

ANNUAL REPORT OF THE SCJ HOLDINGS LIMITED FOR THE CROP YEAR  
2009/2010

The matter for tabling in the Houses of Parliament is the Annual Report and Audited Financial Statements of SCJ Holdings Limited for the year ended September 30, 2010. This Report is being tabled in accordance with the provisions of Section 3 of the Public Bodies Management and Accountability Act.

**2. BACKGROUND**

The SCJ Holdings Limited is a wholly owned Government of Jamaica land management company which operates specifically to support job creation, improve foreign trade and increase productivity. The Company was incorporated on December 11, 2001; however, it commenced operations in July 2009.

Through various collaborative public/private partnerships, the Company will utilize the assets under its management to promote investments in sectors such as agriculture, aquaculture, mining, energy, construction, tourism, and other manufacturing interests. The SCJH will support these investments primarily by providing lands through sale, leases, or joint venture arrangements with investors who propose viable projects.

As part of its post Sugar Divestment activities, SCJ Holdings Limited, a wholly owned Government of Jamaica organization has parcels of land in the parishes of St. Catherine, Clarendon, Westmoreland, Trelawny and St. Thomas that have been set aside for the following projects:

- Housing
- Agriculture
- Agro-Processing

**3. STATUS OF ANNUAL REPORTS**

It should be noted that the SCJ Holdings has submitted its annual reports for the years ended September 30, 2010, 2011 and 2012. The Ministry is currently processing the Annual Reports for 2011 and 2012 and these will be forwarded shortly. However, the Company has given a commitment to complete the annual reports for the five years ended March 31, 2017 by October 31, 2019 and the remaining two outstanding years by January 31, 2020.

**4. OPERATIONS OVERVIEW**

For the period under review the SCJ Holdings Limited had responsibility for the following companies:

- Sugar Company of Jamaica Limited (Frome, Monymusk and Bernard Lodge Estates)
- Trelawny Sugar Company (Hampden Estate and Long Pond Estate)
- St. Thomas Sugar Company Limited

However, during the period December 11, 2001 to July 2009 the Sugar Company of Jamaica managed the operations of all six government sugar estates.

In July 2009 the Divestment Team successfully divested the Long Pond, Hampden and St. Thomas Sugar Estates. The Government thereafter took the decision to wind-up the Sugar Company of Jamaica Limited (Legacy), the company responsible for all the operations of Government-owned sugar estates for the period December 11, 2001 to July 2009.

Also, in July 2009, SCJ Holdings Limited (trading as Sugar Divestment Enterprise) was given the responsibility to divest the remaining government owned sugar assets and at the same time continue the operations of the Frome, Monymusk and Bernard Lodge Estates with the sole objective of divesting these two operating factories and three estates. The decision to continue production at these entities was to ensure that they were kept in operable condition and hence appear more attractive to potential investors and obtain the best possible sale value.

As a result of the above decision, SCJ Holdings with the approval of the Government of Jamaica (GOJ) entered into a pre-shipment contract with an Italian company, Eridania in July 2009 to provide funding to operate the three estates for the 2009/10 sugar crop and later entered another agreement with the English company, Tate and Lyle in January 2010 for the 2010/11 sugar crop.

Simultaneously, with the implementation of the two agreements, SCJ Holdings relisted the assets for sale, early in 2010 and COMPLANT International Sugar Industry Company Limited (COMPLANT) of the Peoples' Republic of China entered into negotiations for the purchase and lease of the remaining GOJ owned sugar assets. In light of the above, agreements for the sale and lease of the assets were executed on August 15, 2010. The handover of the assets to COMPLANT was also to be effective on the date at which SCJ Holdings' mandate to operate the Frome, Monymusk and Bernard Lodge Estates would cease.

The period August 2009 to September 2010 was transformational and very challenging for SCJ Holdings. This period was characterized by:

- The coming into effect of the most substantial reform in the 34 year old EU/ACP Sugar Protocol resulting in an approximate reduction of 39% in the price paid for Jamaican sugar sold to the EU markets.
- The urgent need to divest the government owned sugar assets.
- Jamaica re-entering into a borrowing relation with the IMF.
- Unfavourable weather conditions; excessive rains in Frome, Westmoreland and Bernard Lodge, St. Catherine while Monymusk, Clarendon experienced the longest drought in 25 years.
- Major increase in the prices for critical inputs such as fuel and electricity.
- Inadequate cash flows to finance the operations of the Company.
- Operating in an environment where employees have no job security due to on-going divestment.

## 5. INCOME AND OPERATING RESULTS

The audited financial statements presented for SCJ Holdings Limited is for the fourteen month period, August 2009 to September 30, 2010. During this period, SCJ Holdings Limited generated revenues of \$2,745,169,000 from the sale of sugar and molasses. However, after charging cost of sales of \$3,585,193,000 the company recorded a gross loss of \$840,024,000. The company subsequently reported an operating loss of \$717,313,000 after accounting for other income of \$946,534,000 and administrative expenses of \$823,823,000. After finance cost of \$66,483, this translated to a loss of \$783,796,000 for the period.

## 6. AUDITOR'S REPORT

The accounts of the SCJ Holdings Limited were audited by PricewaterhouseCoopers Chartered Accounts. They have stated their opinion with respect to the Board's financial statements for the period under review.

### Reasons for Adverse Opinion

#### a) Non-compliance with International Financial Reporting Standards

The Company has not yet adopted International Accounting Standard 41, Agriculture, which requires biological assets to be measured at fair value. The carrying value of the biological assets which are stated at cost at September 30, 2010 was \$620,043,000.

#### b) Scope Limitations

- I. The auditors did not receive supporting documentation for the following expenses:
  - i. Repairs and Maintenance \$5,205,849;
  - ii. Water \$27,384,000;
  - iii. Stores variance \$31,287,000;
  - iv. Housing and compound \$1,612,500;
  - v. Subscription and donations \$107,994;
  - vi. Printing and stationary \$3,015,033; and
  - vii. Travel and entertainment \$1,781,960.
- II. The auditors did not receive supporting documentation for the miscellaneous income in the Monymusk Division amounting to \$10,240,369.
- III. The auditors did not receive supporting documentation for expenses in the Monymusk Division amounting to \$14,058,321.
- IV. The auditors did not receive schedules and supporting documentation for amounts included in payables of \$48,855,849.
- V. The auditors did not receive inventory valuation reports for Bernard Lodge and Monymusk totalling \$201,447,000.

**c) Material Uncertainty**

Under the terms of an agreement dated July 30, 2010, the factory lands and other property, plant and equipment of the Company were sold effective August 2011 for \$9,000,000. The Company did not record any adjustments as at September 30, 2010 which may have been required to reflect the ability of the Company to recover the carrying values of its assets or discharge its liabilities in the ordinary course of business as a result of the disposal of its assets.

**Opinion**

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

**7. SCJ HOLDINGS' RESPONSE TO AUDITORS' REPORT**

The Company has indicated that the main point of concern for the auditors and their provision of a qualified audited report have to do with the methodology adopted in the valuation of biological assets and the non-adoption of International Accounting Standard 41. This accounting standard deals with agriculture and requires that biological assets be measured at fair value.

However, SCJ Holdings Ltd. has stated that the carrying value of the biological assets in the books at September 30, 2010 was \$620 million and was a fair value of measurement using actual market data. They have stated that their methodology used the market price of the sugar available and estimates of cane in the fields at September 30, 2010.

The Company has indicated that the actual value arrived at was even greater than the \$520M. The price per tonne for cane was determined by Jamaica Cane Product Sales Limited and was circulated by them to the relevant bodies, including SCJ Holdings Ltd. The value of cane in the field as at September 30, 2010 was calculated based on the hectares of land in sugar cane, multiplied by estimated yield. These figures were independently verified and were used for internal, external and regulatory reporting and projections and were the actual values of sugar sold.

SCJ Holdings further acknowledged that though schedules were provided in support of the figures, the Company experienced significant difficulty in providing the relevant supporting documents due to the length of time which elapsed, between the end of 2010 and the performance of the audit work. During this time the supporting documents were inadvertently destroyed by the new investor in the Estates, without the knowledge of SCJ Holdings Ltd. In addition, documents were lost during the movement, between offices as the company changed locations.

8. **SALARIES AND EMOLUMENTS**

The emoluments of the Senior Executives and Directors are set out at appendices I and II respectively.

9. The Annual Report with the Audited Financial Statements of the SCJ Holdings Limited for the period ended September 30, 2010, is hereby submitted for tabling in the Houses of Parliament in accordance with the provisions of Section 3 of the Public Bodies Management and Accountability Act.

A handwritten signature in blue ink, appearing to read 'Audley Shaw', with a stylized flourish at the end.

Audley Shaw CD, MP.

Minister of Industry, Commerce, Agriculture and Fisheries

October 25, 2019



SCJ HOLDINGS LIMITED

SENIOR EXECUTIVE FOR YEAR 2009-10

POSITION		Salary	Gratuity or Performance Incentive	Travelling Allowance or Value of Assigned Motor Vehicle	Pension or Other Retirement Benefits	Other Allowance	Non-Cash Benefits	Total
CEO	Jan 2010 - Sept 2010	5,625,000.00		677,352.88				6,302,352.88
COO	Jul 2009 - Sep 2010	4,061,637.00		510,652.20				4,572,289.20
CHIEF ENGINEER	Jul 2009 - Aug 2010	3,304,542.44		487,558.00				3,792,100.44
UM (ESTATE -F)	Jul 2009 - Sep 2010	3,554,488.12		485,277.00				4,039,765.12
OM (ESTATE -B/L)	Jul 2009 - Sep 2010	2,675,370.00		485,277.00				3,160,647.00
INTERNAL AUDITOR MANAGER	Jul 2009 - Sep 2010	3,112,498.65		374,766.00				3,487,264.65
LEGAL OFFICER	Jul 2009 - Sep 2010	2,441,999.97		448,961.40				2,890,961.37
CHIEF FINANCIAL OFFICER	Jul 2009 - Aug 2010	3,131,472.96		374,134.50				3,505,607.46
HUMAN & RESOURCE MANAGER	Jul 2009 - Sep 2010	2,082,412.19		336,218.40				2,418,630.59
OM (ESTATE -M/M)	Aug 2010 - Sep 2010	670,190.00		-				670,190.00
CHIEF FINANCIAL OFFICER	Mar 2010 - Sep 2010	2,770,831.00		668,894.30				3,439,725.30
TOTAL		33,430,442.33	-	4,849,091.68	-	-	-	38,279,534.01

Note:

There were two Chief Financial Officers during the year. The company was transitioning CFOs and there was an overlap during the months where the new CFO was understudying the outgoing CFO.

**SCJ HOLDINGS LIMITED**  
**DIRECTORS REMUNERATION FOR YEAR 2009-10**

<b>NAMES OF DIRECTORS</b>	<b>POSITION</b>	<b>Fee</b>	<b>Travel Expense</b>	<b>Honoraia</b>	<b>All Other Compensation including Non-Cash Benefits as applicable</b>	<b>TOTAL</b>
Aubyn Hill	CHAIRMAN	132,000.00				132,000.00
Erwin Burton	DIRECTOR 2	135,505.00				135,505.00
Wentworth Charles	DIRECTOR 3	117,695.00	21,178.38			138,873.38
William Mahfood	DIRECTOR 4	31,875.00				31,875.00
Lorris Jarrett	DIRECTOR 5	75,140.00				75,140.00
Derrick Heaven	DIRECTOR 6	63,750.00				63,750.00
Horrace Charoo	DIRECTOR 7	54,315.00				54,315.00
Archibal Campbell	DIRECTOR 8	42,245.00				42,245.00
Stephanie Muir	DIRECTOR 9	54,315.00				54,315.00
Patrick McIntosh	DIRECTOR 10	53,605.00				53,605.00
George Callaghan	DIRECTOR 11	32,615.00	21,700.00			54,315.00
Kavan Gayle	DIRECTOR 12	42,245.00				42,245.00
Donovan Stanberry	DIRECTOR 13	51,000.00				51,000.00
<b>TOTAL</b>		<b>886,305.00</b>	<b>42,878.38</b>	<b>-</b>	<b>-</b>	<b>929,183.38</b>