

ANNUAL REPORTS OF THE SUGAR COMPANY OF JAMAICA LIMITED
FOR THE YEARS 2009/10 & 2010/11

The matter for tabling in the Houses of Parliament is the Annual Report and Audited Financial Statements of the Sugar Company of Jamaica Limited (SCJ) for the years ended September 30, 2010 and September 30, 2011. These Reports are being tabled in accordance with the provisions of Section 3 of the Public Bodies Management and Accountability Act.

2. **STATUS OF ANNUAL REPORTS**

It should be noted that the SCJ has indicated that it has experienced many challenges in 'winding-up' its operations. Unfortunately, these challenges included the preparation of their annual reports. However, the company has stated that this activity remains high among its objectives and has indicated that it is working to have the annual reports for the years ended September 30, 2012 – 2015 completed by April 15, 2017 and the report for the year ended September 30, 2016 by June 30, 2017.

3. **OVERVIEW OF OPERATIONS**

For the two-year period under review, there were major challenges for the Company. These challenges were also compounded by the fact that it was the period immediately following the divestment of the assets of the three companies which comprised of five factory locations and the head office at Bernard Lodge. The management now had to oversee the transition process from divestment to 'winding-up' covering all the continuing obligations of the SCJ and the divisions of Frome, Monymusk, Bernard Lodge, St. Thomas Sugar Company, Trelawny Sugar Company, Long Pond Sugar Company and the remnants of Hampden (the rum distillery).

The SCJ was involved in managing the settlement process and fulfilment of obligations relating to the following areas of their operation:

- **Employment and staffing** – The SCJ had seconded 1,797 employees in the last quarter of 2009 which was to facilitate a smooth transition during the out-of-crop repair period. However, these workers were eventually terminated on December 31, 2009 and were paid their entitlements.

The staff retained by the SCJ were primarily involved in the winding-up activities which included finalization of the audited accounts, litigation matters, ex-employee claims and queries, settling creditors' claims, debtors collections and their reconciliation.

- **Creditors' reconciliation and settlement** – The SCJ worked assiduously to reduce the amount due to creditors over the period. During 2010 the amount of

creditors was reduced from 200 for the SCJ and its affiliated companies to 90 at the end of the year with a total liability of \$2,891,360,000. This amount included statutory liabilities for example property tax of \$2,362,008,000 and the remaining figure of \$529,352,000 representing claims and accounts of trade and other creditors. At the end of 2011 the majority of the creditors remaining on record have disputed balances, some of which will eventually be settled. However, there are some outstanding amounts that could eventually become statute barred.

- **Receivables – reconciliation and collection** – Funds received from the sale of rum, sugar and molasses by the three companies was adequate to cover the financial requirements of 2010. Some of the funds collected were used to assist in financing the initial operations under the interim arrangements whereby SCJ (Holdings) Limited was given the responsibility for the operations of the assets for SCJ (Frome, Monymusk and Bernard Lodge) prior to the sale of those assets in 2010.

In 2011 the collection of prior debts amounted to \$84.853M leaving a balance at the end of the year of \$97.061M which appeared to be collectable. Most of the older debts had negotiated settlements while the debts relating to recently supplied cane to other factories and distilleries were collected without bargaining.

- **Availability of technological and other resources** – The management of SCJ working with the approval of the Cabinet harnessed the necessary resources, technological, financial and otherwise, to fulfil its obligations.
- **Ex-employee payroll related issues** – The SCJ worked closely with the National Housing Trust (NHT), National Insurance Scheme (NIS) and Tax Administrator to reconcile the statutory obligations for each estate. During this process it was revealed that there were gaps related to employee and company information at the various agencies and a detailed reconciliation was initiated. Given the gaps at the various Government Agencies, the SCJ received and processed numerous requests from former employees for NHT and NIS verification letters and tax deduction certificates so that they could access their benefits from these organisations.
- **Financial and reporting requirements under the various acts including bringing the audited accounts and annual reports current** – The company experienced many challenges in fulfilling these obligations as mentioned above, but continues to work towards achieving full compliance.

The audited accounts for the year 2010 shows a deficiency of assets. This reflected the government's decision to divest the operations and take responsibility for the liabilities and obligations of the company. The accounts

also reflect the full assumption of the liabilities of St. Thomas Sugar Company and Trelawny Sugar Company as at the time of sale of those two companies. However, the 2011 accounts show a reduction in the deficiency of assets which was reduced to \$412M, down from \$2.226 B in 2010. The reduction was as a result of action by the Ministry of Finance providing funds for the settlement of the long outstanding debts.

It should be noted that because of the previous deficiencies for the audited accounts up to fiscal year 2009 the auditor's report continues to reflect an adverse opinion. The adverse opinion is reflective of the decision not to adopt International Financial Reporting Standards (IFRS) as the basis for preparation of the accounts due to the cost and complexity of following this standard. The management confirms that despite not adopting this standard during 2010, proper accounts have been kept under the standards and methods of Generally Accepted Accounting Principles (GAAP) and proper internal controls have been in place to detect and prevent risks that could result in losses.

4. INCOME AND OPERATING RESULTS

The SCJ recorded revenue of \$238.1M for the year ended September 30, 2010. However, the revenue recorded was primarily from the collection of outstanding receivables due to the three companies as there were no income earning sources after turning over the assets to SCJ (Holdings) Ltd. in 2009. The company suffered a Net Loss of \$1.17B in 2010 primarily as a result of charging "Loss on assumption of related party balances" of \$1.01B and "Administrative expenses" of \$863.86M.

In the year 2011 the company recorded no revenue. However, it funded its operations primarily from a 'Government grant' of \$3.66B. After charging 'Administrative expenses' of \$857.05M and 'Finance cost' of \$77.82M, it showed a Net Profit of \$2.82B.

5. AUDITOR'S REPORT

The accounts of the Sugar Company of Jamaica Limited were audited by PricewaterhouseCoopers Chartered Accounts. They have stated their opinion with respect to the Board's accounts for the following years:

5.1 Year ended September 30, 2010

Reasons for Adverse Opinion

a) Non-compliance with International Financial Reporting Standards

The auditors have indicated that for accounting periods commencing after July 1, 2002, Jamaica adopted International Financial Reporting Standards (IFRS) as its accounting standards. However, the Company has not adopted IFRS and

continued to prepare its financial statements in accordance with previous Jamaican Generally Accepted Accounting Principles. As a result of this, the areas of significant departure from IFRS are as follows:

- i. There has been no testing of impairment assets in accordance with International Accounting Standards (IAS) 36- Impairment of Assets.
- ii. Loans have not been assessed to determine their carrying value at amortised cost in accordance with IAS 39- Financial Instruments.
- iii. Borrowing costs have not been accounted for using the effective interest method in accordance with IAS 39- Financial Instruments.
- iv. Post employment benefits under the Company's defined benefit pension plan have not been accounted for in accordance with IAS 19- Employee Benefits.
- v. General provisions have not been reversed and replaced with specific ones.
- vi. Provisions for sick and vacation pay and other employee related constructive liabilities of the Company have not been made in accordance with IAS 37- Provisions, Contingent Liabilities and Contingent Assets.
- vii. Disclosures of related party transactions in accordance with IAS 24 - Related Party Disclosures are incomplete.
- viii. Disclosures related to deferred taxation have not been made.
- ix. Required disclosures in relation to leases have not been made.
- x. The Company has not adopted the provisions of IAS 41 – Agriculture, which requires biological assets to be measured at fair value.
- xi. Prior year comparatives have not been restated for the effects of the adoption of IFRS.
- xii. Quantitative disclosures relating to the company's exposure to financial risk have not been made.

b) Scope Limitations

- i. The auditors did not receive independent confirmation for balances of \$1,004,167,000 (2009 - \$241,527,000) owed to the Development Bank of Jamaica Limited (DBJ).
- ii. The auditors did not receive independent confirmation of balances of \$242,934,000 due from SCJ Holdings Limited at September 30, 2009.
- iii. The auditors were not provided with the Company's income tax computations for the years of assessment spanning 2004 – 2010 and these financial statements do not disclose the amount of tax losses available to the company for carry forward at the year end.

d) Material Uncertainties

- i. Tax computations were not prepared for the years ended September 30, 2004 to September 30, 2010, therefore the amount of tax losses carried forward are subject to amendment pending the preparation and agreement of the final tax computations.
- ii. The auditors issued an adverse audit opinion in respect of their audits of the company's financial statements for the year ended September 30, 2009.

Opinion

The auditors have stated that in their opinion, because of the effects of the matters discussed above, the accompanying financial statements do not give a true and fair view of the financial position of the Company as of September 30, 2010 and of the financial performance and cash flows of the company for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

5.2 Year ended September 30, 2011

Reasons for Adverse Opinion

a) Non-compliance with International Financial Reporting Standards

The auditors have indicated that, with effect for accounting periods commencing after July 1, 2002, Jamaica adopted International Financial Reporting Standards (IFRS) as its accounting standards. However, the Company has not adopted IFRS and continued to prepare its financial statements in accordance with previous Jamaican Generally Accepted Accounting Principles. As a result of this, the areas of significant departure from IFRS are as follows:

- i. Loans were not assessed to determine their carrying value at amortised cost in accordance with IAS 39- Financial Instruments.
- ii. Borrowing costs were not accounted for using the effective interest method in accordance with IAS 39- Financial Instruments.
- iii. Post-employment benefits under the Company's defined benefit pension plan were not accounted for in accordance with IAS 19, Employee Benefits.
- iv. General provisions were not reversed and replaced with specific ones.

- v. Provisions for sick and vacation pay and other employee related constructive liabilities of the Company were not made in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets.
- vi. Disclosures of related party transactions in accordance with IAS 24-Related Party Disclosures are incomplete.
- vii. Disclosures related to deferred taxation have not been made.
- viii. Required disclosures in relation to leases were not made.
- ix. Prior year comparatives have not been restated for the effects of the adoption of IFRS.
- x. Quantitative disclosures relating to the company's exposure to risk have not been made.

b) Scope Limitations

- i. The auditors did not receive independent confirmation for balances of \$1,004,167,000 owed to the Development Bank of Jamaica at September 30, 2010.
- ii. The auditors were not provided with the company's income tax computations for the years of assessment 2004 to 2011 and these financial statements do not disclose the amount of tax losses available to the company for carry forward at the year end.

e) Material Uncertainties

- i. Tax computations were not prepared for the years ended September 30, 2004 to 2011 therefore the amount of the losses carried forward are subject to amendment pending the preparation and agreement of final tax computations.
- ii. The auditors issued an adverse audit opinion in respect of their audits of the Company's financial statements for the year ended September 30, 2010.

Opinion

The auditors have stated that in their opinion, because of the effects of the matters discussed above, the accompanying financial statements do not give a true and fair view of the financial position of the Company as of September 30, 2011 and of the financial performance and cash flows of the company for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

6. SALARIES AND EMOLUMENTS

The emoluments and remuneration of the directors and senior executives are set out at appendices I and II.

7. The Annual Reports with the Audited Financial Statements of the Sugar Company of Jamaica Limited is hereby submitted to be tabled in the Houses of Parliament in accordance with Section 3 of the Public Bodies Management and Accountability Act.

A handwritten signature in black ink, appearing to be 'Karl Samuda', with a long horizontal flourish extending to the right.

Karl Samuda CD, MP

Minister of Industry, Commerce, Agriculture and Fisheries

March 7, 2017

File No. 50/43/26

SUGAR COMPANY OF JAMAICA
DIRECTORS COMPENSATION (2009/10)

Position of Director	Fees (\$)	Motor Vehicle Upkeep/Travelling or Value of Assigned Motor Vehicle (\$)	Honoraria (\$)	All Other Compensation including Non-Cash Benefits as applicable (\$)	Total (\$)
Chairman	64,000	-	-	-	64,000
Director 1	34,000	-	-	-	34,000
Director 2	34,000	-	-	-	34,000
Director 3	25,500	-	-	-	25,500
Director 4	-	-	-	-	-
Director 5	-	-	-	-	-
Director 6	-	-	-	-	-
Total	157,500	-	-	-	157,500

Notes

1. Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate column above.

SUGAR COMPANY OF JAMAICA
DIRECTORS COMPENSATION (2010/11)

Position of Director	Fees (\$)	Motor Vehicle Upkeep/Travelling or Value of Assigned Motor Vehicle (\$)	Honoraria (\$)	All Other Compensation including Non-Cash Benefits as applicable (\$)	Total (\$)
Chairman	16,000	-	-	-	16,000
Director 1	8,500	-	-	-	8,500
Director 2	8,500	-	-	-	8,500
Director 3	8,500	-	-	-	8,500
Director 4	-	-	-	-	-
Director 5	-	-	-	-	-
Director 6	-	-	-	-	-
Total	41,500	-	-	-	41,500

Notes

1. Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate column above.

SUGAR COMPANY OF JAMAICA LIMITED
SENIOR EXECUTIVE COMPENSATION

Position of Senior Executive	Year	Salary (\$)	Gratuity or Performance Incentive (\$)	Traveling Allowance or Value of Assigned Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Other Allowances (\$)	Non-Cash Benefits (\$)	Total (\$)
Chief Financial Officer	2009/10	7,022,400.00	-	1,638,574.68	-	-	-	8,560,974.68
Manager, Corporate Affairs & Administration	2009/10	5,092,302.00	-	1,234,145.04	-	-	-	6,326,447.04
Chief Operating Officer	2009/10	4,039,917.74	-	1,234,145.04	-	-	-	5,274,062.78
Total		16,154,619.74	-	4,106,864.76	-	-	-	20,261,484.50

Notes

- Where contractual obligations and allowances are stated in a foreign currency, the sum in that stated currency must be clearly provided and not the Jamaican equivalent.
- Other Allowances (including laundry, entertainment, housing, utility, etc.)
- Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate column above.

SUGAR COMPANY OF JAMAICA LIMITED
SENIOR EXECUTIVE COMPENSATION

Position of Senior Executive	Year	Salary (\$)	Gratuity or Performance Incentive (\$)	Traveling Allowance or Value of Assigned Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Other Allowances (\$)	Non-Cash Benefits (\$)	Total (\$)
Chief Financial Officer	2010/11	7,022,400.00	2,925,000.00	1,638,574.68	-	-	-	11,586,974.68
Manager, Corporate Affairs & Administration	2010/11	5,092,302.00	-	1,234,145.04	-	-	-	6,326,447.04
Chief Operating Officer	2010/11	1,138,774.86	-	102,845.42	-	-	-	1,241,620.28
Total		13,253,476.86	2,925,000.00	2,975,565.14	-	-	-	19,155,042.00

Notes

- Where contractual obligations and allowances are stated in a foreign currency, the sum in that stated currency must be clearly provided and not the Jamaican equivalent.
- Other Allowances (including laundry, entertainment, housing, utility, etc.)
- Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate column above.

