

# **Sugar Cane Growers Fund**

**Annual Report  
For The Year Ended  
31st December, 2012**

# SUGAR CANE GROWERS FUND



2<sup>nd</sup> Floor,  
Sugar Cane Growers Council Building,  
75 Drasa Avenue, Lautoka.  
P.O. Box 13,  
Lautoka.  
Phone: 665 0777 665 0280  
Fax: 665 0768  
Email: [scgf@connect.com.fj](mailto:scgf@connect.com.fj)

Our Ref:

22 June, 2015

Rear Admiral Josaia Voreqe Bainimarama  
Honorable Prime Minister & Minister for Sugar  
P O Box 2353  
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 Limited) for the year ended 31 December 2012.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Parmesh Chand', is written over a dotted line.

.....  
PARMESH CHAND  
CHAIRMAN - SCGF

District Offices Nadi Ba Tavua Rakiraki Labasa



# ANNUAL REPORT

---

## BACKGROUND

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

## MEMBERS OF THE BOARD

### CHAIRMAN

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

Mr. Manasa Vaniqui, the Permanent Secretary for Sugar was appointed as the new Chairman of the Board of Management of the Sugar Cane Growers Fund in accordance with the provision of section 7(b) of the Act effective 14 October 2013.

### MEMBERS

1. Mr. Sundresh Chetty was appointed as the Chief Executive Officer of the Sugar Cane Growers Council with effect from 08 July 2013. His appointment is in accordance with section 7(d) of the Act as the Chief Executive Officer of the Sugar Cane Growers Council.
2. Mr. Viliame Gucake the Director Sugar was reappointed with effect from 07 March 2012. His appointment is in accordance with section 7 (1) b of the Act as a person appointed by the Minister.

### FUNCTIONS

The function of the Fund 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;
- (g) To enable cane growers to participate in commercial ventures which, in the opinion of the Board, are intended to benefit the cane growing industry.

## ASSISTANCE TO CANE GROWERS

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

## LOANS TO GROWERS

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

1. **PRIORITY LOANS** limited upto \$5,000 for Farm Development and Planting of



Sugar Cane, Purchase and Repair of Farm Equipments, House Repairs, Educational Expenses, Wedding Expenses, Drainage, Road Repairs, Weedicides, Borehole Drilling, Medical Expenses, Funeral Expenses and Purchase of Working Bullocks and Horses, etc.

2. **SPECIALISED LENDING** – Loans of up to \$50,000 for the Purchase of Farms, Farm Machinery, Cane Trucks, Construction of Farm House and for other purposes provided in the Act.
3. **LOANS TO TENANTS FOR NEW LEASES** – Loans to assist growers to obtain New Leases from the iTaukei Land Trust Board, Department of Lands and other Landowners.
4. **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.

## DETAILS OF LOANS

### Priority Loans

Application Approved	22,625
Applications Paid	23,534
Value of Loans Approved	\$28,128,696
Value of Loans Paid Out	\$26,657,489

### Specialized Lending

Application Approved	3,022
Applications Paid	3,311
Value of Loans Approved	\$23,064,864
Value of Loans Paid Out	\$26,006,152

### New Leases

Application Approved	2,753
Applications Paid	2,487
Value of Loans Approved	\$16,809,777
Value of Loans Paid Out	\$15,086,689

### Refinance

Application Approved	627
Applications Paid	606
Value of Loans Approved	\$6,692,738
Value of Loans Paid Out	\$6,493,969

## DISTRICT OFFICES

The Fund has Offices in Lautoka, Labasa, Rakiraki, Tavua, Ba and Nadi to provide services to sugar cane growers. Growers from the

Sigatoka and Seaqaqa Districts are provided services by the Nadi and Labasa District staff once a week from the Sugar Cane Growers Council Offices in their respective Districts.

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

During the year the Fund approved 840 loans under Priority Loans to the value of \$895,166. 377 loans under Specialised Lending to the value of \$975,441. 233 loans for New Leases to the value of \$1,089,760 and 5 loans for Refinance of loans to the value of \$319,000. 2,594 loans for Cane Development Revolving Fund to the value of \$5,524,200.

The Labasa District Office received - 561, Rakiraki - 170, Tavua - 199, Ba - 425, Nadi - 217 and Lautoka - 273 applications respectively.

## LOAN TO SOUTH PACIFIC FERTILIZERS LIMITED

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

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

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



SPFL be held by the representative of the SCGF, and that the Fiji Sugar Corporation have a nominee Director on the SPFL appointed by the SCGF.

In 2012 the Company borrowed \$17,298,477 for procurement of Raw Materials. Total loan outstanding as at 31 December 2012 was \$4,990,766.

Government provided subsidy of \$5 million in 2012.

## **CANE DEVELOPMENT REVOLVING FUND**

The Board of Management of the Sugar Cane Growers Fund agreed to provide \$3 million 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 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.

Application Approved	4,057
Applications Paid	3,765
Value of Loans Approved	\$8,088,150
Value of Loans Paid	\$5,910,660

Following approval by Government, a sum of \$2.3 million have been converted to grant to assist growers affected by Cyclone in December 2012.

## **SPECIAL CANE PAYMENT**

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

following a directive from the Prime Minister and Minister for Sugar.

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

The Government through the Ministry of Sugar will pay interest.

## **SUMMARY OF LOANS AND INVESTMENTS**

Loans to Growers	\$23,066,821
South Pacific Fertilizers Ltd. Shares	\$13,401,405
South Pacific Fertilizers Ltd. Loan	\$11,273,693
Sugar Cane Growers Council	\$76,000
Fiji Sugar Corporation Limited	\$4,201,198

## **FUNDS BANKERS**

Bank of Baroda is the Fund's Bankers.

## **STAFF**

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

## **BOARD MEETINGS**

The Board of Management held four meetings during the year.

## **ACKNOWLEDGEMENT**

The Board wishes to acknowledge the co-operation and assistance given by the Ministry of Sugar, Ministry of Finance, Ministry of Primary Industries, Ministry of Lands & Mineral Resources, iTaukei Land Trust Board, Sugar Cane Growers Council, Sugar Industry Tribunal, Fiji Sugar Corporation Limited and the Trading Banks to the Fund during the year.

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



CHAIRMAN

**Sugar Cane Growers Fund and its Subsidiary**

**Consolidated Financial Statements**

**For the year ended 31 December 2012**



## **Sugar Cane Growers Fund and its Subsidiary**

### **Contents**

Board report	1 - 3
Statement by Board members	4
Report of the independent auditor	5 - 6
Consolidated statements of comprehensive income	7
Consolidated statements of changes in equity	8
Consolidated statements of financial position	9
Consolidated statements of cash flow	10
Notes to the financial statements	11 - 33

## **Sugar Cane Growers Fund and its Subsidiary**

### **Board report**

The Board present their report together with the financial statements of Sugar Cane Growers Fund ("the Fund") and the consolidated financial statements of the Group (being the Fund and its Subsidiary, South Pacific Fertilizer Limited) for the year ended 31 December 2012 and the auditor's report thereon.

#### **Board members**

The names of Board members in office at the date of this report and at any time during the financial year and up until the date the consolidated financial statements were authorised for issue are as follows:

Mr John May - Chairman (resigned on 14 October 2013)  
Mr Viliame Gucake  
Mr Sundresh Chetty  
Mr Manasa Vuqini - Chairman (appointed on 14 October 2013)

#### **State of affairs**

In the opinion of the Board, the accompanying statements of financial position give a true and fair view of the state of affairs of the Group and the Fund as at 31 December 2012 and the accompanying statements of comprehensive income, statements of changes in equity and statements of cash flow give a true and fair view of the results, changes in equity and cash flows of the Group and the Fund for the year then ended.

#### **Trading results**

The net loss of the Group was \$4,389,287 (2011: net profit of \$2,385,643) after accounting for income tax expense of \$Nil (2011: \$Nil).

The loss of the Fund for the year amounted to \$233,271 (2011: surplus of \$1,365,037).

#### **Principal activity**

The principal activity of the Fund as outlined under Sugar Cane Growers Fund Act 1984 Section 4, is to provide loans to sugar cane growers to increase production of sugar cane, 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 distributing mainly to sugarcane farmers.

#### **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 business.

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



## **Sugar Cane Growers Fund and its Subsidiary**

### **Board report (continued)**

#### **Receivables**

The Board took reasonable steps before the consolidated financial statements were made out to ascertain that all known bad debts were written off and adequate allowance was made for impairment losses.

At the date of this report, the Board are not aware of any circumstances which would render the above assessment inadequate to any substantial extent.

#### **Related party transactions**

All related party transactions have been adequately recorded and disclosed in the consolidated financial statements.

#### **Subsidiary going concern**

During the year ended 31 December 2012, the Subsidiary recorded a loss before income tax amounting to \$5,706,904.

The Subsidiary's ability to continue to operate on a going concern basis is dependent on its ability to return to operating profitability and it receiving on-going financial support from its shareholders. The Directors of the Subsidiary consider the application of the going concern principle to be appropriate in the preparation of their financial statements as the Subsidiary will continue to receive ongoing support from the Fund and the Government, which will enable the Subsidiary to meet its funding requirements for operations and to meet its obligations as and when they fall due. The Government has provided subsidy in 2013 and 2014 financial years and has also provided a written undertaking to provide the approved financial support to the Subsidiary for twelve months from 2 October 2014. The Fund has given a written under-taking to provide sufficient financial support to the Subsidiary on an as-and-when-needed basis as well as to not request repayment of the current portion of advances to the Subsidiary in the next twelve months. This undertaking by the Fund is for a minimum period of twelve months from the date of signing of these financial statements.

Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Subsidiary be unable to continue as a going concern.

#### **Events subsequent to balance date**

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

#### **Other circumstances**

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

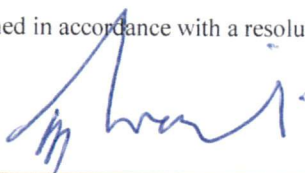
**Sugar Cane Growers Fund and its Subsidiary**  
**Board report (continued)**

**Unusual circumstances**

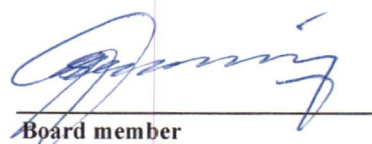
The results of the Group's and the Fund's operations during the financial year have not in the opinion of the Board been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the consolidated financial statements.

Dated at LAYTOKA this 19 day of DECEMBER 2014.

Signed in accordance with a resolution of the Board.



**Chairman**



**Board member**



## **Sugar Cane Growers Fund and its Subsidiary**

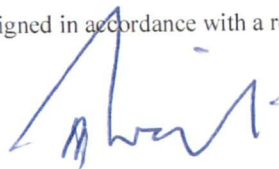
### **Statement by Board members**

In the opinion of the Board members of Sugar Cane Growers Fund and its Subsidiary:

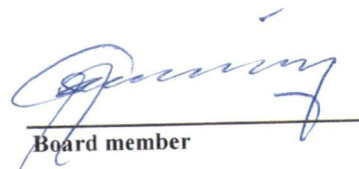
- (a) the accompanying statements of comprehensive income of the Group and the Fund are drawn up so as to give a true and fair view of the results of the Group and the Fund for the year ended 31 December 2012;
- (b) the accompanying statements of changes in equity are drawn up so as to give a true and fair view of the changes in equity of the Group and the Fund for the year ended 31 December 2012;
- (c) the accompanying statements of financial position of the Group and the Fund are drawn up so as to give a true and fair view of the state of affairs of the Group and the Fund as at 31 December 2012;
- (d) the accompanying statements of cash flows of the Group and the Fund are 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 2012;
- (e) at the date of this statement there are reasonable grounds to believe the Group and the Fund will be able to pay their debts as and when they fall due; and
- (f) all related party transactions have been adequately recorded in the books of the Group and the Fund.

Dated at LAUTOKA this 19 day of DECEMBER 2014.

Signed in accordance with a resolution of the Board members.



**Chairman**



**Board member**



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUGAR CANE GROWERS FUND AND ITS SUBSIDIARY**

### **Report on the Fund and Consolidated financial statements**

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 (the "Group"), which comprise the statements of financial position as at 31 December 2012, and the statements of comprehensive income, statements of equity and statements of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information in notes 1 to 23.

### **Board Members' and Management's Responsibility for the Financial Statements**

Board members and management are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the Board members and management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Sugar Cane Growers Fund and the consolidated financial statements of the Fund and its Subsidiary as at 31 December 2012 and of its financial performance, its changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.





**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF SUGAR CANE GROWERS FUND AND ITS SUBSIDIARY (continued)**

**Report on other legal and regulatory requirements**

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

In our opinion:

- (i) proper books of account have been kept by the Fund, so far as it appears from our examination of those books;
- (ii) the financial statements are in agreement with the books of account; and
- (iii) the receipt, expenditure and investment of moneys, and the acquisition of assets, by the Fund and the Group during the year were in accordance with the Sugar Cane Growers Fund Act 1984.

19 December 2014  
Nadi, Fiji Islands

**KPMG**  
**Chartered Accountants**

**Sugar Cane Growers Fund and its Subsidiary**  
**Consolidated statements of comprehensive income**  
**For the year ended 31 December 2012**

	Note	Group 2012 \$	2011 \$	Fund 2012 \$	2011 \$
<b>Revenue</b>					
Sales		17,578,610	13,270,495	-	-
Cost of sales		(22,775,348)	(15,183,728)	-	-
<b>Gross loss</b>		(5,196,738)	(1,913,233)	-	-
Interest income	5	1,980,160	2,380,313	2,353,961	2,645,770
Other operating income	6	2,124,121	4,992,477	28,601	107,125
		(1,092,457)	5,459,557	2,382,562	2,752,895
Personnel expenses	7	(1,176,937)	(1,027,436)	(626,796)	(567,487)
Impairment loss on investment in subsidiary	17	-	-	(1,549,891)	-
Administrative and other operating expenses	8	(2,119,893)	(2,046,478)	(439,146)	(820,371)
<b>Operating (loss) / profit before income tax</b>		(4,389,287)	2,385,643	(233,271)	1,365,037
Income tax expense	9 (a)	-	-	-	-
<b>(Loss) / profit for the year</b>		(4,389,287)	2,385,643	(233,271)	1,365,037
Other comprehensive income, net of tax		-	-	-	-
<b>Total comprehensive (loss) / income for the year</b>		<u>(4,389,287)</u>	<u>2,385,643</u>	<u>(233,271)</u>	<u>1,365,037</u>
<b>Total comprehensive (loss) / income attributable to:</b>					
- Owners		(3,998,528)	2,289,706	(233,271)	1,365,037
- Non-controlling interest		(390,759)	95,937	-	-
		<u>(4,389,287)</u>	<u>2,385,643</u>	<u>(233,271)</u>	<u>1,365,037</u>

The notes on pages 11 to 33 are an integral part of these financial statements.

**Sugar Cane Growers Fund and its Subsidiary**  
**Consolidated statements of changes in equity**  
**For the year ended 31 December 2012**

	Funds employed / retained earnings attributable to the:		
	Owners	Non-controlling interest	Total
	\$	\$	\$
<b>Group</b>			
Balance at 1 January 2011	61,839,524	1,815,340	63,654,864
Profit for the year	2,289,706	95,937	2,385,643
Other comprehensive income, net of tax	-	-	-
Balance at 31 December 2011	<u>64,129,230</u>	<u>1,911,277</u>	<u>66,040,507</u>
Balance at 1 January 2012	64,129,230	1,911,277	66,040,507
Loss for the year	(3,998,528)	(390,759)	(4,389,287)
Other comprehensive income, net of tax	-	-	-
Balance at 31 December 2012	<u>60,130,702</u>	<u>1,520,518</u>	<u>61,651,220</u>
		<b>Funds employed</b>	<b>Total</b>
		\$	\$
<b>Fund</b>			
Balance at 1 January 2011		59,165,214	59,165,214
Surplus for the year		1,365,037	1,365,037
Balance at 31 December 2011		<u>60,530,251</u>	<u>60,530,251</u>
Surplus for the year		(233,271)	(233,271)
Balance at 31 December 2012		<u>60,296,980</u>	<u>60,296,980</u>

The notes on pages 11 to 33 are an integral part of these financial statements.



**Sugar Cane Growers Fund and its Subsidiary**  
**Consolidated statements of financial position**  
**For the year ended 31 December 2012**

	Note	Group		Fund	
		2012	2011	2012	2011
		\$	\$	\$	\$
<b>Assets</b>					
Cash and cash equivalents	10	17,476,037	13,622,005	17,358,107	12,875,292
Available for sale financial asset	11	1,655	1,655	-	-
Trade and other receivables	12	5,204,527	3,316,204	22,756	33,130
Loans to growers	13	23,066,821	24,005,849	23,066,821	24,005,849
Inventories	14	12,689,873	16,318,411	-	-
Prepayments		50,110	3,163,691	8,890	7,445
Advances to industry related parties	15	5,487,559	9,226,587	10,545,839	14,666,281
Property, plant and equipment	16	3,741,230	3,086,507	167,665	241,357
Investment in subsidiary	17	-	-	13,401,405	14,951,296
<b>Total assets</b>		<u>67,717,812</u>	<u>72,740,909</u>	<u>64,571,483</u>	<u>66,780,650</u>
<b>Liabilities</b>					
Trade and other payables	18	6,009,929	6,654,580	4,217,840	6,204,577
Employee benefits	19	56,663	45,822	56,663	45,822
<b>Total liabilities</b>		<u>6,066,592</u>	<u>6,700,402</u>	<u>4,274,503</u>	<u>6,250,399</u>
<b>Equity</b>					
Funds employed / retained earnings		60,130,702	64,129,230	60,296,980	60,530,251
Minority interest		1,520,518	1,911,277	-	-
<b>Total equity</b>		<u>61,651,220</u>	<u>66,040,507</u>	<u>60,296,980</u>	<u>60,530,251</u>
<b>Total equity and liabilities</b>		<u>67,717,812</u>	<u>72,740,909</u>	<u>64,571,483</u>	<u>66,780,650</u>

Signed on behalf of the Board.



Chairman



Board Member

The notes on pages 11 to 33 are an integral part of these financial statements.

**Sugar Cane Growers Fund and its Subsidiary**  
**Consolidated statements of cash flow**  
**For the year ended 31 December 2012**

	Note	Group 2012 \$	2011 \$	Fund 2012 \$	2011 \$
<b>Operating activities</b>					
Interest received		1,459,743	2,184,824	1,932,412	2,152,093
Application fees received		17,266	22,341	17,266	22,341
Receipts from customers		17,275,854	16,243,534	-	-
Cash paid to suppliers and employees		(21,132,322)	(22,793,781)	(967,601)	(1,703,980)
Receipt of Government Grants		4,347,826	1,000,000	-	-
Advance from Government		-	6,000,000	-	6,000,000
Loans repaid by growers		7,269,433	6,336,870	7,269,433	6,336,870
Loans to growers		(8,306,847)	(5,480,191)	(8,306,847)	(5,480,191)
<b>Cash flows (used in) / from operating activities</b>		<b>930,953</b>	<b>3,513,597</b>	<b>(55,337)</b>	<b>7,327,133</b>
<b>Investing activities</b>					
Acquisition of property, plant and equipment		(1,354,119)	(1,266,436)	(21,592)	(221,119)
Proceeds from disposal of property, plant and equipment		-	444,583	-	70,000
Loan repaid by Sugar Cane Growers Council		76,000	76,000	76,000	76,000
Loan repaid by South Pacific Fertilizers Limited		-	-	17,581,023	15,762,825
Loan to South Pacific Fertilizers Limited		-	-	(17,298,477)	(14,493,967)
Loan to The Fiji Sugar Corporation Limited		(7,000,000)	-	(7,000,000)	-
Loan repaid by The Fiji Sugar Corporation Limited		11,201,198	655,125	11,201,198	655,125
<b>Cash flows from / (used in) investing activities</b>		<b>2,923,079</b>	<b>(90,728)</b>	<b>4,538,152</b>	<b>1,848,864</b>
Net increase in cash and cash equivalents		3,854,032	3,422,869	4,482,815	9,175,997
Cash and cash equivalents at 1 January		13,622,005	10,199,136	12,875,292	3,699,295
<b>Cash and cash equivalents at 31 December</b>	10	<b>17,476,037</b>	<b>13,622,005</b>	<b>17,358,107</b>	<b>12,875,292</b>

The notes on pages 11 to 33 are an integral part of these financial statements.

## **Sugar Cane Growers Fund and its Subsidiary**

### **Notes to the financial statements**

#### **For the year ended 31 December 2012**

##### **1. Reporting entity**

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

The financial statements of the Fund as at and for the year ended 31 December 2012 comprise the Fund and its subsidiary, South Pacific Fertilizers Limited (together referred to as the "Group").

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

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

##### **2. Basis of preparation**

###### **(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Board on 19th DEC, 2014.

###### **(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except where stated. The statement of financial position has been prepared on a liquidity basis as it reflects the nature of Fund's operations.

###### **(c) Going concern**

During the year ended 31 December 2012, the Subsidiary recorded a loss before income tax amounting to \$5,706,904.

The Subsidiary's ability to continue to operate on a going concern basis is dependent on its ability to return to operating profitability and it receiving on-going financial support from its shareholders. The Directors of the Subsidiary consider the application of the going concern principle to be appropriate in the preparation of their financial statements as the Subsidiary will continue to receive ongoing support from the Fund and the Government, which will enable the Subsidiary to meet its funding requirements for operations and to meet its obligations as and when they fall due. The Government has provided subsidy in 2013 and 2014 financial years and has also provided a written undertaking to provide the approved financial support to the Subsidiary for twelve months from 2 October 2014. The Fund has given a written under-taking to provide sufficient financial support to the Subsidiary on an as-and-when-needed basis as well as to not request repayment of the current portion of advances to the Subsidiary in the next twelve months. This undertaking by the Fund is for a minimum period of twelve months from the date of signing of these financial statements.



**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

**2. Basis of preparation (continued)**

**(c) Going concern (continued)**

Accordingly, these financial statements have been prepared on a going concern basis and do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Subsidiary be unable to continue as a going concern.

**(d) Functional and presentation currency**

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

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

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Note 13	-	Loans to growers
Note 16	-	Property, plant and equipment

**(f) New standards and interpretations not adopted**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2012 or later periods, and have not been applied in preparing these consolidated financial statements. Adoption of these standards is not expected to have material impact on the consolidated financial statements:

IFRS 9	Financial Instruments - classification and measurement	(effective 1 January 2013)
IFRS 10	Consolidated Financial Statements	(effective 1 January 2013)
IFRS 12	Disclosure of Interest in Other Entities	(effective 1 January 2013)
IAS 19 Amendment	Employee Benefits	(effective 1 January 2013)

**3. Significant accounting policies**

The accounting policies have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

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

**(a) Basis of consolidation**

Subsidiary

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

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

**(b) Foreign currency**

Foreign currency transactions

Transactions in foreign currencies are translated to Fiji dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Fiji dollars at the exchange rate at that date. The foreign currency gains or losses on translation are recognised in profit or loss.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

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

Recognition and measurement

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

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

Any gains and losses on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

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

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

Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings	20 years
Furniture and fittings	5 - 15 years
Motor vehicles	4 years
Office equipment	4 years
Plant and equipment	4 - 10 years

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

**(d) Loans to growers**

Measurement

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

Allowance for uncollectibility

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

Bad debts written off / recovered

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



**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

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

**(e) Financial instruments**

**(i) Non-derivative financial assets**

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.

Non-derivative financial assets of the Group include loans and receivables and available-for-sale financial assets.

Loans and receivables

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

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

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.

**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

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

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

**(i) Non-derivative financial assets (continued)**

Available-for-sale financial assets

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

Available-for-sale financial assets comprise equity securities.

**(ii) Non-derivative financial liabilities**

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date 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.

**(f) 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.

**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

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

**(g) Impairment**

(i) Non-derivative financial assets

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

Loans and receivables

The Group considers evidence of impairment for loans and receivables on 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 continues 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.

Available-for-sale financial assets

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

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

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.



**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

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

**(g) Impairment (continued)**

(ii) Non-financial assets (continued)

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.

**(h) Employee benefits**

(i) Defined contribution plan / superannuation

Contributions are paid to the Fiji National Provident Fund on behalf of employees to secure retirement benefits. Costs are included in profit or loss.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term benefits if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. Liabilities for non-accumulating and accumulating leave are recognised when the sick leave is taken and measured at the rates paid or payable.

**(i) 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.

**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

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

**(j) Revenue recognition**

(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.

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

(ii) Sale of goods

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue from sale of goods is shown net of Value Added Tax (VAT), returns, rebates and discounts.

The Group recognises revenue from sale of goods when the amount of revenue can be reliably measured and it is probable that the future economic benefits will flow to the Group.

**(k) 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

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. □

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

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

**(k) Income tax (continued)**

(ii) Subsidiary (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

**(l) Grants**

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

**4. Financial risk management**

**Overview**

The Group has exposure to the following risks:

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

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

**Risk management framework**

The Board of Directors have 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.



**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

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

**(i) Credit risk**

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the end of the reporting date was as follows:

	<b>Group</b>		<b>Fund</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash at bank	17,475,617	13,621,685	17,357,887	12,875,072
Loans to growers	23,066,821	24,005,849	23,066,821	24,005,849
Trade receivables	5,036,241	3,119,307	-	-
Other receivables	168,286	196,897	22,756	33,130
Advances to industry related parties	5,487,559	9,226,587	10,545,839	14,666,281
	<u>51,234,524</u>	<u>50,170,325</u>	<u>50,993,303</u>	<u>51,580,332</u>

Loan to growers

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

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

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

**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

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

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

Loan to growers (continued)

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

	<b>Fund</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Not impaired	16,470,143	14,728,282
Past due 1 year	3,847,230	7,321,659
Past due 2 years	1,918,239	2,307,323
Past due 3 years	2,635,475	1,568,157
	<u>24,871,087</u>	<u>25,925,421</u>

The movement in the allowance for impairment in respect to loans to growers during the year was as follows:

	<b>Group</b>		<b>Fund</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>Allowance for uncollectibility</u>				
Balance at 1 January	1,919,572	1,523,029	1,919,572	1,523,029
Additional allowances made during the year	-	396,543	-	396,543
Provision written off	(115,306)	-	(115,306)	-
Balance at 31 December	<u>1,804,266</u>	<u>1,919,572</u>	<u>1,804,266</u>	<u>1,919,572</u>

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 is regularly monitored.

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

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Up to 3 months	4,526,336	2,541,208
3 to 6 months	515,781	577,366
6 to 12 months	-	217
12 months and over	-	15,349
	<u>5,042,117</u>	<u>3,134,140</u>

**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

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

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

The movement in the allowance for impairment in respect to trade receivables during the year was as follows:

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<u>Allowance for uncollectibility</u>		
Balance at 1 January	14,833	14,833
Reversals made during the year	(8,957)	-
Balance at 31 December	<u>5,876</u>	<u>14,833</u>

**(ii) 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 following are the contractual maturities of financial liabilities:

<b>31 December 2012</b>	<b>Carrying amount</b>	<b>Less than 6 months</b>	<b>6 months to 1 year</b>	<b>More than 1 year</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Group</b>				
<u>Financial liabilities</u>				
Trade payables	203,153	101,577	101,576	-
Other payables and accruals	1,765,465	882,733	882,732	-
Payable - Cane Development Revolving Fund	4,041,311	2,020,656	2,020,655	-
	<u>6,009,929</u>	<u>3,004,966</u>	<u>3,004,963</u>	<u>-</u>
<b>Fund</b>				
<u>Financial liabilities</u>				
Other payables and accruals	176,529	88,265	88,264	-
Payable - Cane Development Revolving Fund	4,041,311	2,020,656	2,020,655	-
	<u>4,217,840</u>	<u>2,108,921</u>	<u>2,108,919</u>	<u>-</u>



**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

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

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

<b>31 December 2011</b>	<b>Carrying amount</b>	<b>Less than 1 year</b>	<b>1 - 2 years</b>	<b>More than 2 years</b>
<b>Group</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>Financial liabilities</u>				
Trade payables	34,258	17,129	17,129	-
Other payables and accruals	620,322	310,161	310,161	-
Payable - Cane Development Revolving Fund	6,000,000	3,000,000	3,000,000	-
	<u>6,654,580</u>	<u>3,327,290</u>	<u>3,327,290</u>	<u>-</u>
 <b>Fund</b>				
<u>Financial liabilities</u>				
Other payables and accruals	204,577	102,289	102,288	-
Payable - Cane Development Revolving Fund	6,000,000	3,000,000	3,000,000	-
	<u>6,204,577</u>	<u>3,102,289</u>	<u>3,102,288</u>	<u>-</u>

**(iii) 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.

The following section summarises the Group's approach to managing these risks:

**(a) Foreign exchange risk**

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, AUD and NZD. 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.

**(b) Price risk**

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

**(c) Interest rate risk**

The Group has interest bearing assets and liabilities however, these are substantially independent of changes in market interest rates as the interest rates are fixed.

**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

	<b>Group</b>		<b>Fund</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>5. Interest income</b>				
Interest on priority loans	104,289	137,445	104,289	137,445
Interest on specialised loans	1,268,044	1,392,385	1,268,044	1,392,385
Interest on term deposits	431,980	759,669	431,980	759,669
Interest on South Pacific Fertilizers Limited loans	-	-	377,560	298,188
Interest on Sugar Cane Growers Council loan	4,560	4,560	4,560	4,560
Interest on Fiji Sugar Corporation Limited loan	123,477	53,523	123,477	53,523
Interest on Cane Development Revolving Fund	44,051	-	44,051	-
Interest on letter of credit	3,759	32,731	-	-
	<u>1,980,160</u>	<u>2,380,313</u>	<u>2,353,961</u>	<u>2,645,770</u>
<b>6. Other operating income</b>				
Application fees	17,266	22,341	17,266	22,341
Bad debts recovered	1,353	1,234	1,353	1,234
Doubtful debts reversed	8,957	-	-	-
Gain on disposal of property, plant and equipment	38,876	98,237	-	70,000
Government grant (Refer to Note 6 (a))	1,995,595	4,833,391	-	-
Sundry income	62,074	37,274	9,982	13,550
	<u>2,124,121</u>	<u>4,992,477</u>	<u>28,601</u>	<u>107,125</u>
<b>(a) Government grant</b>				
The Subsidiary, South Pacific Fertilizers Limited, obtained and recognised as income, for the year ended 31 December 2012, a government subsidy of \$5,166,609 (2011: \$4,833,391). Out of this subsidy, \$3,171,014 (2011: \$Nil) has been reversed relating to Value Added Tax (VAT) on the subsidy that was not declared and paid by the Subsidiary in prior years.				
<b>7. Personnel expenses</b>				
Wages and salaries	843,361	729,509	502,586	449,161
Fiji National Provident Fund contributions	76,260	69,223	48,748	41,287
Key management compensation - short term benefits	240,056	212,000	63,000	63,000
Training and Productivity Authority of Fiji levy	10,168	7,460	5,370	4,795
Staff training	7,092	9,244	7,092	9,244
	<u>1,176,937</u>	<u>1,027,436</u>	<u>626,796</u>	<u>567,487</u>

**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

**8. Administrative and other operating expenses**

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

	<b>Group</b>		<b>Fund</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Allowance for uncollectibility				
- trade receivables	-	13,972	-	-
- loan to growers	-	396,543	-	396,543
Auditor's remuneration - Fund audit	8,000	8,000	8,000	8,000
- Subsidiary audit	9,750	9,200	-	-
- other services	6,950	6,136	6,950	6,136
Bank charges	7,549	4,808	4,706	3,097
Board members allowance	-	3,563	-	3,563
Board members expenses	529	230	529	230
Audit - EU Accelerated cane replanting program	-	800	-	800
Depreciation	232,376	164,273	95,284	99,432
Distribution expenses	1,036,203	856,636	-	-
Insurance	134,364	112,501	37,016	49,805
Legal fees	13,495	4,394	3,262	2,997
Professional fees	30,448	-	2,821	3,791

**9. Income tax expense**

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

	<b>Group</b>		<b>Fund</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
(Loss) / profit before tax	(4,389,287)	2,385,643	(233,271)	1,365,037
Prima facie income tax (benefit) / expense on operating profit at 20% (2011: 28%)	(877,857)	667,980	(46,654)	382,210
<u>Tax effect of:</u>				
- exempt income	(352,465)	(1,735,566)	46,654	(382,210)
- tax losses not brought to account	1,494,441	977,211	-	-
- tax effect of timing differences not brought to account	43,207	90,375	-	-
- other	2,652	-	-	-
- impairment loss reversed on consolidation	(309,978)	-	-	-
	-	-	-	-



## Sugar Cane Growers Fund and its Subsidiary

### Notes to the financial statements

#### For the year ended 31 December 2012

##### 9. Income tax expense (continued)

##### (b) Benefit of income tax losses not brought to account

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Subsidiary did not recognise deferred income tax assets of \$4,507,702 (2011: \$7,264,446) attributable to tax losses of \$22,538,510 (2011: \$36,322,321) that can be carried forward against future taxable income.

	Group		Fund	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>10. Cash and cash equivalents</b>				
Cash on hand	420	320	220	220
Cash at bank	17,475,617	13,621,685	17,357,887	12,875,072
Cash and cash equivalents	<u>17,476,037</u>	<u>13,622,005</u>	<u>17,358,107</u>	<u>12,875,292</u>
<b>11. Available for sale financial asset</b>				
<u>Unit Trust of Fiji</u>				
1,217 (2011: 1,217) units at \$1.36 (2011: \$1.36)	<u>1,655</u>	<u>1,655</u>	<u>-</u>	<u>-</u>
<b>12. Trade and other receivables</b>				
Trade receivables	5,042,117	3,134,140	-	-
Allowance for uncollectibility - trade	(5,876)	(14,833)	-	-
	<u>5,036,241</u>	<u>3,119,307</u>	<u>-</u>	<u>-</u>
Other receivables	182,258	210,869	22,756	33,130
Allowance for uncollectibility - other	(13,972)	(13,972)	-	-
	<u>168,286</u>	<u>196,897</u>	<u>22,756</u>	<u>33,130</u>
	<u>5,204,527</u>	<u>3,316,204</u>	<u>22,756</u>	<u>33,130</u>
<b>13. Loans to growers</b>				
Secured loans to growers	21,261,536	24,584,122	21,261,536	24,584,122
Allowance for uncollectibility	(1,804,266)	(1,919,572)	(1,804,266)	(1,919,572)
	<u>19,457,270</u>	<u>22,664,550</u>	<u>19,457,270</u>	<u>22,664,550</u>
Cane Development Revolving Fund	<u>3,609,551</u>	<u>1,341,299</u>	<u>3,609,551</u>	<u>1,341,299</u>
	<u>23,066,821</u>	<u>24,005,849</u>	<u>23,066,821</u>	<u>24,005,849</u>
<b>14. Inventories</b>				
Raw materials	8,339,205	9,563,579	-	-
Packaging materials	402,023	671,451	-	-
Finished goods	3,164,060	3,471,453	-	-
Weedicide	784,585	219,076	-	-
Goods in transit	-	2,392,852	-	-
	<u>12,689,873</u>	<u>16,318,411</u>	<u>-</u>	<u>-</u>

## Sugar Cane Growers Fund and its Subsidiary

### Notes to the financial statements

#### For the year ended 31 December 2012

##### 15. Advances to industry related entities

(i) Receivable from Fiji Sugar Corporation Limited	5,411,559	9,074,587	5,411,559	9,074,587
(ii) Receivable from South Pacific Fertilizers Limited	-	-	5,058,280	5,439,694
(iii) Receivable from Sugar Cane Growers Council	76,000	152,000	76,000	152,000
	<u>5,487,559</u>	<u>9,226,587</u>	<u>10,545,839</u>	<u>14,666,281</u>

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

Amount receivable from FSC is unsecured. Principal repayments of \$11.2m (2011: \$1.2m) were made by FSC and an additional \$7m (2011: \$Nil) was advanced to FSC during the year. Interest was charged on the remaining balance of \$4.2m at the rate of 8% (2011: 8%). Loan repayments will be recovered from 2012 season off-the-top sugar proceeds. Interest on this loan will be borne by the government.

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

Amount receivable from SPFL is secured and interest is charged at the rate of 5% (2011: 5%) per annum.

Amount receivable from SPFL is secured as follows:

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

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

Amount receivable from SCGC is over a period of 5 years from 2009 to 2013. Interest is charged at the rate of 2% per annum for first three years and 3% for the remaining term. It is secured by Registered First Mortgage over vehicle CT7926 with improvements thereon.

# Sugar Cane Growers Fund and its Subsidiary

## Notes to the financial statements

### For the year ended 31 December 2012

#### 16. Property, plant and equipment

Group	Land and buildings \$	Plant and equipment \$	Furniture and fittings \$	Motor vehicles \$	Office equipment \$	Work in progress \$	Total \$
<b>Cost</b>							
Balance at 1 January 2011	7,507,718	3,170,856	336,178	229,425	977,428	285,402	12,507,007
Acquisitions during the year	43,157	437,035	6,700	432,276	19,079	328,189	1,266,436
Disposals	(2,103)	-	-	(144,000)	-	-	(146,103)
Balance at 31 December 2011	7,548,772	3,607,891	342,878	517,701	996,507	613,591	13,627,340
Acquisitions during the year	-	-	9,696	11,896	-	1,332,527	1,354,119
Transfers	65,090	1,373,918	14,077	-	493,033	(1,946,118)	-
Disposals	(65,090)	(2,697)	-	(295,911)	-	-	(363,698)
Balance at 31 December 2012	7,548,772	4,979,112	366,651	233,686	1,489,540	-	14,617,761
<b>Depreciation</b>							
Balance at 1 January 2011	6,579,482	2,320,780	294,316	191,023	773,169	-	10,158,770
Depreciation charge for the year	260,828	122,369	8,129	117,858	16,879	-	526,063
Disposals	-	-	-	(144,000)	-	-	(144,000)
Balance at 31 December 2011	6,840,310	2,443,149	302,445	164,881	790,048	-	10,540,833
Depreciation charge for the year	139,679	244,434	11,420	17,686	277,227	-	690,446
Disposals	(56,140)	(2,697)	-	(295,911)	-	-	(354,748)
Balance at 31 December 2012	6,923,849	2,684,886	313,865	(113,344)	1,067,275	-	10,876,531
<b>Carrying amount</b>							
At 1 January 2011	928,236	850,076	41,862	38,402	204,259	285,402	2,348,237
At 31 December 2011	708,462	1,164,742	40,433	352,820	206,459	613,591	3,086,507
At 31 December 2012	624,923	2,294,226	52,786	347,030	422,265	-	3,741,230

Out of the total depreciation of \$690,446 (2011: \$526,063), \$458,070 (2011: \$361,790) has been allocated to cost of sales and \$232,376 (2011: \$164,273) has been allocated to administrative and other operating expenses.



**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

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

<b>Fund</b>	<b>Furniture and fittings \$</b>	<b>Office equipment \$</b>	<b>Motor vehicles \$</b>	<b>Total \$</b>
<b>Cost</b>				
Balance at 1 January 2011	131,596	229,425	267,900	628,921
Acquisitions during the year	5,400	19,079	196,640	221,119
Disposals	-	-	(144,000)	(144,000)
Balance at 31 December 2011	136,996	248,504	320,540	706,040
Acquisitions during the year	9,696	11,896	-	21,592
Balance at 31 December 2012	146,692	260,400	320,540	727,632
<b>Depreciation</b>				
Balance at 1 January 2011	122,090	191,023	196,138	509,251
Depreciation for the year	3,784	16,879	78,769	99,432
Disposals	-	-	(144,000)	(144,000)
Balance at 31 December 2011	125,874	207,902	130,907	464,683
Depreciation for the year	4,526	17,686	73,072	95,284
Balance at 31 December 2012	130,400	225,588	203,979	559,967
<b>Carrying amount</b>				
At 1 January 2011	9,506	38,402	71,762	119,670
At 31 December 2011	11,122	40,602	189,633	241,357
At 31 December 2012	16,292	34,812	116,561	167,665

**17. Investment in subsidiary**

	<b>Fund</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<u>South Pacific Fertilizers Limited (SPFL)</u>		
Balance as at 1 January	14,951,296	14,951,296
Less provision for impairment	(1,549,891)	-
Balance as at 31 December	13,401,405	14,951,296

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 activity of SPFL during the year was importing bulk fertilizer, blending, packing and distributing to local markets.

As at year end, the net assets of SPFL was \$14,791,838 (2011: \$20,498,742). The Fund's interest in this amounts to \$13,401,405 (2011: \$18,571,860). Therefore, a provision for impairment of \$1,549,891 (2011: \$Nil) has been recorded against the investment in SPFL.

**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

	<b>Group</b>		<b>Fund</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>18. Trade and other payables</b>				
Trade payables	203,153	34,258	-	-
Other payables and accruals	1,765,465	620,322	176,529	204,577
Payable - Cane Development Revolving Fund	4,041,311	6,000,000	4,041,311	6,000,000
	<u>6,009,929</u>	<u>6,654,580</u>	<u>4,217,840</u>	<u>6,204,577</u>

In 2011, the government advanced \$6m to Fiji Sugar Corporation (FSC) 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. During the year \$1,958,689 was advanced to growers.

	<b>Group</b>		<b>Fund</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>19. Employee benefits</b>				
Balance at 1 January	45,822	49,261	45,822	49,261
Net movement during the year	10,841	(3,439)	10,841	(3,439)
Balance at 31 December	<u>56,663</u>	<u>45,822</u>	<u>56,663</u>	<u>45,822</u>

**20. Related parties**

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

The names of Board members in office at the date of this report and at any time during the financial year are as follows:

Mr John May - Chairman (resigned on 14 October 2013)  
Mr Viliame Gucake  
Mr Sundresh Chetty

Board members expenses are disclosed under Note 8.

**(b) Key management personnel**

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

Key management compensation is disclosed under Note 7.

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

**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

**20. Related parties (continued)**

**(c) Identity of related parties**

South Pacific Fertilizers Limited is a subsidiary of the Fund.

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

Advances to related parties are disclosed under Note 15.

**(d) Transactions with related parties**

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

	<b>Group</b>		<b>Fund</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<u>Fiji Sugar Corporation Limited (FSC)</u>				
Advance to FSC	(7,000,000)	-	(7,000,000)	-
Interest	123,477	53,523	123,477	53,523
Repayment of advances by FSC	<u>11,201,198</u>	<u>655,125</u>	<u>11,201,198</u>	<u>655,125</u>
<u>Government of Fiji</u>				
Repayment of advances on behalf of FSC	<u>420,120</u>	<u>-</u>	<u>420,120</u>	<u>-</u>
<u>South Pacific Fertilizers Limited (SPFL)</u>				
Additional advances to SPFL	-	-	(17,298,477)	(14,493,967)
Repayment by SPFL	-	-	17,581,023	15,762,825
Interest	<u>-</u>	<u>-</u>	<u>377,560</u>	<u>298,188</u>
<u>Sugar Cane Growers Council (SCGC)</u>				
Repayment by SCGC	71,440	80,560	71,440	80,560
Interest	<u>4,560</u>	<u>4,560</u>	<u>4,560</u>	<u>4,560</u>
<b>21. Capital commitments and contingencies</b>				
Capital commitments	<u>-</u>	<u>345,123</u>	<u>-</u>	<u>-</u>

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

**22. Events subsequent to balance date**

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



**Sugar Cane Growers Fund and its Subsidiary**  
**Notes to the financial statements**  
**For the year ended 31 December 2012**

**23. Capital risk management**

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 Company 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.

**Head Office**

75 Drasa Avenue  
Lautoka  
Ph : 665 0777  
Fax : 665 0768

**Head Office**

**Lautoka**  
75 Drasa Avenue  
Lautoka  
Ph : 665 0777

**Nadi**

Town Council Arcade  
Ph / Fax : 670 2989

**Sigatoka**

Sugar Cane Growers Council Office  
Ph / Fax : 650 0879

**Ba**

Fiji Muslim League Bldg  
Ph / Fax : 667 5455

**Tavua**

Tavua College Bldg  
Ph / Fax : 668 1466

**Rakiraki**

Global Traders Bldg  
Ph /Fax : 669 4998

**Labasa**

Chung Chew Tong Bldg  
Ph : 881 5722  
Fax : 881 6161

Email : [scgf@connect.com.fj](mailto:scgf@connect.com.fj)



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