



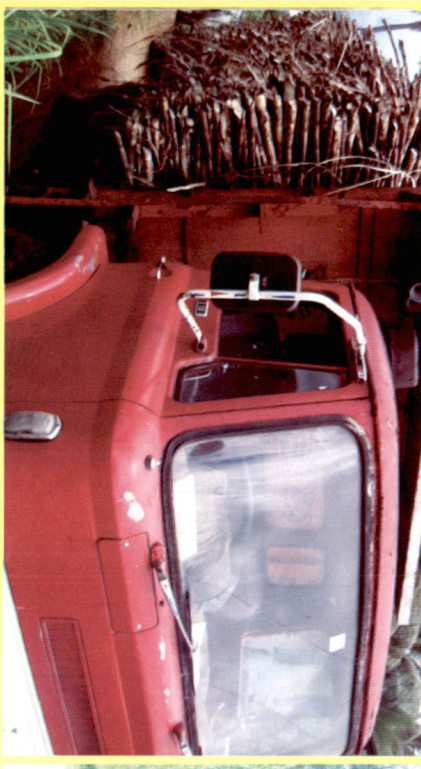
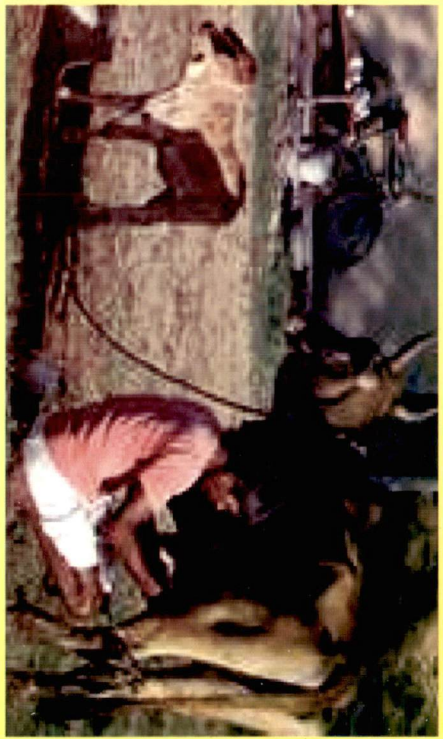
# SUGAR CANE GROWERS FUND

## Annual Report

For The Year Ended 31st December, 2010

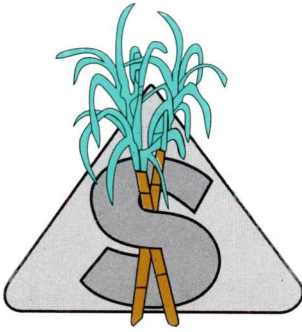








# SUGAR CANE GROWERS FUND



2<sup>nd</sup> Floor,  
Sugar Cane Growers Council Building,  
75 Drasa Avenue, Lautoka.  
P.O. Box 13,  
Lautoka.  
Phone: 665 0777 665 0280  
Fax: 665 0768

Our Ref:

4 April, 2012

Honourable Commodore Josaia Voreqe Bainimarama  
Minister responsible for the Sugar Industry  
P O Box 2212  
Government Buildings  
SUVA

Dear Prime Minister,

I have much pleasure in forwarding herewith the Annual Report and Audited Accounts for the Sugar Cane Growers Fund and the consolidated financial statements of the Group (the group being the Fund and its subsidiary – South Pacific Fertilizers Ltd) for the year ended 31 December 2010, in accordance with Section 16 of the Act.

Yours faithfully

A handwritten signature in black ink, appearing to read 'John May', is written over a large, stylized circular flourish.

JOHN MAY  
CHAIRMAN

# ANNUAL REPORT

## BACKGROUND

The Sugar Cane Growers Fund Authority was established by Act No. 9 of 1984 enacted by the Parliament of Fiji on 26 July 1984. All monies and assets of the Sugar Cane Price Support Fund were transferred to the Growers Fund under the Act. The name has been changed to Sugar Cane Growers Fund by amendment Act 12 of 1996.

## MEMBERS OF THE BOARD

### CHAIRMAN

Mr. John May, as the Chairman of the Sugar Commission of Fiji is the Chairman of the Board of Management of the Sugar Cane Growers Fund; in accordance with the provision of section 7(3) of the Act.

### MEMBERS

1. Mr. Sundresh Chetty the Acting Chief Executive Officer of the SCGC with effect from 12 June 2009. His appointment is in accordance with section 7(d) of the Act as the Chief Executive Officer of the Sugar Cane Growers Council.
2. Mr. Viliame Gucake was appointed with effect from 3 March 2009. His appointment is in accordance with section 7(1) b of the Act as a person appointed by the Minister.

## FUNCTIONS

The functions of the Fund are to provide loans to Sugar Cane Growers for the following purposes:-

- (a) Purposes which, in the opinion of the Board, will increase the production of Sugar Cane;
- (b) Purposes which, in the opinion of the Board will improve efficiency in the planting, growing, harvesting and transportation of Sugar Cane;

- (c) The carrying out of work which the Board considers necessary or desirable to rehabilitate farms, buildings and other installations damaged, destroyed or affected by floods, cyclones, droughts or other natural disasters;
- (d) The carrying out of work which the Board considers necessary or desirable to establish sugar cane farms and to construct buildings and other installations on those farms;
- (e) The carrying out of work which the Board considers necessary or desirable for crop diversification;
- (f) The making of provision to such extent as the Board considers necessary, for the personal family needs of Growers during periods of financial distress or hardship;
- (g) To enable cane growers to participate in commercial ventures which, in the opinion of the Board, are intended to benefit the cane growing industry.

## ASSISTANCE TO CANE GROWERS

Under section 17(1) of the Act, a loan to a cane grower is a first charge on all cane proceeds due to him provided the loan is for those purposes only, set out in paragraph (a), (b), (c) and (f) of subsection 1 of section 4 of the Act and the loan does not exceed \$5,000-00. Repayment of advances by the Fiji Sugar Corporation Limited, or other payments of whatsoever nature made to the cane growers or on his behalf, Sugar Cane Growers Council Levy and land rent under the Master Award take precedence.

## LOANS TO GROWERS

Presently the Fund has the following loan facilities available for cane farmers:-

1. **PRIORITY LOANS** limited to \$5000 for purposes such as farm development, planting new cane, purchase and repair of farm equipments, house repairs, education expenses, wedding expenses, drainage, purchase of farming equipment parts, road repairs, weedicides, borehole drilling medical expenses, funeral expenses and Purchase of working bullocks and horses, etc.



2. **SPECIALISED LENDING** – Loans of up to \$50,000 for the purchase of farms and farm machinery, cane trucks and construction of farm houses.
3. **LOANS TO TENANTS FOR NEW LEASES** – Loans to assist growers, whose leases have expired, to obtain new leases from the Native Land Trust Board, lands Department or other Landlords.
4. **REFINANCE OF SUGAR CANE GROWERS LOAN** – Loans to refinance sugarcane grower's loans with commercial banks and other lenders. Loans are approved only for the purposes provided in the Sugar Cane Growers Fund Act.

## DETAILS OF LOANS

### Priority Loans

Application Approved	20,255
Applications Paid	20,064
Value of Loans Approved	\$28,421,800
Value of Loans Paid Out	\$27,404,194

### Specialized Lending

Application Approved	2,248
Applications Paid	2,114
Value of Loans Approved	\$20,336,950
Value of Loans Paid Out	\$19,269,411

### New Leases

Application Approved	2,292
Applications Paid	1,950
Value of Loans Approved	\$14,614,552
Value of Loans Paid Out	\$13,508,309

### Refinance

Application Approved	604
Applications Paid	588
Value of Loans Approved	\$6,530,538
Value of Loans Paid Out	\$6,359,921

## DISTRICT OFFICES

The Fund has Offices in Lautoka, Labasa, Rakiraki, Tavua, Ba and Nadi districts to provide services to growers. Growers from the Sigatoka and Seaqaqa districts are provided services by the Nadi and Labasa district staff once a week from the Sugar Cane Growers Council Offices in the respective districts.

Loan applications are received at the District Offices and approvals and payments are processed at the Head Office.

During the year the Fund approved 1,201 loans under Priority Loans to the value of \$1,443,505 160 loans under Specialised Lending to the value of \$1,135,038. 150 loans for New Leases to the value of \$839,746 and 12 loans for Refinance of loans to the value of \$144,715.

The Labasa District Office received 700, Rakiraki 198, Tavua 156, Ba 331, Nadi 202 and Lautoka 264 applications respectively.

## LOAN TO SOUTH PACIFIC FERTILIZERS LIMITED

Following submissions by the South Pacific Fertilizers Limited and the stakeholders of the Sugar Industry to government for assistance to support the price of fertilizer supplied to the sugar cane growers.

The Government/Cabinet made the following decision as Way Forward for the SPFL.

- (a) that the Fertilizer price increase of \$26.09 per bag (from \$19.50 to \$45.59 per bag) be effective from 2009 and 2010, for which \$12 per bag (from \$19.50 to \$31.50) is to be met by the growers and the balance of \$14.09 per bag (from \$31.50 to \$45.59 per bag) amounting to \$9.8 million be met by the Government;
- (b) that the SPFL be restructured as follows:
  - i. its loans (\$14.7m) in the Sugar Cane Growers Fund (SCGF) be converted to equity;
  - ii. the Fiji Sugar Corporation (FSC) divests from SPFL and its shares transferred to the other shareholders.
  - iii. that consequential amendments be made to the Sugar Cane Growers Fund Act to allow for the SCGF to make investments in the SPFL and
- (c) that the SCGF be asked to provide necessary financing needs of the SPFL and
- (d) that in view of the SCGF acquiring majority shares (90%), the chairmanship of the SPFL be held by the representative of the SCGF, and that the Fiji Sugar Corporation have a nominee Director on the SPFL appointed by the SCGF.

In 2010 the Company borrowed \$11,447,801 for procurement of raw materials. Total loan outstanding as at 31 December 2010 was \$6,218,163.



Government provided subsidy of \$9.8million in 2010.

The Board acknowledges the efficient manner in which the Management and Staff have performed their duties.

### **SPECIAL CANE PAYMENT**

The Sugar Cane Growers Fund advanced \$8.4 million to the Fiji Sugar Corporation Limited in May 2010 for top-up of the 4<sup>th</sup> Cane Payment for the 2009 season. This payment was made following a directive from the Prime Minister and Minister for Sugar.

The loan is to be repaid from sugar proceeds of the 2011 and 2012 season.

The Government through the Ministry of Sugar will pay interest.



.....  
**JOHN MAY – CHAIRMAN**

### **SUMMARY OF LOANS AND INVESTMENTS**

Loans to Growers	\$23,780,369
South Pacific Fertilizers Ltd. Shares	\$14,951,296
South Pacific Fertilizers Ltd. Loan	\$6,218,163
Term Deposits	\$1,000,000
Sugar Cane Growers Council	\$228,000
Fiji Sugar Corporation Limited	\$9,624,544

### **FUNDS BANKERS**

Bank of Baroda is the Fund's Bankers.

### **STAFF**

The staffs are members of the Fiji Bank & Employees Sector Union and are employed under Terms & Conditions contained in an agreement between the Fund and the Fiji Bank & Employees Sector Union.

### **BOARD MEETINGS**

The Board of Management held five meetings during the year.

### **ACKNOWLEDGEMENT**

The Board wishes to acknowledge the cooperation and assistance given by, the Ministry of Public Enterprises, the Ministry of Agriculture Primary Industry, the Ministry of Finance, National Planning, Sugar & Public Utilities, the Sugar Cane Growers Council, Sugar Industry Tribunal, the Fiji Sugar Corporation Limited and the trading Banks to the Fund during the year.





Commodore Josaia Voreqe Bainimarama  
Minister responsible for the Sugar Industry  
PO Box 2212  
Government Buildings  
Suva

Dear Minister,

## **Report of the independent auditor to the members of Sugar Cane Growers Fund and Subsidiary**

### **Scope**

We have audited the financial statements of Sugar Cane Growers Fund (the "Fund") and the consolidated financial statements of the Group (being the Fund and its subsidiary) for the financial year ended 31 December 2010 consisting of statements of financial position, statements of comprehensive income, statement of changes in equity, cash flow statements, and accompanying notes, set out on pages 8 to 38. The Board members 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 Fund.

Our audit has been conducted in accordance with Section 16(2) of the Sugar Cane Growers Fund Act 1984 and International Standards on Auditing, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with International Financial Reporting Standards so as to present a view which is consistent with our understanding of the Fund's and the Group's financial position, the results of their operations and their cash flows.

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

### **Audit Opinion**

In our opinion:

- (a) the financial statements of the Fund and the Group give a true and fair view of the state of affairs of the Fund and the Group as at 31 December 2010 and the results, changes in equity and cash flows of the Fund and the Group for the year then ended, in accordance with International Financial Reporting Standards;





## **Report of the independent auditor to the members of Sugar Cane Growers Fund and Subsidiary (continued)**

### **Audit Opinion (continued)**

- (b) the financial statements of the Fund and the Group are in general agreement with the accounts and records;
- (c) the receipt, expenditure and investment of moneys, and the acquisition of assets, by the Fund and the Group during the year were in accordance with the Sugar Cane Growers Fund Act 1984.

**15 March 2012  
Nadi, Fiji Islands**

**KPMG**  
**KPMG**  
**Chartered Accountants**



**Sugar Cane Growers Fund and Subsidiary**  
**Statements of comprehensive income**  
**For the year ended 31 December 2010**

	Note	Group		Fund	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Revenue</b>					
Sales		18,850,570	17,475,600	-	-
Cost of sales		(19,428,550)	(23,414,753)	-	-
<b>Gross loss</b>		(577,980)	(5,939,153)	-	-
Interest income	5	2,334,484	1,966,062	2,689,266	2,512,768
Dividend income	6	-	10,788	-	3,695
Other operating income	7	7,075,015	9,979,246	47,806	65,641
Total income		8,831,519	6,016,943	2,737,072	2,582,104
Administrative and other operating expenses	8	(2,592,632)	(3,204,613)	(930,036)	(470,492)
Personnel expenses	9	(1,023,710)	(891,017)	(538,074)	(479,739)
Impairment of goodwill	10	-	(496,320)	-	-
<b>Operating profit</b>		5,215,177	1,424,993	1,268,962	1,631,873
Finance cost	11	(5,785)	(13,905)	(1,231)	(1,126)
Share of loss of equity accounted investee	18	-	(578,205)	-	(578,205)
Operating profit before income tax		5,209,392	832,883	1,267,731	1,052,542
Income tax expense	12	-	(725,084)	-	-
<b>Profit for the year</b>		5,209,392	107,799	1,267,731	1,052,542
<b>Other comprehensive income net of income tax</b>					
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		-	(8,760)	-	-
Net change in fair value of available-for-sale financial assets		-	(13)	-	-
Total comprehensive income		5,209,392	99,026	1,267,731	1,052,542

The above statements of comprehensive income are to be read in conjunction with the notes to the financial statements set out on pages 14 to 38.



**Sugar Cane Growers Fund and Subsidiary**  
**Statements of comprehensive income (continued)**  
**For the year ended 31 December 2010**

	<b>Group</b>		<b>Fund</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Profit attributable to:</b>				
- Owners	4,844,735	149,860	1,267,731	1,052,542
- Non-controlling interest	364,657	(42,061)	-	-
<b>Profit for the year</b>	<u>5,209,392</u>	<u>107,799</u>	<u>1,267,731</u>	<u>1,052,542</u>
<b>Total comprehensive income attributed to:</b>				
- Owners	4,844,735	149,848	1,267,731	1,052,542
- Non-controlling interest	364,657	(50,822)	-	-
<b>Total comprehensive income for the year</b>	<u>5,209,392</u>	<u>99,026</u>	<u>1,267,731</u>	<u>1,052,542</u>

The above statements of comprehensive income are to be read in conjunction with the notes to the financial statements set out on pages 14 to 38.



**Sugar Cane Growers Fund and Subsidiary**  
**Statements of changes in equity**  
**For the year ended 31 December 2010**

	Attributable to the Owners			Non-controlling interest	Total
	Funds employed / retained earnings	Fair value reserve	Total		
Group	\$	\$	\$	\$	\$
Balance at 1 January 2009	56,844,941	-	56,844,941	-	56,844,941
Non-controlling interest upon business combination (refer Note 18)	-	-	-	1,501,505	1,501,505
<b>Total comprehensive income</b>					
Profit (loss) for the year	149,860	-	149,860	(42,061)	107,799
<b>Other comprehensive income</b>					
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	-	(8,760)	(8,760)
Net change in fair value of available-for-sale financial assets	-	(12)	(12)	(1)	(13)
Balance at 31 December 2009	<u>56,994,801</u>	<u>(12)</u>	<u>56,994,789</u>	<u>1,450,683</u>	<u>58,445,472</u>
<b>Total comprehensive income</b>					
Profit for the year	4,844,735	-	4,844,735	364,657	5,209,392
<b>Other comprehensive income</b>					
Net change in fair value of available-for-sale financial assets	(12)	12	-	-	-
Balance at 31 December 2010	<u>61,839,524</u>	<u>-</u>	<u>61,839,524</u>	<u>1,815,340</u>	<u>63,654,864</u>

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 14 to 38.



**Sugar Cane Growers Fund and Subsidiary**  
**Statements of changes in equity**  
**For the year ended 31 December 2010**

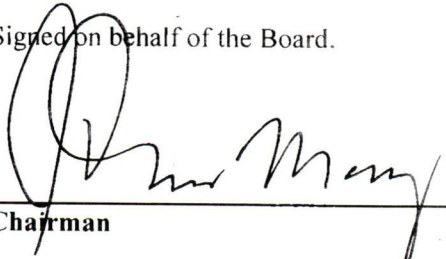
<b>Fund</b>	<b>Funds employed \$</b>	<b>Total \$</b>
Balance at 1 January 2009	56,844,941	56,844,941
Surplus for the year	<u>1,052,542</u>	<u>1,052,542</u>
Balance at 31 December 2009	57,897,483	57,897,483
Surplus for the year	<u>1,267,731</u>	<u>1,267,731</u>
Balance at 31 December 2010	<u><u>59,165,214</u></u>	<u><u>59,165,214</u></u>


The above statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 14 to 38.

**Sugar Cane Growers Fund and Subsidiary**  
**Statements of financial position**  
**For the year ended 31 December 2010**

	Note	Group		Fund	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Assets</b>					
Cash on hand and at bank	13	10,199,136	9,772,298	3,699,295	1,436,401
Available for sale financial asset	14	1,655	1,655	-	-
Held-to-maturity investments	15	-	6,589,799	-	6,589,799
Loans to growers	16	23,780,369	21,699,646	23,780,369	21,699,646
Advances to industry related parties	17	9,904,189	380,000	16,314,553	16,680,172
Investment in subsidiary / equity accounted investee	18	-	-	14,951,296	14,951,296
Trade, other receivables and prepayments	19	6,435,772	2,472,516	534,182	26,109
Inventories	21	15,562,263	19,126,049	-	-
Property, plant and equipment	20	2,348,237	2,540,219	119,670	133,671
<b>Total assets</b>		<u>68,231,621</u>	<u>62,582,182</u>	<u>59,399,365</u>	<u>61,517,094</u>
<b>Liabilities</b>					
Bank overdraft	13	-	3,157,379	-	3,157,379
Trade and other payables	22	4,527,496	897,809	184,890	399,121
Employee benefits	23	49,261	81,522	49,261	63,111
<b>Total liabilities</b>		<u>4,576,757</u>	<u>4,136,710</u>	<u>234,151</u>	<u>3,619,611</u>
<b>Equity</b>					
Funds employed / retained earnings		61,839,524	56,994,801	59,165,214	57,897,483
Fair value reserve	25	-	(12)	-	-
Minority interest		1,815,340	1,450,683	-	-
<b>Total equity</b>		<u>63,654,864</u>	<u>58,445,472</u>	<u>59,165,214</u>	<u>57,897,483</u>
<b>Total equity and liabilities</b>		<u>68,231,621</u>	<u>62,582,182</u>	<u>59,399,365</u>	<u>61,517,094</u>

Signed on behalf of the Board.

  
 \_\_\_\_\_  
 Chairman

  
 \_\_\_\_\_  
 Board Member

The above statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 14 to 38



**Sugar Cane Growers Fund and Subsidiary**  
**Statements of cash flows**  
**For the year ended 31 December 2010**

	Note	Group		Fund	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Operating activities</b>					
Interest received		1,974,714	877,613	1,974,714	1,275,510
Interest paid		-	(272,143)	-	-
Application fees received		21,186	19,445	21,186	19,445
Receipts from customers		17,135,469	17,975,969	-	-
Cash paid to suppliers and employees		(20,720,136)	(36,635,277)	(1,338,722)	(203,017)
Receipt of Government grant		10,800,000	10,000,000	-	-
Loans repaid by growers		4,942,985	7,709,327	4,942,985	7,709,327
Loans to growers		(6,076,079)	(6,317,525)	(6,076,079)	(6,317,525)
<b>Cash flows from / (used in) operating activities</b>		<b>8,078,139</b>	<b>(6,642,591)</b>	<b>(475,916)</b>	<b>2,483,740</b>
<b>Investing activities</b>					
Dividend income		-	3,695	-	3,695
Proceeds from disposal of available for sale financial asset		-	2,359,437	-	1,638,105
Acquisition of subsidiary, net of cash acquired	18	-	2,620,719	-	-
Acquisition of plant and equipment		(846,957)	(527,277)	(33,328)	(70,324)
Proceeds from disposal of plant and equipment		135,809	-	5,500	-
Loan repaid by / (to) Sugar Cane Growers Council		152,000	(380,000)	152,000	(380,000)
Loan repaid by Sugar Research Institute of Fiji		-	200,000	-	200,000
Loan repaid by South Pacific Fertilizers Limited		-	-	21,154,592	11,928,348
Loan to South Pacific Fertilizers Limited		-	-	(11,447,801)	(26,505,478)
Loan to The Fiji Sugar Corporation Limited		(9,524,544)	-	(9,524,544)	-
Loan repaid by The Fiji Sugar Corporation Limited		-	6,556,846	-	6,556,846
Balance carried forward		(10,083,692)	10,833,420	306,419	(6,628,808)

The above statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 14 to 38.

**Sugar Cane Growers Fund and Subsidiary**  
**Statements of cash flows (continued)**  
**For the year ended 31 December 2010**

	Note	Group		Fund	
		2010	2009	2010	2009
		\$	\$	\$	\$
Balance brought forward		(10,083,692)	10,833,420	306,419	(6,628,808)
Proceeds from disposal of / (transfers to) held-to-maturity investments		5,589,770	(4,500,000)	5,589,770	(4,500,000)
<b>Cash flows (used in) / from investing activities</b>		<u>(4,493,922)</u>	<u>6,333,420</u>	<u>5,896,189</u>	<u>(11,128,808)</u>
Net increase / (decrease) in cash and cash equivalents		3,584,217	(309,171)	5,420,273	(8,645,068)
Cash and cash equivalents at 1 January		6,614,919	6,924,090	(1,720,978)	6,924,090
<b>Cash and cash equivalents at 31 December</b>	13	<u>10,199,136</u>	<u>6,614,919</u>	<u>3,699,295</u>	<u>(1,720,978)</u>
Non-cash investing activities	26				

The above statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 14 to 38.



**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**1. Reporting entity**

Sugar Cane Growers Fund (the "Fund") is a body corporate established in Fiji on 26 July 1984 under the Sugar Cane Growers Fund Act 1984. The address of its registered office and the principal place of business is located at 2nd floor, Sugar Cane Growers Council (SCGC) Building, 75 Drasa Avenue, Lautoka.

The financial statements of the Fund as at and for the year ended 31 December 2010 comprise the Fund and its subsidiary (together referred to as the "Group").

The principal activity of the Fund as outlined under Sugar Cane Growers Fund Act 1984 Section 4, is to provide loans to sugar cane growers to increase production of sugar cane and improve efficiency in the planting, growing and transportation of sugar cane.

The principal activity of the subsidiary, South Pacific Fertilizers Limited, during the year was importing bulk fertilizer, blending, packing and distributing to local markets.

**2. Basis of preparation**

**(a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board and the requirements of Fiji law. □

The financial statements were authorised for issue by the Board on \_\_\_\_\_.

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except where stated. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

**(c) Functional and presentation currency**

The financial statements are presented in Fiji dollars, which is the Group's functional currency.

**(d) Use of estimates and judgments**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**3. Significant accounting policies (continued)**

**(a) Basis of consolidation**

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 14	- Available for sale financial asset
Note 16	- Loans to growers
Note 18	- Investment in subsidiary / equity accounted investee
Note 20	- Property, plant and equipment

**(i) Subsidiary**

A subsidiary is an entity controlled by the Group. The financial statements of the subsidiary are included in the Group's financial statements from the date that control commences until the date that control ceases.

The accounting policies of the subsidiary have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

**(ii) Equity accounted investees**

Associates are those entities in which the Fund has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The financial statements include the Fund's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Fund. When the Fund's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Fund has an obligation or has made payments on behalf of the investee.

**(b) Foreign currency**

**Foreign currency transactions**

Transactions in foreign currencies are translated to Fiji dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or losses on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payment during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.



**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**3. Significant accounting policies (continued)**

**(c) Property, plant and equipment**

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other operating income” in profit or loss.

(ii) Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The depreciation rates are as follows:

<b>Asset</b>	<b>Rate</b>
Building	5%
Furniture and fittings	7% - 20%
Motor vehicles	25%
Office equipment	25%
Plant and equipment	10% - 25%

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

**(d) Loans to growers**

(i) Measurement

Loans to growers are measured at their cost less impairment losses.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**3. Significant accounting policies (continued)**

**(d) Loans to growers (continued)**

(ii) Allowance for uncollectibility

A specific allowance for uncollectibility is brought to account where it is assessed that a particular loan is non-performing and the value of related security is insufficient to cover the loan outstanding. The determination of the amount of the provision is based on many factors including credit evaluation of the borrowers, value of security and collateral held, current economic conditions and past loss experience. Additions to the allowance for uncollectibility are made by charging profit or loss for the

(iii) Bad debts written off / recovered

Bad debts are written off against the allowance in the year in which the debt is recognised as being irrecoverable. Where not previously included in the allowance, bad debts are written off directly against profit or loss. Debts previously written off and subsequently recovered are written back to profit or loss in the year in which they are recovered.

**(e) Financial instruments**

(i) Non-derivative financial instruments

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: held-to-maturity investments, loans and receivables and available-for-sale financial assets.

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.



**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**3. Significant accounting policies (continued)**

**(e) Financial instruments (continued)**

(i) Non-derivative financial instruments (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash at bank, loans to growers, trade receivables, other receivables and receivable from industry related parties.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise bank overdraft and trade and other payables.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**3. Significant accounting policies (continued)**

**(e) Financial instruments (continued)**

(ii) Non-derivative financial liabilities (continued)

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

**(f) Intangible assets**

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

**(g) Inventories**

Raw materials are valued at cost which is determined on the basis of individual shipments on a first-in-first-out basis. Finished products are valued at the lower of cost and net realisable value. Cost includes manufacturing expense and an appropriate portion of overhead expenditure and is determined on a first-in-first-out basis. Packaging materials are valued at lower of cost and net realisable value determined on a first-in-first-out basis.

**(h) Impairment**

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Loans and receivables and held-to-maturity investment securities

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities on specific asset basis. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment.



**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**3. Significant accounting policies (continued)**

**(h) Impairment (continued)**

(i) Non-derivative financial assets (continued)

Loans and receivables and held-to-maturity investment securities (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**3. Significant accounting policies (continued)**

**(h) Impairment (continued)**

(ii) Non-financial assets (continued)

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonableness and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(i) Employee benefits**

(i) Defined contribution plan

Obligations for contributions to the Fiji National Provident Fund (FNPF) are recognised as an expense in profit or loss when they are due.

(ii) Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in profit or loss as the related service is provided.

**(j) Provisions**

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**(k) Revenue recognition**

(i) Interest income

Interest income is derived from loans issued to growers and industry related parties, term deposits and the operating accounts of the Group and is recognised on an accrual basis.



**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**4. Financial risk management (continued)**

**(iii) Interest rate risk (continued)**

At the reporting date the interest rate profile of the Group's interest bearing financial instruments were:

	<b>Group</b>		<b>Fund</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Term deposits	1,000,029	6,589,799	1,000,029	6,589,799
Loans to growers	25,303,398	22,696,785	25,303,398	22,696,785
Advances to industry related parties	9,904,189	380,000	16,314,553	16,680,172
Bank overdraft	-	(3,157,379)	-	(3,157,379)
	<u>36,207,616</u>	<u>26,509,205</u>	<u>42,617,980</u>	<u>42,809,377</u>

Sensitivity analysis

The approximate impact of a 1% change in the interest rate is:

	<u>362,076</u>	<u>265,092</u>	<u>426,180</u>	<u>428,094</u>
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**5. Interest income**

Interest on priority loans	161,833	226,850	161,833	226,850
Interest on specialised loans	1,270,950	1,234,051	1,270,950	1,234,051
Interest on term deposits	374,810	325,929	374,810	325,929
Interest on South Pacific Fertilizers Limited loans	-	-	399,316	574,438
Interest on Sugar Cane Growers Council loan	6,080	7,121	6,080	7,121
Interest on Fiji Sugar Corporation Limited loan	476,277	144,379	476,277	144,379
Interest on letter of credit	44,534	27,732	-	-
	<u>2,334,484</u>	<u>1,966,062</u>	<u>2,689,266</u>	<u>2,512,768</u>

**6. Dividend income**

Unit Trust of Fiji	-	10,788	-	3,695
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**7. Other operating income**

Application fees	21,186	19,445	21,186	19,445
Bad debts recovered	557	1,953	557	1,953
Barge expenses	20,426	-	-	-
Gain on disposal of plant and equipment	11,587	26,030	5,500	26,030
Gain on disposal of investment	-	8,760	-	-
Government grant	7,000,000	9,800,000	-	-
Sundry income	21,259	123,058	20,563	18,213
	<u>7,075,015</u>	<u>9,979,246</u>	<u>47,806</u>	<u>65,641</u>

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**4. Financial risk management (continued)**

**(ii) Liquidity risk (continued)**

Group	Carrying amount \$	Less than 1 year \$	1 - 2 years \$	More than 2 years \$
<u>Financial liabilities</u>				
Bank overdraft	3,157,379	3,157,379	-	-
Trade payables	89,693	89,693	-	-
Other payables and accruals	608,116	608,116	-	-
	<u>3,855,188</u>	<u>3,855,188</u>	<u>-</u>	<u>-</u>
<b>Fund</b>				
<u>Financial assets</u>				
Cash on hand	170	170	-	-
Cash at bank	1,436,231	1,436,231	-	-
Term deposits	6,589,799	6,589,799	-	-
Loans to growers	21,699,646	7,213,814	6,436,214	8,049,618
Other receivables	15,126	15,126	-	-
Advances to industry related parties	16,680,172	-	16,300,172	380,000
	<u>46,421,144</u>	<u>15,255,140</u>	<u>22,736,386</u>	<u>8,429,618</u>
<u>Financial liabilities</u>				
Bank overdraft	3,157,379	3,157,379	-	-
Other payables and accruals	399,121	399,121	-	-
	<u>3,556,500</u>	<u>3,556,500</u>	<u>-</u>	<u>-</u>

**(iii) Interest rate risk**

Cash flow interest rate risk is the potential for a change in interest rates to change net interest earnings, in the current reporting period and in future years. Fair value interest rate risk arises from the potential for a change in interest rates to cause a fluctuation in the fair value of financial instruments. The objective is to manage the interest rate risk to achieve stable and sustainable net interest earnings in the long term. In managing this risk, the Fund seeks to achieve a balance between reducing risk to earnings and market value from adverse interest rate movements, and enhancing net interest income through correct anticipation of the direction and extent of interest rate changes.



**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**4. Financial risk management (continued)**

**(ii) Liquidity risk (continued)**

<b>Group</b>	<b>Carrying amount</b>	<b>Less than 1 year</b>	<b>1 - 2 years</b>	<b>More than 2 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>Financial liabilities</u>				
Trade payables	30,094	30,094	-	-
Other payables and accruals	497,402	497,402	-	-
	<u>527,496</u>	<u>527,496</u>	<u>-</u>	<u>-</u>

**Fund**

Financial assets

Cash on hand	170	170	-	-
Cash at bank	2,699,096	2,699,096	-	-
Term deposit	1,000,029	1,000,029	-	-
Loans to growers	23,780,369	7,393,564	5,516,231	10,870,574
Other receivables	523,525	523,525	-	-
Advances to industry related parties	16,314,553	6,462,009	1,298,148	8,554,396
	<u>44,317,742</u>	<u>18,078,393</u>	<u>6,814,379</u>	<u>19,424,970</u>

Financial liabilities

Other payables and accruals	<u>184,890</u>	<u>184,890</u>	<u>-</u>	<u>-</u>
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**31 December 2009**

**Group**

Financial assets

Cash on hand	270	270	-	-
Cash at bank	9,772,028	9,772,028	-	-
Term deposits	6,589,799	6,589,799	-	-
Loans to growers	21,699,646	7,213,814	6,436,214	8,049,618
Trade receivables	953,845	953,845	-	-
Other receivables	1,354,028	1,354,028	-	-
Advances to industry related entities	380,000	380,000	-	-
	<u>40,749,616</u>	<u>26,263,784</u>	<u>6,436,214</u>	<u>8,049,618</u>

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**4. Financial risk management (continued)**

**(i) Credit risk (continued)**

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of these receivables and investments.

The maximum exposure to credit risk at reporting date is as follows:

	<b>Group</b>		<b>Fund</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash at bank	9,198,837	9,772,028	2,699,096	1,436,231
Term deposits	1,000,029	6,589,799	1,000,029	6,589,799
Loans to growers	25,303,398	22,696,785	25,303,398	22,696,785
Trade receivables	2,157,456	953,845	-	-
Other receivables	1,464,449	1,354,028	523,525	15,126
Advances to industry related parties	9,904,189	380,000	16,314,553	16,680,172
	<b>49,028,358</b>	<b>41,746,485</b>	<b>45,840,601</b>	<b>47,418,113</b>

**(ii) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following table provides an analysis of the financial assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment.

**31 December 2010**

<b>Group</b>	<b>Carrying</b>	<b>Less than 1</b>	<b>1 - 2 years</b>	<b>More than</b>
	<b>amount</b>	<b>year</b>		<b>2 years</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>Financial assets</u>				
Cash on hand	270	270	-	-
Cash at bank	9,198,837	9,198,837	-	-
Term deposits	1,000,029	1,000,029	-	-
Loans to growers	23,780,369	7,393,564	5,516,231	10,870,574
Trade receivables	2,142,623	2,142,623	-	-
Other receivables	1,464,449	1,464,449	-	-
Advances to industry related parties	9,904,189	9,904,189	-	-
	<b>47,490,766</b>	<b>31,103,961</b>	<b>5,516,231</b>	<b>10,870,574</b>



**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**3. Significant accounting policies (continued)**

**(n) Comparative information**

Where necessary, comparative figures have been reclassified to achieve consistency in disclosure with current year.

**4. Financial risk management**

**Overview**

The Group has exposure to the following risks that includes:

- (i) Credit risk;
- (ii) Liquidity risk; and
- (iii) Interest rate risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

**(i) Credit risk**

Credit risk is the risk of financial loss to the Group if a grower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from growers, trade and other receivables, cash at bank, term deposits and loan advances to industry related entities.

The Board has established a credit policy under which each new grower is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The Group's review process includes production history, farm area and yield, when available, and in some cases bank references. Loan limits are established for each grower, which represents the maximum amount without requiring approval from the Board.

Under Section 17 of the Sugar Cane Growers Fund Act, 1984, loans to cane growers are secured by a first charge over cane proceeds except that such charge shall not take precedence over the repayment of any advances of whatsoever nature made to the cane grower or on his behalf by the Fiji Sugar Corporation Limited (FSC) pursuant to the Master Award under the Sugar Industry Act 1984.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**3. Significant accounting policies (continued)**

**(k) Revenue recognition (continued)**

(ii) Other income

Revenue from dividends and other operating activities are recognised in profit or loss on an accrual basis.

(iii) Sale of goods

A sale is recognised when products leave the warehouse for delivery to the customer. Sales are shown net of returns and trade allowances.

**(l) Income tax**

(i) The Fund

The Fund is exempt from income tax under Section 15 of the Sugar Cane Growers Fund Act, 1984.

(ii) Subsidiary

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(m) Grants**

Grants from the industry and Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the entity will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.



**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**8. Administrative and other operating expenses**

Included in the administrative and other operating expenses are the following items:

	Group		Fund	
	2010	2009	2010	2009
	\$	\$	\$	\$
Allowance for uncollectibility				
- trade receivables	14,833	-	-	-
- loan to growers	525,890	80,213	525,890	80,213
Auditor's remuneration - audit	29,854	12,612	21,354	4,112
- other services	24,245	8,312	23,245	7,312
Barge expenses	-	854,974	-	-
Board members allowance	938	3,750	938	3,750
Board members expenses	1,621	2,405	1,621	2,405
Audit - EU Accelerated cane replanting program	23,245	-	23,245	-
Depreciation	107,115	120,278	47,329	60,347
Distribution expenses	961,755	744,557	-	-
Impairment - barge	-	979,359	-	-
Insurance	130,097	124,274	46,897	45,239
Legal fees	9,001	5,430	5,506	1,348
Loss on re-measurement of investment to fair value	-	61,596	-	61,583
Professional fees	38,581	10,077	-	-
<b>9. Personnel expenses</b>				
Wages and salaries	728,756	637,474	413,822	375,938
Fiji National Provident Fund contributions	76,296	70,052	44,580	32,813
Key management compensation - short term benefits	196,659	167,667	63,000	60,000
Training and Productivity Authority of Fiji levy	9,369	9,114	4,042	4,278
Staff training	12,630	6,710	12,630	6,710
	<b>1,023,710</b>	<b>891,017</b>	<b>538,074</b>	<b>479,739</b>
Average number of employees during the year was:	54	58	27	27
<b>10. Impairment of goodwill</b>				
Impairment of goodwill on acquisition of subsidiary	-	496,320	-	-
<b>11. Finance cost</b>				
Bank charges	5,785	13,905	1,231	1,126

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**12. Income tax expense**

- (a) The amount of income tax expense attributable to operating profit as shown in the statement of comprehensive income differs from prima facie income tax expense attributable to operating profit. The differences are reconciled as follows:

	<b>Group</b>		<b>Fund</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	\$	\$	\$	\$
Prima facie income tax expense on operating profit at 28% (2009: 29%)	1,458,630	241,536	354,965	305,237
<u>Tax effect of:</u>				
- exempt income	(2,277,151)	(3,004,943)	(354,965)	(305,237)
- tax losses not brought to account	1,001,589	2,392,062	-	-
- tax effect of timing difference not brought to account	(178,878)	371,345	-	-
- deferred tax expense relating to the reversal of temporary differences	-	725,084	-	-
	<u>-</u>	<u>725,084</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>725,084</u>	<u>-</u>	<u>-</u>
 (b) Deferred tax asset in respect of tax losses not brought to account	 32,983,502	 29,504,416	 -	 -

Potential deferred tax asset attributable to tax losses carried forward by the subsidiary have not been brought to account at balance date because the Board of Management do not believe it is appropriate to regard realisation of the deferred tax asset as beyond reasonable doubt.

These assets will only be realised if:

- (i) the subsidiary derives future assessable income of a nature and an amount sufficient to enable the asset from the deductions for the losses to be realised;
- (ii) the subsidiary continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in the tax legislation adversely affect the subsidiary in realising the asset from the deductions for losses.



**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

	<b>Group</b>		<b>Fund</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>13. Cash and cash equivalents</b>				
Cash on hand	270	270	170	170
Cash at bank	9,198,837	9,772,028	2,699,096	1,436,231
Term deposits	1,000,029	-	1,000,029	-
	<u>10,199,136</u>	<u>9,772,298</u>	<u>3,699,295</u>	<u>1,436,401</u>
Bank overdraft	-	(3,157,379)	-	(3,157,379)
Cash and cash equivalents	<u>10,199,136</u>	<u>6,614,919</u>	<u>3,699,295</u>	<u>(1,720,978)</u>

The average interest rate on term deposits is 3% and the deposits are held for an average of 32 days.

**14. Available for sale financial asset**

Unit Trust of Fiji

1,217 (2009: 1,217) units at \$1.36 (2009: \$1.36)	<u>1,655</u>	<u>1,655</u>	<u>-</u>	<u>-</u>
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Reconciliation of financial asset in Unit Trust of Fiji:

Balance at 1 January	1,655	1,699,688	-	1,699,688
Acquisitions through business combination	-	715,907	-	-
Acquisition of units during the year	-	1,668	-	-
Loss on re-measurement to fair value	-	(61,596)	-	(61,583)
Disposal	-	(2,354,012)	-	(1,638,105)
Balance at 31 December	<u>1,655</u>	<u>1,655</u>	<u>-</u>	<u>-</u>

**15. Held-to-maturity investments**

Term deposits	<u>-</u>	<u>6,589,799</u>	<u>-</u>	<u>6,589,799</u>
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The average interest rate on term deposits is 5.85% and the deposits were held for an average of 365 days.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

	Group		Fund	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>16. Loans to growers</b>				
Secured loans to growers	25,303,398	22,696,785	25,303,398	22,696,785
Allowance for uncollectibility	(1,523,029)	(997,139)	(1,523,029)	(997,139)
	<u>23,780,369</u>	<u>21,699,646</u>	<u>23,780,369</u>	<u>21,699,646</u>
<u>Allowance for uncollectibility</u>				
Balance at 1 January	997,139	916,926	997,139	916,926
Additional allowances made during the year	525,890	80,213	525,890	80,213
Balance at 31 December	<u>1,523,029</u>	<u>997,139</u>	<u>1,523,029</u>	<u>997,139</u>
<b>17. Advances to industry related entities</b>				
(i) Receivable from Fiji Sugar Corporation Limited	9,676,189	-	9,676,189	-
(ii) Receivable from South Pacific Fertilizers Limited	-	-	6,410,364	16,300,172
(iii) Receivable from Sugar Cane Growers Council	228,000	380,000	228,000	380,000
	<u>9,904,189</u>	<u>380,000</u>	<u>16,314,553</u>	<u>16,680,172</u>

**(i) Receivable from Fiji Sugar Corporation Limited (FSC)**

Amounts receivable from FSC is unsecured and interest is charged at the rate of 6.95% for \$1.2m loan and 8% for \$8.4m loan and some are repayable on demand. Loan repayments will be received out of the 2011 and 2012 season sugar proceeds. Interest on this loan will be borne by Government.

**(ii) Receivable from South Pacific Fertilizers Limited (SPFL)**

Amounts receivable from South Pacific Fertilizers Limited (SPFL) is secured and interest is charged at the rate of 5% (2009 : 5.4%) per annum.

Amounts receivable from SPFL is secured as follows:

- Mortgage debenture dated 23 September 1992; and
- Registered mortgage No. 332316 over certificate of title No. 25872 dated 23 September 1992.

**(iii) Receivable from Sugar Cane Growers Council (SCGC)**

Amounts receivable from SCGC is over a period of 5 years. Interest is charged at the rate of 2% per annum for first three years and 3% for the remaining term. It is secured by Registered First Mortgage over CT7926 with improvements thereon.



**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

	<b>Fund</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
<b>18. Investment in subsidiary / equity accounted investee</b>		
<u>Associate - South Pacific Fertilizers Limited (SPFL)</u>		
Balance at 1 January	14,951,296	829,501
Acquisition of shares	-	14,700,000
Equity share of loss during the year	-	(578,205)
Balance at 31 December	<u>14,951,296</u>	<u>14,951,296</u>

Acquisition of subsidiary

On 21 April 2009, loans from the Fund to SPFL of \$14.7m was converted into equity following a Cabinet decision. As a result, the Group's interest in SPFL increased from 20% to 90.59%.

The following summarises the major classes of consideration and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	<b>Fund</b>
	<b>2009</b>
	\$
<u>(i) Consideration</u>	
Conversion of \$14.7m loan receivable from SPFL into shares of SPFL	<u>14,700,000</u>
The fair value of the ordinary shares issued was based a Cabinet decision dated 21 April 2009.	
<u>(ii) Identifiable assets acquired and liabilities assumed</u>	
Property, plant and equipment	3,593,009
Available for sale financial asset	715,907
Deferred tax assets	725,084
Inventories	8,687,946
Trade and other receivables	1,787,414
Cash and cash equivalents	2,620,719
Trade and other payables	(456,657)
Borrowings	(1,693,713)
Provisions - employee benefits	(23,228)
	<u>15,956,481</u>
<u>(iii) Goodwill</u>	
Total consideration	14,700,000
Non-controlling interest, based on their proportionate interest in the recognised amounts of the asset and liabilities of the acquiree	1,501,505
Fair value of existing interest in the acquiree	251,296
Fair value of identifiable net assets	<u>(15,956,481)</u>
Goodwill	<u>496,320</u>

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**18. Investment in subsidiary / equity accounted investee (continued)**

The re-measurement to fair value of the Group's 20% interest in the acquiree did not result in any gain or loss.

The Group did not anticipate any synergies to be obtained from integrating the Fund into the Group's existing business and consequently the Board of Management impaired the goodwill in prior year.

	<b>Group</b>		<b>Fund</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>19. Trade, other receivables and prepayments</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade receivables	2,157,456	953,845	-	-
Allowance for uncollectibility	(14,833)	-	-	-
Prepayments	2,828,700	164,643	10,657	10,983
Receivable from European Union	500,000	-	500,000	-
Other receivables	964,449	1,354,028	23,525	15,126
	<u>6,435,772</u>	<u>2,472,516</u>	<u>534,182</u>	<u>26,109</u>



## Sugar Cane Growers Fund and Subsidiary

### Notes to the financial statements

For the year ended 31 December 2010

#### 20. Property, plant and equipment

Group	Land and Buildings \$	Plant and Equipment \$	Furniture and Fittings \$	Motor Vehicles \$	Office equipment \$	Work in Progress \$	Total \$
<b>Cost</b>							
Balance at 1 January 2009	-	-	127,235	226,800	214,993	-	569,028
Acquisitions through business combination	1,571,650	1,846,488	23,921	-	-	150,950	3,593,009
Acquisitions during the year	-	316,541	13,765	176,222	6,354	40,425	553,307
Transfers	-	150,950	-	-	-	(150,950)	-
Disposal	-	(6,441)	-	(48,900)	-	-	(55,341)
Balance at 31 December 2009	1,571,650	2,307,538	164,921	354,122	221,347	40,425	4,660,003
Acquisitions during the year	54,261	384,361	10,255	83,900	28,778	285,402	846,957
Transfers	-	40,425	-	-	-	(40,425)	-
Disposal	-	(500,000)	(189)	-	(20,700)	-	(520,889)
Balance at 31 December 2010	1,625,911	2,232,324	174,987	438,022	229,425	285,402	4,986,071
<b>Depreciation</b>							
Balance at 1 January 2009	-	-	114,164	175,963	181,237	-	471,364
Depreciation charge for the year	348,911	296,753	9,885	50,674	18,179	-	724,402
Impairment charge	-	979,359	-	-	-	-	979,359
Disposal	-	(6,441)	-	(48,900)	-	-	(55,341)
Balance at 31 December 2009	348,911	1,269,671	124,049	177,737	199,416	-	2,119,784
Depreciation charge for the year	348,764	112,577	9,265	56,026	12,307	-	538,939
Disposal	-	-	(189)	-	(20,700)	-	(20,889)
Balance at 31 December 2010	697,675	1,382,248	133,125	233,763	191,023	-	2,637,834
<b>Carrying amount</b>							
At 1 January 2009	-	-	13,071	50,837	33,756	-	97,664
At 31 December 2009	1,222,739	1,037,867	40,872	176,385	21,931	40,425	2,540,219
At 31 December 2010	928,236	850,076	41,862	204,259	38,402	285,402	2,348,237

Included in cost of sales is depreciation totalling \$431,824 (2009: \$604,124).

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**20. Property, plant and equipment (continued)**

<b>Fund</b>	<b>Furniture and fittings \$</b>	<b>Office equipment \$</b>	<b>Motor vehicles \$</b>	<b>Total \$</b>
<b>Cost</b>				
Balance at 1 January 2009	127,235	214,993	226,800	569,028
Acquisitions during the year	-	6,354	90,000	96,354
Disposal	-	-	(48,900)	(48,900)
Balance at 31 December 2009	<u>127,235</u>	<u>221,347</u>	<u>267,900</u>	<u>616,482</u>
Acquisitions during the year	4,550	28,778	-	33,328
Disposal	(189)	(20,700)	-	(20,889)
Balance at 31 December 2010	<u>131,596</u>	<u>229,425</u>	<u>267,900</u>	<u>628,921</u>
<b>Depreciation</b>				
Balance at 1 January 2009	114,164	181,237	175,963	471,364
Depreciation for the year	4,068	18,179	38,100	60,347
Disposal	-	-	(48,900)	(48,900)
Balance at 31 December 2009	<u>118,232</u>	<u>199,416</u>	<u>165,163</u>	<u>482,811</u>
Depreciation for the year	4,047	12,307	30,975	47,329
Disposal	(189)	(20,700)	-	(20,889)
Balance at 31 December 2010	<u>122,090</u>	<u>191,023</u>	<u>196,138</u>	<u>509,251</u>
<b>Carrying amount</b>				
At 1 January 2009	<u>13,071</u>	<u>33,756</u>	<u>50,837</u>	<u>97,664</u>
At 31 December 2009	<u>9,003</u>	<u>21,931</u>	<u>102,737</u>	<u>133,671</u>
At 31 December 2010	<u>9,506</u>	<u>38,402</u>	<u>71,762</u>	<u>119,670</u>

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

	<b>Group</b>		<b>Fund</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	\$	\$	\$	\$
<b>21. Inventories</b>				
Raw materials	9,557,212	14,938,516	-	-
Packaging materials	538,578	895,221	-	-
Finished goods	5,303,077	3,181,930	-	-
Weedicide	163,396	110,382	-	-
	<u>15,562,263</u>	<u>19,126,049</u>	<u>-</u>	<u>-</u>
<b>22. Trade and other payables</b>				
Trade payables	30,094	89,693	-	-
Other payables and accruals	497,402	608,116	184,890	399,121
Deferred income - government subsidy	4,000,000	200,000	-	-
	<u>4,527,496</u>	<u>897,809</u>	<u>184,890</u>	<u>399,121</u>
<b>23. Employee benefits</b>				
Balance at 1 January	81,522	59,123	63,111	59,123
Acquisitions through business combination	-	23,228	-	-
Net movement during the year	<u>(32,261)</u>	<u>(829)</u>	<u>(13,850)</u>	<u>3,988</u>
Balance at 31 December	<u>49,261</u>	<u>81,522</u>	<u>49,261</u>	<u>63,111</u>

**24. Related parties**

**(a) Members of the Board of management**

The following were the members of the Board of management during the year:

Mr. John May - Chairman

Mr. Viliame Gucake

Mr. Sundresh Chetty

Board expenses are disclosed under Note 8.

**(b) Key management personnel**

Key management personnel includes the Chief Executive Officer of the Fund and the General Manager and Chairman of the subsidiary.

Key management compensation is disclosed under Note 9.

Transactions with key management are no more favourable than those available, or which might be reasonably be expected to be available, on similar transactions to third parties at arm's length.



**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**24. Related parties (continued)**

**(c) Identity of related parties**

South Pacific Fertilizer Limited is a subsidiary of the fund.

Other related parties of the Fund include key stakeholders in the Fiji Sugar Industry, namely, the Government of Fiji, the Fiji Sugar Corporation, Sugar Research Institute of Fiji and Sugar Cane Growers Council.

Advances to related parties are disclosed under Note 17.

**(d) Transactions with related parties**

During the year, the Fund entered into various transactions with related parties which were at normal commercial terms and conditions. The aggregate value of major transactions with related parties during the year is as follows:

	<b>Group</b>		<b>Fund</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>Receivable from Sugar Research Institute of Fiji</u>				
Repayment of advance by SRIF	-	200,000	-	200,000
<u>Receivable from Fiji Sugar Corporation Limited (FSC)</u>				
Advance to FSC	9,524,544	-	9,524,544	-
Interest	476,277	144,379	476,277	144,379
Repayment of advance by FSC	-	6,556,846	-	6,556,846
<u>Receivable from South Pacific Fertilizers Limited (SPFL)</u>				
Additional advances to SPFL	-	-	11,447,801	26,505,478
Repayment by SPFL	-	-	21,069,688	11,928,348
Conversion of loan to equity in SPFL (Refer to Note 18)	-	-	-	14,700,000
Interest	-	-	399,316	574,438
<u>Receivable from Sugar Cane Growers Council (SCGC)</u>				
Advance to SCGC	-	380,000	-	380,000
Repayment by SCGC	158,080	-	158,080	-
Interest	6,080	7,121	6,080	7,121

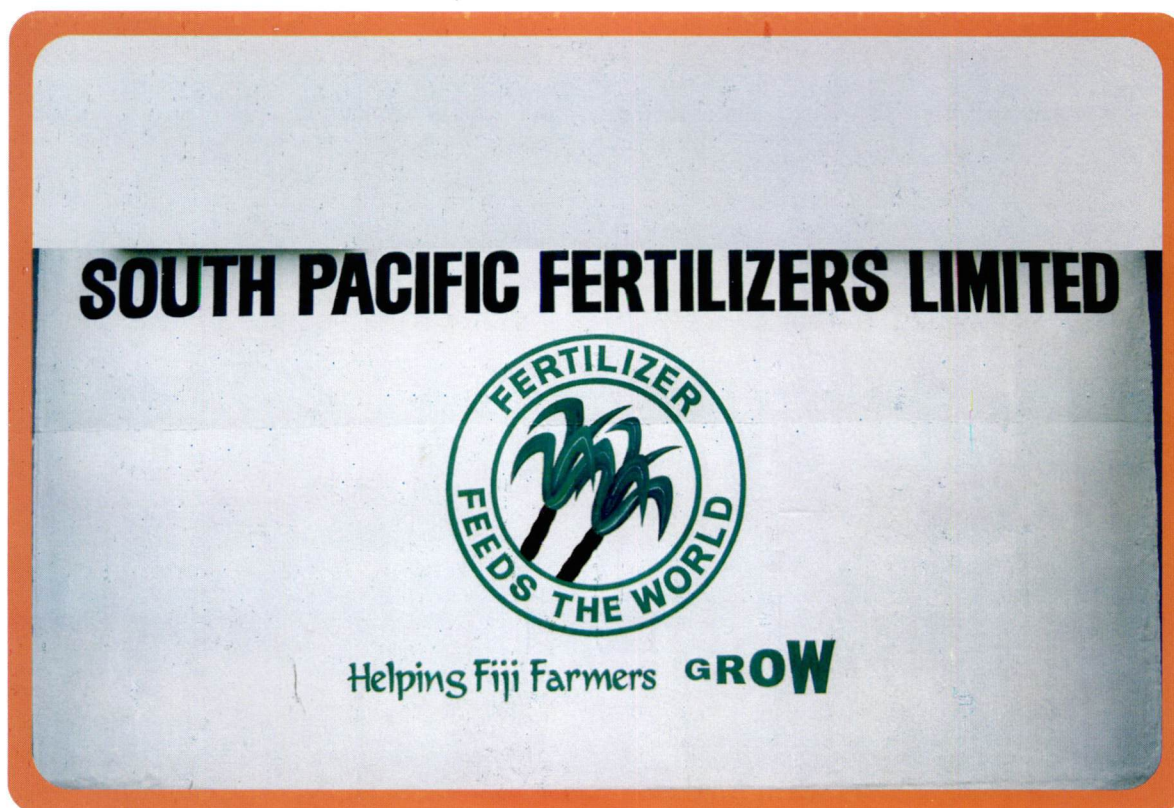
**Sugar Cane Growers Fund and Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

	<b>Group</b>		<b>Fund</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>25. Reserve</b>				
Fair value reserve	-	(12)	-	-
<b>26. Non-cash investing activities</b>				
Acquisition of property, plant and equipment via trade-in	-	26,030	-	26,030
Reinvestment of dividends	-	7,093	-	-
<b>27. Capital commitments and contingencies</b>				
Capital commitments	493,033	1,845,000	-	-

**28. Events subsequent to balance date**

There has not arisen in the interval between the end of the year and the date of this report any item transaction or event of a material and unusual nature likely, in opinion of the directors, to affect significantly the operations of the Group, the results of its operations or the state of affairs of the Group in subsequent financial years.

# SOUTH PACIFIC FERTILIZER LIMITED



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## Sugar Cane Growers Fund Head Office

75 Drasa Avenue  
Lautoka  
Ph : 665 0777  
Fax : 665 0768  
[scgf@connect.com.fj](mailto:scgf@connect.com.fj)

### Lautoka

75 Drasa Avenue  
Lautoka  
Ph : 665 0777

### Nadi

Town Council Arcade  
Ph / Fax : 670 2989

### Ba

Fiji Muslim League Bldg  
Ph / Fax : 667 5455

### Rakiraki

Global Traders Bldg  
Ph / Fax : 669 4998

### Tavua

Tavua College Bldg  
Ph / Fax : 668 1466

### Sigatoka

Sugar Cane Growers Council Office  
Ph / Fax : 650 0879

### Labasa

Kuar Singh Bldg  
Ph : 881 5722  
Fax : 881 6161



