



**SUGAR CANE GROWERS FUND**



# **ANNUAL REPORT FOR THE YEAR ENDING 2018**



# SUGAR CANE GROWERS FUND



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Our Ref:RS/fp

28 November 2019

**The Honorable Prime Minister and Minister for Sugar Industry**  
**Office of the Prime Minister**  
**Government Buildings**  
**Suva**

Dear Honorable Prime Minister

Enclosed herewith is a copy of the Annual Report and the 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 Pte Limited) for the year ended 31 December 2018, in accordance with Section 16 of the Act.

Thanking you.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Faizul', is written over a dotted line.

FAIZUL ARIFF ALI  
CHAIRMAN

## Table of Contents

Letter to the Minister.....	2
Corporate Statement .....	3
Chairman's Report .....	4
Chief Executive Officer's Report .....	6
About SCGF .....	8
Functions.....	8
Financial Assistance to Cane Growers.....	9
Corporate Governance .....	9
Lending Activities During the Year .....	10
Loans to Growers.....	10
Loans Cumulative to 2018.....	10
Cane Development Revolving Fund .....	11
District Offices.....	11
Micro Insurance Bundled Product.....	12
Finance & Administration .....	13
Overview .....	13
Revenue Recognition .....	14
Dividends – South Pacific Fertilizers Pte Ltd.....	14
Administrative Expenses.....	14
IFRS 9 Implementation & Provisions .....	14
Credit Risk – Loans to Growers .....	15
Summary of Loans and Investments.....	15
Information Technology .....	16
Staffing.....	16
Financial Statements for the Year Ending 31 December 2018 .....	17
2018 Highlights.....	17



## Corporate Statement

***Vision*** will ensure efficient and dependable financial services to its customers. As the premier service provider to cane farmers, will take its best people, best practices and best products to new dimensions and expanded opportunities.

***Mission*** to provide efficient, affordable and sustainable financial services to meet the diverse needs of our customers and contribute to the development of the economy and in particular the Sugar Industry.

***Values*** exercise sound management, prudent lending and investment policies.

- i. Maintain integrity and objectivity;
- ii. Put our customers first and in doing so will provide quality service promptly, effectively and courteous transparent and accountable corporate practices;
- iii. Good corporate citizens and act in the best interest of Fiji; and
- iv. Provide opportunities for all our employees to develop their full potential in a sage and cooperative working environment.

## Chairman's Report

### Introduction

I am pleased to submit the report for Sugar Cane Growers Fund (SCGF) for the year 2018. It has been a challenging but at the same time exciting year for us. We continued to provide services to our growers in accordance with functions mentioned in the Act.

### Results

SCGF and its subsidiary, South Pacific Fertilizers Pte Limited (SPFL), had one of the strongest financial year, recording a group a net profit after taxes of \$8.5 million. SCGF on its own had highest record surplus of \$2.4 million, compared to \$1.7 million in 2017. This out turn was achieved without any increase of fees and charges or interest rate, but through strong governance of the two entities and prudent management, embedding stewardship for its core functions and values.

SCGF had steady growth in lending activities whereby it processed 2,855 applications amounting to \$7.8 million. It continued to support the Bundled Insurance Product as the founding institution, paying \$52 annual insurance premium for each producing grower. For the year ending, SCGF paid a total premium of \$603,512 processed claims for 99 cases amounting to \$389,000.

One key achievement for the SCGF in the financial year was the implementation of International Financial Report standard (IFRS 9) and I would like to acknowledge the efforts of the Management and auditors, PricewaterhouseCoopers (PWC).

The industry is no doubt faced with many challenges despite government's assistance and grants. SCGF is no exception and our predicaments included weak information technology platform, data security and accuracy, loan impairments, resource capacity and, policies and process. We continue to work on these gaps.

### Appointments

On 9<sup>th</sup> June 2018, Board appointed Chief Executive Officer; Raj Sharma, a professional banker who took the office on 10<sup>th</sup> September 2019. With his appointment, other management positions were created and appointments made. Mr. Francis Pesamino was appointed Manager Finance & Administration and Manager Information Technology was taken by Mr. Rajniel Lal. All these appointments went through comprehensive and robust selection process. The Board also appointed acting Chief Executive Officer, Mr. Vimal Dutt to a new executive role of General Manager Operations and Lending.

These appointments steered the new direction of **Transformation** and **Sustainability** of SCGF, first with inner focused strategy for quick fixes in identifying the institutional gaps and putting up action plans to narrow such gaps.

The priority of the management was to look at the acquisition of the new information technology platform, review loan approval processes and documentation, arrears management, act review initiation, improve governances and policy environment, and enhance representation and reach of SCGF. In addition, equally important was the human resource and organizational capacity plans in expediting conclusion of the Staff Collective Agreement with Fiji Bank & Finance Sector Employees Union.

## Outlook

I am pleased to advise that we have progressed well in setting the platforms in concluding the year. The outlook for next financial remains strategically progress of the Act review, selection and acquisition of the new ICT system, effective workout and arrears management programs, improve in key policies and processes, implementation of audit and compliance findings, and improved service delivery for stakeholders, in particular the growers. Furthermore, high priority remains in implementation of Human Resource strategy with dedicated resource to complement the needs of our people.

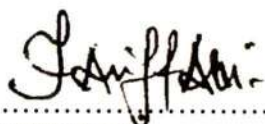
We will continue to explore opportunities for the product and services for the growers not only support the Government agenda for the industry but also sustainability of SCGF and the growers.

## Acknowledgement

Commitment, hard work and perseverance has been the key to success this year. I thank the Government, in particular the Honorable Prime Minister and Minister for Sugar Industry, Permanent Secretary for the Ministry, Ministry of Economy, Ministry of Agriculture, Ministry of Lands & Mineral Resources, iTaukei Land Trust Board, Sugar Cane Growers Council, Sugar Industry Tribunal, Fiji Sugar Corporation Limited, Sugar Research Institute of Fiji, South Pacific Fertilizers Pte Limited, the trading Banks, my fellow Directors of SCGF and SPFL board for valued contributions and continued support during the year.

To our growers, you are most valuable part of the SCGF. We thank you for your support and look forward in deepening our relationship.

I also thank the Chief Executive Officer and his leadership team for their commitment and perseverance and the staff for all the good work for the year. We are also thankful to Mr. Vimal Dutt for acting in the leadership role.



CHAIRMAN  
SUGAR CANE GROWERS FUND

## Chief Executive Officer's Report

I am honored and privileged to head the institution that is very close to me and to my roots. I am thankful to the Chairman and the Board of Directors having confidence in me for the stewardship of SCGF.

The key foundation of SCGF as mentioned in Chairman's report is ***Transformation*** and ***Sustainability*** of the Sugar Cane Growers Fund (SCGF). It has been nearly four months in the reporting year which had allowed me to settle down and pick up the activities which were high priorities of SCGF. Then moved with gradual organizational culture change through complete engagement of the staffs, their views, ideas, meeting and open communication lines. At the same time giving them empowerment and documented Board approved policy for Authorities and Limits for necessary operational functions. We continued to build the foundation of trust and result orientated work plans, hence recognizing with awards and appreciation.

Thereafter, we progressed with the stock take of the Loan Portfolio, Compliance, Arrears Management, and Security Documentation and moved to set some clear work plans with delegation and monitoring mechanism.

We identified eight transformation areas not limiting to the following:

1. Review and Assessment of current position of asset quality and lending activities through effective approval, administration, documentation and enforcement processes;
2. Look at sustainable *growth strategy* with loan underwriting and lending activities in advocating Government, Industry & Grower aspiration;
3. Ensuring improved *revenue strategy* with progressive execution of diversified (investment) income streams within the Act;
4. Having adequate resource and building organizational capacity to support the objectives and strategies;
5. Concurrently enhancing the governance and risk management platform by initiating review of the SCGF Act through support of the line ministry (Ministry of Sugar Industry) thus allowing *diversification* strategy for sustainability;
6. Setting policies, processes and timely review and/or introduction of products and promotions in the transformation journey with awareness and engagement of all the stakeholders and in particular the growers;
7. Transformation journey embedded through a new integrated financial system acquisition; and
8. Having sustainable and prudent value adding services for growers and community, including climate change initiatives.

At the end of the year, we have made some good progressive breakthrough with our work plans, brand and image.

Moving forward, my vision is to make this Fund a dynamic, modern but prudent more than a lending institution, financially empowering the sugar industry and even beyond but within its appetite.

I must thank the Honorable Prime Minister, Permanent Secretary and the Ministry of Sugar Industry staff, Board Chairman and Directors for all the support and direction, fellow Management team and staff for all their dedication and commitment to the work. My utmost sincere appreciation also goes out to all the relevant industry stakeholders and special thanks to our growers, for whom we exist.

Thank you very much.



**RAJ SHARMA**  
**CHIEF EXECUTIVE OFFICER**

## About SCGF

The Sugar Cane Growers Fund Authority (Fund) 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 Sugar Cane Growers Fund under the Act. The name has been changed to Sugar Cane Growers Fund (SCGF) by amendment Act 12 of 1996.

## Functions

The function of SCGF is 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; and
- (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.

## Financial 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/her provided the loan is for those purposes only, set out in paragraph (a), (b), (c) and (f) of sub-section 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/her behalf and Land Rent under the Master Award take precedence.

## Corporate Governance

The governance of SCGF maps out a pathway transparency, accountability and oversight of the institutions by the Board embedded through Mission, Vision, Corporate and Strategic Objectives.

The Board provides strategic guidance and advices to Management ensuring the sound management and good governance is maintained. The Board comprises of five members. Chairman Mr. Ariff Ali and Board Member Mr. Pradeep Lal were appointed on 19 January 2017. Other three members were appointed on 18 November, 2015. They are Mr. Sundresh Chetty (re-appointed on 9 January 2019), Mr. Timothy Brown and Mr. David Veremo, both terms expired on 18 November 2018.

**Table 1: Board Attendance**

**Board Meetings and Attendance for the Period of 28 March 2018 to 24 September 2018**

Board Members	Board	
	No. of meetings	
	Held	Attended
Mr Ariff Ali	3	3
Mr Pradeep Lal	3	2
Mr Sundresh Chetty	3	3
Mr Timothy Brown	3	3
Mr David Veremo	3	3

## Lending Activities During the Year

### Loans to Growers

Currently, SCGF has the following loan facilities available for Cane Farmers:

**Table 2: SCGF Products**

Type of Loans	Portfolio
Priority Loans	Limited up to \$5,000 for Farm Development and Planting for Sugar Cane, Repair of Farm Equipment, House Repairs, Education Expenses, Wedding , Drainage, Roothing, Weedicides, Borehole Drilling, Medical and Purchase of Working Bullocks and Horses, etc.
Specialised Lending	Maximum lending of \$75,000 for the Purchase of Cane Farms, Farm Machinery, Cane Trucks, Construction of Farm House and for other purposes provided in the Act.
Loans to Tenants for New Leases	Loans to enable growers to acquire New Leases from the iTaukei Land Trust Board, Department of Lands and other Landowners.
Refinance of Sugar Cane Growers Loan	Loans to Refinance Sugar Cane Growers loans with Commercial Banks and other Lenders. Loans are approved only for the purposes provided in the Sugar Cane Growers Fund Act.

### Loans Cumulative to 2018

**Table 3: Accumulative Details**

Particulars	Priority Loans	Specialised Loans	New Leases	Refinance
Application count	34,44	8,253	4,652	672
Value	\$40,900,957	\$52,761,036	\$21,480,756	\$7,741,516

## Cane Development Revolving Fund

The Board of Management of the Sugar Cane Growers Fund agreed to provide \$3million towards establishment of a Cane Development Revolving Fund initiated by the Fiji Sugar Corporation Limited with the \$6 million the Government allocated in the 2011 Budget for Sugar Cane Planting.

The Industry Stakeholders – the Fiji Sugar Corporation Limited, Sugar Cane Growers Fund, Sugar Cane Growers Council, the Sugar Industry Tribunal, South Pacific Fertilizers Pte Limited and the Sugar Research Institute of Fiji signed a Memorandum of Agreement to support the initiative taken by the Fiji Sugar Corporation Limited.

Money from the Revolving Fund is an interest free loan repayable over four years. Recovery would commence from the second year and deductions shall take place from the delivery payments.

The Sugar Cane Growers Fund is responsible for the assessment of loan applications and release of loan funds.

For the Financial year funds available was \$2,337,335.

**Table 4: Accumulative CDRF**

CDRF Loan	Count	Value
Applications Paid	4,284	\$8,664,952

## District Offices

SCGF has offices in Lautoka, Labasa, Seaqaqa, Rakiraki, Tavua, Ba and Nadi to provide services to sugar cane growers. Growers from the Sigatoka districts are provided services by the Nadi staff once a week from the Sugar Cane Growers Council office, in Sigatoka. Loans applications are received at the district offices, the approvals and payments are processed at the Head office.

During the year, the Fund approved loans under Priority Loans to the value of \$2.1M and loans under Specialised Lending to the value of \$1.9M.

**Table 5: Applications Received at District office**

District	Application Count	Value of Loans Paid
Labasa	581	\$ 2,067,321
Seaqaqa	307	\$ 590,429
Rakiraki	212	\$ 603,086
Tavua	113	\$ 280,226
Ba	829	\$ 1,898,159
Nadi	236	\$ 904,089

<b>Sigatoka</b>	222	\$ 477,483
<b>Lautoka</b>	355	\$ 1,017,388
<b>Total</b>	<b>2855</b>	<b>\$ 7,838,184</b>

## Micro Insurance Bundled Product

This new insurance scheme initiative was approved by the SCGF Board to benefit approximately 12,000 cane growers in the cane belt areas effective 01 July 2017. The Pacific Financial Inclusive Programme (PFIP) and Fiji Care Insurance Limited collaborated with SCGF to provide financial support towards the administration, marketing and awareness of this insurance product.

This special insurance product, the first of its kind to in Fiji, provided by Fiji Care Insurance Limited and provides the following covers:

• Death	-	\$3,000.00
• Fire	-	\$3,000.00
• Personal Accident	-	\$3,000.00
• Funeral	-	<u>\$1,000.00</u>
<b>TOTAL</b>	-	<b><u>\$10,000.00</u></b>

SCGF has agreed to pay the insurance scheme premiums of \$52 per farmer per year for the next three years at no cost to the growers. Cane growers below the age of 65 years are covered for death, personal injury, funeral costs and house fire. The premium payment for the product is funded by SCGF operations.

For farmers above the age of 65 years, this new initiative provides a cover for their house while their next of kin is covered for death, personal injury and funeral costs.

A review of the Scheme will be undertaken in 2020.

**Table 6: Growers Assisted in 2018**

<b>Particulars</b>	<b>Count</b>	<b>Amount Paid</b>
<b>Fire</b>	7	\$ 21,000
<b>Funeral/Term Life</b>	92	\$368,000
<b>Total</b>	<b>99</b>	<b>\$389,000</b>

## Finance & Administration

### Overview

The reporting year 2018 was the most successful trading year for SCGF (table below shows the income and expenditure for previous years) whereby the group made a net profit after taxes of \$8,534,324 (SCGF = \$2,445,651) for the year ended 31 December 2018. Maximising revenue from investments is the goal for the SCGF so that benefits to the farmers could be maximised AND as a result, SCGF has continued to pay the insurance premium for all registered producing growers. The insurance premium will be paid until June 2020. Improved performance was also recorded from SPFL and SPFL did not owe any loan to SCGF as at 31 December 2018.

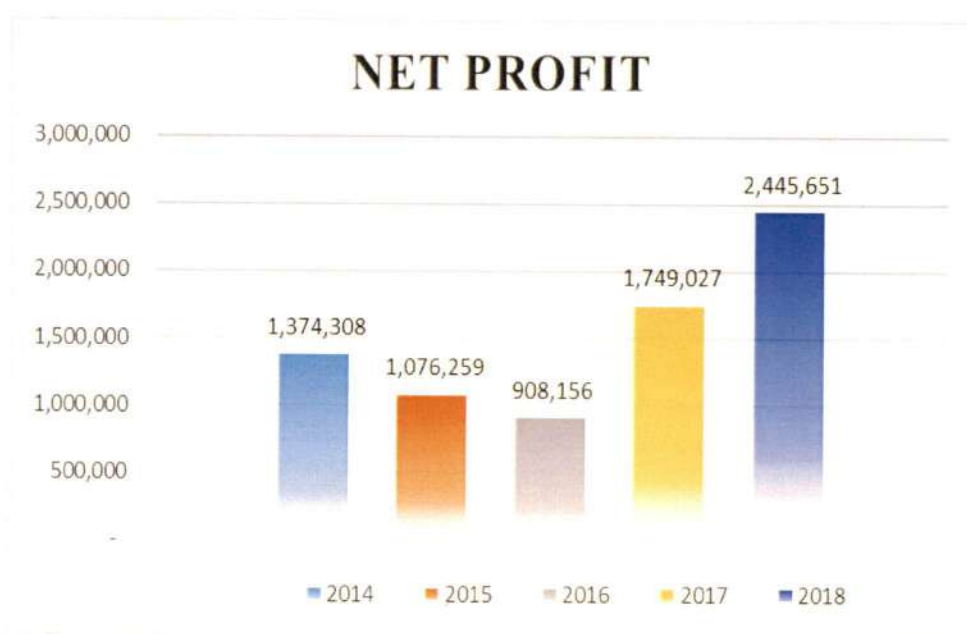


Table below shows in detail the financial results from 2014 to 2018.

**Table 7 : Financial Results**

SCGF FINANCIAL PERFORMANCE ANALYSIS 2014 - 2018					
Details	2014	2015	2016	2017	2018
<i>Revenue</i>	\$	\$	\$	\$	\$
Interest Income	2,310,506	2,049,498	2,086,287	2,271,182	2,675,240
Other Operating Income	166,345	233,753	245,641	1,160,029	1,464,147
	2,476,851	2,283,251	2,331,928	3,431,211	4,139,387
Administrative and Other operating expenses	1,102,543	1,206,992	1,423,772	1,682,184	1,693,736
<b>Net Profit after tax</b>	<b>1,374,308</b>	<b>1,076,259</b>	<b>908,156</b>	<b>1,749,027</b>	<b>2,445,651</b>

## Revenue Recognition

Interest income is derived from loans (Priority & Specialised) to growers, industry related parties – FSC and terms deposits of the Group and is recognised on an accrual basis. For financial assets measured at amortised cost, the effective interest rate method is used to measure the interest income recognised in the statement of Profit or Loss and other Comprehensive Income. For financial assets measured at fair value, interest income is recognised on an accrual basis, either daily or on a yield to maturity basis.

## Dividends – South Pacific Fertilizers Pte Ltd

During the year dividend of \$90,600 was received from the SPFL as final dividend for the FY 2017. Subsequent to year end, SPFL approved an interim dividend of \$500,000 for the financial year ended 31 December 2018. Dividend income of \$453,000 will be accounted for as other income in the 2019 financial year.

## Administrative Expenses

The details of the administrative expenses are reflected on Note 7 of the audit report. These expenses consist of items such as audit fees and services, depreciation, directors' fees and insurance, grower's insurance, expected credit loss allowances, staff cost.

It is also noted that Chairman (Mr. Ariff Ali) and Director (Mr. Pradeep Lal) have opted not to receive board fees and allowances. Board fees for Director (Mr. Sundresh Chetty) are paid directly to his employer – Sugar Cane Growers Council (SCGC).

## IFRS 9 Implementation & Provisions

The adoption of IFRS 9 has resulted in changes to accounting policies for recognition, classification and measurement of financial assets and financial liabilities and their respective impairments.

The table below shows these differences between the old accounting standard (IAS 39) and IFRS 9 for SCGF financial assets and liabilities at 01 Jan 2018.

Fund	IAS 39		IFRS 9	
	Measurement Category	Carrying Amount	Measurement Category	Carrying Amount
Financial Assets		(\$)		(\$)
Cash and cash equivalents	Amortised cost (Loans and receivables)	6,493,978	Amortised cost	6,493,978
Loans and advances	Amortised cost (Loans and receivables)	26,298,261	Amortised cost	23,044,537
Trade and other receivables	Amortised cost (Loans and receivables)	662,982	Amortised cost	662,982
Related party advances	Amortised cost (Loans and receivables)	8,567,653	Amortised cost	8,445,992
Investments at amortised cost	Amortised cost (Held to maturity)	10,861,000	Amortised cost	10,816,331
Investment at fair value through profit or loss	Fair value through P&L	4,259,663	Fair value through P&L	4,259,663
		<u>\$57,143,537</u>		<u>\$53,723,483</u>

There were no changes to the classification and measurement of financial liabilities.

## Credit Risk – Loans to Growers

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails in further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. SCGF measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The Fund's internal rating scale for assessing the performance of loans is set out below:

1. **Performing** – Customers have a low risk of default and a strong capacity to meet contractual cash flows;
2. **Underperforming** – Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principle repayments are 4 quarters past due; and
3. **Default** – Interest and/or principle are 8 quarters past due and there is no reasonable expectation of recovery.

## Summary of Loans and Investments

INSTITUTION	AMOUNT (\$)
SCGF - Loans to Growers (CDRF inclusive)	25,817,728
Loans to FSC	6,609,111
SPFL Equity Shares	13,401,405
Investments	19,668,219
<b>Total</b>	<b>65,496,463</b>

The SCGF is dedicated to continue its operations and performance, thus enhancing its services and that would bring opportunities to the sugar cane farmers of Fiji.

## Information Technology

In the reporting period, Information Technology had been focused on calling up Expression of Interest and information gathering for the change of Core Business Solutions. There have been improvement also, in business process and scope the work in terms of the audit implementation programs for the Change Management and Data Security Test.

## Staffing

In the reporting period, SCGF has 27 employees, majority of whom are members of the Fiji Bank & Finance Sector Employees Union (FB&FSEU) and are employed under Terms & Conditions contained in an agreement between SCGF and the Fiji Bank & Finance Sector Employees Union (FB&FSEU).

Appropriate Human Resource strategy had been rolled out towards end of the quarter that included, rewards and recognition, negotiations and discussion with Union for the collective agreement, enhance training and development programs, and the review of the Human Resource policy. In addition to this, gradual organisational culture change had been brought about with total engagement and open door policy.

**Sugar Cane Growers Fund and Subsidiary**

**Financial Statements**

**31 December 2018**

**Sugar Cane Growers Fund and Subsidiary**  
**Financial Statements – 31 December 2018**

**Contents**

Board Report .....	1 to 2
Statement by Board Members .....	3
Independent Auditor's Report.....	4 to 6
Statements of Profit or Loss and Other Comprehensive Income .....	7
Balance Sheets .....	8
Statements of Changes in Equity .....	9
Statements of Cash Flows .....	10
Notes to and Forming Part of the Financial Statements .....	11 to 52

**Sugar Cane Growers Fund and Subsidiary**  
**Board Report**  
For the year ended 31 December 2018

In accordance with a resolution of the board, the board members herewith submit the financial statements of Sugar Cane Growers Fund ("the Fund") and the consolidated financial statements of the Group (being the Fund and Subsidiary, South Pacific Fertilizers Pte Limited) for the year ended 31 December 2018 and report as follows:

**Board members**

The following were board members in office at any time during the financial year and up to the date of this report:

- Mr Faizul Ariff Ali – Chairman
- Mr Pradeep Lal – Member
- Mr Sundresh Chetty - Member
- Dr Anand Chand – Member (Appointed 9/1/2019)
- Mr Tevita Madigibuli – Member (Appointed 9/1/2019)
- Mr Uday Sen – Member (Appointed 9/1/2019)
- Mr Timothy Brown - Member (Term expired 18/11/2018)
- Mr David Veremo - Member (Term expired 18/1/2018)

**Principal activity**

The principal activity of the Fund as outlined under the Sugar Cane Growers Fund Act 1984, Section 4, is to provide loans to sugar cane growers to increase production of sugar cane, improve efficiency in the planting, growing and transportation of sugar cane, rehabilitate farms, buildings and other installations damaged, destroyed or affected by floods, cyclones, droughts or other natural disasters, establish sugarcane farms and to construct buildings and other installations on those farms, crop diversification and to provide assistance to the personal family needs of growers during periods of financial distress or hardship and to benefit the cane growing industry.

The principal activity of the subsidiary during the year was importing bulk fertilizer, blending, packing and distribution to local market.

**Trading results**

The net profit after income tax of the Group for the year was \$8,534,324 (2017: net profit of \$7,439,794) after income tax expense of \$136,734 (2017: \$nil).

The net profit of the Fund for the year amounted to \$2,445,651 (2017: \$1,749,027) after income tax expense of \$nil (2017: \$nil).

**Current assets**

The board took reasonable steps before the financial statements were made out to ascertain that the current assets of the Group and the Fund 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 the business. At the date of this report, the board members are not aware of any circumstances which would render the values attributable to the current assets in the Group's and Fund's consolidated financial statements misleading.

**Non-Current Assets**

Prior to the completion of the Group's and the Fund's financial statements, the directors took reasonable steps to ascertain whether any non-current assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Fund. Where necessary these assets have been written down or adequate provision has been made to bring values of such assets to an amount that they will be expected to realise.

**Sugar Cane Growers Fund and Subsidiary**  
**Board Report (continued)**  
For the year ended 31 December 2018

**Bad and doubtful debts**

The board took reasonable steps before the financial statements were made out, to ascertain that all known bad debts were written off and adequate provision was made for doubtful debts. At the date of this report, the board members 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.

**Events subsequent to balance date**

No charge on the assets of the Fund has arisen since the end of the financial period 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 period 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 from the date of this report which, in the opinion of the board, will or may affect the ability of the Group and the Fund to meet its obligations when they fall due.

**Basis of accounting**

The board members believe that the basis of preparation of accounts is appropriate and the Fund will be able to continue in operation for at least 12 months from the date of this statement. Accordingly, the board members believe that the classification and carrying amounts of the assets and liabilities as stated in the financial statements to be appropriate.

**Other circumstances**

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

**Unusual/ significant transactions**

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

**Board members benefits**

No board member of the Group and Fund have, since the end of the previous financial period, 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 board members as shown in the Fund or the Group financial statements) by reason of any contracts made by the Group or the Fund with the board member or with a firm of which he is a member, or with a company in which he has substantial financial interest.


**Related parties transaction**

In opinion of the board members all related parties transactions have been adequately recorded in the books of the Group and the Fund and reflected in the attached financial statements.

Signed in accordance with a resolution of the board this <sup>4<sup>th</sup></sup>..... day of <sup>July</sup>..... 2019.

For and on behalf of the Board.

  
.....  
Chairman

  
.....  
Board member


**Sugar Cane Growers Fund and Subsidiary**  
**Statement by Board Members**  
For the year ended 31 December 2018

In the opinion of the board members:

- (a) the accompanying statements of profit or loss and other comprehensive income is drawn up so as to give a true and fair view of the results of the Group and the Fund for the year ended 31 December 2018;
- (b) the accompanying balance sheets is drawn up so as to give a true and fair view of the state of the Group's and the Fund's affairs as at 31 December 2018;
- (c) the accompanying statements of changes in equity for the year ended 31 December 2018 is drawn up so as to give a true and fair view of the movement in shareholders' and members' funds;
- (d) the accompanying statements of cash flows is drawn up so as to give a true and fair view of the cash flows of the Group and the Fund for the year ended 31 December 2018;
- (e) at the date of this statement, there are reasonable grounds to believe that the Group and the Fund will be able to pay its debts as and when they fall due; and
- (f) all related party transactions have been adequately recorded in the books of the Group and the Fund.

For and on behalf of the Board members by authority of a resolution of the Board, this <sup>4<sup>th</sup></sup> day of <sup>July</sup> 2019.

  
.....  
Chairman

  
.....  
Board member



## **Independent Auditor's Report**

To the Members of Sugar Cane Growers Fund

### **Report on the audit of the financial statements**

#### *Opinion*

We have audited the accompanying financial statements of Sugar Cane Growers Fund (the 'Fund') and the consolidated financial statements of the Fund and its Subsidiary (together the 'Group'). The financial statements comprise the balance sheets of the Fund and the Group as at 31 December 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund and the Group as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

#### *Independence*

We are independent of the Group in accordance with the ethical requirements of the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the consolidated financial statements in Fiji, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

#### *Responsibilities of Board Members and Management for the Consolidated Financial Statements*

Board members and management are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the provisions of the Sugar Cane Growers Fund Act, 1984, and for such internal control as the board members and management determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board members and management are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board members and management either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The board members and management are responsible for overseeing the Group's financial reporting process.

.....  
PricewaterhouseCoopers, 52 Narara Parade, Lautoka, Fiji.  
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T: (679)6660400 / 6661055, F: (679) 6661798

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board members and management.
- Conclude on the appropriateness of the board members and management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board members and management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



#### **Report on Other Legal and Regulatory Requirements**

In accordance with the provisions of the Sugar Cane Growers Fund Act, 1984, in our opinion:

- a) the statements are based on proper accounts and records,
- b) the statements are in general agreement with the accounts and records, and
- c) the receipt, expenditure and investment of moneys, and the acquisition and disposal of assets, by the Fund Authority during the year have been in accordance with this Act.

#### **Restriction on Distribution or Use**

This report is made solely to the Fund's members, as a body, in accordance with Section 16(2) of the Sugar Cane Growers Fund Act, 1984. Our audit work has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

  
PricewaterhouseCoopers  
Chartered Accountants

  
Wiliki Takiveikata

4 July 2019

Lautoka, Fiji

**Sugar Cane Growers Fund and Subsidiary**  
**Statements of Profit or Loss and Other Comprehensive Income**  
For the year ended 31 December 2018

	Notes	Group 2018 \$	2017 \$	Fund 2018 \$	2017 \$
Revenue	28	30,706,393	29,754,367	-	-
Cost of goods sold		(21,738,718)	(21,095,476)	-	-
<b>Gross profit</b>		8,967,675	8,658,891	-	-
Finance income	5	2,626,505	2,241,436	2,675,240	2,271,182
Other operating income	6	1,706,101	1,118,080	1,464,147	1,160,029
		13,300,281	12,018,407	4,139,387	3,431,211
Administrative and other operating expenses	7	(4,330,470)	(4,296,908)	(1,693,736)	(1,682,184)
<b>Profit from operations</b>		8,969,811	7,721,499	2,445,651	1,749,027
Finance costs – net		(298,753)	(281,705)	-	-
<b>Profit before income tax</b>		8,671,058	7,439,794	2,445,651	1,749,027
Income tax expense	9(a)	(136,734)	-	-	-
<b>Net profit for the year</b>		8,534,324	7,439,794	2,445,651	1,749,027
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		<u>\$8,534,324</u>	<u>\$7,439,794</u>	<u>\$2,445,651</u>	<u>\$1,749,027</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the parent		7,953,472	6,862,280	2,445,651	1,749,027
Non-controlling interest		580,852	577,514	-	-
		<u>\$8,534,324</u>	<u>\$7,439,794</u>	<u>\$2,445,651</u>	<u>\$1,749,027</u>

*The above statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*


**Sugar Cane Growers Fund and Subsidiary**  
**Balance Sheets**  
As at 31 December 2018

	Notes	Group 2018 \$	2017 \$	Fund 2018 \$	2017 \$
<b>Assets</b>					
Cash and cash equivalents	10	13,251,047	9,304,244	6,077,047	6,493,978
Investment at fair value through profit or loss	11	6,307,219	4,259,663	6,307,219	4,259,663
Investments at amortised cost	12	11,314,313	10,861,000	11,314,313	10,861,000
Trade and other receivables	13	24,045,187	23,953,912	148,237	662,982
Loans to growers	14	25,817,728	26,298,261	25,817,728	26,298,261
Inventories	15	18,637,820	11,471,203	-	-
Prepayments	16	3,181,994	4,795,653	5,257	42,426
Advances to industry related parties	17	6,609,111	8,567,653	6,609,111	8,567,653
Property, plant and equipment	18	4,365,523	4,490,572	248,781	311,431
Deferred tax asset	9(c)	1,086,420	-	-	-
Investment in subsidiary	19	-	-	13,401,405	13,401,405
<b>Total assets</b>		<b>\$114,616,362</b>	<b>\$104,002,161</b>	<b>\$69,929,098</b>	<b>\$70,898,799</b>
<b>Liabilities</b>					
Trade and other payables	20	4,992,357	5,243,334	3,998,965	3,820,165
Employee benefits	21	156,492	111,488	95,957	67,130
Borrowings	22	5,235,477	4,936,724	-	-
Deferred grant income	23	17,242,564	13,049,167	797,075	1,000,000
Current tax liability	9(b)	1,223,154	-	-	-
<b>Total liabilities</b>		<b>\$28,850,044</b>	<b>\$23,340,713</b>	<b>\$4,891,997</b>	<b>\$4,887,295</b>
<b>Equity</b>					
Funds employed / Retained earnings		82,554,638	78,021,220	65,037,101	66,011,504
Non-controlling interest	24	3,211,680	2,640,228	-	-
<b>Total equity</b>		<b>\$85,766,318</b>	<b>\$80,661,448</b>	<b>\$65,037,101</b>	<b>\$66,011,504</b>
<b>Total equity and liabilities</b>		<b>\$114,616,362</b>	<b>\$104,002,161</b>	<b>\$69,929,098</b>	<b>\$70,898,799</b>

*The above balance sheets should be read in conjunction with the accompanying notes.*

Signed on behalf of the Board.

  
Chairman

  
Board Member

<b>Balance at 1 January 2017</b>	71,158,940	2,109,714	73,268,654
<i>Comprehensive income</i>			
Profit for the year	6,862,280	577,514	7,439,794
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	<u>6,862,280</u>	<u>577,514</u>	<u>7,439,794</u>
<i>Transactions with owners</i>			
Dividends Paid	-	(47,000)	(47,000)
<b>Total transactions with owners</b>	<u>-</u>	<u>(47,000)</u>	<u>(47,000)</u>
<b>Balance at 31 December 2017</b>	78,021,220	2,640,228	80,661,448
IFRS 9 transition impact for collectively assessed provisions through retained earnings (refer note 1.2)	<u>(3,420,054)</u>	-	<u>(3,420,054)</u>
<b>Restated Balance at 1 January 2018</b>	74,601,166	2,640,228	77,241,394
<i>Comprehensive income</i>			
Profit for the year	7,953,472	580,852	8,534,324
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	<u>7,953,472</u>	<u>580,852</u>	<u>8,534,324</u>
<i>Transactions with owners</i>			
Dividends Paid	-	(9,400)	(9,400)
<b>Total transactions with owners</b>	<u>-</u>	<u>(9,400)</u>	<u>(9,400)</u>
<b>Balance at 31 December 2018</b>	<u>\$82,554,638</u>	<u>\$3,211,680</u>	<u>\$85,766,318</u>
<b>Fund</b>	<b>Funds Employed</b>		
	\$		
<b>Balance at 1 January 2017</b>	64,262,477		
<i>Comprehensive income</i>			
Profit for the year	1,749,027		
Other comprehensive income	-		
<b>Total comprehensive income</b>	<u>1,749,027</u>		
<b>Balance at 31 December 2017</b>	66,011,504		
IFRS 9 transition impact for collectively assessed provisions through retained earnings (refer note 1.2)	<u>(3,420,054)</u>		
<b>Restated Balance at 1 January 2018</b>	62,591,450		
<i>Comprehensive income</i>			
Profit for the year	2,445,651		
Other comprehensive income	-		
<b>Total comprehensive income</b>	<u>2,445,651</u>		
<b>Balance at 31 December 2018</b>	<u>\$65,037,101</u>		

The above statements of changes in equity should be read in conjunction with the accompanying note.

**Sugar Cane Growers Fund and Subsidiary**  
**Statements of Cash Flows**  
For the year ended 31 December 2018

	Notes	Group		Fund	
		2018	2017	2018	2017
		\$	\$	\$	\$
<b>Operating activities</b>					
Receipts from customers / growers		15,355,139	8,764,287	33,279	18,175
Donation / grant for cane growers insurance scheme		113,136	10,000	113,136	10,000
Receipt of Government subsidy for fertilizer		14,133,194	15,962,476	-	-
Receipt of Government subsidy for weedicide		5,796,359	2,898,118	-	-
Receipt of Government grant for new farmers assistance		-	1,000,000	-	1,000,000
Receipt of application fees		22,641	30,282	22,641	30,282
Insurance claims proceeds		5,827	17,495	-	-
Interest received		2,441,054	2,709,172	2,489,789	2,738,918
Payments to suppliers and employees		(31,320,020)	(26,714,798)	(1,864,497)	(1,646,766)
Loans repaid by growers		6,912,217	8,031,930	6,912,217	8,031,930
Loans to growers		(9,129,159)	(4,885,351)	(9,129,159)	(4,885,351)
<b>Net cash from / (used in) operating activities</b>		<b>4,330,388</b>	<b>7,823,611</b>	<b>(1,422,594)</b>	<b>5,297,188</b>
<b>Investing activities</b>					
Payments for property, plant and equipment		(853,655)	(350,343)	(39,397)	(280,457)
Payments for investment in Unit Trust of Fiji		(1,000,000)	(2,000,001)	(1,000,000)	(2,000,001)
Payments for held-to-maturity investments		(500,000)	(3,361,000)	(500,000)	(3,361,000)
Advance to South Pacific Fertilizers Pte Limited		-	-	(3,677,728)	(3,992,599)
Proceeds from sale of property, plant and equipment		25,010	126,721	-	73,510
Proceeds from sale of investment in Unit Trust of Fiji		-	2,637	-	-
Dividends received from Unit Trust of Fiji		156,935	95,976	156,935	95,976
Dividends (Paid) / Received		(56,400)	-	543,600	-
Loan repayment - South Pacific Fertilizers Pte Limited		-	-	3,677,728	3,992,599
Loan repayment - Fiji Sugar Corporation Limited		1,844,525	-	1,844,525	-
<b>Net cash (used in) / from investing activities</b>		<b>(383,585)</b>	<b>(5,486,010)</b>	<b>1,005,663</b>	<b>(5,471,972)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>3,946,803</b>	<b>2,337,601</b>	<b>(416,931)</b>	<b>(174,784)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	10	<b>9,304,244</b>	<b>6,966,643</b>	<b>6,493,978</b>	<b>6,668,762</b>
<b>Cash and cash equivalents at the end of the year</b>	10	<b>\$13,251,047</b>	<b>\$9,304,244</b>	<b>\$6,077,047</b>	<b>\$6,493,978</b>

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

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018

**Note 1. Statement of Accounting Policies**

**Note 1.1 General Information**

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 2<sup>nd</sup> floor, Sugar Cane Growers Council (SCGC) Building, 75 Drasa Avenue, Lautoka.

The consolidated financial statements of the Fund as at and for the year ended 31 December 2018 comprise the Fund and its subsidiary, South Pacific Fertilizers Pte Limited (together referred to as the "Group").

The principal activity of the Fund as outlined under the Sugar Cane Growers Fund Act 1984, Section 4, is to provide loans to sugar cane growers to increase production of sugar cane, improve efficiency in the planting, growing and transportation of sugar cane, rehabilitate farms, buildings and other installations damaged, destroyed or affected by floods, cyclones, droughts or other natural disasters, establish sugarcane farms to construct buildings and other installations on those farms, crop diversification and to provide assistance to the personal family needs of growers during periods of financial distress or hardship and to benefit the cane growing industry.

The principal activity of the subsidiary, South Pacific Fertilizer Pte Limited (SPFL), during the year was importing bulk fertilizer, blending, packing and distributing to local markets. SPFL is incorporated in Fiji and its registered office is at Waterfront Road, Veitari, Lautoka.

The Group's financial statements were authorised for issue by the Board on 4<sup>th</sup> July 2019.

**(a) Basis of preparation**

These consolidated financial statements of the Group and separate financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the Fiji Institute of Accountants, the provisions of the Fiji Companies Act 2015 and the provisions of the Sugar Cane Growers Fund Act, 1984. The financial statements comply with IFRS that were issued and effective at the time of preparing these statements.

The consolidated financial statements have also been prepared under historical cost convention which permits revaluations of non-current assets but, otherwise, has no regard to changes in the levels of prices. The accounting policies adopted are consistent with those of the previous year.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies (refer note 3).

*(i) New and amended standards adopted by the Group*

**IFRS 9 Financial Instruments**

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 1. Statement of Accounting Policies (continued)**

**Note 1.1 General Information (continued)**

**(a) Basis of preparation (continued)**

*(i) New and amended standards adopted by the Group (continued)*

**IFRS 15 Revenue from Contracts with Customers**

The Group has adopted IFRS 15 as issued by the IASB essentially in May 2014 with a date of transition of 1 January 2018. The Group has assessed that such adoption did not result in changes in accounting policies and adjustments to the amounts recognised in the financial statements in relation to revenue, with revenue being continued to be recognised as the Group satisfied their performance obligations.

*(ii) New Standards, amendments and interpretations issued but not yet effective*

Certain new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019, and have not been applied in preparing these financial statements. The Group is yet to assess the impact of these standards and intends to adopt the standards no later than the accounting period in which they become effective. None of these are expected to be relevant to the Group, except the following set out below:

Topic	Key Requirements	Effective Date
IFRS 16 'Leases' (effective annual periods beginning on or after 1 January 2019)	This standard replaces the current guidance in IAS 17 and is far reaching in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low value assets, however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standards. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.	Annual periods beginning on or after 1 January 2019

**(b) Basis of consolidation**

*(i) Subsidiary*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has the right to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.

*(ii) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated while preparing the consolidated financial statements.

*(iii) Non-controlling interests*

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 1. Statement of Accounting Policies (continued)**

**Note 1.2 Changes in Accounting Policies**

**IFRS 9 Financial Instruments**

The adoption of IFRS 9 has resulted in changes to accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group and the Fund. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in note 2 below.

**Classification and measurement of financial instruments**

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 for the Group and the Fund are compared as follows:

Group	IAS 39		IFRS 9	
	Measurement Category	Carrying Amount	Measurement Category	Carrying Amount
Financial Assets		(\$)		(\$)
Cash and cash equivalents	Amortised cost (Loans and receivables)	9,304,244	Amortised cost	9,304,244
Loans and advances	Amortised cost (Loans and receivables)	26,298,261	Amortised cost	23,044,537
Trade and other receivables	Amortised cost (Loans and receivables)	23,953,912	Amortised cost	23,953,912
Related party advances	Amortised cost (Loans and receivables)	8,567,653	Amortised cost	8,445,992
Investments at amortised cost	Amortised cost (Held to maturity)	10,861,000	Amortised cost	10,816,331
Investment at fair value through profit or loss	Fair value through P&L	4,259,663	Fair value through P&L	4,259,663
		<b>\$83,244,733</b>		<b>\$79,824,679</b>
Fund	IAS 39		IFRS 9	
	Measurement Category	Carrying Amount	Measurement Category	Carrying Amount
Financial Assets		(\$)		(\$)
Cash and cash equivalents	Amortised cost (Loans and receivables)	6,493,978	Amortised cost	6,493,978
Loans and advances	Amortised cost (Loans and receivables)	26,298,261	Amortised cost	23,044,537
Trade and other receivables	Amortised cost (Loans and receivables)	662,982	Amortised cost	662,982
Related party advances	Amortised cost (Loans and receivables)	8,567,653	Amortised cost	8,445,992
Investments at amortised cost	Amortised cost (Held to maturity)	10,861,000	Amortised cost	10,816,331
Investment at fair value through profit or loss	Fair value through P&L	4,259,663	Fair value through P&L	4,259,663
		<b>\$57,143,537</b>		<b>\$53,723,483</b>

There were no changes to the classification and measurement of financial liabilities.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 1. Statement of Accounting Policies (continued)**

**Note 1.2 Changes in Accounting Policies (continued)**

**Reconciliation of statement of financial position balances from IAS 39 to IFRS 9**

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

Group	IAS 39 carrying amount 31 December 2017	Re- classification	Re-measurement	IFRS 9 carrying amount 1 January 2018
<i>Amortised Cost</i>	(\$)	(\$)	(\$)	(\$)
<b>Cash and cash equivalents</b>				
Opening balance under IAS 39	9,304,244			
Re-measurement: ECL allowance		-	-	
Closing balance under IFRS 9				9,304,244
<b>Trade and other receivables</b>				
Opening balance under IAS 39	23,953,912			
Re-measurement: ECL allowance		-	-	
Closing balance under IFRS 9				23,953,912
<b>Loans and Advances</b>				
Opening balance under IAS 39	26,298,261			
Re-measurement: ECL allowance		-	(3,253,724)	
Closing balance under IFRS 9				23,044,537
<b>Related party advances</b>				
Opening balance under IAS 39	8,567,653			
Re-measurement: ECL allowance		-	(121,661)	
Closing balance under IFRS 9				8,445,992
<b>Investments at amortised cost</b>				
Opening balance under IAS 39	10,861,000			
Re-measurement: ECL allowance		-	(44,669)	
Closing balance under IFRS 9				10,816,331
<b>Fair value through profit or loss</b>				
<b>Investment at fair value through profit or loss</b>				
Opening balance under IAS 39	4,259,663			
Closing balance under IFRS 9				4,259,663

The total re-measurement loss of \$3,420,054 was recognised in opening reserves at 1 January 2018.

There were no other changes related to classification of financial assets.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 1. Statement of Accounting Policies (continued)**

**Note 1.2 Changes in Accounting Policies (continued)**

**Reconciliation of impairment allowance balance from IAS 39 to IFRS 9 (continued)**

The following table reconciles the Group's prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Measurement category	Loan loss allowance under IAS 39	Re-classification	Re-measurement	Loan loss allowance under IFRS 9
	(\$)	(\$)	(\$)	(\$)
<b>Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9)</b>				
Cash and cash equivalents	-	-	-	-
Trade and other receivables	-	-	-	-
Loans and advances	2,538,344	-	3,253,724	5,792,068
Related party advances	-	-	121,661	121,661
<b>Total loss allowance - loans and receivables</b>	<b>\$2,538,344</b>	<b>\$-</b>	<b>\$3,375,385</b>	<b>\$5,913,729</b>
<b>Held to maturity investments (IAS 39)/Investments at amortised cost (IFRS 9)</b>				
Term deposits and bonds	-	-	44,669	44,669
<b>Total loss allowances</b>	<b>\$2,538,344</b>	<b>\$-</b>	<b>\$3,420,054</b>	<b>\$5,958,398</b>

**IFRS 15 Revenue from Contracts with Customers**

The Group has adopted IFRS 15 Revenue from contracts with customers with a date of initial application of 1 January 2018. Under IFRS 15, the Group recognises revenue to depict the transfer of promised goods to customers in an amount that reflects the consideration to which the Group expects to be entitled for those goods. The Group recognises revenue in accordance with that core principle by: (i) identifying the contracts with customers; (ii) identifying the obligations in the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations in the contract; and (v) recognising revenue when the Group satisfies a performance obligation.

Previously, under IAS 18, the Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the Group and when specific criteria have been met for each of the company's activities.

The Group has applied IFRS 15 using the cumulative effect method, i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18.

Revenue from sale of goods was not quantitatively impacted from the adoption of IFRS 15. However, the Group has expanded its accounting policies for revenue recognition in accordance with IFRS 15 as detailed in note 2(o).

## Note 2. Summary of significant accounting policies

This note sets out the significant accounting policies adopted in the preparation of these financial statements.

### (a) Financial assets and liabilities (applicable from 1 January 2018)

#### Measurement methods

##### *Amortised cost and effective interest rate*

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

##### *Interest income*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- a) Purchased or Originated Credit Impaired ('POCI') financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

##### *Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, as described in note 4.2.2, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss;
- b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 2. Summary of significant accounting policies (continued)**

**(a) Financial assets and liabilities (applicable from 1 January 2018) (continued)**

**Financial assets**

**(i) Classification and subsequent measurement**

From 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement category:

- Amortised cost
- Fair value through profit or loss

The classification requirements for debt and equity instruments are described below:

**Debt instruments**

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Group's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at fair value through profit or loss ('FVPL'), are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 4.2.2. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ('FVOCI') are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Other operating income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

**Business model:** the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets, is held by the Group as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of

**Note 2. Summary of significant accounting policies (continued)**

**(a) Financial assets and liabilities (applicable from 1 January 2018) (continued)**

**Financial assets (continued)**

**(i) Classification and subsequent measurement (continued)**

a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

*SPPI:* Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

**Equity instruments**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as 'Other operating income' when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Other operating income' line in the statement of profit or loss.

**(ii) Impairment**

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 4.2.2 provides more detail of how the expected credit loss allowance is measured.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 2. Summary of significant accounting policies (continued)**

**(a) Financial assets and liabilities (applicable from 1 January 2018) (continued)**

**Financial assets (continued)**

**(iii) Modification of loans**

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to cane growers and related parties. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on de-recognition.

If the terms are not substantially different, the renegotiation or modification does not result in de-recognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

**(iv) De-recognition other than on a modification**

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) Is prohibited from selling or pledging the assets; and
- (iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

**Note 2. Summary of significant accounting policies (continued)**

**(a) Financial assets and liabilities (applicable from 1 January 2018) (continued)**

**Financial liabilities**

**(i) Classification and subsequent measurement**

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities arising from the transfer of financial assets which did not qualify for de-recognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

**(ii) De-recognition**

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

**(b) Financial instruments (before 1 January 2018)**

**(i) Financial assets**

Financial assets of the Group include loans and receivables, financial assets at fair value through profit or loss and held to maturity investments.

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which 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.

*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 and suspended interest charges to reflect the estimated recoverable amounts.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 2. Summary of significant accounting policies (continued)**

**(b) Financial instruments (before 1 January 2018) (continued)**

**(i) Financial assets (continued)**

*Loans and receivables (continued)*

Loans and receivables comprise cash and cash equivalents, loans to growers, trade and other receivables, and advances to industry related parties.

*Financial assets at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

Financial assets at fair value through profit or loss comprise of other investments which is investment in Unit Trust of Fiji.

*Held to maturity financial assets*

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Held to maturity investments comprises of investments in term deposits.

**(ii) 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 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.

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 of trade and other payables.

**(c) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Fiji dollars, which is the Group's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

**Note 2. Summary of significant accounting policies (continued)**

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

All property, plant and equipment are shown at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight line method to allocate the cost of each asset to its residual value over its estimated useful life. The principal annual rates in use are:

	Rate
Buildings	5%
Furniture and fittings	5% - 20%
Motor vehicles	25%
Office equipment	25%
Plant and equipment	10% - 25%

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in the statement of profit or loss and other comprehensive income.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

**(e) Impairment**

*(i) 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 an impact on the estimated future cash flows of that asset that can be estimated reliably.

*Loans and receivables measured at amortised cost*

The Group considers evidence of impairment for loans and receivables on a specific asset basis. All individually significant receivables are assessed for specific impairment.

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. Interest on the impaired asset ceases to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Bad debts are written off against the provision in the year in which the debt is recognized as being irrecoverable. Where not previously included in the provision, 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.

**Note 2. Summary of significant accounting policies (continued)**

**(e) Impairment (continued)**

*(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.

The recoverable amount of an asset or cash-generating unit 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 groups of assets (the "cash-generating unit, or CGU").

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 units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed only to the extent that the assets 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.

**(f) Investments**

Investments comprise investment in subsidiary company. Investments are stated at cost less allowance for impairment losses. A provision for impairment loss is made where, in the opinion of the directors, there is a permanent diminution in the value of the investment. When an event occurring after the impairment loss was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Any gain or loss on disposal of investment is recognised in the profit or loss.

**(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) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and term deposits with maturities of three months or less from the acquisition date.

**(i) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 15 - 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. A trade receivable without a significant financing component is initially measured at the transaction price. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 2(e)(i)

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 2. Summary of significant accounting policies (continued)**

**(j) Share capital**

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

**(k) Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised at invoice value.

**(l) Current and deferred 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*

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

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

**(m) Employee benefits**

*(i) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

*(ii) Pension obligations*

The company's contributions to the Fiji National Provident Fund are charged to the statement of profit or loss and other comprehensive income in the period to which the contributions relate.

**(n) Provisions**

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

**(o) Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or provision of services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 2. Summary of significant accounting policies (continued)**

**(o) Revenue recognition (continued)**

The group has adopted IFRS 15 Revenue from contracts with customers with a date of initial application of 1 January 2018. Under IFRS 15, the group recognises revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the group expects to be entitled for those goods and services.

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

*(i) Interest income*

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

For financial assets measured at amortised cost, the effective interest rate method is used to measure the interest income recognised in the statement of profit or loss and other comprehensive income. For financial assets measured at fair value, interest income is recognised on an accrual basis, either daily or on a yield to maturity basis.

Revenue from other operating activities are recognised in the statement of profit or loss and other comprehensive income on an accrual basis.

*(ii) Sale of goods*

A sale is recognised when products are delivered to the customer, the customer has accepted the products, and collectability of the related receivables is reasonably assured. Sales are shown on net of returns and trade allowances.

*(iii) Government grants and deferred grant income*

Subsidies from the Government are recognised at their fair value where there is a reasonable assurance that the grants will be received and the entity will comply with all conditions attached to the grants. Government grants relating to unsold fertilizer and weedicide are deferred and recognised in profit or loss when the related products are sold.

Previously, under IAS 18, the Group recognised revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the company and when specific criteria have been met for each of the company's activities.

Revenue from sale of goods and government subsidy was not quantitatively impacted from the adoption of IFRS 15. However, the company has expanded its accounting policies for revenue recognition in accordance with IFRS 15.

**(p) Value Added Tax (VAT)**

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

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 2. Summary of significant accounting policies (continued)**

**(q) Statutory liabilities**

Statutory liabilities comprise of Value Added Tax (VAT) payable, Fringe Benefit Tax (FBT) payable, Fiji National Provident Fund (FNPF) deductions, Pay As You Earn (PAYE) deductions and Fiji National University Levy (FNU) contribution payable at year end.

**(r) Borrowings**

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

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

**Note 3. Critical accounting estimates, assumptions and judgements**

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

**Measurement of the expected credit loss allowance**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 4.2.2.3, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

In addition to the above, the measurement of ECL for loans to growers includes the following significant judgements:

- The level of arrears monitoring, follow-up and enforcement;
- Level of enforceability (e.g. expiry of leases); and
- Outlook of the Sugar Industry in Fiji - harvesting & transportation cost, age of farmers, availability of manpower, and impact of climate change, including natural disasters.

Detailed information about the judgements and estimates made by the Group in the above areas are set out in note 4.2.2.

**Note 4. Financial Risk Management**

**Financial risk factors**

The following section discusses the groups's risk management policies. The measurement of expected credit loss (ECL) under IFRS 9 uses the information and approaches that the group uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9.

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

The Board 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.

**Note 4.1 Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*(i) Foreign exchange risk*

The subsidiary is exposed to foreign exchange risk arising from various currency exposures, primarily the US dollar, Australia dollar and New Zealand dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities. Management has set up a policy to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions are denominated in a currency that is not the Group's functional currency. The Group does not hedge its exposure to exchange fluctuations in the foreign currencies.

*(ii) Price risk*

The Group's exposure to commodity price risk is minimal.

*(iii) Cash flow and fair value interest rate risk*

The Group has interest bearing assets and liabilities however, the Group's income and operating cash flows are substantially independent of changes in market interest rates as the interest rates are fixed.

**Note 4.2 Credit risk**

The Group incurs risk with regard to loans, advances and trade and other receivables due from customers and other monies or investments held with financial institutions. Credit risk is the likelihood of future financial loss resulting from the failure of clients or counter-parties to meet contractual obligations to the Fund as they fall due.

Credit risk is managed by analysing the risk spread and by ensuring risk is diversely spread by customer/grower. Individual exposures are measured using repayment performance, reviews and statistical techniques. Comprehensive credit standards and approval limits have been formulated and approved by the Board. The Board is responsible for the development and implementation of credit policy and loan portfolio review methodology. The Board is the final arbiter of risk management and loan risk concentration.

The Group has in place processes that identify, assess and control credit risk in relation to the loan portfolio, to assist in determining the appropriateness of provisions for loan impairment. These processes also enable assessments to be made of other classes of assets that may carry an element of credit risk. The Group assigns quality indicators to its credit exposures to determine the asset quality profile.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 4. Financial Risk Management (continued)**

**Financial risk factors (continued)**

**Note 4.2 Credit risk (continued)**

The Group has in place processes that identify, assess and control credit risk in relation to the loan portfolio, to assist in determining the appropriateness of provisions for loan impairment. These processes also enable assessments to be made of other classes of assets that may carry an element of credit risk. The Group assigns quality indicators to its credit exposures to determine the asset quality profile.

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Maximum exposure to credit risk				
Cash at bank	13,249,797	9,303,654	6,076,097	6,493,688
Loans to growers	25,817,728	26,298,261	25,817,728	26,298,261
Trade receivables	22,554,061	22,784,741	-	-
Other receivables	1,491,126	1,169,171	148,237	662,982
Advances to industry related parties	6,609,111	8,567,653	6,609,111	8,567,653
	<u>\$69,721,823</u>	<u>\$68,123,480</u>	<u>\$38,651,173</u>	<u>\$42,022,584</u>

**Note 4.2.1 Credit risk measurement**

*(i) Loans to growers*

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The gross ageing of loans to growers as at the reporting date is as follows:

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Current	23,894,195	17,303,349	23,894,195	17,303,349
Past due 1 year	1,995,517	4,177,400	1,995,517	4,177,400
Past due 2 years	1,690,378	2,605,777	1,690,378	2,605,777
Past due 3 years and over	3,738,807	4,750,079	3,738,807	4,750,079
	<u>\$31,318,897</u>	<u>\$28,836,605</u>	<u>\$31,318,897</u>	<u>\$28,836,605</u>

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 4. Financial Risk Management (continued)**

**Financial risk factors (continued)**

**Note 4.2.1 Credit risk measurement (continued)**

*(i) Loans to growers (continued)*

The movement in the provision for impairment of loans to growers are as follows:

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Provision for impairment				
At 1 January	2,538,344	2,334,483	2,538,344	2,334,483
IFRS 9 transition impact for assessed provisions	3,253,724	-	3,253,724	-
Provision during the year (IAS 39)	48,610	203,861	48,610	203,861
Reversal of provision	(339,509)	-	(339,509)	-
At 31 December	<u>\$5,501,169</u>	<u>\$2,538,344</u>	<u>\$5,501,169</u>	<u>\$2,538,344</u>

*(ii) Trade receivables*

The credit controller assesses the credit quality of the customer, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by the Board. The utilisation of credit limits are regularly monitored.

The ageing of trade receivables at the reporting date is as follows:

	Group	
	2018	2017
	\$	\$
Up to 3 months	7,329,871	5,043,871
3 to 6 months	15,224,190	17,740,870
Balance at 31 December	<u>\$22,554,061</u>	<u>\$22,784,741</u>

The movement in the provision for impairment of trade receivables are as follows:

	Group	
	2018	2017
	\$	\$
Provision for impairment		
At 1 January	-	10,330
Write-off against provision	-	(10,330)
At 31 December	<u>\$-</u>	<u>\$-</u>

**Credit Risk Grading – Loans to Growers**

The Fund uses an internal credit risk grading system as part of its loan appraisal process. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. Once loans are approved, a separate grading system that reflects the Fund's assessment of the probability of default of individual counterparties is used.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 4. Financial Risk Management (continued)**

**Financial risk factors (continued)**

**Note 4.2 Credit risk (continued)**

**Note 4.2.1 Credit risk measurement (continued)**

**Credit Risk Grading – Loan to Growers (continued)**

The Fund's internal rating scale for assessing the performance of loans is set out below:

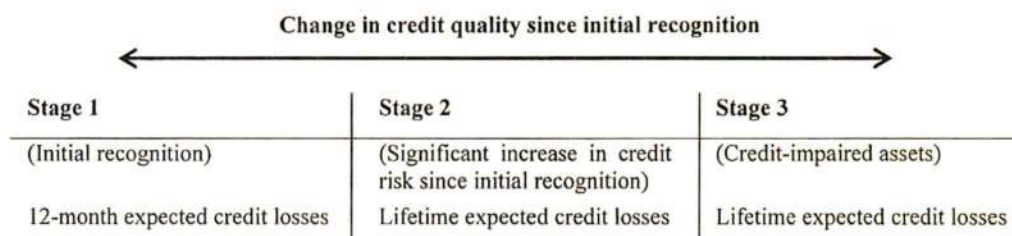
Internal Scale	Definition of category
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 4 quarters past due
Default	Interest and/or principal repayments are 8 quarters past due and there is no reasonable expectation of recovery.

**Note 4.2.2 Expected Credit Loss Management**

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition, as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 4.2.2.1 for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 4.2.2.2 for a description of how the Group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 4.2.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. Note 4.2.2.4 includes an explanation of how the Group has incorporated this in its ECL models.

The following diagram summarises the impairment requirements under IFRS 9.



**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 4. Financial Risk Management (continued)**

**Financial risk factors (continued)**

**Note 4.2 Credit risk (continued)**

**Note 4.2.2 Expected Credit Loss Management (continued)**

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

**Note 4.2.2.1 Significant Increase in Credit Risk (SICR)**

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- **Qualitative Criteria** - if the instrument meets one or more of the following criteria:
  - Significant adverse changes in financial and/or economic conditions in which the borrower operates
  - Actual or expected forbearance or restructuring
  - Actual or expected significant adverse change in operating performance of the borrower
  - Significant change in collateral value (secured facilities only) which is expected to increase risk of default
  - Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans

**Backstop** - A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 4 quarters past due. The Group has not used the low credit risk exemption for any financial instrument in the year ending 31 December 2018.

**Note 4.2.2.2 Definition of default and credit-impaired assets**

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

*Quantitative criteria*

The borrower is more than 8 quarters past due on its contractual payments.

*Qualitative criteria*

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

**Note 4. Financial Risk Management (continued)**

**Financial risk factors (continued)**

**Note 4.2 Credit risk (continued)**

**Note 4.2.2 Expected Credit Loss Management (continued)**

**Note 4.2.2.2 Definition of default and credit-impaired assets (continued)**

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of 4 quarters. This period of 4 quarters has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

**Note 4.2.2.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques**

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses is the product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 4.2.2.4 for an explanation of forward- looking information and its inclusion in ECL calculations.

**Note 4.2.2.4 Forward-looking information incorporated in the ECL models**

The Group used statistical models to convert historical PDs into forward looking lifetime PDs. The conversion process looks at the historical relationship between long-term PDs for a particular year and the observed (annual) default rate for the same year (known as the ‘Z-factor’) and a set of systematic factors for the year. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses which are as follows:

- GDP Growth (%)
- Change in Unemployment (%)

These are then compared to the expected systematic factors and long-term PDs for a future year to estimate the point in time (“PiT”) PDs for that future year. Forecasts of these economic variables (the “base economic scenario”) are based on externally available data and provide the best estimate view of the economy over the next five years. Z-factors are estimated for five years based on forecast systematic data and all future years from year 6 are adjusted using Z-factors which diminish in magnitude from the one estimated for year 5.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 4. Financial Risk Management (continued)**

**Financial risk factors (continued)**

**Note 4.2 Credit risk (continued)**

**Note 4.2.2 Expected Credit Loss Management (continued)**

**Note 4.2.2.4 Forward-looking information incorporated in the ECL models (continued)**

**Economic variable assumptions**

The most significant period-end assumptions used for the ECL estimate as at 31 December 2018 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

		2018	2019	2020	2021	2022
GDP Growth (%)	Base	3.40%	3.30%	3.30%	3.30%	3.30%
	Upside	3.50%	3.40%	3.30%	3.30%	3.30%
	Downside	2.60%	2.50%	2.40%	2.40%	2.40%
Change in Unemployment (% total lab force) (%)	Base	0.0%	0.0%	0.0%	0.0%	0.0%
	Upside	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)
	Downside	0.5%	0.5%	0.5%	0.5%	0.5%

The weightings assigned to each economic scenario at 31 December 2018 were as follows:

Scenario	Base	Upside	Downside
Weight	60.00%	10.00%	30.00%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis.

**Sensitivity Analysis**

The most significant assumption affecting the ECL allowance was the GDP, given the significant impact on loan performance and collateral values.

Set out below are the changes to the ECL as at 31 December 2018 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions:

	[-20%] (\$)	[+10%] (\$)
GDP Growth Rate	199,528	(79,366)
Change in Scenario weighting	(52,240)	

(Upside scenario increased from 10% to 30%, downside scenario decreased from 30% to 10%).

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 4. Financial Risk Management (continued)**

**Financial risk factors (continued)**

**Note 4.2 Credit risk (continued)**

**Note 4.2.3 Credit Risk Exposure**

**Note 4.2.3.1 Maximum exposure to credit risk – Financial instruments subject to impairment**

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	2018			2017	
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Credit grade</b>					
Performing	22,904,915	-	-	22,904,915	19,351,531
Under-performing	-	1,148,101	-	1,148,101	1,680,722
Default	-	-	4,743,660	4,743,660	5,456,715
<b>Gross carrying amount<sup>1</sup></b>	<b>22,904,915</b>	<b>1,148,101</b>	<b>4,743,660</b>	<b>28,796,676</b>	<b>26,488,968</b>
Loss allowance	(1,874,293)	(497,791)	(3,129,085)	(5,501,169)	(5,792,068)
<b>Carrying amount<sup>1</sup></b>	<b>\$21,030,622</b>	<b>\$650,310</b>	<b>\$1,614,575</b>	<b>\$23,295,507</b>	<b>\$20,696,900</b>

<sup>1</sup> Excludes Cane Development Revolving Fund and Accrued interest.

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in note 4.2.2 'Expected credit loss measurement'.

**Note 4.2.3.2 Collateral and other credit enhancements**

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Charges over assets financed by the Group
- Mortgages over land and properties;

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
**31 December 2018 (continued)**

**Note 4. Financial Risk Management (continued)**

**Financial risk factors (continued)**

**Note 4.2 Credit risk (continued)**

**Note 4.2.3 Credit Risk Exposure (continued)**

**Note 4.2.3.2 Collateral and other credit enhancements (continued)**

	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	(\$)	(\$)	(\$)	(\$)
<b>Credit-impaired assets</b>				
Loans to individuals:				
• Specialised	3,809,564	2,356,720	1,452,844	3,590,818
• Priority	934,096	772,365	161,731	-
<b>Total credit-impaired assets</b>	<b>\$4,743,660</b>	<b>\$3,129,085</b>	<b>\$1,614,575</b>	<b>\$3,590,818</b>

**Note 4.2.4 Loss allowance**

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 4. Financial Risk Management (continued)**

**Financial risk factors (continued)**

**Note 4.2 Credit risk (continued)**

**Note 4.2.4 Loss allowance (continued)**

Expected Credit Loss	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime	
	ECL	ECL	ECL	
	(\$)	(\$)	(\$)	(\$)
Opening ECL	1,598,887	645,286	3,547,895	5,792,068
<b>Movements with P&amp;L impact</b>				
Transfers:				
Transfer from Stage 1 to Stage 2	(230,747)	365,473	-	134,726
Transfer from Stage 1 to Stage 3	(111,741)	-	26,127	(85,614)
Transfer from Stage 2 to Stage 1	105,764	(312,844)	-	(207,080)
Transfer from Stage 2 to Stage 3	-	(269,946)	436,422	166,476
Transfer from Stage 3 to Stage 2	-	42,649	(50,283)	(7,634)
Transfer from Stage 3 to Stage 1	248,483	-	(871,849)	(623,366)
New financial assets originated or purchased	454,425	366,280	466,888	1,287,593
Financial assets derecognised during the period	-	2,095	-	2,095
Changes in PDs/LGDs/EADs/others	(190,778)	(341,203)	(426,114)	(958,095)
<b>Total net P&amp;L charge during the period</b>	<b>275,406</b>	<b>(147,496)</b>	<b>(418,809)</b>	<b>(290,899)</b>
<b>Closing ECL</b>	<b>\$1,874,293</b>	<b>\$497,790</b>	<b>\$3,129,086</b>	<b>\$5,501,169</b>

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

- The transition of Stage 3 loans of \$1,717,580 to Stage 1 with a corresponding \$644,874 decrease in loss allowance.
- Other significant movements were due to new loans originated during the year.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
**31 December 2018 (continued)**

**Note 4. Financial Risk Management (continued)**

**Financial risk factors (continued)**

**Note 4.2 Credit risk (continued)**

**Note 4.2.4 Loss allowance (continued)**

The gross carrying amount of financial assets resulting in the above movements in ECL are included in the table below:

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	Total
Gross Balances	ECL	ECL	ECL	
	(\$)	(\$)	(\$)	(\$)
Opening Gross Balance	19,351,531	1,680,722	5,456,715	26,488,968
<b>Movements with P&amp;L impact</b>				
Transfers:				
Transfer from Stage 1 to Stage 2	(843,824)	843,824	-	-
Transfer from Stage 1 to Stage 3	(217,975)	-	217,975	-
Transfer from Stage 2 to Stage 1	1,002,496	(1,002,496)	-	-
Transfer from Stage 2 to Stage 3	-	(668,151)	668,151	-
Transfer from Stage 3 to Stage 2	-	84,059	(84,059)	-
Transfer from Stage 3 to Stage 1	1,717,580	-	(1,717,580)	-
New financial assets originated or purchased	11,197,472	2,369,580	2,382,917	15,949,969
Financial assets derecognised during the period	-	8,416	-	8,416
Changes in PDs/LGDs/EADs/others	(9,302,364)	(2,167,853)	(2,180,460)	(13,650,677)
<b>Total Movement in Gross Values during the period</b>	<b>3,553,385</b>	<b>(532,621)</b>	<b>(713,056)</b>	<b>2,307,708</b>
<b>Closing Gross Balances</b>	<b>\$22,904,916</b>	<b>\$1,148,101</b>	<b>\$4,743,659</b>	<b>\$28,796,676</b>

**Note 4.2.5 Write-off policy**

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2018 was \$nil (2017: \$nil). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 4. Financial Risk Management (continued)**

**Financial risk factors (continued)**

**Note 4.3 Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations with its financial liabilities that are settled by delivering cash or another financial asset. 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 table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date.

Group	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$
<b>As 31 December 2018</b>				
Trade payables	214,547	-	-	-
Other payables	1,080,412	-	-	-
Borrowings, including benefit of nil rate of interest on government loan	-	-	243,000	9,479,100
	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$
<b>As 31 December 2017</b>				
Trade payables	340,829	-	-	-
Other payables	1,262,817	-	-	-
Borrowings, including benefit of nil rate of interest on government loan	-	-	243,000	9,479,100
<b>Fund</b>	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$
<b>As 31 December 2018</b>				
Other payables	301,567	-	-	-
	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$
<b>As 31 December 2017</b>				
Other payables	180,477	-	-	-

**Note 4.4 Capital risk management**

The Fund's objectives when managing capital is to safeguard the assets, especially loans to growers, from possible impairment and to ensure that enough cash is available for future loans for the benefit of the stakeholders in the sugar industry.

The subsidiary's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the subsidiary may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the subsidiary monitors capital on the basis of the gearing ratio.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 5. Finance income**

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Interest – Priority loans	285,875	269,834	285,875	269,834
– Specialised loans	1,312,954	1,154,559	1,312,954	1,154,559
– Term deposits	549,584	466,905	549,584	466,905
– Government bonds	95,124	37,878	95,124	37,878
– South Pacific Fertilizers Pte Limited	-	-	48,735	29,746
– Fiji Sugar Corporation Limited	382,968	289,878	382,968	289,878
– TC Winston loans	-	22,382	-	22,382
	<u>\$2,626,505</u>	<u>\$2,241,436</u>	<u>\$ 2,675,240</u>	<u>\$2,271,182</u>

**Note 6. Other operating income**

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Application fees	22,641	30,282	22,641	30,282
Bad debts recovered	1,255	928	1,255	928
Board Allowance	5,495	-	5,495	-
Dividends – South Pacific Fertilizers Pte Limited (refer noted (c))	-	-	90,600	453,000
Dividend income – Unit Trust of Fiji	156,935	95,976	156,935	95,976
Donation for growers' insurance contributions (refer note 7(i))	113,136	10,000	113,136	10,000
Gain on disposal of property, plant and equipment	25,010	126,721	-	73,510
Gain on remeasurements of investments to fair value	1,047,563	480,069	1,047,563	479,087
Grant income – benefit of nil rate of interest on government loan (refer to (a))	298,753	281,705	-	-
Insurance proceeds (refer to (b))	5,827	17,495	-	-
Sundry income	29,486	74,904	26,522	17,246
	<u>\$1,706,101</u>	<u>\$1,118,080</u>	<u>\$1,464,147</u>	<u>\$1,160,029</u>

**(a) Grant income – benefit of nil rate of interest on government loan**

Grant income of \$298,753 (2017: \$281,705) representing the amortised portion of deferred grant income relating to the benefit of the nil rate of interest on government loan received by the subsidiary (note 22) was recognised and included in other income.

**(b) Insurance proceeds**

In 2018, the subsidiary received an amount of \$6,351 (inclusive of vat of \$524) (2017: \$19,069 (inclusive of vat of \$1,574)) from its insurance broker (Marsh Limited) as settlement under its Material Damage policy for water damage to 500 bags of rice sustained during shipment.

**(c) Dividends – South Pacific Fertilizers Pte Ltd**

During the year dividend of \$90,600 was received from the subsidiary as final dividend for the financial year 2017. Subsequent to year end, the subsidiary approved an interim dividend of \$500,000 for the financial year ended 31 December 2018. Dividend income of \$453,000 will be accounted for as Other income in the 2019 financial year.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 7. Administrative and other operating expenses**

Administrative and other operating expenses in the statement of profit or loss and other comprehensive income consists of the following specific items:

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Auditor's remuneration – audit	24,500	21,500	11,250	9,000
– other services	11,500	6,600	3,500	3,000
Accounting and other assurance services	63,111	35,152	63,111	28,675
Depreciation	253,711	182,622	102,047	58,135
Directors fees (refer (i))	35,481	37,810	22,895	24,900
Insurance for growers (refer (ii))	603,512	301,756	603,512	301,756
Loss due to cyber fraud	-	234,289	-	-
Expected credit loss allowance	(315,397)	203,862	(315,397)	203,861
Staff costs (refer note 8)	1,223,489	1,010,272	814,781	689,900
Write-off of work-in-progress	-	39,001	-	-

- (i) Mr Ariff Ali (Chairman) and Mr Pradeep Lal (Board member) have opted not to receive board fees and allowances. Board fee and allowances for Mr Sundresh Chetty (Board member) are paid directly to his employer.
- (ii) In July 2017, the Fund introduced a Micro Insurance Bundled Product for active cane farmers through Fiji Care Insurance Limited. Annual insurance premium is \$52 per active grower and key benefits covered include Life & Funeral, Personal Accident, and Fire. The premium was paid by the Fund and it has committed in principal to the Cane Farmer Micro-Insurance Scheme for the next 3 years. In 2018, Sugar Cane Growers Council contributed \$10,000 towards the premium for the year while the United Nations Capital Development Fund contributed a grant of \$103,136 towards the planning and operational costs for the Sugar Cane Farmers Insurance Awareness Campaign initiated to promote and raise awareness about the product amongst member growers.

**Note 8. Staff costs**

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Wages and salaries – administrative expense	819,490	702,290	596,068	539,179
Fiji National Provident Fund contributions	130,084	108,907	70,711	58,846
Key management compensation – short term benefits	249,972	177,091	129,933	75,257
Fiji National University levy	12,229	10,861	6,355	5,495
Other staff costs	11,714	11,123	11,714	11,123
	1,223,489	1,010,272	814,781	689,900
Wages and salaries – cost of sales	297,271	245,266	-	-
	\$1,520,760	\$1,255,538	\$814,781	\$689,900

**Note 9. Income tax**

- (a) The prima facie tax payable on the operating profit differs from the income tax expense in the statements of profit or loss and other comprehensive income and is reconciled as follows:

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Current tax	1,223,154	-	-	-
Deferred tax	(1,086,420)	-	-	-
	\$136,734	\$-	\$-	\$-

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
**31 December 2018 (continued)**

**Note 9. Income tax (continued)**

- (b) The prima facie tax payable on the operating profit differs from the income tax expense in the financial statements and is reconciled as follows:

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Operating profit before income tax	8,671,058	7,439,794	2,445,651	1,749,027
Prima facie tax payable at 20%	1,734,212	1,487,959	489,130	349,805
Tax effect of non-deductible expenses				
- Exempt income	(471,010)	(3,242,632)	(489,130)	(349,805)
- Fiji National Provident Fund contribution	5,936	-	-	-
- Fringe benefit tax	770	-	-	-
- Other non-deductible expenses	20	9,880	-	-
Tax effect of tax losses (brought) / not brought to account	(46,774)	1,735,677	-	-
Tax effect of temporary difference not brought to account	-	9,116	-	-
Deferred tax on temporary differences brought to account (note (c))	(1,086,420)	-	-	-
Income tax expense	136,734	-	-	-
Current tax liability – 1 January	-	-	-	-
Deferred tax on temporary differences brought to account (note (c))	1,086,420	-	-	-
Current tax liability – 31 December	\$1,223,154	\$-	\$-	\$-

(c) **Deferred tax asset recognised**

Following clarification from the tax authority on the treatment of the subsidiary's government grant subsidy for income tax purposes, it was confirmed that the grant will be subject to income tax, including the past years' income tax returns. The subsidiary determined its exposure following the clarification from the tax authority to be nil due to the availability of income tax losses.

In 2018, carried forward tax losses of \$233,869 for the subsidiary were utilised against taxable profit. In addition unrecognised temporary differences have been brought to account as it is now probable that sufficient taxable profits will be available against which the benefit of temporary differences can be utilised. As a consequence, a deferred tax asset of \$1,086,420 was recognised for these temporary differences in 2018.

	Group	
	Property, Plant & Equipment	Total
	\$	\$
At 1 January 2017	-	-
Charged to statement of comprehensive income	1,086,420	1,086,420
At 31 December 2018	\$1,086,420	\$1,086,420

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

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 10. Cash and cash equivalents**

The cash at bank and on hand figures are reconciled to the cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Cash on hand	1,250	590	950	290
Cash at bank – operating	10,115,387	6,119,104	2,941,687	3,309,138
Cash at bank - Cane Development Revolving Fund (refer note 20 (a))	2,337,335	2,184,550	2,337,335	2,184,550
Cash at bank – New Cane Farmers Assistance Grant (refer note 23 (b))	797,075	1,000,000	797,075	1,000,000
Cash and cash equivalents	<u>\$13,251,047</u>	<u>\$9,304,244</u>	<u>\$6,077,047</u>	<u>\$6,493,978</u>

**Note 11. Investment at fair value through profit or loss**

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Units at fair value (refer to (a))	<u>\$6,307,219</u>	<u>\$4,259,663</u>	<u>\$6,307,219</u>	<u>\$4,259,663</u>
Reconciliation of investment in Unit Trust of Fiji				
At 1 January	4,259,663	1,782,231	4,259,663	1,780,576
Additions	1,000,000	2,000,001	1,000,000	2,000,001
Gain on remeasurement to fair value	1,047,556	480,068	1,047,556	479,086
Withdrawal of investment	-	(2,637)	-	-
At 31 December	<u>\$6,307,219</u>	<u>\$4,259,663</u>	<u>\$6,307,219</u>	<u>\$4,259,663</u>

**(a) Details of investment in Unit Trust of Fiji**

	Units held (unit)	Fair value per unit \$	Extended value \$
Investment	<u>2,650,092</u>	2.38	<u>\$6,307,219</u>

(b) When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the assets or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group measures the fair value of the above investments using Level 1 of the fair value hierarchy.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 12. Investments – at amortised cost**

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Term Deposits</b>				
Bank of Baroda	1,000,000	2,000,000	1,000,000	2,000,000
Home Finance Limited	2,000,000	1,000,000	2,000,000	1,000,000
Kontiki Finance Limited	3,000,000	3,000,000	3,000,000	3,000,000
Merchant Finance Limited	3,500,000	3,500,000	3,500,000	3,500,000
	<u>9,500,000</u>	<u>9,500,000</u>	<u>9,500,000</u>	<u>9,500,000</u>
<b>Bonds</b>				
Government Infrastructure Bond	1,000,000	1,000,000	1,000,000	1,000,000
Government Green Bond	861,000	361,000	861,000	361,000
	<u>1,861,000</u>	<u>1,361,000</u>	<u>1,861,000</u>	<u>1,361,000</u>
Less: Loss allowance (IFRS 9)	<u>(46,687)</u>	<u>-</u>	<u>(46,687)</u>	<u>-</u>
	<u>\$11,314,313</u>	<u>\$10,861,000</u>	<u>\$11,314,313</u>	<u>\$10,861,000</u>

(a) The interest rates on term deposits in 2018 range from 4.25% to 6.75% (2017: 3.50% to 6.75%) with terms ranging from 12 months to 24 months. (2017: 12 months to 24 months).

(b) The interest rates on Government Infrastructure Bond and Government Green Bond are 6.00% and 6.30%, respectively. The bonds mature on 17 May 2027 and 1 November 2030, respectively.

**Note 13. Trade and other receivables**

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Trade receivables	22,554,061	22,784,741	-	-
Other receivables	1,491,126	1,169,171	148,237	662,982
	<u>\$24,045,187</u>	<u>\$23,953,912</u>	<u>\$148,237</u>	<u>\$662,982</u>

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 14. Loans to growers**

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Secured loans to growers	28,796,676	26,488,968	28,796,676	26,488,968
Cane Development Revolving Fund	1,283,900	1,374,666	1,283,900	1,374,666
	30,080,576	27,863,634	30,080,576	27,863,634
Accrued interest	1,238,321	972,971	1,238,321	972,971
	31,318,897	28,836,605	31,318,897	28,836,605
Less: Loss allowance (IFRS 9)	(5,501,169)	(2,538,344)	(5,501,169)	(2,538,344)
	<u>\$25,817,728</u>	<u>\$26,298,261</u>	<u>\$25,817,728</u>	<u>\$26,298,261</u>

**Note 15. Inventories**

The valuation policy adopted in respect of inventories is set out in note 2(g).

	Group	
	2018	2017
	\$	\$
Raw materials	7,449,495	8,116,319
Packing materials	446,103	465,193
Finished goods	2,027,206	2,111,885
Weedicide	7,951,984	777,806
	17,874,788	11,471,203
Goods in transit	763,032	-
	<u>\$18,637,820</u>	<u>\$11,471,203</u>

**Note 16. Prepayments**

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Prepayments – inventory	3,176,737	4,753,227	-	-
Prepayments – others	5,257	42,426	5,257	42,426
	<u>\$3,181,994</u>	<u>\$4,795,653</u>	<u>\$5,257</u>	<u>\$42,426</u>

**Note 17. Advances to industry related entities**

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Receivable from Fiji Sugar Corporation Limited	6,704,257	8,567,653	6,704,257	8,567,653
Less: Loss allowance (IFRS 9)	(95,146)	-	(95,146)	-
	<u>\$6,609,111</u>	<u>\$8,567,653</u>	<u>\$6,609,111</u>	<u>\$8,567,653</u>

- (a) Amounts receivable from Fiji Sugar Corporation Limited (FSC) is secured via government guarantee. Interest is charged at the rate of 5.5% (2017: 3.5%). In 2018, a loan agreement between the Fund and FSC was entered into whereby it was agreed that the principal amount of the loan was payable on or before 31 December 2018 and or later date if agreed for extension. As at year end, SCGF and FSC were in negotiations for further extension of the loan repayment term.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 17. Advances to industry related entities (continued)**

Subsequent to year end on 22 February 2019, a new loan agreement was entered into by SCGF and FSC whereby it was agreed that the outstanding principal balance of the loan was payable on or before 31 December 2023 or later date if agreed for extension, with twice yearly repayments of \$785,585. Interest rate on the loan is 6% per annum; with penalty interest rate of 7% on any future default interest payment and/or if the payments are not in accordance with the agreed schedule.

**Note 18. Property, plant and equipment**

**Group**

	Land and buildings \$	Plant and equipment \$	Furniture and fittings \$	Office equipment \$	Motor vehicles \$	Work in progress \$	Total \$
<b>Cost</b>							
At 1 January 2017	11,538,694	5,002,610	386,106	332,420	1,698,360	39,001	18,997,191
Additions	-	5,075	4,270	1,870	339,128	-	350,343
Disposals	-	-	-	-	(286,640)	(39,001)	(325,641)
At 31 December 2017	11,538,694	5,007,685	390,376	334,290	1,750,848	-	19,021,893
Addition	588,289	153,197	18,714	20,684	72,772	-	853,656
Disposals	-	-	-	-	(45,682)	-	(45,682)
At 31 December 2018	\$12,126,983	\$5,160,882	\$409,090	\$354,974	\$1,777,938	-	\$19,829,867
<b>Accumulated depreciation</b>							
At 1 January 2017	(7,975,963)	(3,746,414)	(338,008)	(306,612)	(1,547,659)	-	(13,914,656)
Depreciation	(532,070)	(264,576)	(5,039)	(14,189)	(87,431)	-	(903,305)
Disposals	-	-	-	-	286,640	-	286,640
At 31 December 2017	(8,508,033)	(4,010,990)	(343,047)	(320,801)	(1,348,450)	-	(14,531,321)
Depreciation	(543,223)	(266,141)	(5,625)	(9,675)	(154,041)	-	(978,705)
Disposals	-	-	-	-	45,682	-	45,682
At 31 December 2018	\$(9,051,256)	\$(4,277,131)	\$(348,672)	\$(330,476)	\$(1,456,809)	\$-	\$(15,464,344)
<b>Carrying amount</b>							
At 31 December 2017	\$3,030,661	\$996,695	\$47,329	\$13,489	\$402,398	\$-	\$4,490,572
At 31 December 2018	\$3,075,727	\$883,751	\$60,418	\$24,498	\$321,129	\$-	\$4,365,523

The depreciation policy adopted in respect of the above is set out in note 2(d).

The total depreciation of \$978,705 (2017: \$903,305), has been allocated to cost of sales amounting to \$724,993 (2017: \$720,683) and administrative and other operating expenses amounting to \$253,712 (2017: \$182,622).

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 18. Property, plant and equipment (continued)**

**Fund**

	Furniture and fittings \$	Office equipment \$	Motor vehicles \$	Total \$
<b>Cost</b>				
At 1 January 2017	148,802	332,420	359,640	840,862
Additions	3,587	1,870	275,000	280,457
Disposals	-	-	(286,640)	(286,640)
At 31 December 2017	152,389	334,290	348,000	834,679
Addition	18,714	20,684	-	39,398
Disposals	-	-	-	-
At 31 December 2018	\$171,103	\$354,974	\$348,000	\$874,077
<b>Accumulated depreciation</b>				
At 1 January 2017	(133,848)	(306,612)	(311,293)	(751,753)
Depreciation	(4,800)	(14,189)	(39,146)	(58,135)
Disposals	-	-	286,640	286,640
At 31 December 2017	(138,648)	(320,801)	(63,799)	(523,248)
Depreciation	(5,373)	(9,675)	(87,000)	(102,048)
Disposals	-	-	-	-
At 31 December 2018	\$(144,021)	\$(330,476)	\$(150,799)	\$(625,296)
<b>Carrying amount</b>				
At 31 December 2017	\$13,741	\$13,489	\$284,201	\$311,431
At 31 December 2018	\$27,082	\$24,498	\$197,201	\$248,781

**Note 19. Investment in subsidiary**

	Fund	
	2018	2017
	\$	\$
<b>South Pacific Fertilizers Pte Limited (SPFL)</b>		
Investment	14,951,296	14,951,296
Less: provision for impairment	(1,549,891)	(1,549,891)
At 31 December	\$13,401,405	\$13,401,405

SPFL is a Company domiciled in Fiji. The Fund's interest in SPFL is 90.6% with the remaining 9.4% owned by Sugar Cane Growers Council. The principal business activity of SPFL during the year was importing bulk fertilizer, blending, packing and distributing to local markets.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
**31 December 2018 (continued)**

**Note 20. Trade and other payables**

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Trade payables	214,547	340,829	-	-
Other payables	1,080,412	1,262,817	301,567	180,477
Payable – Cane Development Revolving Fund (refer (a))	3,697,398	3,639,688	3,697,398	3,639,688
	<u>\$4,992,357</u>	<u>\$5,243,334</u>	<u>\$3,998,965</u>	<u>\$3,820,165</u>

- (a) In 2011, the Government advanced \$6 million to the Fund to set up a Cane Development Revolving Fund. The Fund is only the facilitator to process applications and make payments, while FSC identifies the growers and completes the application form.

**Note 21. Employee benefits**

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
At 1 January	111,488	87,683	67,130	65,994
Movement during the year	45,004	23,805	28,827	1,136
At 31 December	<u>\$156,492</u>	<u>\$111,488</u>	<u>\$95,957</u>	<u>\$67,130</u>

**Note 22. Borrowings**

	Group	
	2018	2017
	\$	\$
Government loan	<u>\$5,235,477</u>	<u>\$4,936,724</u>

This represents a loan to the subsidiary by Government of Fiji of \$9,722,100 that was appropriated for in the 2015 National budget. The loan is repayable by semi-annual instalments of \$243,000 commencing from 31 August 2020 for a term of 25 years, and no interest will be charged on the loan. A deferred grant income of \$5,332,711 representing the benefit of the nil rate of interest was recognised separately, and is measured as the difference between the present value of all future cash repayments over the term of the loan discounted using the prevailing market rate of interest for a similar instrument (which is determined at 5.89%), and the proceeds received. The deferred grant is amortised and recognised in the statement of profit or loss and other comprehensive income as grant income on a systematic basis over the term of the government loan. The balance of deferred grant income which represents the benefit of the nil rate of interest in the Government of Fiji loan as at 31 December 2018 was \$4,486,623 (2017: \$4,785,376). Interest expense determined at the estimated market rate of interest of 5.89% is also recognised in the statement of profit or loss and other comprehensive income over the term of the loan. Grant income and interest expense recognised in the statement of profit or loss and other comprehensive income for the financial year ended 31 December 2018 amounted to \$298,753 (2017: \$281,705).

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 23. Deferred grant income**

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Benefit of nil rate of interest on Government loan (note 22)	4,486,623	4,785,376	-	-
Government fertilizer price subsidy (note 28(b))	6,908,598	5,483,500	-	-
Government weedicide price subsidy (note 28(c))	5,050,268	1,780,291	-	-
New cane farmers assistance grant (refer (a))	797,075	1,000,000	797,075	1,000,000
	<u>\$17,242,564</u>	<u>\$13,049,167</u>	<u>\$797,075</u>	<u>\$1,000,000</u>

- (a) In December 2017, the Fund received a government grant of \$1 million towards encouraging new farmers to venture into sugarcane farming for the 2017-2018 financial year. The purpose of the grant is to assist new farmers who do not qualify for loans with the Fund. The Fund will administer the grant to acquire land lease, and carry out identified farm activities, and will be accountable for the disbursement of these funds to farmers. For the purpose of accountability and governance, a separate bank account was established by the Fund subsequent to year end for the new farmers assistance grant.

During the year, an amount of \$82,569 was paid out of the grant funds to Fiji Revenue and Customs Services for VAT on grant. \$132,802 of grant funds was used to acquire new land leases from iTaukei Land Trust Board for new farmers. Interest of \$12,446 was credited to the cane farmer assistance grant bank account during the year.

**Note 24. Non-controlling interest**

Set out below is summarised financial information for the subsidiary company (South Pacific Fertilizers Pte Limited) that has non-controlling interest (NCI) of 9.4% that is material to the Group:

**Summarised Balance Sheet:**

	2018	2017
	\$	\$
Current assets	52,885,507	42,778,626
Current liabilities	(14,516,586)	(9,446,878)
<b>Current net assets</b>	<u><b>38,368,921</b></u>	<u><b>33,331,748</b></u>
Non-current assets	5,203,162	4,179,141
Non-current liabilities	(9,405,268)	(9,423,347)
<b>Non-current – net assets</b>	<u><b>(4,202,106)</b></u>	<u><b>(5,244,206)</b></u>
<b>Net assets</b>	<u><b>\$34,166,815</b></u>	<u><b>\$28,087,542</b></u>
<b>Accumulated NCI</b>	<u><b>\$3,211,680</b></u>	<u><b>\$2,640,228</b></u>

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 24. Non-controlling interest (continued)**

**Summarised Statement of Profit or Loss and Other Comprehensive Income:**

	2018	2017
	\$	\$
Revenue	30,706,393	29,754,367
<b>Gross profit for the period</b>	<b>8,993,884</b>	<b>8,658,891</b>
Net profit for the year	6,179,273	6,143,767
<b>Total comprehensive income</b>	<b>6,179,273</b>	<b>6,143,767</b>
Profit allocated to NCI	580,852	577,514

**Summarised Statement of Cash Flows:**

	2018	2017
	\$	\$
Cash flows used in operating activities	5,752,982	2,526,423
Cash flows used in investing activities	(789,248)	(14,038)
Cash flows from financing activities	(600,000)	-
<b>Net increase in cash and cash equivalents</b>	<b>\$4,363,734</b>	<b>\$ 2,512,385</b>

**Note 25. Related parties**

**(a) Board members**

The following were board members in office at any time during the financial year and up to the date of this report:

- Mr Faizul Ariff Ali – Chairman
- Mr Pradeep Lal – Member
- Mr Sundresh Chetty - Member
- Dr Anand Chand – Member (Appointed 9/1/2019)
- Mr Tevita Madigibuli – Member (Appointed 9/1/2019)
- Mr Uday Sen – Member (Appointed 9/1/2019)
- Mr Timothy Brown - Member (Term expired 18/11/2018)
- Mr David Veremo - Member (Term expired 18/11/2018)

Directors' fees are disclosed under note 7.

**(b) Key management personnel**

Key management includes the Chief Executive Officer, Acting Chief Executive Officer/General Manager – Lending and Operations of the Fund and the General Manager of the subsidiary, South Pacific Fertilizers Pte Limited, who have authority and responsibility for planning, directing and controlling the activities of the Group and the Company. Compensation paid or payable to key management during the financial year is disclosed under note 8.

**(c) Identity of related parties**

South Pacific Fertilizers Pte Limited is a subsidiary of the Fund. Majority shares in South Pacific Fertilizers Pte Limited are owned by the Fund, with non-controlling interests held by the Sugar Cane Growers Council.

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

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 25. Related parties (continued)**

**(d) Transactions with related parties**

During the year, the Group and the Fund entered into various transactions with related parties which were on normal commercial terms and conditions. The following transactions occurred with the related parties:

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Loans to Fiji Sugar Corporation Limited (FSC)				
At 1 January	8,567,653	8,697,404	8,567,653	8,697,404
Loans advanced	-	-	-	-
Interest earned	388,717	289,878	388,717	289,878
Loan repayment (principal and interest)	(2,252,113)	(419,629)	(2,252,113)	(419,629)
Loss allowance - IFRS 9	(95,146)	-	(95,146)	-
At 31 December	<u>\$6,609,111</u>	<u>\$8,567,653</u>	<u>\$6,609,111</u>	<u>\$8,567,653</u>

	Group		Fund	
	2018	2017	2018	2017
	\$	\$	\$	\$
Loans to South Pacific Fertilizers Pte Limited (SPFL)				
At 1 January	-	-	-	-
Loans advanced	-	-	3,677,729	3,992,599
Interest earned	-	-	48,735	29,746
Loan repayment (principal and interest)	-	-	(3,726,464)	(4,022,345)
At 31 December	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

This represents a working capital facility provided to SPFL. The loan is secured and interest is charged at the rate of 5% (2017: 5%) per annum.

**Security:**

- (i) First registered mortgage debenture over all assets and undertakings including uncalled and unpaid capital of the company.
- (ii) First registered mortgage over certificate of title no. 25872 on freehold property situated at Veitari, Lautoka.

	Group	
	2018	2017
	\$	\$
Sale to Sugar Cane Growers Council	2,067,499	2,079,249
Sale to Fiji Sugar Corporation Limited	11,070,057	12,074,263

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 26. Contingent liabilities**

The Group and the Fund did not have any contingent liabilities as at balance date which require an adjustment to or disclosure in the financial statement.

**Note 27. Capital commitments**

There were no capital commitments as at balance date for the Group and the Fund.

**Note 28. Subsidiary revenue**

2018	Government Subsidy (\$)	Fertilizer (\$)	Weedicide (\$)	Rice (\$)	Others (\$)	Total (\$)
Sale to Fiji Sugar Corporation	-	10,033,133	16,669	1,020,254	-	11,070,056
Sale to Sugar Cane Growers Council	-	-	2,067,499	-	-	2,067,499
Sale to Ministry of Agriculture	-	663,903	137,394	21	-	801,318
Sale to other customers	-	279,074	502,674	232,395	518,900	1,533,043
Fertilizer Subsidy	12,708,096	-	-	-	-	12,708,096
Weedicide Subsidy	2,526,381	-	-	-	-	2,526,381
	<u>\$15,234,477</u>	<u>\$10,976,110</u>	<u>\$2,724,236</u>	<u>\$1,252,670</u>	<u>\$518,900</u>	<u>\$30,706,393</u>
2017	Government Subsidy (\$)	Fertilizer (\$)	Weedicide (\$)	Rice (\$)	Others (\$)	Total (\$)
Sale to Fiji Sugar Corporation	-	10,813,804	57,675	1,202,781	-	12,074,260
Sale to Sugar Cane Growers Council	-	-	2,079,249	-	-	2,079,249
Sale to Ministry of Agriculture	-	187,592	717	-	-	188,309
Sale to other customers	-	176,978	120,304	8,770	189,365	495,417
Fertilizer Subsidy	13,799,305	-	-	-	-	13,799,305
Weedicide Subsidy	1,117,827	-	-	-	-	1,117,827
	<u>\$14,917,132</u>	<u>\$11,178,374</u>	<u>\$2,257,945</u>	<u>\$1,211,551</u>	<u>\$189,365</u>	<u>\$29,754,367</u>

- (a) The subsidiary recognises revenue from sale of fertilizers, weedicides and rice. Sale of fertilizers are mainly to Fiji Sugar Corporation Limited at \$20.00 (vep) (2017: \$20.00 (vep)) per 50kg bag for distribution to sugarcane farmers.

**Sugar Cane Growers Fund and Subsidiary**  
**Notes to and Forming Part of the Financial Statements**  
31 December 2018 (continued)

**Note 28. Subsidiary revenue (continued)**

**(b) Grant income – Government fertilizer price subsidy**

In 2018, the subsidiary received a government subsidy of \$15,405,182 (inclusive of vat of \$1,271,988) towards fertilizer price for 2017-2018 and 2018-2019 (2017: \$17,399,098 (inclusive of vat of \$1,436,623) for 2016-2017 and 2017-2018). An amount of \$12,708,096 (2017: \$13,799,305) was recognised and included in revenue and represents the total subsidy at \$25.59 (vep) per 50kg bag of fertilizer sold in 2018 (2017: \$25.59 (vep) per 50kg bag of fertilizer sold in 2017). The Cabinet in April 2009 approved that fertilizer price of sugar blends to increase from \$19.50 (vep) per 50kg bag to \$45.59 (vep) per 50kg bag. Since 2009, a sugarcane farmer paid \$31.50 (vep) per 50kg bag of fertilizer while the Government of Fiji contributed \$14.09 (vep) per 50kg bag as fertilizer subsidy. In the 2017/2018 Fiji Budget, the Government of Fiji allocated \$15.4 million as subsidy for fertilizer. Under the new allocation, a sugarcane farmer pays \$20.00 (vep) per 50kg bag of fertilizer while the Government of Fiji contributes \$25.59 (vep) per 50kg bag as fertilizer subsidy. The subsidy balance of \$6,908,598 (2017: \$5,483,500) is recognised as deferred income and represents the total subsidy at \$25.59 (vep) per 50kg bag of fertilizer that has yet to be sold as at 31 December 2018.

**(c) Grant income – Government weedicide price subsidy**

In 2018, the subsidiary received a government subsidy of \$6,318,031 (inclusive of vat of \$521,672) (2017: \$3,158,949 (inclusive of vat of \$260,831) towards weedicide price for 2017-2018 and 2018-2019. An amount of \$2,526,381 (2017: \$1,117,827) was recognised and included in revenue and represents the total subsidised weedicide sold in 2018 through the Sugar Cane Growers Council. Under the subsidy allocation, the Government of Fiji and farmers are required to pay the following:

<b>2018 -2019</b>	<b>Diuron (vep)</b>	<b>Amine (vep)</b>	<b>Glyphosate (vep)</b>	<b>Valpar (vep)</b>	<b>Glyphosate – Long Fallo (vep)</b>
Government of Fiji	\$10.79/kg	\$3.80/litre	\$3.09/litre	\$14.11/kg	\$3.09/litre
Farmers	\$8.83/kg	\$3.10/litre	\$2.52/litre	\$11.55/kg	\$2.52/litre

<b>2017 -2018</b>	<b>Diuron (vep)</b>	<b>Amine (vep)</b>	<b>Glyphosate (vep)</b>	<b>Valpar (vep)</b>	<b>Glyphosate – Long Fallo (vep)</b>
Government of Fiji	\$8.86/kg	\$3.67/litre	\$3.19/litre	\$14.40/kg	\$3.19/litre
Farmers	\$7.25/kg	\$3.00/litre	\$2.61/litre	\$11.78/kg	\$2.61/litre

The balance of \$5,050,268 (2017: \$1,780,291) is recognised as deferred income and represents the total subsidy at subsidised price per kg or litre of weedcides that has yet to be sold as at 31 December 2018.

The revenue recognition policy adopted in respect of the above is set out in note 2(o).

**Note 29. Events subsequent to balance date**

No charge on the assets of the Group and the Fund has arisen since the end of the financial period 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 period 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 from the date of this report which, in the opinion of the board, will or may affect the ability of the Group and the Fund to meet its obligations when they fall due.

## 2018 Highlights –



Launch of Employee of the Month



Launch of SCGF Facebook



Launching of SCGF Back to School Education Loan Promotion by Hon George Vengnathan-Assistant Minister for Sugar Industry at SCGF Labasa branch office

## 2018 SCGF Annual Report



SCGF Management Strategic Planning



Meeting held with International Finance Corporation(IFC)



Staff meeting with growers







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