



## **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;

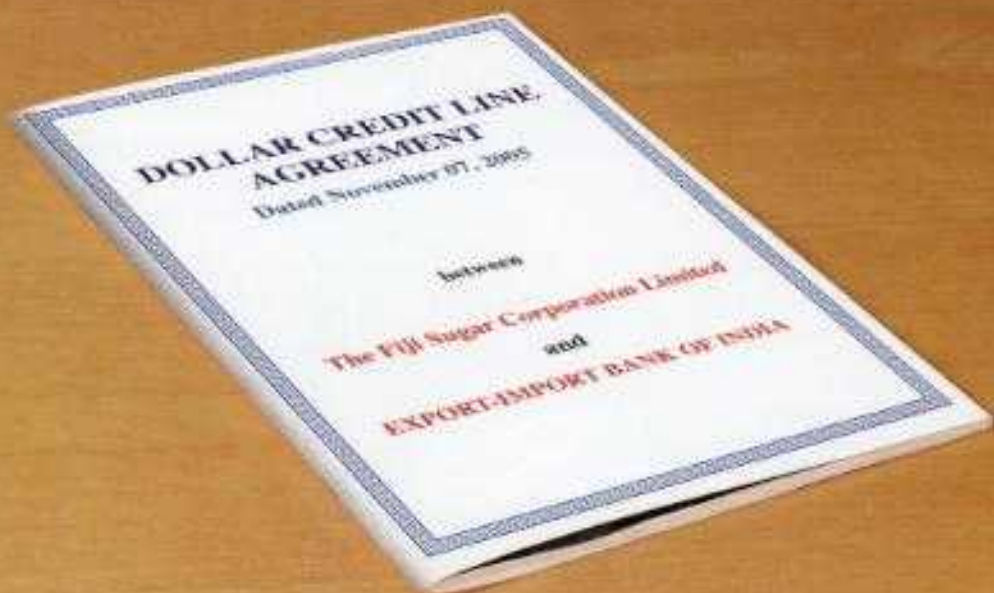
### **In Word and Deed:**

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

## Annual Report 2006

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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 1 April 1973. It is successor to SPSM Limited and CSR Limited. On 12 April 2006 the Fiji Sugar Corporation Act was repealed allowing it to be governed under the Companies Act.

### Our Shareholders

The Government of Fiji is a major shareholder which owns 68% of shares while statutory bodies, local companies and individuals own the rest of the shares. The Corporation's shares are listed and traded on the South Pacific Stock Exchange Limited.

### Our Business

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

The Corporation is responsible for the manufacture and sale of raw sugar together with molasses as a by-product. The Corporation owns and maintains some 720 kilometers of railway network on which sugar cane is transported to the mills, and manages the Sugar Cane Research Centre of behalf on the industry. The Corporation is the largest sector employer with a workforce exceeding 2,700 individuals during the peak season.

The Sugar Industry is important to Fiji's economy as it contributes about 6 percent of GDP, generates about 19.2 percent of total exports with a total foreign earning of F\$216.1 million in 2005. 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 the procurement of material and machinery (FSC Services Pty Limited, Australia), special development and project work (FSC Projects Limited), blending and sale of fertilizer (South Pacific Fertilizer Limited), and agriculture chemicals (Agchem Limited). A wholly owned subsidiary of the Corporation, Pacific Cogeneration Limited has been set up to undertake cogeneration of electricity from bagasse. Sugar is sold through the Corporation's marketing agent, Fiji Sugar Marketing Limited.



# Corporate Highlights

## Financial Results

- Operating revenue for the year decreased by 3.1% to \$235.2 million over the previous year. Consequently, the Corporation's share of proceeds decreased slightly to \$69.6 million, compared to \$71.4 million in the previous year.
- Consolidated operating loss after tax and extraordinary items reduced to \$3.8 million compared to \$52.1 million profit in the previous year. The profit for the previous year was principally due to conversion of Government loans of \$54 million to grants.
- Cashflow for the Group improved slightly to \$6.1 million compared to an increase of \$5.0 million in the previous year. This was directly attributable to the increase in revenue and managed capital investment programme.
- A total of \$11.1 million was invested in the mills compared to \$31.9 million in the previous year.
- Earnings per share declined to (\$0.09) compared to \$1.17 in the previous year.

## Operations

- A total of 2.8 million tonnes of sugarcane has been crushed from an area of 58,559 hectares compared to 3.0 million tonnes from 61,663 hectares in the previous year.
- Sugar production decreased to 288,906 tonnes compared to 314,139 tonnes in the previous year, directly as a result of reduction in the cane supply.
- Tonnes Cane to Tonnes Sugar (TCTS) ratio increased to 9.7 compared to 9.5 in the previous year.
- Cane Quality (POCS) decreased slightly to 11.4 compared to 11.5 in the previous season.
- A total of 246,497 tonnes of sugar was exported compared to 273,648 tonnes in the previous year.

## Industry Reform

- The European Union announced progressive reductions in sugar price by 36% by 2009, commencing with a reduction of 5% from 2006.
- The Corporation has entered into a Line of Credit Agreement of \$86.0 million with the EXIM Bank of India to provide funds for upgrading of the sugar mills.
- The Corporation implemented a number of initiatives to improve efficiencies as part of the reform programme, including redundancy programme to rationalise manpower levels, streamlining Supply Chain Management function and tightening cost control measures.
- Commence implementation of the Cane Development Plan to increase the production and quality of cane was put in place.
- Strengthen internal controls and overall governance systems.
- Continued investigations into diversification projects such as cogeneration and production of ethanol.

## Financial Summary

	2006 \$000's	2005 \$000's
<b>Sales and Profit</b>		
Total sales	235,217	242,662
Operating loss before extraordinary items and income tax	(7,167)	(2,546)
Income tax benefit	3,333	648
Extraordinary item after Income Tax	-	54,000
Operating profit/(loss) and extraordinary items after income tax	<u>(3,834)</u>	<u>52,102</u>
<b>Cash Flow</b>		
Operating activities	15,771	4,680
Investing activities	(10,695)	(11,681)
Financing activities	(4,956)	12,000
	<u>120</u>	<u>4,999</u>
<b>Financial Position</b>		
Working capital	10,462	655
Total assets	<u>212,947</u>	<u>224,188</u>
Non-current liabilities	25,385	21,403
Shareholders' equity	<u>169,882</u>	<u>169,516</u>
Total capitalisation	<u>195,267</u>	<u>190,919</u>
<b>Additional Information</b>		
Ratio of current assets to current liabilities	1.6	1.1
Ratio of debt to shareholders' equity	0.3	0.3

## Corporate Governance

At The Fiji Sugar Corporation Limited, we view corporate governance in its widest sense, almost like a trusteeship; it is a philosophy to be professed, a value to be imbibed and an ideology to be ingrained in 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 world material respects with the generally adopted 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 Company operates. The Board meets every month and receives full information in advance to help it discharge its duties. A Directors Package



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

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

### Composition of the Board

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

## Corporate Governance continued...

### Board Committees

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

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

The Lands Committee is tasked with formulating land utilisation strategies for the Corporation's significant land holdings. Its members are Mr Tukana Bovoro and Ratu Savenaca Qomate.

A Cane Development Committee was set up to formulate strategies and determine programmes to ensure adequate supply of quality cane required to operate at an efficient level.

### Remuneration of Directors

A total of \$62,903 was paid during the year for directors' services. Remuneration of directors is based on guidelines on fees of directors of public enterprises, issued by the Government of Fiji. In addition, the Company provides travel, medical and professional indemnity insurance for the directors. The Board sets remuneration and scope of technical and professional services required by directors in addition to their services as directors.

### Role of Shareholders

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

### Management's Responsibility

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

### Boards of Subsidiaries and Associate Entities

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

## Board of Directors

### **Charles Walker**

*Executive Chairman*

Mr Walker is a retired diplomat and a former Cabinet Minister. He holds directorship in BOC Gases (Fiji) Limited and Golden Manufacturers Limited.

### **Tukana Bovoro**

*Deputy Chairman*

Mr Bovoro is the Chief Executive Officer of Fiji Development Bank. He is also a Council Member of the Fiji College of Agriculture, Board Member of Sugar Cane Growers Fund, Native Land Trust Board, South Pacific Fertilizer Limited and Chairman of Fiji Development Bank Nominees Limited, Voko Industries Limited and Tokatoka Resort Limited.

### **Olota Rokovunisei**

Mr Rokovunisei is the Chief Executive Officer of Fiji National Provident Fund. He is also a Director of FNPF Investments Limited, FNPF Nominees Limited, Fiji Gas Company Limited, Amalgamated Telecom Holdings Limited and South Pacific Stock Exchange Limited.

### **Damend Gounder**

Mr Gounder is a businessman who owns and operates various companies in the Tourism and Hospitality industry. He also serves on various tourism committees, is a board member of Fiji Islands Visitors Bureau and a Director of Air Pacific Limited.

### **Jaoji Koroi**

Mr Koroi is the General Manager of Fijian Holdings Unit Trust. He is also a Director of various other companies, to name a few, Blue Lagoon Cruises Limited, Asian Paints Fiji Limited, Fijian Holdings Trust Management Limited, Fijian Holdings Securities Limited and Communications Pacific Limited.

### **Ratu Savenaca Qomate**

Ratu Savenaca Qomate is the Managing Director of the Labasa Tikina Development Corporation.

### **Arvind Singh**

Mr Singh is a businessman and cane farmer from Ba.

### **Abdul Khan**

Mr Khan is an independent consultant to major organisations and Governments in the Asia Pacific region on matters relating to energy sector. He is also the Managing Director of Ajynk Limited and a Director of Business Resources Limited.

### **Deo Saran**

*Company Secretary*

Mr Saran is the Chief Manager Corporate of the Corporation.



## Executive Chairman's Message

The financial year ending 31 May 2006 was a pivotal year for the Corporation and indeed for the Sugar Industry. Several legislative changes were put in place as part of the reform of the Sugar Industry. The FSC Act, 1973, was repealed, paving way for the Corporation to be governed under the Companies Act fostering an environment for greater participation of stakeholders. The enactment of the Sugar Research Institute Act will allow for the setting up of a research institute to focus on research and extension services. On going discussions were also held on amendments to the Sugar Industry Act.

The Corporation continued with internal initiatives aimed at reducing overhead costs including rationalising manpower levels, streamlining procurement functions and tightening internal controls and corporate governance practices. Investigations into diversification projects such as cogeneration and ethanol production also continued during the year.

### Operating Results

For the year under review, the Corporation's operating revenue decreased to \$235.2 million compared to \$242.7 million in the previous year, primarily due to a decrease in sugar production which in turn resulted from the decrease in cane production.

Despite reduction in revenue and before equity accounting of investments, impairment charge and income tax, the Corporation made a turnaround in its operating results achieving an operating profit of \$1.7 million, compared to an operating loss of \$5.0 million in the previous year.

After taking into account equity accounting of investments and impairment charge which are booked for the first time this year, net loss from ordinary activities was \$3.8 million, compared to a loss of \$1.9 million in the previous year. Impairment charge was \$8.0 million and is related to assets that will be replaced or will not be in use following the completion of the mill upgrading works and possible closure of the rail system as envisaged under the reform programme.

### Cane Supply and Sugar Production

Cane production for the 2005 season decreased to 2.8 million tonnes, compared to 3.0 million tonnes in the previous season. Total sugar produced during the season was 288,906 tonnes compared to 314,139 tonnes in the previous season. The tonnes cane to make a tonne of sugar ratio (TCTS) also worsened to 9.7 compared to 9.5 in the previous season. This was largely due to lower cane sweetness and purity and also poor mill performance. Harvested area of cane was 58,559 hectares giving an average yield of around 48 tonnes per hectare which was similar to the previous year, but still well below the desired levels of around 70 tonnes per hectare.

Ongoing cane burning in the second half of the season, coupled with delays in transportation severely affected the quality of cane. Several initiatives such as contract harvesting and transportation were investigated aiming at minimising these problem areas.

### Capital Investments

The Corporation invested \$11.1 million in its factories during the year compared to \$31.9 million in the previous year. The reduction was planned and is the result of more vigilant evaluation of capital proposals and dovetailing capital works with the mill upgrading works under the reform programme.

### Markets and Sugar Price

On 24 November 2005 the European Union announced reduction in the Protocol Sugar Price by 5% from 1 June 2006, a further 17% in 2008 and 14% in 2009, bringing total reduction to 36%. The impact of this is huge to the Corporation considering that it has been making losses in the past, even with the benefit of the European Union subsidies. Fortunately in the interim, world market price has improved significantly, negating some of the effects of the initial reduction in the protocol sugar price. Whether the world sugar price will stay at the current levels is still not clear although the medium term picture looks bullish.

### Reform of the Sugar Industry

Progress was made during the year on the reform programme. The Corporation has entered into contracts with vendors from India for supply and commissioning of equipment. The Corporation entered into a finance contract with the EXIM Bank of India for \$86.0 million to finance the mill upgrading works.

The mill upgrading plan provides for upgrading of the factories to world's best practice and will be implemented over the next three years at an estimated cost of \$86 million. The principle objective of the mill upgrading works will be to improve milling efficiencies, introduce energy conservation measures and produce better quality, Very High Pol (VHP) sugar.

Consistent supply of quality cane will continue to be critical for the survival of the Industry. In this regard, the Corporation in association with growers has developed a Cane Development Plan, aimed at improving field activities and expansion of the crop from the current levels of 3.0 million tonnes to around 4.2 million tonnes by 2009. This is an industry-wide initiative and will require cooperation and support of all stakeholders, including growers, landowners, government and related institutions. The Corporation looks forward to working closely with these stakeholders in ensuring availability of adequate amount of quality cane on a sustainable basis. Adequate supply of quality cane is an essential for the survival of the Sugar Industry.

Other initiatives will be required to bring about efficiencies to required levels. The current manpower levels are excessive. Job reductions will be inevitable but will need to be handled in a sensitive and responsible manner and in accordance with the Collective Agreements with the Unions. The harvesting and transportation operations provide huge opportunities for cost reductions with minimum capital expenditure.

### Diversification

The reform programmes in the sugar manufacturing business provide opportunities for financially attractive diversification and value adding projects that could enhance the profitability of the Sugar Industry. The Corporation continues to develop cogeneration of electricity, production of ethanol and other products.

### Acknowledgment

Following the repeal of the FSC Act, the Board was reconstituted. As a result, eight new appointments were made. I take this opportunity to thank the outgoing directors for their dedication and contribution and welcome the new directors for taking up the challenges before us to make the Sugar Industry globally competitive. I also take this opportunity to express my appreciation and gratitude to the Government of Fiji and other stakeholders in the Sugar Industry for their continued support and commitment.

Finally, my thanks go to all the employees for their dedication and solidarity. I remain confident that with the support of all stakeholders we can maintain momentum even in difficult and uncertain times and succeed in the reform of the Sugar Industry to make it globally competitive.



**Charles Walker**

*Executive Chairman*

## Executive Management Group

### Head Office

**Abdul Shamsher**  
*Chief Executive Officer (Acting)*

**Deo Saran**  
*Chief Manager Corporate*

**Alipate Radrodro**  
*General Manager - Cane Development*

**Subhas Chandra**  
*Divisional Manager - Production Services*

**Thomas Peters**  
*Chief Engineer - FSC*

**Romulus Koster**  
*Chief Engineer - Special Projects*

### Mills

**Ali Ubadutt**  
*General Manager, Lautoka Mill*

**Mikaele Biukoto**  
*General Manager, Rarawai Mill, Ba*

**Penisoni Nabaro**  
*General Manager, Labasa Mill*

**Bhan Pratap Singh**  
*General Manager, Penang Mill, Rakiraki*



## Results of Operations

### Trading

For the year under review, the Corporation's operating revenue decreased to \$235.2 million compared to \$242.7 million in 2005. This was primarily due to an 8% decrease in sugar production which resulted from the decrease in cane production of 7%. However, average sugar price increased to \$776 per tonne compared to \$739 per tonne in the previous year, following improvement in the world market price.

Despite reduction in revenue, the Corporation achieved an operating profit of \$1.7 million for the year before taking into account equity accounting of investments and impairment charge, compared to an operating loss of \$5.0 million in the previous year. The improvement in operating results was directly attributed to stringent cost control measures introduced during the year. Milling efficiencies remained around the same level as in the previous year.

The Corporation adopted equity accounting of investments and impairment charge during the year. Consequently, loss for the year was \$3.8 million, compared to a loss of \$1.9 million in the previous year. Impairment charge of \$8.0 million was in respect to assets which will be replaced or will not be used after the completion of the mill upgrading works and the closure of rail system.

### Cane Production

A total of 2.8 million tonnes of cane was crushed from an area of 58,559 hectares giving an average yield of around 48 tonnes per hectare. The production declined from last season. The more pronounced drop was at Lautoka and Rarawai. Overall yield per hectare has improved marginally over the previous year. This erratic cane production and similar unit productivity, together with declining area under cane had become an area of concern to the industry. The Corporation is in the process of preparing road maps to ensure sustainable supply of quality cane.

The ongoing problem of cane burning increased slightly over the previous season. The Corporation is investigating initiatives and strategies to curtail this problem through contract harvesting and

transportation which is expected to provide order and discipline in these operations. Scheduling of harvests is also expected to assure that cane will be harvested and promptly delivered to the mills and as such, should reduce instances of burning.

### Harvesting and Transportation

The rail transport fleet and infrastructure continued to affect the efficiencies of our operations. Around 566,030 tonnes was converted to lorry compared to 536,700 tonnes in the previous season. This would result in decline of 195,180 trucks in the rail system. In view of the shortcomings in the rail system, the rail crop ratio against the lorry mode of delivery continues to decline. This should provide the opportunity to rationalize fleet and infrastructure.



### Cane Quality

The 2005 seasonal average POCS (Pure Obtainable Cane Sugar) and cane purity of 11.4 percent and 82.4 was marginally lower than the 2004 values. Rarawai mill saw a considerable drop in sweetness whereas Penang realized a much higher POCS/purity cane in 2005 season. Prevailing weather was the contributing factor.

### Farming Assistance Scheme

The Farming Assistance Scheme, a total of 1,231 growers have already benefited from this scheme, utilised \$3,501,230. It was encouraging to note that despite constraints and bottlenecks such as growers not residing on farms, non-availability of farm machinery and difficulties experienced in obtaining the same for hire, growers did their level best in coping up with the farming practices.

Results of Operations continued...

**Crushing Operation**

In comparison to the 2004 season, all mills commenced the crushing season much earlier in 2005. Last years late start had prolonged the finish to the season into January for Lautoka mill in particular. In 2005 season, Labasa Mill was the only one that struggled to finish the season by mid December. Rarawai Mill had the best run and finished its crop by the 3rd week of October. Generally, the season length was shorter due to lower crop size. Only exception was Labasa Mill which had a bigger crop and a longer season length.

**Sugar and Molasses Production**

During the year, a total of 288,906 tonnes of sugar was produced. TCTS ratio worsened to 9.7 compared to 9.5 in the previous season and was attributed to decline in both cane quality and mill performance. A total of 117,770 tonnes of molasses was also produced. Compared to the previous season of 2004, there was a decline in crop by 212,515 tonnes, sugar by 25,228 tonnes while molasses production increased by 4,596 tonnes.

2005 Season Sugar and Molasses production					
Production (tonnes)	Lautoka	Rarawai	Labasa	Penang	Total
Cane	890,779	761,704	910,643	225,594	2,788,720
Sugar	94,198	82,868	87,929	24,106	288,911
Molasses	38,902	28,580	41,976	8,330	117,770
TCTS Ratio	9.5	9.2	10.4	9.4	9.7

**Five year production**

In the recent years, crop production has been inconsistent and is generally due to erratic weather patterns which have a significant impact on the crop. Overall there has been a declining trend in the crop size.

Five year production					
Season	2005	2004	2003	2002	2001
Cane*	2,788,720	3,001,235	2,610,011	3,422,898	2,803,166
Sugar*	288,911	314,139	293,645	330,405	293,133
Molasses*	117,770	115,147	107,476	148,597	106,159
TCTS ratio	9.65	9.50	8.89	10.36	9.57

\* Figures in metric tonnes

The Corporation is working with the relevant stakeholders to ensure sustained supply of quality cane at levels required under the Sugar Industry reform programme.

**Weekly Operating Hours**

Overall the average operating hours per week declined compared to the previous season. Only Rarawai Mill realised an improvement in its performance. Labasa Mill continued to sustain high plant related problems. This is a serious concern to the Corporation and remedial steps were taken during the 2006 maintenance period to ensure reliability of mills in the ensuing season. Problems were primarily operator related and these are being addressed through putting in place more disciplined maintenance and operating programmes and parameters. Plant and machinery related stops also contributed to decline in operating hours. Both Labasa and Penang Mills had to deal with major breakdowns several times in the season.

**Mill Downtime-2005 season (Hrs/wk)**

There was a substantial increase in the cane supply stops for Lautoka Mill this season compared to the previous season. Mechanical harvesting provided some relief but was not sufficient to make up fully for the shortfall in other areas. The cane supply was also poor at the other three mills. Major problems with supply were encountered during weekends/cane pay week/social events, games and wet weather. Poor harvesting effort also contributed to the poor cane supply.



### Average Crushing Rates (Tcph)

Crushing rates were generally adjusted to suit the cane supply. At other times, the rate was dictated by the mills ability to crush and process. Stale burnt cane slowed the mills down considerably in the second half of the season. The performance of Lautoka Mill improved after the "lifting screws" in the diffuser was replaced with a more effective set in the last slack season. The rates for Rarawai and Labasa dropped marginally whereas Penang saw a slight improvement.

### Sugar Quality

High dextran in sugar was the only major concern with regards to product quality. This problem was a real concern towards the end of the season when handling large quantities of stale burnt cane. With the improvement in the harvesting and transportation operations, it is expected that this issue will be adequately addressed.

### Marketing

#### Sugar and Molasses Exports

Sugar manufactured for export in the 2005 season was sold and shipped primarily to the United Kingdom (73%) and the remaining to USA and Japan. The trend was similar to the previous years and is expected to continue in the future at the current level of production. When the production increases, additional sugar will be sold in the world market preferably to Japan.

Molasses produced during the season were exported to Jamaica (28%), Puerto Rico (59%) and the remaining to Korea and New Zealand. There were no changes in the molasses market during the year.

### EU Sugar Regime Reform

The most significant development during the year under review, which is likely to have far reaching implications for the signatory States of the ACP-EU Sugar Protocol, such as Fiji, was the adoption by the EU Council of the three Regulations on the reform of the sugar regime on 20 February 2006. These include the basic regulation on the common organisations of the markets in the sugar sector, the regulation on direct support schemes for EU farmers and the regulation on the restructuring of the EU sugar industry.

### Sugar Price

The current intervention system will be replaced by 'reference price', supported by private storage scheme. There will be a total price cut of 36% spread over four years commencing with an initial 5% price cut in 2006 which remains the same in 2007 followed by a cut of 17% in 2008 and finally a further cut of 14% in 2009. This means the current raw sugar price of €523.7/mt will be reduced to €335.2/mt in 2009. An aid package of €150 million has been allocated to traditional refiners to assist during the transitional period.



## Results of Operations continued...

### EU Action plan on accompanying measures

The European Commission Regulation establishing accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime was published in the Official Journal of the European Union on 21 February 2006. The specific degree and mechanisms of EU assistance will be negotiated with each country by the European Commission and its EU delegations in the respective countries based on their strategies for adaptation. Out of the first year's allocation of €40 million from the EU to the 18 Sugar Protocol supplying States, Fiji's indicative allocation for 2006 is €3.5 million.

### Special ACP Ministerial Conference on Sugar

Ministers responsible for sugar from the ACP States signatory to the Sugar Protocol and LDC suppliers under the EBA initiative met in Kisumu, Kenya from 22 to 25 September 2005 for the 9th Special ACP Ministerial Conference on Sugar. The Conference was also attended by representatives of the various ACP sugar industries. The theme for the Conference was "Promoting the Sustainable Development of the ACP Sugar Sector". The Conference heard submissions from the European Union, European sugar industry stakeholders, Tate and Lyle Sugars, ACP industries, NGOs, World Trade Organisation experts and International Sugar Organisation.

The Conference underlined that the ACP and the LDCs were not averse to the reform and several countries had already embarked on a major restructuring programme to enhance the productivity and competitiveness of their sugar industries. However, a drastic cut in price and the consequential reduction in earnings will adversely affect these efforts if the Commission's reform proposals go through.

Ministers stressed that a realistic financial support package should be provided by the EU and this should be front loaded to fund the identified needs in accordance with the country specific studies.

The Conference underscored the importance of the sugar industries for the various ACP States signatory to the Sugar Protocol and the EBA initiative in terms of its contribution to the socio-economic

development and the multifunctional role it plays in the respective ACP States.

### World Market

The year 2005 has been an incredible one for the sugar market with future prices rising to ten-year highs. Prices remained range-bound for the first half of the year due to speculative selling and an increase in EU export availability.

The impending reform of the EU sugar regime will radically change the market. A sharp reduction in EU export volumes was expected, which will be bullish for sugar values, in particular white sugar prices.

Ethanol has been a further factor in the market's strength following increase demand for fuel. Demand for ethanol in Brazil has been boosted by the very strong sales of flex-fuel cars, which are able to run on both ethanol and gasoline. As a result, an increasing volume of Brazilian cane has been diverted away from sugar production into ethanol. Ethanol exports from Brazil have also been strong, with increasing interest in biofuels worldwide.

Looking forward, the medium term picture continues to look bullish. The market's strength reflects sugar's changing dynamics, as the market moves from surplus to deficit. This is being driven by the three pillars of structural reform in Europe, rising ethanol demand and underinvestment outside Brazil. These strategic drivers will continue to keep the sugar market buoyant during 2006.

### People, Health and Safety

We strive to promote our culture that will inspire everyone as a team, committed to the growth and the vitality of our company and of the Sugar Industry



## Results of Operations continued...

at large. Such a culture is possible when people are given the freedom to achieve and take personal responsibilities to make things happen. Building an inspiring work environment requires commitment at all levels.

During the year, we have invested significant amount of time, effort and energy to inspire our people by infusing values of transparency, fairness, respect and recognition. At the same time, enforcing accountability and taking appropriate remedial measures to instil discipline in the work place. It was encouraging to see that our people persevered and rose to these challenges.

### Manpower Levels

The Corporation's organisational structure continued to evolve to meet the changing needs of the Corporation. The current manpower levels are excessive and will need to be reduced. The Corporation is mindful that job reductions will be inevitable but recognise that these will need to be handled in a sensitive and responsible manner.

Significant annual leave remain outstanding to employees. During the year steps were taken to ensure that employees take regular annual leave and that outstanding leave obligations were reduced to reasonable levels.

### Industrial Relations

The Corporation and the Unions maintained a cordial working relationship throughout the year and met regularly to maintain solidarity, high staff morale and positive working environment amid a very trying operating environment. The parties successfully negotiated and settled most of the issues in the unions' Log of Claims.

It was pleasing to see that during the year there were no losses due to industrial action and our appreciation goes to the unions for their cooperation in resolving difficult issues. We would like to record our appreciation to the unions and the employees for their continued partnership.

As in previous years, the Corporation continued to assist the unions in organising annual sports days to promote fellowship amongst the employees and

their families. These proved tremendous success and demonstrated the spirit that could be harnessed to improve the productivity and growth of the Corporation.

### Occupational Health and Safety

In line with the implementation phase of our OHS Management System Manual, the focus during the year has been on OHS Training and Promotion. We were able to conduct in house OHS accredited training for our OHS Committees for the first time, as well as conducting more specialized OHS training that are competency based.

The development of our monthly OHS newsletters was also a major highlight during the year as this has elevated employees' awareness and perceptions in OHS. This has positively resulted in reduction to our work related injuries.



Through the involvement of the Corporation's employees and on going leadership support, we are optimistic of achieving our goal of becoming a resilient organization as we pursue the full implementation of our OHS Management System which underlines the importance of integration of safety into our business practices and performance.

### Risk Management

With the need to continually improve and maintain good risk management practice, the Corporation has put in a lot of emphasis in this very important area throughout the year. This involved working closely with our risk consultants, and setting



## Results of Operations continued...

up a risk management system which is globally competitive and suits our needs. The Corporation's Risk Management Programme is developed in accordance with the Australian/New Zealand Standard on Risk Management, AS/NZS 4360.

The focus throughout the year has been on the finalisation of the Risk Action Plans that we have prioritised and recognised as needing immediate attention from our risk registers. After the completion of the Risk Action Plans, we are now at the final phase of developing our Risk Management Manual which will now be used by the Corporation as an internal tool to manage business risk effectively.

## Training and Development

The Corporation values the need to harness the creativity and innovation in our employees to bring about improved productivity. It is through various training initiatives and dimensions that the Corporation intends to develop employee potential to perform better thereby bringing about improved work place productivity. In recognition of this, the Corporation continues to develop and review training and development plans in line with the needs of the business. The plans are aimed at responding to anticipated business and individual needs.

During the year, the Corporation re-established the Corporate Training Centre. A total of 170 courses for 2,920 participants were organized. The Corporation spent approximately \$125 per participant at these courses. It will continue to focus on employee development and skills upgrading through an integrated training and development programme.

## Environment

Our shareholders, our customers and employees and more generally the society as a whole expect the Corporation to behave responsibly with concern for the economic, social and environmental values that provide foundation for sustainable development. In this regards, the Corporation remains committed to responsibly minimising adverse impact of its operations on environment.

## Waste Water

The Corporation plans to install new aerobic digestion system to treat all liquid waste. Internal operational controls were improved throughout the year in order to minimise waste and protect the environment. This has resulted in improved productivity. Continuous improvement was also carried out to our factory floors in order to minimise waste and to continuously improve on our housekeeping standards.

## Solid Waste

Land pollution from solid waste storage can arise from the leachates that can enter the ground water or water in the drains nearby. There is a certain percentage of sugar in the bagasse that increases the BOD causing adverse effects. Problems arise when rainwater seeps into the stockpiles, if they are not covered or not properly stored on a concrete bunding.

The Corporation has put in necessary controls in place to ensure that leachates is re-directed to pollutions ponds for treatment. Mill mud, dry ash and excess bagasse will be processed for use as fertiliser in cane fields.



## Air Pollution

As part of the mill upgrading works, the Corporation intends to install wet scrubbing systems in the boilers to reduce fly ash emission.

We have also started on the development and documentation of our Environment policies and procedures. The Corporation's objective is to have an integrated OHS and Environment management system that can be practicably implemented.

### Information Systems

We continued our commitments towards higher achievements by being customer focused. Some of the achievements for the year were the strengthening of our Helpdesk Operations, thus minimising hardware, software and networking downtimes, implementing major IT policies, network remediation projects, introduction and installation of wireless LANs, enhancements to our Intranet, standardisation of computer equipments, operating platform, and development and implementation of application for the Supply Chain Management Project.



### Research

The first step to achieve the sustainability of the Fijian sugar industry through research, development and extension has been activated i.e. to create an independent Research Institute. This may bring the much warranted improvement in financial and human resource support. The other key element in promoting the sustainability of the sugar industry is the provision of an effective Information Transfer Unit. There has not been much progress made in the area.

The new cane variety; LF91 – 1925, was released for commercial planting at the commencement of 2006 planting season. For Viti Levu mills, the seed material is given free of charge to five growers per cane sector, for further propagation. This variety is early maturing, high sugar yielding and has preferable agronomic characters.

The extension approach of individual grower contact with provision of specialised service which was adopted in mid last year is giving some results. This approach deals with the most productive growers in a sector.

The growers, whose average production has been over 450 tonnes per farm and those with average yields of over 55 tonnes of cane per hectare, have been selected as project growers. They are visited regularly on an eight week visit cycle. The objective is to increase productivity of these growers through reduction in cost of production and increase in yield.

The industry has established a revolving fund which is made available to the cane growers for establishment of plant cane. The plan is that the money is made available for successive planting. Many growers are taking advantage of this facility.

The four FSC estate farms under the management of Sugar Cane Research Centre have improved the total production per unit area. However the cost of production is still high. This is due to many years of neglect and the high cost of harvesting and delivery.

An estimated 15 - 20 % yield reduction in the Sugar Industry is caused by the use of sub-standard quality of planting material. This is an area that has been neglected by the growers and over the years it has worsened considerably. The Corporation is committed to improve the situation and has established seed cane nurseries in all 38 cane sectors. The growers can source high quality planting material from these nurseries. It will improve the degree of germination, tillering and resultant yield.

### Acknowledgement

We would like to thank our employees for their steadfast loyalty to the Corporation, our major stakeholders, Government of Fiji, the growers and the landowners for supporting our operations through these challenging times. We remain convinced that with the support and cooperation of all stakeholders and with the dedication and solidarity of our people, we will rise to the challenges that lie ahead.

## Directory

### Head Office

The Fiji Sugar Corporation Limited  
3rd Floor, Western House  
Private Mail Bag, Lautoka  
Fiji Islands  
Telephone: (679) 666 2655  
Fax: (679) 666 4685

### Mills

#### Lautoka

P O Box 63, Lautoka  
Telephone: (679) 666 0800  
Fax: (679) 666 4747

#### Rarawai

P O Box 155, Ba  
Telephone: (679) 667 4044  
Fax: (679) 667 0505

#### Labasa

P O Box 489, Labasa  
Telephone: (679) 881 1511  
Fax: (679) 881 2983

#### Penang

P O Box 81, Rakiraki  
Telephone: (679) 669 4002  
Fax: (679) 669 4197



## Financial Statements

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## Directors' Report

for the year ended 31 May 2006

In respect of the financial year ended 31 May 2006, the directors of The Fiji Sugar Corporation Limited submit the following report in accordance with a resolution of the directors:

Directors resigned during the year (13th April 2006):

Mr Ross George McDonald  
Mr Rasheed Akhtar Ali  
Mr Isimeli Savutini Bose  
Mr Bhoo Prasad Gautam  
Mr Jay Lal

The following persons were appointed on 13 April 2006, hold office as directors of The Fiji Sugar Corporation Limited:

Mr Charles Walker (Executive Chairman)  
Mr Tukana Bovoro (Deputy Chairman)  
Mr Olota Rokovunisei  
Mr Damend Gounder  
Mr Jaoji Koroi  
Ratu Savenaca Qomate  
Mr Arvind Singh  
Mr Abdul Khan (appointed on 31 May 2006)

### Group Accounts

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

### Principal Activities

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

### Trading Results

The consolidated trading results are summarized below:

	2006	2005
	\$000	\$000
Operating profit/(loss)	1,663	(5,046)
Provision for inventory write down	(1,777)	-
Provisions reversed during the period	-	2,500
Impairment Charge on plant & equipment	(6,205)	-
Share of income/(expenses) from associates	(848)	-
Operating loss before extraordinary item	(7,167)	(2,546)
Extraordinary item net of income tax	-	54,000
Operating profit/(loss) and before income tax	(7,167)	51,454
Income tax benefit	3,333	648
Net profit/(loss) for the year	(3,834)	52,102

## **Dividends**

The directors recommend that no dividends be declared for the year ended 31 May 2006.

## **Reserves**

The directors recommend that \$27,000 be transferred from the asset revaluation reserve to retained earnings.

## **Bad and Doubtful debts**

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

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the provision for doubtful debts, inadequate to any substantial extent.

## **Current assets**

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

At the date of this report, the directors are not aware of any circumstances which would render the values attributable to the current assets in the financial statements misleading.

## **Basis of Accounting**

The accounts have been prepared on a going concern basis on the understanding that sufficient funds will be obtained from future operations and in the short term, if need be, from the Government which together with the availability of bank or other finance will enable the organization to meet its obligations as and when they fall due. The directors believe that the corporation will be able to continue in operation for at least 12 months from the date of this statement and the classification and carrying amounts of assets and liabilities as stated in these accounts are appropriate.

## **Other Circumstances**

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

## **Unusual Transactions**

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

## Directors' Report (continued)

### Likely Developments

(i) **Implementation of the Sugar Industry Revival Programme**

As part of the reform of the Sugar Industry the Corporation will be implementing plan for upgrading of its mills. Total project cost over the next three years is estimated at \$86.0 million, which will be financed through a loan from the EXIM Bank of India.

(ii) **Diversification**

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

(iii) **Sugar Industry Reform Legislation**

The Corporation is in the process of making submissions to the Government on the institutional restructuring of the Sugar Industry and the changes on the Sugar Industry Act, arising therefrom.

### Events subsequent to Balance date

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

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

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

### Directors Benefits

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

Signed in accordance with a resolution of the Board of Directors this 26th day of July 2006.

For and on behalf of the Board:



Director



Director

# Statement by Directors

In the opinion of the directors:

- (a) the accompanying income statements are drawn up so as to give a true and fair view of the results of the company and the group for the year ended 31 May 2006;
- (b) the accompanying balance sheets are drawn up to give a true and fair view of the state of the company's and the group's affairs at 31 May 2006;
- (c) the accompanying statements of changes in equity for the year ended 31 May 2006 are drawn up so as to give a true and fair view of the movement in shareholder's funds; and
- (d) the accompanying cash flow statements are drawn up so as to give a true and fair view of the cash flows of the company and the group for the year ended 31 May 2006.

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



Director



Director



## **Independent Audit Report**

to the members of The Fiji Sugar Corporation Limited

### **Scope**

We have audited the financial statements of The Fiji Sugar Corporation Limited and of the Group for the year ended 31 May 2006 as set out on pages 25 to 47. The company's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the company.

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

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

### **Audit Opinion**

In our opinion:

- (a) proper books of account have been kept by the company, so far as it appears from our examination of those books; and
- (b) the accompanying financial statements which have been prepared in accordance with Fiji Accounting Standards:
  - (i) are in agreement with the books of account;
  - (ii) to the best of our information and according to the explanations given to us:
    - (a) give a true and fair view of the state of affairs of the company and the group as at 31 May 2006 and of the results, changes in shareholders' equity and cash flows of the company 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.

### **Emphasis of Matter**

Without qualifying our opinion above, we draw your attention to Note 1.1 (ii) to the financial statement, which refers to the preparation of the accounts on a going concern basis and which indicates that the continuing viability of the company and the group is dependent upon ongoing support from the Government of the Republic of the Fiji Islands. As noted in Note 26 to the financial statements, the Government had provided a guarantee limited to \$75 million to allow the company to borrow in short term money market, which was valid until 31 May 2006. However, as noted in Note 15, during the year, the Government has provided a new guarantee of US\$50.4 million for borrowings from Export Import Bank of India.

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

**Income statements**  
for the year ended 31 May 2006

	Notes	Consolidated		Holding Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Turnover</b>		<u>235,217</u>	<u>242,662</u>	<u>235,217</u>	<u>242,662</u>
Less: Cost of sales		(227,729)	(239,487)	(227,710)	(239,470)
Gross profit		7,488	3,175	7,507	3,192
Other income		846	479	1,151	390
Administrative expenses		(5,623)	(7,591)	(5,582)	(7,693)
Other expenses		(631)	(769)	(631)	(769)
Provision for inventory write down	11	(1,777)	-	(1,777)	-
Impairment charge on plant and equipment	8	(6,205)	-	(6,205)	-
Provisions for uninsured risks reversed		-	2,500	-	2,500
		<u>(13,390)</u>	<u>(5,381)</u>	<u>(13,044)</u>	<u>(5,572)</u>
<b>Profit/(Loss) from operations</b>	2	<u>(5,902)</u>	<u>(2,206)</u>	<u>(5,537)</u>	<u>(2,380)</u>
Finance costs - net	3	(417)	(340)	(436)	(354)
Share of loss from associated companies	9	(848)	-	(921)	-
<b>Operating loss before income tax</b>		<u>(7,167)</u>	<u>(2,546)</u>	<u>(6,894)</u>	<u>(2,734)</u>
Income tax credit	5	3,333	648	3,333	678
<b>Net loss from ordinary activities</b>		<u>(3,834)</u>	<u>(1,898)</u>	<u>(3,561)</u>	<u>(2,056)</u>
Extraordinary item - net of income tax	6	-	54,000	-	54,000
<b>Net profit/(loss) for the year</b>		<u>(3,834)</u>	<u>52,102</u>	<u>(3,561)</u>	<u>51,944</u>
Basic earnings per share	7	(0.09)	1.17	(0.08)	1.17
Diluted earnings per share	7	(0.09)	1.17	(0.08)	1.17

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

## Balance Sheets

As at 31 May 2006

	Notes	Consolidated		Holding Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	8	180,561	189,292	180,561	189,273
Investments	9	4,244	972	3,435	932
<b>Total non-current assets</b>		<u>184,805</u>	<u>190,264</u>	<u>183,996</u>	<u>190,205</u>
<b>Current assets</b>					
Inventories	11	15,792	17,812	15,792	17,812
Receivables and prepayments	10	5,664	9,210	5,618	9,033
Cash at bank and cash equivalents	12	6,686	6,902	5,968	5,712
<b>Total current assets</b>		<u>28,142</u>	<u>33,924</u>	<u>27,378</u>	<u>32,557</u>
<b>Total assets</b>		<u>212,947</u>	<u>224,188</u>	<u>211,374</u>	<u>222,762</u>
<b>Shareholders' equity</b>					
Share capital	13	22,200	22,200	22,200	22,200
Reserves	14	126,425	126,452	126,425	126,452
Retained earnings		21,257	20,864	19,809	19,919
<b>Total shareholders' equity</b>		<u>169,882</u>	<u>169,516</u>	<u>168,434</u>	<u>168,571</u>
<b>Non-current liabilities</b>					
Term loan - secured	15	7,496	-	7,496	-
Deferred income	16	1,465	1,639	1,465	1,639
Provision for deferred income tax	17	16,302	19,636	16,302	19,636
Provisions	18	122	128	122	128
<b>Total non-current liabilities</b>		<u>25,385</u>	<u>21,403</u>	<u>25,385</u>	<u>21,403</u>
<b>Current liabilities</b>					
Creditors and borrowings	19	11,877	15,650	11,752	15,319
Provisions	18	5,803	5,619	5,803	5,469
Term loan - secured	15	-	12,000	-	12,000
<b>Total current liabilities</b>		<u>17,680</u>	<u>33,269</u>	<u>17,555</u>	<u>32,788</u>
<b>Total equity and liabilities</b>		<u>212,947</u>	<u>224,188</u>	<u>211,374</u>	<u>222,762</u>

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

For and on behalf of the Board



Director



Director

# Statements of changes in Shareholders' Equity

for the year ended 31 May 2006

	Notes	Share capital \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000
<b>Consolidated</b>					
Balance at 31 May 2004		22,200	126,489	(31,275)	117,414
Reversal of revaluation surplus upon disposal of property	14	-	(37)	37	-
Net profit for the year	2	-	-	52,102	52,102
Balance at 31 May 2005		22,200	126,452	20,864	169,516
Reversal of revaluation surplus upon disposal of property	14	-	(27)	27	-
Adjustments to retained earnings brought forward, for recognition of the change in accounting policy pertaining to investments in associated companies, from cost method to equity method	9	-	-	4,200	4,200
Net loss for the year	2	-	-	(3,834)	(3,834)
Balance at 31 May 2006		<u>22,200</u>	<u>126,425</u>	<u>21,257</u>	<u>169,882</u>
<b>Holding Company</b>					
Balance at 31 May 2004		22,200	126,489	(32,062)	116,627
Reversal of revaluation surplus upon disposal of property	14	-	(37)	37	-
Net profit for the year	2	-	-	51,944	51,944
Balance at 31 May 2005		22,200	126,452	19,919	168,571
Reversal of revaluation surplus upon disposal of property	14	-	(27)	27	-
Adjustments to retained earnings brought forward, for recognition of the change in accounting policy pertaining to investments in associated companies, from cost method to equity method	9	-	-	3,424	3,424
Net loss for the year	2	-	-	(3,561)	(3,561)
Balance at 31 May 2006		<u>22,200</u>	<u>126,425</u>	<u>19,809</u>	<u>168,434</u>

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

**Cash flow Statements**

for the year ended 31 May 2006

	Notes	Consolidated		Holding Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Cash flows from operating activities</b>					
Receipts from trade and other receivables		236,865	243,654	237,178	243,756
Payments to trade payables, other suppliers and employees		(220,734)	(238,851)	(220,822)	(237,461)
Interest received		253	39	235	25
Dividend received		79	217	333	138
Income taxes paid		(22)	-	-	-
Interest and other cost of finance paid		(670)	(379)	(670)	(379)
<b>Net cash flows provided by operating activities</b>		<b>15,771</b>	<b>4,680</b>	<b>16,254</b>	<b>6,079</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(10,813)	(11,837)	(10,813)	(11,837)
Proceeds from sale of property, plant and equipment		118	156	107	156
<b>Net cash flows used in investing activities</b>		<b>(10,695)</b>	<b>(11,681)</b>	<b>(10,706)</b>	<b>(11,681)</b>
<b>Cash flows from financing activities</b>					
Loans from Export Import Bank of India		7,044	-	7,044	-
Repayment of Sugar Cane Growers Fund		(12,000)	-	(12,000)	-
Loans from Sugar Cane Growers Fund		-	12,000	-	12,000
<b>Net cash flows provided by financing activities</b>		<b>(4,956)</b>	<b>12,000</b>	<b>(4,956)</b>	<b>12,000</b>
<b>Net increase in cash and cash equivalents</b>		<b>120</b>	<b>4,999</b>	<b>592</b>	<b>6,398</b>
<b>Cash and cash equivalents at 31 May 2005</b>		<b>6,015</b>	<b>1,016</b>	<b>4,825</b>	<b>(1,573)</b>
<b>Cash and cash equivalents at 31 May 2006</b>	12	<b>6,135</b>	<b>6,015</b>	<b>5,417</b>	<b>4,825</b>

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

# Notes to and forming part of the financial statements

for the year ended 31 May 2006

## Accounting policies

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## Notes to and forming part of the Financial Statements

for the year ended 31 May 2006

### 1. Accounting policies

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

#### 1.1 Basis of preparation

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

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

- (ii) The accounts have been prepared on a going concern basis on the understanding that sufficient funds will be obtained from future operations and in the short term, if need be, from the Government which together with the availability of bank or other finance will enable the Corporation to meet its obligations as and when they fall due. In the opinion of the directors this basis is appropriate.

As outlined in Note 15, the Government has provided guarantee for borrowings from Export Import Bank of India. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Corporation be unable to continue as a going concern.

#### 1.2 Group Accounting

##### Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. The consolidated accounts incorporate the assets and liabilities of all subsidiaries as at 31 May 2006 and results of all subsidiaries for the period then ended. The Corporation and its subsidiaries together are referred to in this financial statements as the Group. The effects of all transactions between entities in the Group are eliminated in full.

##### Associates

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

During the year, in accordance with the Fiji Accounting Standards, FAS 28 on "Accounting for Investments in Associates", the Group adopted the equity method of accounting for investments in associates. The financial effect of the change in accounting policy relating to the prior year has been adjusted to the opening balance of retained earnings (refer statements of changes in shareholders' equity).

## Accounting policies (continued)

### 1.3 Foreign currency translation

#### (i) Measurement Currency

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

#### (ii) Transaction and balances

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

#### (iii) Group companies

Income statements and cash flows of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and their balance sheets are translated at the exchange rates ruling on 31 May 2006. Exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are taken to the Income Statement.

### 1.4 Property, plant and equipment

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

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

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

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

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

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

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





## Notes to and forming part of the Financial Statements

for the year ended 31 May 2006

### Accounting policies (continued)

#### 1.4 Property, plant and equipment (continued)

Capital works in progress principally relates to costs and expenses incurred for mill upgrades, mill modernisation and other capital nature work on property, plant and equipment. Capital work in progress is not depreciated. Interest and other incidental costs on borrowings to finance the construction of property, plant and equipment are capitalized, during the period of time that is required to complete and prepare the asset for its intended use.

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

#### 1.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are not capitalized but are recognized as an expense on a straight-line basis over the term of the relevant lease.

#### 1.6 Impairment of assets

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

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

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

#### 1.7 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.

#### 1.8 Receivables

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

### 1.9 Cash and cash equivalents

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

### 1.10 Share capital

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

### 1.11 Income taxes

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

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

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

### 1.12 Value Added Tax (VAT)

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

- (i) Where the amount of VAT incurred is not recoverable from the taxation authority, it is recognized as part of the cost of acquisition of an asset or as part of an item of expense; and
- (ii) For trade receivables and trade payables which are recognized inclusive of VAT.

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

### 1.13 Employee entitlements

All employees who are Fiji citizens belong to the Fiji National Provident Fund, an independent statutory administered fund. The Corporation has no liability for current or past service pensions in respect of these employees. Employee entitlements to annual leave, long service leave and other benefits are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave, long service leave and other benefits as a result of services rendered by employees up to the balance sheet date.

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

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

## Notes to and forming part of the Financial Statements

for the year ended 31 May 2006

### 1.14 Government grants

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

### 1.15 Provisions

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

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

### 1.16 Turnover

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

### 1.17 Earnings per share (EPS)

#### (i) Basic earnings per share

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

#### (ii) Diluted earnings per share

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

### 1.18 Dividends

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

### 1.19 Borrowing costs

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

### 1.20 Comparative figures

Current year results are for the twelve months ended 31 May 2006. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

# Notes to and forming part of the Financial Statements

for the year ended 31 May 2006

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## Notes to and forming part of the Financial Statements

for the year ended 31 May 2006

	Consolidated		Holding Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>2. Profit/(Loss) from operations</b>				
Profit/(Loss) from operations have arrived after crediting the following items:				
Amortisation of government grants (Note 16)	(174)	(203)	(174)	(203)
Dividend income from associate companies	-	(217)	-	(138)
Provision for doubtful debts written back in 2006	(25)	-	(25)	-
Dividend income from subsidiary company	-	-	(333)	-
Provision for claims payable reversed	(643)	-	(643)	-
Provisions for uninsured risks reversed in 2005	-	(2,500)	-	(2,500)
Profit/(Loss) from operations have arrived after charging the following expenses:				
Auditing services	103	95	64	73
Bad debts written off	15	6	15	6
Depreciation and amortisation:				
Leasehold land, building and improvements	1,681	1,736	1,681	1,736
Plant, machinery and equipment	10,364	10,408	10,349	10,398
Motor vehicles and transport systems	1,459	1,513	1,456	1,506
Directors' emoluments for:				
Services as directors	36	44	36	44
Other services	129	160	27	58
Loss on disposal of property, plant and equipment	180	486	180	486
Provision for doubtful debts	-	33	-	33
Staff costs (Note 4)	<u>34,704</u>	<u>35,268</u>	<u>34,210</u>	<u>34,851</u>
<b>3. Finance costs - net</b>				
Interest expense :				
Secured term loan	(128)	(15)	(128)	(15)
Promissory notes	(82)	(204)	(82)	(204)
Others	(460)	(160)	(460)	(160)
	<u>(670)</u>	<u>(379)</u>	<u>(670)</u>	<u>(379)</u>
Interest income	253	39	234	25
	<u>(417)</u>	<u>(340)</u>	<u>(436)</u>	<u>(354)</u>
<b>4. Staff costs</b>				
Wages and salaries	34,091	32,526	33,499	32,125
Other employee benefits	3,415	3,417	3,375	3,380
	<u>37,506</u>	<u>35,943</u>	<u>36,874</u>	<u>35,505</u>
Less payroll costs associated with capital works	(2,851)	(819)	(2,850)	(819)
	<u>34,655</u>	<u>35,124</u>	<u>34,024</u>	<u>34,686</u>
Provisions for employee benefits	49	144	186	165
	<u>34,704</u>	<u>35,268</u>	<u>34,210</u>	<u>34,851</u>
Number of permanent employees as at balance date. This increases by approximately 650 employees during the crushing period.	<u>1,852</u>	<u>1,922</u>	<u>1,851</u>	<u>1,917</u>

Consolidated		Holding Company	
2006	2005	2006	2005
\$'000	\$'000	\$'000	\$'000

### 5. Income tax credit

The prima facie income tax (expense) benefit on pre-tax operating (profit)/loss is reconciled to the income tax benefit shown in the income statement as follows:

Prima facie income tax (expense)/benefit on the operating result before income tax	2,222	(789)	2,137	(847)
Tax effect of permanent differences				
Amortisation of Government grants	54	63	54	63
Dividends received	-	67	-	43
Depreciation expense not allowable for income tax	(350)	(390)	(350)	(390)
Sundry non-allowable expenditure	(323)	(56)	(345)	(56)
Prima facie tax benefit adjusted for permanent differences	1,603	(1,105)	1,496	(1,187)
Difference in overseas tax rate	6	-	-	-
Over provision in prior years	139	-	139	-
Realisation of timing differences and tax losses not previously recognised	2,307	-	2,307	-
Future income tax benefit in respect of timing differences and tax losses not brought to account	(722)	1,753	(609)	1,865
Income tax benefit	<u>3,333</u>	<u>648</u>	<u>3,333</u>	<u>678</u>

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

- 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 realised;
- the Corporation continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in the tax legislation adversely affect the Corporation in realising the benefit from the deductions for the loss.

Income tax credit comprises movement in:

a) Provision for income tax	-	(30)	-	-
b) Provision for deferred tax	<u>3,333</u>	<u>678</u>	<u>3,333</u>	<u>678</u>
	<u>3,333</u>	<u>648</u>	<u>3,333</u>	<u>678</u>

## Notes to and forming part of the Financial Statements

for the year ended 31 May 2006

	Consolidated		Holding Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>6. Extraordinary gain - net of income tax</b>	<u>-</u>	<u>54,000</u>	<u>-</u>	<u>54,000</u>

For the year ended 31 May 2005, Government approved loans totaling \$54 million to the Corporation to be converted into a grant.

### 7. Earnings per share

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

Net profit/(loss) attributable to shareholders	(3,834)	52,102	(3,562)	51,944
Weighted average number of ordinary shares in issue	44,400	44,400	44,400	44,400
Basic earnings per share	(0.09)	1.17	(0.08)	1.17
Diluted earnings per share	(0.09)	1.17	(0.08)	1.17

# Notes to and forming part of the Financial Statements

for the year ended 31 May 2006

## 8. Property, plant and equipment

Consolidated	Land, Buildings & Improvements	Plant, Machinery & Equipment	Vehicles and Transport Systems	Capital Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 31 May 2006</b>					
<b>At cost</b>					
Cost	19,696	259,599	44,269	11,933	335,497
Accumulated depreciation	(6,630)	(169,134)	(34,738)	-	(210,502)
Impairment charge	-	(2,520)	(3,685)	-	(6,205)
Balance at 31 May 2006	<u>13,066</u>	<u>87,945</u>	<u>5,846</u>	<u>11,933</u>	<u>118,790</u>
<b>At valuation</b>					
Valuation	66,896	-	-	-	66,896
Accumulated depreciation	(5,125)	-	-	-	(5,125)
Balance at 31 May 2006	<u>61,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,771</u>
Balance at 31 May 2006	<u>74,837</u>	<u>87,945</u>	<u>5,846</u>	<u>11,933</u>	<u>180,561</u>

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

<b>Balance at 1 June 2005</b>	76,287	100,000	10,988	2,017	189,292
Additions	320	1,198	4	9,916	11,438
Disposal	(89)	(368)	(2)	-	(459)
Impairment charge	-	(2,520)	(3,685)	-	(6,205)
Depreciation (Note 2)	(1,681)	(10,365)	(1,459)	-	(13,505)
Balance at 31 May 2006	<u>74,837</u>	<u>87,945</u>	<u>5,846</u>	<u>11,933</u>	<u>180,561</u>
<b>At 31 May 2005</b>					
<b>At cost</b>					
Cost	19,579	261,759	44,882	2,017	328,237
Accumulated depreciation	(6,191)	(161,759)	(33,894)	-	(201,844)
Balance at 31 May 2005	<u>13,388</u>	<u>100,000</u>	<u>10,988</u>	<u>2,017</u>	<u>126,393</u>
<b>At valuation</b>					
Valuation	66,896	-	-	-	66,896
Accumulated depreciation	(3,997)	-	-	-	(3,997)
Balance at 31 May 2005	<u>62,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,899</u>
Balance at 31 May 2005	<u>76,287</u>	<u>100,000</u>	<u>10,988</u>	<u>2,017</u>	<u>189,292</u>



## Notes to and forming part of the Financial Statements

for the year ended 31 May 2006

### 8. Property, plant and equipment (continued)

Holding Company	Land, Buildings & Improvements	Plant, Machinery & Equipment	Vehicles and Transport Systems	Capital Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 31 May 2006</b>					
<b>At cost</b>					
Cost	19,696	259,599	44,269	11,933	335,497
Accumulated depreciation	(6,630)	(169,134)	(34,738)	-	(210,502)
Impairment charge	-	(2,520)	(3,685)	-	(6,205)
Balance at 31 May 2006	<u>13,066</u>	<u>87,945</u>	<u>5,846</u>	<u>11,933</u>	<u>118,790</u>
<b>At valuation</b>					
Valuation	66,896	-	-	-	66,896
Accumulated depreciation	(5,125)	-	-	-	(5,125)
Balance at 31 May 2006	<u>61,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,771</u>
Balance at 31 May 2006	<u>74,837</u>	<u>87,945</u>	<u>5,846</u>	<u>11,933</u>	<u>180,561</u>
Reconciliation of carrying amounts of each class of property, plant and equipment at the beginning and end of the financial year are as follows:					
<b>Balance at 1 June 2005</b>	76,287	99,980	10,989	2,017	189,273
Additions	320	1,198	-	9,916	11,434
Disposal	(89)	(364)	(2)	-	(455)
Impairment charge	-	(2,520)	(3,685)	-	(6,205)
Depreciation (Note 2)	(1,681)	(10,349)	(1,456)	-	(13,486)
Balance at 31 May 2006	<u>74,837</u>	<u>87,945</u>	<u>5,846</u>	<u>11,933</u>	<u>180,561</u>
<b>At 31 May 2005</b>					
<b>At cost</b>					
Cost	19,579	261,605	44,803	2,017	328,004
Accumulated depreciation	(6,191)	(161,625)	(33,814)	-	(201,630)
Balance at 31 May 2005	<u>13,388</u>	<u>99,980</u>	<u>10,989</u>	<u>2,017</u>	<u>126,374</u>
<b>At valuation</b>					
Valuation	66,896	-	-	-	66,896
Accumulated depreciation	(3,997)	-	-	-	(3,997)
Balance at 31 May 2005	<u>62,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,899</u>
Balance at 31 May 2005	<u>76,287</u>	<u>99,980</u>	<u>10,989</u>	<u>2,017</u>	<u>189,273</u>

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

	Consolidated		Holding Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>9. Investments</b>				
<b>Subsidiary companies</b>				
Shares in subsidiary companies, at cost	-	-	12	12
<b>Associated companies</b>				
Shares in associated companies, at cost	-	972	-	920
Equity accounted investments in associated companies	4,244	-	3,423	-
	4,244	972	3,423	920
<b>Total Investments</b>	4,244	972	3,435	932

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

**(a) Investments in subsidiaries**

Name of Company	Place of Incorporation	Contribution to Group Results		Book Value of Holding Company Investments (Ordinary shares)		Shareholding %	
		2006	2005	2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000	%	%
<b>Unlisted</b>							
FSC Projects Limited	Fiji	71	79	-	-	100	100
FSC Services Pty Limited	Australia	(10)	79	12	12	100	100
Pacific Cogeneration Limited	Fiji	-	-	-	-	100	100
		61	158	12	12		

The financial statements of FSC Projects Limited are audited by Deloitte. The financial statements of FSC Services Pty Limited are audited by PricewaterhouseCoopers. Pacific Cogeneration Limited has yet to commence its operations.

**(b) Investments in associated companies**

Name of Company	Place of Incorporation	Issued Capital (ordinary @ \$1 par)		Issued to FSC group (ordinary @ \$1 par)		Shareholding %	
		2006	2005	2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000	%	%
South Pacific Fertilizers Limited	Fiji	2,300	2,300	920	920	40	40
Agchem Limited	Fiji	130	130	52	52	40	40
		2,430	2,430	972	972		

## Notes to and forming part of the Financial Statements

for the year ended 31 May 2006

	Consolidated		Holding Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>9. Investments (continued)</b>				
<b>(c) Movement in carrying amount of associated companies</b>				
Shares in associated companies, at cost-opening balance	972	972	920	920
Add: Adjustments to retained earnings brought forward for recognition of the change in accounting policy pertaining to the investments in associates from cost method to equity method	4,200	-	3,424	-
Less: Share of loss from associates	(848)	-	(921)	-
Less: Dividends received during the year	(80)	-	-	-
	<u>4,244</u>	<u>972</u>	<u>3,423</u>	<u>920</u>
<b>10. Receivables and prepayments</b>				
Trade receivables	2,009	1,695	2,009	1,695
Related companies	239	644	239	64
	<u>2,248</u>	<u>2,339</u>	<u>2,248</u>	<u>2,339</u>
Prepayments and deposits	187	1,667	187	1,667
VAT receivable	2,014	4,085	2,014	4,085
Growers advance	620	1,186	620	1,186
Other receivables	930	293	884	116
Less Provision for doubtful debts	(335)	(360)	(335)	(360)
	<u>3,416</u>	<u>6,871</u>	<u>3,370</u>	<u>6,694</u>
	<u>5,664</u>	<u>9,210</u>	<u>5,618</u>	<u>9,033</u>
<b>11. Inventories</b>				
Sugar and molasses	2,284	2,807	2,284	2,807
Spare parts and spare gears	14,755	14,009	14,755	14,009
Other inventories	1,280	1,746	1,280	1,746
	<u>18,319</u>	<u>18,562</u>	<u>18,319</u>	<u>18,562</u>
Deduct: Provision for inventory write down	(2,527)	(750)	(2,527)	(750)
	<u>15,792</u>	<u>17,812</u>	<u>15,792</u>	<u>17,812</u>
<b>12. Cash and cash equivalents</b>				
Cash at bank and in hand	<u>6,686</u>	<u>6,902</u>	<u>5,968</u>	<u>5,712</u>
For the purpose of the statements of cash flow, the cash and cash equivalents comprise of the following:				
Cash and bank balances	6,686	6,902	5,968	5,712
Bank overdraft (Note 19)	(551)	(887)	(551)	(887)
	<u>6,135</u>	<u>6,015</u>	<u>5,417</u>	<u>4,825</u>

Consolidated		Holding Company	
2006	2005	2006	2005
\$'000	\$'000	\$'000	\$'000

### 13. Share capital

Authorised capital 160,000,000

(2005 - 160,000,000) ordinary shares of 50 cents each

Issued capital 44,399,998

(2005 - 44,399,998) fully paid ordinary shares of 50 cents each

<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>
<u>22,200</u>	<u>22,200</u>	<u>22,200</u>	<u>22,200</u>

### 14. Reserves

	Capital \$'000	Asset Replacement \$'000	Uninsured Risk \$'000	Asset Revaluation \$'000	Total \$'000
Balance at 01 June 2004	2,393	66,000	3,500	54,596	126,489
Reversal of revaluation surplus upon disposal of property	-	-	-	(37)	(37)
Balance at 31 May 2005	<u>2,393</u>	<u>66,000</u>	<u>3,500</u>	<u>54,559</u>	<u>126,452</u>
Reversal of revaluation surplus upon disposal of property	-	-	-	(27)	(27)
Balance at 31 May 2006	<u>2,393</u>	<u>66,000</u>	<u>3,500</u>	<u>54,532</u>	<u>126,425</u>

Consolidated		Holding Company	
2006	2005	2006	2005
\$'000	\$'000	\$'000	\$'000

### 15. Term loan - secured

Sugar Cane Growers Fund - current (a)

Export Import Bank of India - non current (b)

-	12,000	-	12,000
<u>7,496</u>	<u>-</u>	<u>7,496</u>	<u>-</u>
<u>7,496</u>	<u>12,000</u>	<u>7,496</u>	<u>12,000</u>

(a) During the year, the Corporation repaid \$12 million loans from the Sugar Cane Growers Fund. The term of borrowing was for 6 months at an interest rate of 2%. The loan was secured by Government guarantee.

(b) The Corporation has entered into a contract with the Export Import Bank of India by way of Line of Credit of USD50.4 million for the upgrade of its sugar mills. The loan is secured by a Government guarantee and is repayable in successive half yearly equal installments over a ten year period with an initial moratorium of two years. Interest is payable at the rate of LIBOR plus 0.5%. Interest paid and / or accrued has been capitalised to capital work in progress relating to sugar mills upgrade and modernisation.

## Notes to and forming part of the Financial Statements

for the year ended 31 May 2006

	Consolidated		Holding Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>16. Deferred income</b>				
Government grants	5,014	5,014	5,014	5,014
Less: Provision for amortisation	(3,549)	(3,375)	(3,549)	(3,375)
	<u>1,465</u>	<u>1,639</u>	<u>1,465</u>	<u>1,639</u>

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

### 17. Provision for deferred income tax

Consists of timing differences in respect to:  
Difference between accounting and tax written  
down value of property, plant and equipment  
Unrealised gains on stock of sugar and molasses

	16,076	19,509	16,076	19,509
	226	127	226	127
	<u>16,302</u>	<u>19,636</u>	<u>16,302</u>	<u>19,636</u>

### 18. Provisions

Non-current  
Current

	122	128	122	128
	5,803	5,619	5,803	5,469
	<u>5,925</u>	<u>5,747</u>	<u>5,925</u>	<u>5,597</u>

Non-current provisions  
Employee benefits

	<u>122</u>	<u>128</u>	<u>122</u>	<u>128</u>
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Current provisions

Income tax  
Employee benefits  
Redundancy  
Other

	-	14	-	-
	3,002	2,833	3,002	2,697
	2,501	2,500	2,501	2,500
	300	272	300	272
	<u>5,803</u>	<u>5,619</u>	<u>5,803</u>	<u>5,469</u>

### 19. Creditors and borrowings

Trade creditors and accruals  
Bank overdraft - unsecured  
Amount due to subsidiaries

	11,326	14,763	10,952	12,366
	551	887	551	887
	-	-	249	2,066
	<u>11,877</u>	<u>15,650</u>	<u>11,752</u>	<u>15,319</u>

The Corporation has an overdraft facility with Westpac Banking Corporation for \$1.5 million. The overdraft facility is subject to interest at the rate of 11.99%.

# Notes to and forming part of the Financial Statements

for the year ended 31 May 2006

Consolidated		Holding Company	
2006	2005	2006	2005
\$'000	\$'000	\$'000	\$'000

## 20. Contingent liabilities

Manufacturing wage claims and litigations (a)	1,018	1,018	1,018	1,018
Letters of credit undertakings by the bank (b)	42,690	-	42,690	-
Guarantees or bonds given by the bank	491	66	491	66
	<u>44,199</u>	<u>1,084</u>	<u>44,199</u>	<u>1,084</u>

### (a) Litigations

At balance date, no provision was included in respect of sundry court actions against the Holding Company; the Corporation's directors believe that claims arising from such actions are not likely to be of material nature based on the advice of the Corporation's solicitors.

### (b) Letters of credit

Letters of credit relates to letter of credit issued by Bank of Baroda in favour of various suppliers and engineering entities in relation to mill upgrades project. On due dates, payments to the suppliers and engineering entities will be made from borrowings from Export Import Bank of India (Refer Note 15).

## 21. Capital commitments

Capital commitments contracted but not provided for in the accounts	64,880	274	64,880	274
Capital commitments approved by the directors but not yet contracted	-	3,685	-	3,685
	<u>64,880</u>	<u>3,959</u>	<u>64,880</u>	<u>3,959</u>

### Mill Upgrading Project

During the year, substantial progress was made on the sugar mills reform programme. The Corporation has entered into contracts with engineering companies and suppliers from India for supply and commissioning of new plant and equipment. In relation to this, the Corporation entered into a line of credit agreement with the Export Import Bank of India for US\$50.4 million to finance the mill upgrading works.

The mill upgrading plan provides for upgrading of the sugar mills to world's best practice and will be implemented over the next three years at an estimated cost of F\$86 million. The principal objective of the mill upgrading works will be to improve milling efficiencies, introduce energy conservation measures and produce better quality, Very High Pol (VHP) sugar.

## Notes to and forming part of the Financial Statements

for the year ended 31 May 2006

### 22. Purchase of Cane and commitments for supply of Sugar in the next twelve months

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

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

Fiji's annual quota under this Cotonou Agreement is 165,348 metric tonnes White Sugar Equivalent which is equivalent to about 172,500 metric tonnes raw sugar. This is sold to Tate & Lyle Sugar in London under a Long Term Agreement signed between Tate & Lyle and the Corporation. The Agreement is for 5 years commencing 1st July 2006 and shall remain in force until 30th June 2011. The price is subject to annual negotiation between the ACP suppliers and the European Union. The price for this year is €496.8 per metric tonne CIF European ports.

### 23. Related party information

#### Ownership interests in related parties

Interests held in subsidiaries and associated companies are set out in Note 9 to the financial statements.

#### Transactions with related parties

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

	2006 \$'000	2005 \$'000
Purchases by Holding Company from subsidiary company FSC Services Pty Limited	<u>6,354</u>	<u>12,529</u>

Amounts receivable from or payable to related parties are disclosed in Note 10 and 19 to the financial statements.

### 24. Segment Information

#### (a) Business segment

The group operates predominantly in the sugar mills and revenue from other business segments is not material for the purpose of segment reporting.

#### (b) Geographical segment

The group predominantly operates in Fiji and is therefore one geographical area for the purpose of segment reporting.

# Notes to and forming part of the Financial Statements

for the year ended 31 May 2006

## 25. Principal activities of the holding company

Principal activities are the milling of sugar cane in Fiji and the sale of sugar and molasses produced. The registered office of the Corporation is situated at Western House, Lautoka.

### Subsidiary companies

Principal activities of subsidiary companies are as follows:

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

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

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

## 26. Government guarantee

During the prior year, the Government had provided a guarantee limited to \$75 million to allow the Corporation to borrow in the short-term money market. The guarantee was in place until 31 May 2006. The Government has been approached to provide a guarantee limited to \$40 million to enable the Corporation to borrow from commercial banks and money markets. Furthermore, as noted in Note 15, during the year the Government has provided a new guarantee of US\$ 50.4 million for borrowings from Export Import Bank of India.

## 27. Repeal of the Fiji Sugar Corporation Act

During the year, the Fiji Sugar Corporation Act was repealed allowing the Corporation to be governed under the Companies Act 1983.

## 28. Stock Exchange listing

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





## South Pacific Stock Exchange requirements

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

1. At 31 May 2006, Directors' interests in the share capital of the Corporation or related companies were nil.

### 2. Directors' Interest In Contracts

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

### 3. Directors' termination benefits

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

### 4. Statement of shareholders

Distribution of Share Holding

Holding	No. Of Holders	No. of Shares	% Holding
Less than 500 shares	1,472	311,204	0.7
501 to 5,000 shares	518	691,224	1.6
5,001 to 10,000 shares	25	173,385	0.4
10,001 to 20,000 shares	11	149,490	0.3
20,001 to 30,000 shares	Nil	Nil	
30,001 to 40,000 shares	Nil	Nil	
40,001 to 50,000 shares	1	40,800	0.1
50,001 to 100,000 shares	1	98,720	0.2
100,001 to 1,000,000 shares	6	951,309	2.1
Over 1,000,000 shares	3	41,983,866	94.6

### 5. Twenty largest shareholders

As at 31 May 2006 the twenty largest shareholders held 43,213,945 shares which is equal to 97.33% of the total issued 44,399,998 fully paid shares of 50 cents each.

1. <b>The Government of Fiji</b> Permanent Secretary of Finance PO Box 2212 Government Buildings, Suva	30,239,160	2. <b>Fiji National Provident Fund</b> Private Mail Bag Suva	7,810,806
3. <b>Fijian Holdings Ltd</b> PO Box 2110 Government Buildings, Suva	3,933,900	4. <b>Unit Trust of Fiji (Trustee) Co Ltd</b> PO Box 1359 Suva	374,539
5. <b>Colonial Mutual Life Assurance Society Limited</b> PO Box 155, Suva	250,080	6. <b>Sugar Cane Growers Council</b> PO Box 5162 Lautoka	119,401

5. Twenty largest shareholders (continued)

7. <b>Reddys' Enterprises Limited</b> PO Box 784 Lautoka	105,338	8. <b>Ba Provincial Holdings Co. Limited</b> Rogorogoivuda House Lautoka	101,951
9. <b>Robert Lee</b> GPO Box 13510 Suva	98,720	10. <b>Morris Hedstrom Limited</b> Scholarship Fund Trustees PO Box 299, Suva	40,800
11. <b>Lionel Ding Sun Yee</b> GPO Box 13600 Suva	18,360	12. <b>Pacific Transport Ltd.</b> PO Box 1266 Suva	18,000
13. <b>Manohar Lal</b> PO Box 1528 Nausori	15,450	14. <b>Amraiya Naidu</b> GPO Box 13153 Suva	14,800
15. <b>Rotuma Development Fund</b> Government Station PO Box 18, Rotuma	14,400	16. <b>Saimone Lutu</b> PO Box 3359 Lami	12,120
17. <b>Fiji Public Service</b> Association-Investments Co-op Ltd. PO Box 1405, Suva	12,000	18. <b>Johnson Fong</b> 5/113 Mount Street Coogee, NSW 2034, Australia	12,000
19. <b>Joyce Due &amp; Rasmus Due</b> 93 Mailawa Ave Palm Beach, QLD 4221, Australia	11,320	20. <b>Sugar Milling Staff Officers' Association</b> The Secretary The Sugar Milling Staff Officers' Association FSC Limited, Lautoka	10,800

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
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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.

## Ten-year Statistical review

Financial Statistics										
Year ended 31 May (prior to 2004 - 31 March)	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Turnover (\$m)	235.2	242.7	227.5	265.7	243.8	251.2	287.2	257.1	239.1	279.1
Profit/(Loss) before taxation (\$m)	(6.9)	(2.7)	0.7	(13.4)	(13.8)	(20.9)	(5.3)	3.0	(11.5)	(2.0)
Income Tax (expense)/benefit (\$m)	3.3	0.7	1.6	1.2	(2.8)	-	2.0	1.0	(4.1)	(0.8)
Profit/(Loss) after taxation & extraordinary items (\$m)	(3.6)	51.9	2.3	(15.8)	(16.4)	(20.9)	(3.3)	2.0	(3.0)	(1.2)
Total Assets (\$m)	211.4	222.8	220.1	252.5	252.6	274.1	304.1	237.2	228.9	255.0
Net Assets (\$m)	168.4	198.6	116.8	114.3	130.1	153.7	174.6	114.4	115.5	118.0
Proceeds of Sugar & Molasses (\$m)	231.6	237.8	223.6	261.1	239.4	236.8	282.0	245.1	232.2	275.3
FSC's share of proceeds (\$m)	69.5	71.4	67.1	78.2	71.8	79.7	85.1	71.5	69.3	79.1
Price per tonne cane (\$)	58.13	55.48	60.12	53.80	60.80	44.01	50.76	81.79	50.07	44.82
Production statistics										
Season	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Cane Crushed (000t)	2,789	3,001	2,610	3,422	2,805	3,786	3,938	2,098	3,280	4,380
Sugar Produced (000t)	289	314	294	330	293	341	377	256	347	454
Molasses Produced (000t)	118	113	107	149	106	164	158	96	139	186
Tonnes Cane/Tonnes Sugar	10	10	9	10	10	11	10	8	9	10
Molasses % Cane	4	4	4	4	4	4	4	5	4	4
POCS %	11.4	12	13	11	12	10	10	13	12	11
Cane Purity %	82.4	83	84	82	83	81	80	84	83	82
Fibre in Cane %	11.6	12	12	12	12	12	11	13	13	12
Average Crushing Rate for all mills (tph)	953	972	895	978	1,083	1,115	1,025	968	984	1,044
Actual Crushing Time as % of Available Time	74.8	79	82	76	71	70	74	77	71	83
Field statistics										
Season	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Number of Growers	20,190	20,492	20,693	21,253	21,862	22,179	22,178	22,146	22,100	22,104
Number of Active Growers	16,257	17,639	17,362	17,773	18,815	19,081	19,584	19,430	20,524	20,600
Tonnes Cane per Hectare	48	49	43	42	42	57	61	37	45	59
Average Tonnes Cane/Grower	172	170	126	161	128	171	178	95	148	196
Number of Cane Cutters	15,852	15,270	15,285	16,772	15,280	17,251	33,866	15,417	14,891	15,118
Output per Cutter (tonnes)	172	196	170	204	184	235	285	156	220	290
Burnt Cane %	36	34	33	36	43	50	31	64	62	43
Sugar Exports - destinations and quantities (metric tonnes)										
Season	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
United Kingdom/European Union	178,905	176,742	167,585	175,820	152,233	163,624	200,074	186,770	145,710	137,334
Malaysia	-	-	-	-	-	22,000	-	-	60,000	90,000
The United States of America	10,111	9,006	9,061	9,035	9,065	9,044	18,420	-	18,900	20,000
Japan	57,481	62,000	37,808	58,637	46,613	18,385	49,410	17,000	45,000	77,250
Korea	-	-	-	-	-	14,600	18,900	13,000	-	15,000
Canada	-	-	-	-	-	-	-	-	-	-
Singapore	-	-	-	-	-	-	-	-	-	20,000
China	-	-	25,000	25,000	-	-	-	-	-	20,000
Indonesia	-	25,425	-	-	-	20,000	-	-	-	-
Special Preferential Market	-	6,475	-	20,445	39,460	33,778	38,500	14,280	33,900	30,150
Taiwan	-	-	-	-	-	27,650	-	-	-	-
Portugal	-	-	17,000	-	-	-	-	-	-	-
<b>Total</b>	<b>246,497</b>	<b>273,648</b>	<b>255,654</b>	<b>288,942</b>	<b>247,373</b>	<b>309,081</b>	<b>336,404</b>	<b>253,050</b>	<b>203,510</b>	<b>409,954</b>

# Notice of Meeting

## Annual General Meeting of Shareholders

Notice is hereby given that the 33rd Annual General Meeting of The Fiji Sugar Corporation Limited will be held at the Conference Room, Waterfront Hotel, Lautoka on 27 September 2006 at 3.00pm.

### Agenda

1. Apologies
2. Proxy Holders
3. Confirmation of the Minutes of the 32nd Annual General Meeting held on 5 October 2005
4. Matters arising from the Minutes
5. Receive and consider the Balance Sheet, the Income Statement and the reports of the Directors and of the Auditors for the year ended 31 May 2006.
6. Declaration of Dividends
7. Transfers to Reserves
8. Directors' Remuneration
9. Appointment of Auditors
10. Transact such other business as may properly be brought before the meeting.

### By order of the Board

#### Deo Saran

*Company Secretary*

3rd Floor, Western House, Lautoka

Telephone: (679) 666 2655

Date: 6 September 2006

### Proxies

A member is entitled to appoint a proxy to attend and vote instead of himself. A proxy shall be a member of the Company. A form of proxy is enclosed overleaf for this purpose. The proxy form, or any instrument appointing a proxy, must be received at the Corporation's Registered Office (3<sup>rd</sup> Floor, Western House, Lautoka) not less than forty-eight hours before the time scheduled for the meeting.



## Form of Proxy

(How to complete this form)

- Note 1** In the case of a Company/Corporation, the proxy must either be under seal or under the hand of an officer or attorney duly authorised.
- Note 2** Unless that appointer is a Company/Corporation, the proxy must be signed in the presence of a Justice of Peace, Magistrate, Police Officer, Roko or other recognised public official.
- Note 3** Please ensure that all details are legible.
- Note 4** To be effective, this instrument must be received by the Corporation not less than forty-eight hours before the time of the meeting.

## The Fiji Sugar Corporation Limited

3rd Floor, Western House, Lautoka. Postal Address: Private Mail Bag, Lautoka

I/We\* ..... being  
a/the shareholder/s\* of The Fiji Sugar Corporation Limited,

Hereby appoint ..... who is also  
a shareholder of the Corporation, or falling him, the Chairman of the Meeting, as my proxy to vote  
for me/us\* on my/our\* behalf at the Annual General Meeting of the Corporation to be held on  
27 September 2006, and at any adjournment thereof.

At witness my/our\* hand this ..... day of ..... 2006.

Signed in my presence by the said  
who is personally known to me

.....  
(Name of Shareholder)

.....  
(Signature of Shareholder)

.....  
(Name of Witness)

.....  
(Signature of Witness)

.....  
(Designation of Witness  
- Refer note 2 above)

\* Delete whichever is inapplicable (please print)