



Sugar Cane Growers Fund

Annual Report

For the year Ended 31st December, 2011

SUGAR CANE GROWERS FUND



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Our Ref:

24 October, 2012

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

Dear Prime Minister

I have much pleasure in forwarding herewith the Annual Report and Audited Accounts for the Sugar Cane Growers Fund and the consolidated Financial Statements of the Group (the Group being the Fund and its Subsidiary – South Pacific Fertilizers Limited) for the year ended 31 December 2011, in accordance with Section 16 of the Act.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'John May', written over a large, faint circular stamp or watermark.

JOHN MAY
CHAIRMAN

ANNUAL REPORT

BACKGROUND

The Sugar Cane Growers Fund Authority was established by Act No. 9 of 1984 enacted by the Parliament of Fiji on 26 July 1984. All monies and assets of the Sugar Cane Price Support Fund were transferred to the 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

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

MEMBERS

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

FUNCTIONS

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

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

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

ASSISTANCE TO CANE GROWERS

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

LOANS TO GROWERS

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

1. **PRIORITY LOANS** limited 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 Houses 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, Lands Department 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	20,255
Applications Paid	20,064
Value of Loans Approved	\$28,421,800
Value of Loans Paid Out	\$27,404,194

Specialized Lending

Application Approved	2,403
Applications Paid	2,114
Value of Loans Approved	\$20,336,950
Value of Loans Paid Out	\$19,269,411

New Leases

Application Approved	2,509
Applications Paid	2372
Value of Loans Approved	\$15,675,327
Value of Loans Paid Out	\$14,033,335

Refinance

Application Approved	628
Applications Paid	605
Value of Loans Approved	\$6,686,201
Value of Loans Paid Out	\$6,464,698

DISTRICT OFFICES

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

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

During the year the Fund approved 1,140 loans under Priority Loans to the value of \$1,291,210. 886 loans under Specialised Lending to the value of \$2,261,182. 217 loans for New Leases to the value of \$1,060,775 and 24 loans for Refinance of loans to the value of \$155,663.

The Labasa District Office received - 580, Rakiraki - 170, Tavua - 160, Ba - 385, Nadi - 187 and Lautoka - 163 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 2011 the Company borrowed \$14,493,967 for procurement of Raw Materials. Total loan outstanding as at 31 December 2011 was \$5,273,312.

Government provided subsidy of \$5 million in 2011.

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	1,463
Applications Paid	1,181
Value of Loans Approved	\$2,563,950
Value of Loans Paid	\$1,341,081

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 4th 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	\$24,005,849
South Pacific Fertilizers Ltd. Shares	\$14,951,296
South Pacific Fertilizers Ltd. Loan	\$5,273,312
Sugar Cane Growers Council	\$152,000
Fiji Sugar Corporation Limited	\$8,402,396

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 cooperation 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.



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JOHN MAY – CHAIRMAN



Commodore Josaia Voreqe Bainimarama
Minister responsible for the Sugar Industry
PO Box 2353
Government Buildings
Suva

Dear Minister,

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 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and significant accounting policies and other explanatory notes as set out on pages 8 to 33.

Board's and management's responsibility for the financial statements

Board and management are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as management determines 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 Section 16(2) of the Sugar Cane Growers Fund Act 1984 and 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 our 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, we consider 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 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 Fund and consolidated financial statements give a true and fair view, in all material respects, of the financial position of Sugar Cane Growers Fund and the Group as at 31 December 2011, and their financial performance, changes in equity and cash flows for the year then ended in accordance with the Sugar Cane Growers Fund Act 1984 and International Financial Reporting Standards so far as concerns the members of the Fund.



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.

4 September 2012.
Nadi, Fiji Islands

KPMG
Chartered Accountants

Sugar Cane Growers Fund and its Subsidiary
Consolidated statements of comprehensive income
For the year ended 31 December 2011

	Note	Group 2011 \$	2010 \$	Fund 2011 \$	2010 \$
Revenue					
Sales		13,270,495	18,850,570	-	-
Cost of sales		(15,183,728)	(19,428,550)	-	-
Gross loss		(1,913,233)	(577,980)	-	-
Interest income	5	2,380,313	2,334,484	2,645,770	2,689,266
Other operating income	6	4,992,477	7,075,015	107,125	47,806
		5,459,557	8,831,519	2,752,895	2,737,072
Administrative and other operating expenses	7	(2,041,670)	(2,592,632)	(817,274)	(930,036)
Personnel expenses	8	(1,027,436)	(1,023,710)	(567,487)	(538,074)
Operating profit		2,390,451	5,215,177	1,368,134	1,268,962
Finance cost	9	(4,808)	(5,785)	(3,097)	(1,231)
Operating profit before income tax		2,385,643	5,209,392	1,365,037	1,267,731
Income tax expense	10 (a)	-	-	-	-
Profit for the year		2,385,643	5,209,392	1,365,037	1,267,731
Other comprehensive income, net of tax		-	-	-	-
		<u>2,385,643</u>	<u>5,209,392</u>	<u>1,365,037</u>	<u>1,267,731</u>
Profit attributable to:					
- Owners		2,289,706	4,844,735		
- Non-controlling interest		95,937	364,657		
Profit for the year		<u>2,385,643</u>	<u>5,209,392</u>		
Total comprehensive income attributed to:					
- Owners		2,289,706	4,844,735		
- Non-controlling interest		95,937	364,657		
Total comprehensive income for the year		<u>2,385,643</u>	<u>5,209,392</u>		

The notes on pages 13 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 2011

	Attributable to the Owners				
	Funds employed / retained earnings	Fair value reserve	Total	Non- controlling interest	Total
	\$	\$	\$	\$	\$
Group					
Balance at 1 January 2010	56,994,801	(12)	56,994,789	1,450,683	58,445,472
Profit for the year	4,844,735	-	4,844,735	364,657	5,209,392
Other comprehensive income, net of tax	-	-	-	-	-
Net change in fair value of available-for-sale financial assets	(12)	12	-	-	-
Balance at 31 December 2010	<u>61,839,524</u>	<u>-</u>	<u>61,839,524</u>	<u>1,815,340</u>	<u>63,654,864</u>
Profit for the year	2,289,706	-	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>-</u>	<u>64,129,230</u>	<u>1,911,277</u>	<u>66,040,507</u>

The notes on pages 13 to 33 are an integral part of these financial statements.

Sugar Cane Growers Fund and its Subsidiary
Consolidated statements of changes in equity (continued)
For the year ended 31 December 2011

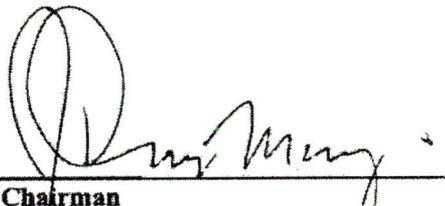
	Funds employed \$	Total \$
Fund		
Balance at 1 January 2010	57,897,483	57,897,483
Surplus for the year	<u>1,267,731</u>	<u>1,267,731</u>
Balance at 31 December 2010	59,165,214	59,165,214
Surplus for the year	<u>1,365,037</u>	<u>1,365,037</u>
Balance at 31 December 2011	<u><u>60,530,251</u></u>	<u><u>60,530,251</u></u>


The notes on pages 13 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 2011

	Note	Group		Fund	
		2011	2010	2011	2010
		\$	\$	\$	\$
Assets					
Cash and cash equivalents	11	13,622,005	10,199,136	12,875,292	3,699,295
Available for sale financial asset	12	1,655	1,655	-	-
Trade and other receivables	16	3,316,204	3,607,072	33,130	523,525
Loans to growers	13	24,005,849	23,780,369	24,005,849	23,780,369
Inventories	18	16,318,411	15,562,263	-	-
Prepayments		3,163,691	2,828,700	7,445	10,657
Advances to industry related parties	14	9,226,587	9,904,189	14,666,281	16,314,553
Property, plant and equipment	17	3,086,507	2,348,237	241,357	119,670
Investment in subsidiary	15	-	-	14,951,296	14,951,296
Total assets		<u>72,740,909</u>	<u>68,231,621</u>	<u>66,780,650</u>	<u>59,399,365</u>
Liabilities					
Trade and other payables	19	6,654,580	4,527,496	6,204,577	184,890
Employee benefits	20	45,822	49,261	45,822	49,261
Total liabilities		<u>6,700,402</u>	<u>4,576,757</u>	<u>6,250,399</u>	<u>234,151</u>
Equity					
Funds employed / retained earnings		64,129,230	61,839,524	60,530,251	59,165,214
Minority interest		1,911,277	1,815,340	-	-
Total equity		<u>66,040,507</u>	<u>63,654,864</u>	<u>60,530,251</u>	<u>59,165,214</u>
Total equity and liabilities		<u>72,740,909</u>	<u>68,231,621</u>	<u>66,780,650</u>	<u>59,399,365</u>

Signed on behalf of the Board.


Chairman


Board Member

The notes on pages 13 to 33 are an integral part of these financial statements.

Sugar Cane Growers Fund and its Subsidiary
Consolidated statements of cash flows
For the year ended 31 December 2011

	Note	Group 2011 \$	2010 \$	Fund 2011 \$	2010 \$
Operating activities					
Interest received		2,184,824	1,974,714	2,152,093	1,974,714
Application fees received		22,341	21,186	22,341	21,186
Receipts from customers		16,243,534	17,135,469	-	-
Cash paid to suppliers and employees		(22,798,341)	(20,720,136)	(1,708,540)	(1,338,722)
Receipt of Government grant		1,000,000	10,800,000	-	-
Advance from Government		6,000,000	-	6,000,000	-
Loans repaid by growers		6,336,870	4,942,985	6,336,870	4,942,985
Loans to growers		(5,480,191)	(6,076,079)	(5,480,191)	(6,076,079)
Cash flows from / (used in) operating activities		<u>3,509,037</u>	<u>8,078,139</u>	<u>7,322,573</u>	<u>(475,916)</u>
Investing activities					
Acquisition of property, plant and equipment		(1,266,436)	(846,957)	(221,119)	(33,328)
Proceeds from disposal of property, plant and equipment		444,583	135,809	70,000	5,500
Loan repaid by Sugar Cane Growers Council		80,560	152,000	80,560	152,000
Loan repaid by South Pacific Fertilizers Limited		-	-	15,762,825	21,154,592
Loan to South Pacific Fertilizers Limited		-	-	(14,493,967)	(11,447,801)
Loan to The Fiji Sugar Corporation Limited		-	(9,524,544)	-	(9,524,544)
Loan repaid by The Fiji Sugar Corporation Limited		655,125	-	655,125	-
Proceeds from disposal of held-to-maturity investments		-	5,589,770	-	5,589,770
Cash flows (used in) / from investing activities		<u>(86,168)</u>	<u>(4,493,922)</u>	<u>1,853,424</u>	<u>5,896,189</u>
Net increase in cash and cash equivalents		3,422,869	3,584,217	9,175,997	5,420,273
Cash and cash equivalents at 1 January		10,199,136	6,614,919	3,699,295	(1,720,978)
Cash and cash equivalents at 31 December	11	<u>13,622,005</u>	<u>10,199,136</u>	<u>12,875,292</u>	<u>3,699,295</u>

The notes on pages 13 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 2011

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 2011 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) adopted by International Accounting Standards Board (IASB) and the requirements of the Laws of Fiji

The financial statements were authorised for issue by the Board on 4TH SEPT, 2012

(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 funds operations.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs 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.

Sugar Cane Growers Fund and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2011

2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

In particular, information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 13	-	Loans to growers
Note 17	-	Property, plant and equipment

(e) 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 2013 or later periods, but the Group has not early adopted them. Adoption of these standards are not expected to have material impact on the Group's financial statements:

IAS 19 Amendment	Employee benefits	(effective 1 January 2013)
IFRS 10	Consolidated Financial Statements	(effective 1 January 2013)

3. Significant accounting policies

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

(a) Basis of consolidation

Subsidiary

Subsidiary is an entity controlled by the Group. The financial statement of the subsidiary is 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 gains and losses 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.

Sugar Cane Growers Fund and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2011

3. Significant accounting policies (continued)

(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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other operating income or administrative and other operating expenses 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 is expensed as incurred.

Depreciation

Items of property, plant and equipment are depreciated on a straight line basis in profit or loss over the estimated useful lives of each asset. Items of property, plant and equipment are depreciated from the date that they are installed and are ready to use.

The estimated useful lives for the current and comparative years are as follows:

Building	20 years
Furniture and fittings	5 - 14.29 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.

Sugar Cane Growers Fund and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2011

3. Significant accounting policies (continued)

(d) Loans to growers

Measurement

Loans to growers are measured at their 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.

(e) Financial instruments

(i) Non-derivative financial instruments

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.

Sugar Cane Growers Fund and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2011

3. Significant accounting policies (continued)

(e) Financial instruments (continued)

Loans and receivables

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash on hand and term deposits with maturities of three months or less from the acquisition date.

Available-for-sale financial assets

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

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities 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 liability when its contractual obligations are discharged or 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.

Sugar Cane Growers Fund and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2011

3. Significant accounting policies (continued)

(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.

(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 a negative effect 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.

Sugar Cane Growers Fund and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2011

3. Significant accounting policies (continued)

(g) 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. For the purpose of impairment testing, assets that cannot be tested individually 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").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. 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.

For other assets, 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 (wages and salaries and annual leave)

Liabilities for wages and salaries and incentives expected to be settled within 12 months of the reporting date are recognised in employee benefits on the statement of financial position. Annual leave with respect to employees' services up to the reporting date, measured at the amounts expected to be paid when the liabilities are settled, are accrued for under employee benefits.

(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 2011

3. Significant accounting policies (continued)

(j) Revenue recognition

(i) Interest income

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

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

(ii) Sale of goods

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

(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

Income 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 2011

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

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 2011

4. Financial risk management (continued)

(i) Credit risk

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

Exposure to credit risk

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

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

	Group		Fund	
	2011	2010	2011	2010
	\$	\$	\$	\$
Cash at bank	13,621,685	9,198,837	12,875,072	2,699,096
Term deposits	-	1,000,029	-	1,000,029
Loans to growers	24,005,849	23,780,369	24,005,849	23,780,369
Trade receivables	3,119,307	2,142,623	-	-
Other receivables	210,869	1,464,449	33,130	523,525
Advances to industry related parties	9,226,587	9,904,189	14,666,281	16,314,553
	<u>50,184,297</u>	<u>47,490,496</u>	<u>51,580,332</u>	<u>44,317,572</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 2011

4. Financial risk management (continued)

(i) Credit risk (continued)

Loan to growers (continued)

The maximum exposure to credit risk for loans to growers at the reporting date by geographic division was as follows:

	Group		Fund	
	2011	2010	2011	2010
	\$	\$	\$	\$
Ba	7,611,088	7,782,749	7,611,088	7,782,749
Labasa	7,488,275	7,596,723	7,488,275	7,596,723
Lautoka	7,667,650	7,984,664	7,667,650	7,984,664
Penang	1,817,109	1,939,262	1,817,109	1,939,262
	<u>24,584,122</u>	<u>25,303,398</u>	<u>24,584,122</u>	<u>25,303,398</u>

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

2011	4,168,991	-	4,168,991	-
2010	3,025,858	4,025,858	3,025,858	4,025,858
2009	5,955,508	6,671,049	5,955,508	6,671,049
2008	6,153,645	7,869,186	6,153,645	7,869,186
Prior to 2008	5,280,120	6,737,305	5,280,120	6,737,305
	<u>24,584,122</u>	<u>25,303,398</u>	<u>24,584,122</u>	<u>25,303,398</u>

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

Allowance for uncollectibility

Balance at 1 January	1,523,029	997,139	1,523,029	997,139
Additional allowances made during the year	396,543	525,890	396,543	525,890
Balance at 31 December	<u>1,919,572</u>	<u>1,523,029</u>	<u>1,919,572</u>	<u>1,523,029</u>

Trade receivables

The credit controller assesses the credit quality of the customer, taking into account its 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.

Sugar Cane Growers Fund and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2011

4. Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables (continued)

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

	Group		Fund	
	2011	2010	2011	2010
	\$	\$	\$	\$
Up to 3 months	2,541,208	1,389,448	-	-
3 to 6 months	577,366	705,100	-	-
6 to 12 months	217	47,112	-	-
12 months and over	15,349	15,796	-	-
	<u>3,134,140</u>	<u>2,157,456</u>	<u>-</u>	<u>-</u>

(ii) Liquidity risk

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

The following are the contractual maturities of financial liabilities:

31 December 2011	Carrying amount	Less than 1 year	1 - 2 years	More than 2 years
Group	\$	\$	\$	\$
<u>Financial liabilities</u>				
Trade payables	34,258	34,258	-	-
Other payables and accruals	620,322	620,322	-	-
Payable - Cane Development Revolving Fund	6,000,000	6,000,000	-	-
	<u>6,654,580</u>	<u>6,654,580</u>	<u>-</u>	<u>-</u>

Fund

<u>Financial liabilities</u>				
Other payables and accruals	204,577	204,577	-	-
Payable - Cane Development Revolving Fund	6,000,000	6,000,000	-	-
	<u>6,204,577</u>	<u>6,204,577</u>	<u>-</u>	<u>-</u>

31 December 2010

Group

<u>Financial liabilities</u>				
Trade payables	30,094	30,094	-	-
Other payables and accruals	497,402	497,402	-	-
	<u>527,496</u>	<u>527,496</u>	<u>-</u>	<u>-</u>

Sugar Cane Growers Fund and its Subsidiary
Notes to the financial statements
For the year ended 31 December 2011

4. Financial risk management (continued)

(ii) Liquidity risk (continued)

31 December 2010	Carrying amount	Less than 1 year	1 - 2 years	More than 2 years
Fund	\$	\$	\$	\$
<u>Financial liabilities</u>				
Other payables and accruals	184,890	184,890	-	-
	184,890	184,890	-	-

(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.

	Group		Fund	
	2011	2010	2011	2010
5. Interest income	\$	\$	\$	\$
Interest on priority loans	137,445	161,833	137,445	161,833
Interest on specialised loans	1,392,385	1,270,950	1,392,385	1,270,950
Interest on term deposits	759,669	374,810	759,669	374,810
Interest on South Pacific Fertilizers Limited loans	-	-	298,188	399,316
Interest on Sugar Cane Growers Council loan	4,560	6,080	4,560	6,080
Interest on Fiji Sugar Corporation Limited loan	53,523	476,277	53,523	476,277
Interest on letter of credit	32,731	44,534	-	-
	2,380,313	2,334,484	2,645,770	2,689,266

Sugar Cane Growers Fund and its Subsidiary

Notes to the financial statements

For the year ended 31 December 2011

	Group		Fund	
	2011	2010	2011	2010
	\$	\$	\$	\$
6. Other operating income				
Application fees	22,341	21,186	22,341	21,186
Bad debts recovered	1,234	557	1,234	557
Barge expenses	-	20,426	-	-
Gain on disposal of property, plant and equipment	98,237	11,587	70,000	5,500
Government grant	4,833,391	7,000,000	-	-
Sundry income	37,274	21,259	13,550	20,563
	<u>4,992,477</u>	<u>7,075,015</u>	<u>107,125</u>	<u>47,806</u>
7. Administrative and other operating expenses				
Included in the administrative and other operating expenses are the following items:				
Allowance for uncollectibility				
- trade receivables	13,972	14,833	-	-
- loan to growers	396,543	525,890	396,543	525,890
Auditor's remuneration - audit	17,200	16,500	8,000	8,000
- other services	6,136	24,245	6,136	23,245
Board members allowance	3,563	938	3,563	938
Board members expenses	230	1,621	230	1,621
Audit - EU Accelerated cane replanting program	800	23,245	800	23,245
Depreciation	164,273	107,115	99,432	47,329
Distribution expenses	856,636	961,755	-	-
Insurance	112,501	130,097	49,805	46,897
Legal fees	4,394	9,001	2,997	5,506
Professional fees	-	38,581	-	-
	<u></u>	<u></u>	<u></u>	<u></u>
8. Personnel expenses				
Wages and salaries	729,509	728,756	449,161	413,822
Fiji National Provident Fund contributions	69,223	76,296	41,287	44,580
Key management compensation - short term benefits	212,000	196,659	63,000	63,000
Training and Productivity Authority of Fiji levy	7,460	9,369	4,795	4,042
Staff training	9,244	12,630	9,244	12,630
	<u>1,027,436</u>	<u>1,023,710</u>	<u>567,487</u>	<u>538,074</u>
Average number of employees during the year was:	<u>62</u>	<u>54</u>	<u>27</u>	<u>27</u>
9. Finance cost				
Bank charges	<u>4,808</u>	<u>5,785</u>	<u>3,097</u>	<u>1,231</u>

Sugar Cane Growers Fund and its Subsidiary

Notes to the financial statements

For the year ended 31 December 2011

10. 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:

	Group		Fund	
	2011	2010	2011	2010
	\$	\$	\$	\$
Prima facie income tax expense on operating profit at 28% (2010: 28%)	667,980	1,458,630	382,210	354,965
<u>Tax effect of:</u>				
- exempt income	(1,735,565)	(2,281,341)	(382,210)	(354,965)
- tax losses not brought to account	977,211	1,001,589	-	-
- tax effect of timing difference not brought to account	90,375	(178,878)	-	-
	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

The deferred tax asset attributable to confirmed tax losses of \$5,267,830 (31 March 2011: \$9,235,381) has not been brought to account at balance date because the directors do not believe that it is probable that the tax losses will be realized within the foreseeable future.

- (c) Tax losses

Subsequent to year end, Section 21 of the Fiji Income Tax Act (FITA) was amended to state that any loss incurred with effect from 1 January 2012 and any loss incurred prior to 1 January 2012 will be carried forward for a period of up to 4 years in succession. As at 31 December 2011, confirmed tax losses of \$9,982,385 has been forfeited.

11. Cash and cash equivalents

Cash on hand	320	270	220	170
Cash at bank	13,621,685	9,198,837	12,875,072	2,699,096
Term deposits	-	1,000,029	-	1,000,029
Cash and cash equivalents	<u>13,622,005</u>	<u>10,199,136</u>	<u>12,875,292</u>	<u>3,699,295</u>

In prior year, the average interest rate on term deposits was 3% and the deposits were held for an average of 32 days.

12. Available for sale financial asset

Unit Trust of Fiji

1,217 (2010: 1,217) units at \$1.36 (2010: \$1.36)	<u>1,655</u>	<u>1,655</u>	<u>-</u>	<u>-</u>
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13. Loans to growers

Secured loans to growers	24,584,122	25,303,398	24,584,122	25,303,398
Allowance for uncollectibility	(1,919,572)	(1,523,029)	(1,919,572)	(1,523,029)
	<u>22,664,550</u>	<u>23,780,369</u>	<u>22,664,550</u>	<u>23,780,369</u>
Cane Development Revolving Fund	1,341,299	-	1,341,299	-
	<u>24,005,849</u>	<u>23,780,369</u>	<u>24,005,849</u>	<u>23,780,369</u>

For reconciliation of allowance for uncollectibility, refer 4(i).

Sugar Cane Growers Fund and its Subsidiary
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For the year ended 31 December 2011

	Group		Fund	
	2011	2010	2011	2010
	\$	\$	\$	\$
14. Advances to industry related entities				
(i) Receivable from Fiji Sugar Corporation Limited	9,074,587	9,676,189	9,074,587	9,676,189
(ii) Receivable from South Pacific Fertilizers Limited	-	-	5,439,694	6,410,364
(iii) Receivable from Sugar Cane Growers Council	152,000	228,000	152,000	228,000
	<u>9,226,587</u>	<u>9,904,189</u>	<u>14,666,281</u>	<u>16,314,553</u>

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

Amounts receivable from FSC is unsecured. Principal repayments of \$1.2m (2010: \$Nil) was made during the year. Interest was charged on the remaining balance of \$8.4m at the rate of 8% (2010: 8%). Loan repayments will be recovered from 2011 and 2012 season sugar proceeds. Interest on this loan will be borne by the government.

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

Amounts receivable from SPFL is secured and interest is charged at the rate of 5% (2010: 5%) per annum.

Amounts receivable from SPFL is secured as follows:

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

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

Amounts receivable from SCGC is over a period of 5 years 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 CT7926 with improvements thereon.

	Fund	
	2011	2010
	\$	\$
15. Investment in subsidiary		
South Pacific Fertilizers Limited (SPFL)	<u>14,951,296</u>	<u>14,951,296</u>

SPFL is a company domiciled in Fiji. The Fund's interest in SPFL is 90.6%.

16. Trade and other receivables

Trade receivables	3,134,140	2,157,456	-	-
Allowance for uncollectibility - trade	(14,833)	(14,833)	-	-
	<u>3,119,307</u>	<u>2,142,623</u>	<u>-</u>	<u>-</u>
Receivable from European Union	-	500,000	-	500,000
Other receivables	210,869	964,449	33,130	23,525
Allowance for uncollectibility - other	(13,972)	-	-	-
	<u>196,897</u>	<u>1,464,449</u>	<u>33,130</u>	<u>523,525</u>
	<u>3,316,204</u>	<u>3,607,072</u>	<u>33,130</u>	<u>523,525</u>

Sugar Cane Growers Fund and its Subsidiary

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For the year ended 31 December 2011

17. Property, plant and equipment

	Land and buildings	Plant and equipment	Furniture and fittings	Motor vehicles	Office equipment	Work in progress	Total
Group	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance at 1 January 2010	1,571,650	2,307,538	164,921	354,122	221,347	40,425	4,660,003
Acquisitions during the year	54,261	384,361	10,255	83,900	28,778	285,402	846,957
Transfers	-	40,425	-	-	-	(40,425)	-
Disposal	-	(500,000)	(189)	-	(20,700)	-	(520,889)
Balance at 31 December 2010	1,625,911	2,232,324	174,987	438,022	229,425	285,402	4,986,071
Acquisitions during the year	43,157	437,035	6,700	432,276	19,079	328,189	1,266,436
Disposal	(2,103)	-	-	(144,000)	-	-	(146,103)
Balance at 31 December 2011	1,666,965	2,669,359	181,687	726,298	248,504	613,591	6,106,404
Depreciation							
Balance at 1 January 2009	348,911	1,269,671	124,049	177,737	199,416	-	2,119,784
Depreciation charge for the year	348,764	112,577	9,265	56,026	12,307	-	538,939
Disposal	-	-	(189)	-	(20,700)	-	(20,889)
Balance at 31 December 2009	697,675	1,382,248	133,125	233,763	191,023	-	2,637,834
Depreciation charge for the year	260,828	122,369	8,129	117,858	16,879	-	526,063
Disposal	-	-	-	(144,000)	-	-	(144,000)
Balance at 31 December 2010	958,503	1,504,617	141,254	207,621	207,902	-	3,019,897
Carrying amount							
At 1 January 2010	1,222,739	1,037,867	40,872	176,385	21,931	40,425	2,540,219
At 31 December 2010	928,236	850,076	41,862	204,259	38,402	285,402	2,348,237
At 31 December 2011	708,462	1,164,742	40,433	518,677	40,602	613,591	3,086,507

Included in cost of sales is depreciation totaling \$361,790 (2010: \$431,824).

Sugar Cane Growers Fund and its Subsidiary
Notes to the financial statements
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17. Property, plant and equipment (continued)

Fund	Furniture and fittings \$	Office equipment \$	Motor vehicles \$	Total \$
Cost				
Balance at 1 January 2010	127,235	221,347	267,900	616,482
Acquisitions during the year	4,550	28,778	-	33,328
Disposal	(189)	(20,700)	-	(20,889)
Balance at 31 December 2010	131,596	229,425	267,900	628,921
Acquisitions during the year	5,400	19,079	196,640	221,119
Disposal	-	-	(144,000)	(144,000)
Balance at 31 December 2011	136,996	248,504	320,540	706,040
Depreciation				
Balance at 1 January 2010	118,232	199,416	165,163	482,811
Depreciation for the year	4,047	12,307	30,975	47,329
Disposal	(189)	(20,700)	-	(20,889)
Balance at 31 December 2010	122,090	191,023	196,138	509,251
Depreciation for the year	3,784	16,879	78,769	99,432
Disposal	-	-	(144,000)	(144,000)
Balance at 31 December 2011	125,874	207,902	130,907	464,683
Carrying amount				
At 1 January 2010	9,003	21,931	102,737	133,671
At 31 December 2010	9,506	38,402	71,762	119,670
At 31 December 2011	11,122	40,602	189,633	241,357

Sugar Cane Growers Fund and its Subsidiary
Notes to the financial statements
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	Group		Fund	
	2011	2010	2011	2010
	\$	\$	\$	\$
18. Inventories				
Raw materials	9,563,579	9,557,212	-	-
Packaging materials	671,451	538,578	-	-
Finished goods	3,471,453	5,303,077	-	-
Weedicide	219,076	163,396	-	-
Goods in transit	2,392,852	-	-	-
	<u>16,318,411</u>	<u>15,562,263</u>	<u>-</u>	<u>-</u>
19. Trade and other payables				
Trade payables	34,258	30,094	-	-
Other payables and accruals	620,322	497,402	204,577	184,890
Payable - Cane Development Revolving Fund	6,000,000	-	6,000,000	-
Deferred income - government subsidy	-	4,000,000	-	-
	<u>6,654,580</u>	<u>4,527,496</u>	<u>6,204,577</u>	<u>184,890</u>
The Cane Development Revolving Fund of \$6m is an advance to Fiji Sugar Corporation Limited (FSC) for planting sugar cane. The Fund is only the facilitator to process applications and make payments, while FSC identifies the growers and fills the application forms.				
20. Employee benefits				
Balance at 1 January	49,261	81,522	49,261	63,111
Net movement during the year	<u>(3,439)</u>	<u>(32,261)</u>	<u>(3,439)</u>	<u>(13,850)</u>
Balance at 31 December	<u>45,822</u>	<u>49,261</u>	<u>45,822</u>	<u>49,261</u>

21. 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 and up until the date the consolidated financial statements were authorised for issue are as follows:

Mr John May - Chairman
Mr Viliame Gucake
Mr Sundresh Chetty

Board members expenses are disclosed under Note 7.

(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 8.

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
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21. 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 14.

(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 is as follows:

	Group		Fund	
	2011	2010	2011	2010
	\$	\$	\$	\$
<u>Sugar Research Institute of Fiji</u>				
Repayment of advance by SRIF	-	-	-	200,000
<u>Fiji Sugar Corporation Limited (FSC)</u>				
Advance to FSC	-	9,524,544	-	9,524,544
Interest	53,523	476,277	53,523	476,277
Repayment of advance by FSC	655,125	-	655,125	-
<u>South Pacific Fertilizers Limited (SPFL)</u>				
Additional advances to SPFL	-	-	14,493,967	11,447,801
Repayment by SPFL	-	-	15,762,825	21,069,688
Interest	-	-	298,188	399,316
<u>Sugar Cane Growers Council (SCGC)</u>				
Repayment by SCGC	80,560	158,080	80,560	158,080
Interest	4,560	6,080	4,560	6,080
22. Capital commitments and contingencies				
Capital commitments	345,123	493,033	-	-

The Fiji Revenue & Customs Authority (FRCA) have advised the Subsidiary that following their VAT audit, they plan to levy VAT on Government grant / subsidy received by the Subsidiary in recent years. No assessment has been raised to date and the directors are confident that the matter will be resolved amicably.

Apart from the above, the Group and the Fund did not have any contingent liabilities as at balance date which requires an adjustment or disclosure in the financial statements.

23. Events subsequent to balance date

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

Sugar Cane Growers Fund and its Subsidiary
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24. 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.

