67,453	367,868	42,293	19,954	519,631
Accumulated depreciation	-	(28)	(18,065)	(195,349)	(34,017)	-	(247,459)
Accumulated impairment losses	-	-	(37,934)	(132,354)	(6,357)	-	(176,645)
Balance as at 31 May 2010	**21,904**	**131**	**11,454**	**40,165**	**1,919**	**19,954**	**95,527**
At 31 May 2009							
Cost	21,904	159	66,041	263,112	44,331	112,508	508,055
Accumulated depreciation	-	(27)	(16,456)	(190,908)	(35,920)	-	(243,311)
Accumulated impairment losses	-	-	-	(3,267)	-	-	(3,267)
Balance as at 31 May 2009	**21,904**	**132**	**49,585**	**68,937**	**8,411**	**112,508**	**261,477**

Note 10(a)

For year ended 31 May 2010, an independent impairment review of the assets of the Corporation was carried out by an independent consultant from New Zealand (Refer Note 4(a)). Based on the independent assessment, the Management has carried out an assessment of the value in use of property, plant and equipment, and has recognized impairment loss amounting to $173.4 million and has been allocated on a pro-rata basis to buildings and improvements, plant, machinery and equipment, vehicles and transport systems.

The Corporation has further carried out sensitivity analysis of assessment of recoverable amount as at 31 May 2010 with the following assumptions:

- Terminal growth rate - ± 1%
- Discount rate - ± 1%
- Exchange rate - ± 5%
- Expenditure - ± 5%
- World market price - ± US$0.01
- Cane production - ± 5%

Based on the sensitivity analysis, the estimated impairment loss could vary within the range from low end of $148 million to higher end of $194 million.

Refer Note 4 (a) in relation to critical accounting estimates and judgments, and significant uncertainty in relation to impairment of property, plant and equipment.

FOR THE YEAR ENDED 31 MAY 2010

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

Consolidated and Holding Company

Note 10(b)

Capital work in progress principally relates to costs and expenses incurred for mill upgrades, mill modernization and other capital nature work on property, plant and equipment. Capital work in progress is not depreciated. During the year, borrowing costs of $116,696 (2009: $2,396,675) were capitalised to capital work in progress.

Note 10(c)

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

Note 10(d)

Property, plant and equipment of the Corporation are not insured for various risks including risk of losses arising from fire, cyclone, flooding, business interruption and others as the cost of insurance cover is significant. Vehicles are insured under comprehensive insurance cover.

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 2010	Total 2009
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 June 2009	21,904	132	49,585	68,937	8,411	112,508	261,477	220,830
Additions	-	-	166	2,764	1,089	17,247	21,266	54,717
Transfer from CWIP	-	-	1,288	107,757	481	(109,526)	-	-
Disposals / write off	-	-	(26)	(350)	(215)	(275)	(866)	(685)
Impairment losses (Note 10(c))	-	-	(37,934)	(129,087)	(6,357)	-	(173,378)	(1,297)
Depreciation (Note 5)	-	(1)	(1,625)	(9,856)	(1,490)	-	(12,972)	(12,088)
Balance as at 31 May 2010	21,904	131	11,454	40,165	1,919	19,954	95,527	261,477

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated		Holding Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Subsidiary companies				
Shares in subsidiary companies, at cost	-	-	12	12
Associate companies				
Equity accounted investments in associate company	699	792	-	-
	699	792	-	-
Total available-for-sale financial assets	699	792	12	12

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

(a) Investments in subsidiaries

Name of Company	Place of Incorporation	Contribution to Group Results		Book Value of Holding Company Investments (Ordinary shares)		% Shareholding	
		2010	2009	2010	2009	2010	2009
		$	$	$	$	%	%
Unlisted							
FSC Projects Ltd	Fiji	(15,262)	74,757	100	100	100	100
FSC Services Pty Ltd	Australia	-	-	11,875	11,875	100	100
Pacific Cogeneration Limited	Fiji	-	-	2	2	100	100
		(15,262)	74,757	11,977	11,977		

The financial statements of FSC Projects Limited are audited by G. Lal + Co. The financial statements of FSC Services Pty Limited and Pacific Cogeneration Limited have not been audited. Pacific Cogeneration Limited has yet to commence operations, and FSC Services Pty Limited is non-operating.

(b) Investments in associate company

Name of Company	Place of Incorporation	Issued Capital (ordinary @ $1 par)		Issued to FSC Group (ordinary @ $1 par)		%Shareholding	
		2010	2009	2010	2009	2010	2009
		$	$	$	$	%	%
Agchem Limited	Fiji	130,000	130,000	51,663	51,663	39.74	39.74

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

	Consolidated		Holding Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
(c) Movement in carrying amount of associate company				
Opening balance	792	2,575	-	1,781
Add: Acquisition of additional share capital in the associated company	-	680	-	680
Add: Share of profit / (loss) from associates	16	89	-	-
Less: Over accrual of share of income in prior year	(30)	(12)	-	-
Less: Reversal of post acquisition reserve	-	(36)	-	(36)
Less: Loss on sale of investments in associate company	-	(2,425)	-	(2,425)
Less: Dividends received / receivable	(79)	(79)	-	-
	699	792	-	-

(d) Summarised financial information in respect of the Group's associates is set out below

	Consolidated 2010 $'000	Consolidated 2009 $'000	Holding Company 2010 $'000	Holding Company 2009 $'000
Total assets	2,380	2,370	-	-
Total liabilities	(621)	(377)	-	-
Net assets	1,759	1,993	-	-
Group's share of net assets of associates	699	792	-	-
Total revenue	2,173	2,447	-	-
Total profit for the period	41	225	-	-
Group's share of profits of associates	16	89	-	-

12. INVENTORIES

	Consolidated 2010 $'000	Consolidated 2009 $'000	Holding Company 2010 $'000	Holding Company 2009 $'000
Non-Current				
Capital spare parts and spare gears	11,007	10,877	11,007	10,877
Deduct: Allowance for inventory obsolescence	(3,816)	(1,944)	(3,816)	(1,944)
Total non-current inventories, net	7,191	8,933	7,191	8,933
Current				
Sugar and molasses	1,754	10,585	1,754	10,585
Maintenance spares and consumables	7,672	7,664	7,672	7,664
Goods in transit	53	-	53	-
Total current inventories	9,479	18,249	9,479	18,249

Sugar and molasses have been valued based on expected net realizable value.

13. TRADE AND OTHER RECEIVABLES

	Consolidated		Holding Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Non-Current				
Advance to cane growers (a)	5,882	-	5,882	-
Total non-current trade and other receivables	5,882	-	5,882	-
Current				
Trade receivables	-	2,919	-	2,919
Dividend receivable from associate company	79	79	-	-
Receivable from related parties	-	97	-	97
VAT receivable	5,440	10,385	5,440	10,385
Growers advance (a)	1,743	1,199	1,743	1,199
Other receivables	4,640	4,865	4,640	4,864
	11,902	19,544	11,823	19,464
Less: Impairment loss	(126)	(374)	(126)	(374)
	11,776	19,170	11,697	19,090
Prepayments and deposits	2,272	2,909	2,272	2,909
Total current trade and other receivables, net	14,048	22,079	13,969	21,999

(a) Advance to Cane Growers – Supplementary cane payment

During year ended 31 May 2010, the Corporation paid $8,402,397 as a supplementary cane payment. The entire payment was funded by way of a term finance from Sugar Cane Growers Fund (refer note 16). The interest cost in respect to the short term finance will be met by the Government. The Corporation's share of 30% amounting to $2,520,719 has been accounted as cost of sales in the statement of comprehensive income for the year ended 31 May 2010. The balance 70% is to be recovered by the Corporation from proceeds due to cane growers during the 2011 and 2012 season. Accordingly, the balance amounting to $5,881,678 recoverable from cane growers has been disclosed as receivables under growers advance account.

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

	Consolidated		Holding Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Opening balance	374	281	374	281
Impairment loss on receivables (Note 5)	75	113	75	113
Amounts written off during the year	(323)	(20)	(323)	(20)
Closing balance	126	374	126	374

14. NOTES TO THE STATEMENT OF CASH FLOW

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	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Cash and bank balances	7,213	342	7,134	341
Short term deposits	82	81	-	-
Bank overdraft	(1,446)	(1,942)	(1,446)	(1,942)
Total cash and cash equivalents, net	5,849	(1,519)	5,688	(1,601)

15. SHARE CAPITAL

	Consolidated		Holding Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Authorised capital				
160,000,000 ordinary shares of 50 cents each	80,000	80,000	80,000	80,000
Issued capital				
44,399,998 ordinary shares of 50 cents each	22,200	22,200	22,200	22,200

16. BORROWINGS

	Consolidated		Holding Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Non-current				
Export Import Bank of India (a)	77,680	80,610	77,680	80,610
Fiji National Provident Fund (e)	10,000	-	10,000	-
Reserve Bank of Fiji (d)	22,500	-	22,500	-
Advance from Sugar Cane Growers Fund (c)	8,403	-	8,403	-
	118,583	80,610	118,583	80,610
Current				
Export Import Bank of India (a)	6,316	2,839	6,316	2,839
Bank overdraft – Westpac Bank (b)	1,446	1,942	1,446	1,942
Advance from Sugar Cane Growers Fund	-	5,700	-	5,700
Reserve Bank of Fiji	-	20,000	-	20,000
Fiji National Provident Fund (e)	34,044	19,300	34,044	19,300
Advances from subsidiaries (h)	-	-	649	653
Bank of Baroda (f)	19,094	-	19,094	-
Bank of South Pacific (g)	1,436	-	1,436	-
Total current borrowings	62,336	49,781	62,985	50,434
Total borrowings	180,919	130,391	181,568	131,044

Particulars relating to borrowings:

(a) Borrowings – Export Import Bank of India

The Corporation has entered into a contract with the Export Import Bank of India on 7 November 2005 by way of Dollar Line of Credit of US$50.4 million for the upgrade of its sugar mills. The loan is secured by the Government guarantee and the principal amount is repayable in successive half yearly equal installments over a ten year period with an initial moratorium of 2 years, which was subsequently extended to 3 years. Interest is payable at the rate of London Inter Bank Offered Rate (LIBOR) plus 0.5%. Interest paid and / or accrued for the year ended 31 May 2010 has been expensed as the sugar mills upgrade and modernization project has been substantially completed.

(b) Bank Overdraft – Westpac Bank

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

(c) Sugar Cane Growers Fund

During year ended 31 May 2010, the Corporation paid $8,402,397 as a supplementary cane payment. The entire payment was funded by way of a term finance from Sugar Cane Growers Fund. The interest cost in respect to the short term finance will be met by the Government. The Corporation's share of 30% amounting to $2,520,719 has been accounted as cost of sales in the statement of comprehensive income for the year ended 31 May 2010. The balance 70% is to be recovered by the Corporation from proceeds due to cane growers during the 2011 and 2012 season. The benefit derived from the Government support has not been recognized as a Government grant in accordance with IAS 20 – Accounting for Government Grant since the Corporation is the facilitator in this supplementary cane payment arrangements to provide benefit to the cane growers.

16. BORROWINGS (CONT'D)

(d) Reserve Bank of Fiji

The bonds issued by the Corporation to Reserve Bank of Fiji are subject to interest at the rate of 7%- 8% per annum (payable bi-annually) and are secured by the Government guarantee. The bonds are repayable by 5 November 2014.

(e) Fiji National Provident Fund

Current Borrowings

The loan from Fiji National Provident Fund (FNPF) of $29,300,000 and borrowings by way of promissory notes of $4,743,956 are subject to interest at the rate of 12% and 10% per annum, respectively and are repayable by 31 May 2011 and 9 October 2010, respectively. During the year, default interest was charged by FNPF for 7 days due to delay in rollover of the loan. These borrowings are secured by the Government guarantee. As required by FNPF, a legal documentation in respect to FNPF borrowing of $29.3 million is in the process of being executed by the Corporation, the Government and FNPF.

Non-Current Borrowings

The bond of $10,000,000 issued by the Corporation to FNPF is subject to interest at the rate of 7% per annum (payable bi-annually) and is repayable by 5 November 2014. The bond is secured by the Government guarantee.

(f) Bank of Baroda

The borrowings from Bank of Baroda are subject to interest at the rate of 8.5% to 9% per annum and are repayable by 11 November 2010. The borrowings are by way of promissory notes issued by the Corporation, and are secured by the Government guarantee.

(g) Bank of South Pacific

The borrowing from Bank of South Pacific is subject to interest at the rate of 8.25% per annum and is repayable by 9 October 2010. The borrowing is by way of promissory note issued by the Corporation, and is secured by the Government guarantee.

(h) Advances from Subsidiaries

(i) Advance from FSC Projects Limited as at balance date amounted to $631,593. The advance is unsecured, interest free and repayable on demand.

(ii) Advance from FSC Services (Pty) Limited as at balance date amounted to $17,277. 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	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Government grants	1,800	5,014	1,800	5,014
Less: Accumulated amortization	(834)	(4,012)	(834)	(4,012)
Deferred income, net	966	1,002	966	1,002

The above relates to grant received in relation to the bulk sugar shed which is being amortised on a straight line basis at 2%.

18. PROVISIONS

	Employee entitlements	Litigation claims	Unpaid Rent	Income Tax	Total
	$'000	$'000	$'000	$'000	$'000
Consolidated					
As at 1 June 2009	4,257	323	388	2	4,970
Additional provisions recognised / paid during the year , net	(340)	(83)	30	(2)	(395)
Carrying amount as at 31 May 2010	3,917	240	418	-	4,575
Holding Company					
As at 1 June 2009	4,257	323	388	-	4,968
Additional provisions recognised / (paid) during the year , net	(340)	(83)	30	-	(393)
Carrying amount as at 31 May 2010	3,917	240	418	-	4,575

Analysis of total provisions:

	Consolidated		Holding Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Non-current	1,926	1,707	1,926	1,706
Current	2,649	3,263	2,649	3,262
Total provisions	4,575	4,970	4,575	4,968
Employee entitlements consist of the following:				
Annual and sick leave	1,991	2,410	1,991	2,410
Long service leave	1,926	1,577	1,926	1,577
Redundancy	-	141	-	141
Compassionate allowance	-	129	-	129
Total employee entitlements	3,917	4,257	3,917	4,257

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.

18. PROVISIONS (CONT'D)

Long service leave and retirement benefits

Long service leave and retirement benefits are accrued for employees entitled to the same under their terms of employment. Note 2.9 outline the accounting policy and underlying basis for these accruals. As referred to in Note 2.9, the expected future payments are discounted by 5.50% which represent the market yields on the 10 year Government Bonds as at reporting date.

19. TRADE AND OTHER PAYABLES

	Consolidated		Holding Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Trade creditors – Supplies and general	4,281	9,687	4,281	9,687
Trade creditors – Capital project contractors	6,879	10,846	6,879	10,846
Other creditors and accruals	5,082	8,194	5,082	8,194
Growers creditors	-	9,057	-	9,057
Cane access road, ACRP and other grants payable	638	3,413	638	3,413
Interest payable	1,041	802	1,041	802
Total trade and other payables	17,921	41,999	17,921	41,999

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

20. CONTINGENT LIABILITIES

Wage claims and litigations (a)	730	730	730	730
Letters of credit undertakings by the bank (b)	10,241	16,407	10,241	16,407
Guarantees or bonds given by the bank	154	456	154	456
Total contingent liabilities	11,125	17,593	11,125	17,593

(a) Litigations

The Corporation and the workers union are contesting certain matters. The disputes are on matters of principle and interpretation. The matters are still under consideration by the court and the Ministry of Labour. The ultimate outcome cannot be presently determined, accordingly no provision has been made in the financial statements for any liability that may eventuate from these claims.

As at balance date, provision of $240,000 (2009: $323,359) was made in respect of various court actions against the Corporation (Refer Note 18).

The directors believe that claims arising from such actions are not likely to be of material nature based on the advice of the Corporation's solicitors.

(b) Letters of credit

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

21. GOING CONCERN AND FINANCIAL SUPPORT

The Corporation incurred significant losses during recent years. During the year ended 31 May 2010, the Corporation has incurred loss of $175.1 million (2009: $36.8 million), including impairment losses of $173.4 million. Furthermore, the Corporation has generated negative cash flows from operations for the year ended 31 May 2010.

As at 31 May 2010, total liabilities of the Corporation exceed total assets resulting in net liability of $65.6 million. The current liabilities exceed the current assets by $52.7 million, representing the ratio of 2.71 : 1 (2009: $55.1 million, representing the ratio of 2.36 : 1).

The Corporation has significant debt repayment commitments amounting to over $60 million during the next twelve months. The Corporation will require significant funding to meet its working capital requirements, capital expenditure and fund the operating losses. Total funding requirements for financial year ending 2011 and 2012 is projected to be around $170 million.

The Corporation has faced difficulties to raise funds for working capital requirements, with increase in cost of borrowings during the year and subsequent to balance date. Subsequent to the balance date, the Corporation floated Government guaranteed promissory notes to raise funding for working capital, however, the Corporation was not successful in raising the required funds.

The Mill Upgrade Program has been substantially completed during year ended 31 May 2010. The mill upgrade was undertaken to improve plant reliability, sugar extraction, sugar quality, energy efficiency and environmental controls. However, during the financial year ended 31 May 2010, mill efficiency was severely affected by incompatibility between the existing and new machinery. Subsequent to balance date, for the 2010 crush season, the performance of mills continues to be problematic with frequent mill interruptions resulting in the low level of mill uptime, poor TCTS (tonne cane crush to tonne sugar) ratio and higher operating costs. An independent engineering audit of the mill upgrade was carried out during December 2009 by independent consultants from India, and the report identified significant problems with Mill Upgrade Program and recommended several urgent modifications, which are being attended to.

Given the financial position and the debt levels of the Corporation and recurring losses being incurred by the Corporation, the business operations are not sustainable and will require restructuring of debt and additional equity or funding.

Subsequent to balance date, the Corporation continues to incur significant operating losses due to decrease in cane supply and the increase in the TCTS ratio. The Corporation is not likely to meet its budgeted results for the year ending 31 May 2011.

The above factors indicate that the Corporation may not be able to continue as a going concern. Accordingly, the following assistance will be required from the Government and certain critical reforms and improvements need to be achieved:

- In the short and medium term, the Government continues to provide financial and other support to the Corporation and the sugar industry, the Corporation's debt is restructured and additional equity and /or funding provided by the Government to enable the Corporation to meet its commitments and obligations on a timely basis;

21. GOING CONCERN AND FINANCIAL SUPPORT (CONT'D)

- Improvements are achieved in cane supply volumes and quality together with significant improvements in mill efficiency and performance with improved TCTS ratio and reduced mill operating cost.

- Sugar industry reforms are achieved and funding for the sugar industry at large is made available for a long term sustainability and survival of the sugar industry and the Corporation.

The Government as a majority shareholder has made a commitment to support and assist the sugar industry given the importance of the sugar industry for the economy of Fiji. Furthermore:

i) During the year, the Government guarantee was increased to $120 million, and was extended until 31 May 2012 to enable the Corporation to borrow from commercial banks and short term money markets.

ii) The Government has set a Sugar Taskforce for Financial Restructuring of the Corporation and reforming of the Fiji Sugar industry.

iii) The Sugar Taskforce has recently engaged the consulting firm from New Zealand to undertake an independent review of the Corporation's performance and capital structure to help the Government identify the level of financial support required by the Corporation in the short term and an appropriate capital structure for the Corporation in the medium term together with review of wider industry structure and necessary industry reforms.

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

v) Management is undertaking a number of initiatives with Government and the sugar buyers Tate & Lyle of UK to increase cane production.

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

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

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

22. COMMITMENTS

	Consolidated		Holding Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
(a) Capital commitments				
Capital commitments contracted but not provided for in the accounts	7,344	11,201	7,344	11,201
Capital commitments approved by the directors but not yet contracted	13,601	17,320	13,601	17,320
Total capital commitments	20,945	28,521	20,945	28,521

Mill Upgrade Program

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

It is anticipated that the remaining plant and equipment will be acquired, installed and commissioned before the end of the next financial year.

(b) Operating lease commitments

	Consolidated		Holding Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Non-cancelable operating land lease rental commitments are payable as follows:				
Not later than one year	193	195	193	195
Later than one year but not later than five years	625	681	625	681
Later than five years	7,947	7,799	7,947	7,799
Total operating lease commitments	8,765	8,675	8,765	8,675

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 and Sugar Research Institute of Fiji.

During the next twelve months, that is, for the 2010 crushing season, the growers are expected to supply to the Corporation a total of 1.85 million tonnes of cane from which approximately 133,766 tonnes of sugar is expected to be produced. The Corporation is not expected to meet all its supply commitments to the buyers for the next twelve months.

The Corporation sells sugar to the European Union (EU) under the new regional Economic Partnership Agreements (EPA) that has come into effect from 1 October 2009 and is effective until 30 September 2015.

Under the EPA, the minimum regional safeguard threshold for the Pacific Region is 181,570.5 metric tones of white sugar equivalent and 190,918.6 metric tones of white sugar equivalent for 2009/10 and 2010/11 respectively increasing to 210,950.3 metric tones of white sugar equivalent for 2011/12 to 2014/15.

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

Fiji and Papua New Guinea are the two countries that are under the Pacific Region. Fiji is likely to export the entire quantities for the Pacific Region threshold.

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

24. RELATED PARTY INFORMATION AND TRANSACTIONS

(a) Ownership interests in related parties

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

(b) Directors

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

Mr Gautam Ramswarup - Chairman
Mr Marika Gaunavou - Deputy Chairman
Ratu Deve Toganivalu
Mr Alipate Qetaki
Mr Abdul Khan
Mr Viliame Gucake
Ratu Aisea Katonivere
Mr Krishna Prasad
Mr Parvin Krishna
Mr Osea Naiqamu

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

(c) Transactions with related parties

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

	Consolidated		Holding Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Purchases by holding company from associates:				
South Pacific Fertilisers Limited	-	11,894	-	11,894
Agchem Limited	133	158	133	158
Service fee income from associate entity	-	150	-	150
Marketing income from related entity, net (a)	-	430	-	430

The Fiji Sugar Marketing Ltd (FSM) officially closed its operations effective from 31 March 2009, following the Cabinet decision of 17 February 2009. The decision required FSM to be wound down through the normal legal process and its assets, operations and functions transferred to the Fiji Sugar Corporation Ltd. Effective from 1 April 2009, the Corporation has taken over the functions normally performed by the FSM on behalf of the Fiji Sugar Industry. As a consequence, the Corporation now accounts for income from marketing services as part of the industry revenue and all marketing expenditure is accounted as industry cost.

24. RELATED-PARTY INFORMATION AND TRANSACTIONS (CONT'D)

	Consolidated		Holding company	
	2010	2009	2010	2009
(d) Other transactions	$'000	$'000	$'000	$'000
Dividends from associate company	79	79	-	-

(e) Key management personnel remuneration

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

The aggregate remuneration to the executive management group for year ended 31 May 2010 and 2009 were:

	Consolidated 2010	Consolidated 2009	Holding company 2010	Holding company 2009
Short-term benefits	1,232	1,051	1,232	1,051
Long term benefits	107	108	107	108
(f) Year-end balances arising from sales purchases of services				
Receivables from related parties (Note 13):				
- Other related entities	-	97	-	97
- Associate company	79	79	-	-
Payables to related parties:				
- Others	624	624	624	624
(g) Loans and advances from related parties				
Advance from subsidiary company (Note 16)	-	-	649	653

(h) Government guarantee and assistance

The Government has approved guarantees to allow the Corporation to borrow in the short term money market and from Export Import Bank of India for its sugar mills upgrade and modernization. The Cabinet decision on 18 March 2010 has continued to exempt the Corporation from paying the guarantee fees. Refer Note 25 for the details of the guarantees provided.

During year ended 31 May 2010, the Corporation paid $8,402,397 as a supplementary cane payment. The entire payment was funded by way of a term finance from Sugar Cane Growers Fund. The interest cost in respect to the short term finance will be met by the Government.

25. GOVERNMENT GUARANTEE

The Government has approved a guarantee limited to $120 million, valid until 31 May 2012, as per Cabinet decision on 18 March 2010, to enable the Corporation to raise short-term loan finance to meet its working capital requirements. The Guarantee Agreement is in the process of being executed by the Corporation and the Government.

Furthermore, as noted in Note 16, the Corporation has borrowed $22.5 million from Reserve Bank of Fiji, $44 million from Fiji National Provident Fund, $19.1 million from Bank of Baroda, $1.4 million from Bank of South Pacific and $1.4 million bank overdraft from Westpac Banking Corporation. All these borrowings are secured by the guarantee from the Government of Fiji.

Subsequent to balance date, the Corporation has obtained additional funding by way of short term loans and promissory notes.

Furthermore, in prior years, the Government had provided a guarantee of US$50.4 million for borrowings from Export Import Bank of India in relation to the sugar mills upgrade and modernization. As at balance date, the outstanding balance is US$41 million under this guarantee.

26. SIGNIFICANT EVENTS DURING THE YEAR

(a) Mill Upgrade Program

During the year the Mill Upgrade Program has been substantially completed. The mill upgrade has so far failed to bring improvement in the plant reliability, sugar extraction, sugar quality and energy efficiency as envisaged. The performance of mill continues to be significantly problematic with frequent mill interruptions resulting in the low level of mill uptime, poor TCTS ratio and higher operating costs.

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

(b) Impairment of Plant and Equipment

For the year ended 31 May 2010, an independent assessment of the impairment review of the Corporation was carried out by an independent consultant from New Zealand. The impairment assessment was undertaken in accordance with International Accounting Standards 36 “Impairment of Assets”. Based on the independent assessment, the Management has carried out an assessment of the enterprise value and has recognized impairment loss amounting to $173.4 million based on the independent assessment.

27. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date:

(a) the Corporation obtained funding of $17.4 million (including loan from the Government) to fund its ongoing working capital requirements and obtained a roll over of the $29.3 million loan from Fiji National Provident Fund;

(b) on 1 July 2010 Tate & Lyle PLC ("Tate & Lyle") announced that it had signed an agreement for the sale of its EU Sugar Refining operations to American Sugar Holdings, Inc ("ASH"). The sale of Tate and Lyle facilities to ASH will have no impact on the delivery of the Corporation's raw sugar.

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.

28. INSURANCE

Property, plant and equipment of the Corporation are not insured for various risks including risk of losses arising from fire, cyclone, flooding, business interruption and others as the cost of insurance cover is significant. Vehicles are insured under comprehensive insurance cover.

29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the directors on 7 September 2010.

SOUTH PACIFIC STOCK EXCHANGE LISTING REQUIREMENTS

FOR THE YEAR ENDED 31 MAY 2010

SOUTH PACIFIC STOCK EXCHANGE - LISTING REQUIREMENTS

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

1. As at 31 May 2010, 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	294,074	0.66
501 to 5,000 shares	510	675,633	1.52
5,001 to 10,000 shares	21	146,625	0.33
10,001 to 20,000 shares	8	99,780	0.22
20,001 to 30,000 shares	2	48,000	0.11
30,001 to 40,000 shares	0	-	-
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	3	1,012,500	2.28
Over 1,000,000 shares	3	41,983,866	94.56
	2,020	**44,399,998**	

5. **TWENTY LARGEST SHAREHOLDERS**

As at 31 May 2010, the twenty largest shareholders held 43,302,521 shares which is equal to 97.53% 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
P O Box 2212
Government Buildings, Suva

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

3 **Fijian Holdings Ltd** 3,933,900
P O Box 2110
Government Buildings, Suva

4 **Reddys' Enterprises Limited** 643,019
P O Box 784
Lautoka

5 **Colonial Life Assurance Society Ltd** 250,080
Private Mail Bag
Suva

6 **Sugar Cane Growers Council** 119,401
P O Box 5162
Lautoka

7 **Robert Lee** 98,720
G P O Box 13510
Suva

8 **Morris Hedstrom Limited Scholarship Fund Trustees** 40,800
P O Box 299
Suva

SOUTH PACIFIC STOCK EXCHANGE - LISTING REQUIREMENTS [CONT'D]

5. TWENTY LARGEST SHAREHOLDERS (CONT'D)

9	**Rotuma Development Fund** Government Station P O Box 18 Rotuma	24,000
10	**Pacific Transport Ltd** P O Box 1266 Suva	24,000
11	**Manohar Lal** P O Box 1528 Nausori	15,450
12	**Amraiya Naidu** G P O Box 13153 Suva	14,800
13	**Saimone Lutu** P O Box 3359 Lami	13,120
14	**Fiji Public Service Association Investments Co-op Ltd** P O Box 1405 Suva	12,000
15	**Johnson Fong** 5/113 Mount Street Coogee, NSW 2034 Australia	12,000
16	**Joyce Due & Rasmus Due** 93 Mallawa Ave Palm Beach, QLD 4221 Australia	11,320
17	**Sugar Milling Staff Officers' Association** The Secretary FSC Limited Lautoka	10,800
18	**Heihachiro & Masako Ohamoto** 8-4-14-403, Akasaka Minato-Ku, Tokyo Japan 107	10,240
19	**Ismail s/o Peeru** P O Box 3598 Labasa	9,960
20	**Arvind Sewram** P O Box 6763 Lautoka	8,945

6. VOTING RIGHTS OF SHAREHOLDERS

Article 65 provides for on show of hands - 1 vote, on a poll - 1 vote for each share held

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

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.

SOUTH PACIFIC STOCK EXCHANGE LISTING REQUIREMENTS

FOR THE YEAR ENDED 31 MAY 2010

9. DISCLOSURE UNDER SECTION 7(4) OF THE LISTING RULES

	FSC Projects Limited	
	2010	2009
	$	$
Interest income	1,218	1,280
Less: Expenses		
Accounting fees	500	649
Audit fees	2,000	2,000
Bank charges	62	61
Tax penalties	149	-
Profit before share of loss of associate	**(1,493)**	**(1,430)**
Share of income / (loss) in associate, net	(13,427)	77,206
Profit / (loss) before income tax	**(14,920)**	**75,776**
Income tax expense	342	1,019
Profit / (loss) for the year	**(15,262)**	**74,757**
Other comprehensive income	-	-
Total comprehensive income	**(15,262)**	**74,757**

10 YEARS STATISTICAL REVIEW

Financial statistics

for year ended 31 May (Prior to 2004-31 March)		2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Turnover	($m)	194.7	245.8	234.9	274.3	235.2	242.7	227.5	265.7	243.8	251.2
Profit/(Loss) before taxation	($m)	(198.0)	(40.1)	(19.7)	6.9	(6.9)	(2.7)	0.7	(13.4)	(13.6)	(20.9)
Income Tax (expense)/benefit	($m)	22.9	3.3	0.4	(0.3)	3.3	0.7	1.6	1.2	(2.8)	-
Profit/Loss after taxation & Extra-ordinary items		(175.1)	(36.8)	(19.3)	6.6	(3.6)	51.9	2.3	(15.8)	(16.4)	(20.9)
Total Assets	($m)	140.3	312.0	273.5	249.8	211.4	222.8	220.1	252.3	252.6	274.1
Net Assets	($m)	(64.0)	111.0	147.8	167.1	168.4	168.6	116.6	114.3	130.1	153.7
Proceeds of Sugar & Molasses	($m)	180.5	204.5	206.1	272.1	231.6	237.8	223.6	261.1	239.4	236.6
FSC's share of proceeds	($m)	54.1	61.3	61.8	81.6	69.5	71.4	67.1	78.2	71.8	70.7
Price per tonne cane	($)	56.23	61.65	58.21	59.06	58.13	55.48	60.12	53.80	60.80	44.01

Production statistics

Season		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Cane Crushed	(000t)	2,247	2,321	2,479	3,226	2,789	3,001	2,610	3,422	2,805	3,786
Sugar Produced	(000t)	168	208	237	310	289	314	294	330	293	341
Molasses Produced	(000t)	136	120	115	157	118	113	107	149	106	164
Tonnes Cane/ Tonnes Sugar		13	11	10	10	10	10	9	10	10	11
Molasses % Cane		6	5	5	5	4	4	4	4	4	4
POCS %		10	11	11	11	11	12	13	11	12	10
Cane Purity %		78.8	80.4	81	81.4	82	83	84	82	83	81
Fibre in Cane %		12	12	11	12	12	12	12	12	12	12
Average Crushing Rate for all mills (tcph)		789	843	885	919	953	972	895	978	1,083	1,115
Actual Crushing Time as % of Available Time		60	68	68	76	75	79	82	76	71	70

Field statistics

Season		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Number of Growers		17,762	18,683	18,691	18,649	20,290	20,492	20,693	21,253	21,882	22,179
Number of Active Growers		13,903	14,096	14,948	15,730	16,527	17,639	17,362	17,773	18,615	19,081
Tonnes Cane per Hectare		46	46	46	58	48	49	43	42	42	57
Average Tonnes Cane per Grower		162	165	166	205	172	170	126	161	128	171
Number of Cane Cutters		9,649	9,993	11,536	15,205	15,652	15,270	15,285	16,772	15,280	17,251
Output per Cutter (tonnes)		228	225	117	212	172	196	170	204	184	219
Burnt Cane %		32	50	33	51	36	34	33	36	43	50

Sugar exports - destinations and quantities (metric tonnes)

Season		2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
UK/EU		152,906	207,575	187,858	209,053	178,905	170,742	167,585	175,825	152,233	163,624
Malaysia		-	-	-	-	-	-	-	-	-	22,000
USA		-	-	9,157	13,442	10,111	9,006	9,061	9,035	9,065	9,044
Japan		-	-	20,000	40,000	57,481	62,000	37,008	58,637	46,615	18,885
Korea		-	-	-	-	-	-	-	-	-	14,600
China		-	-	-	-	-	-	25,000	25,000	-	-
Indonesia		-	-	-	-	-	25,425	-	-	-	20,000
Special Preferential Market		-	-	-	-	-	6,475	-	20,445	39,460	33,778
Taiwan		-	-	-	-	-	-	-	-	-	27,650
Portugal		-	-				-	17,000	-	-	-
Total		152,906	207,575	217,015	262,495	246,497	273,648	255,654	288,942	247,373	309,081