
SUGAR INDUSTRY AUTHORITY

TABLE OF CONTENTS

Table of contents	1
ANNUAL REPORT 2010	5
INTRODUCTION	5
PRODUCTION.....	5
SELECTED PRODUCTION STATISTICS FOR THE 2009 & 2010 CROPS.....	6
CANE QUALITY	7
PRICES.....	7
TIME LOSS.....	7
Marketing.....	7
LOCAL SALES OF RAW SUGAR.....	9
SUGAR CANE PROCESSING COURSE AT UWI.....	9
INDUSTRY OPERATIONS	10
Commission of Enquiry	10
Government Sugar Divestment Programme	12
Sugar Industry Research Institute	12
Agricultural Services Division.....	12
Variety Development.....	13
Weed Control & Ripeners.....	14
Pest Control	14
Sugar Cane Nutrition	15
Agricultural Engineering	15
Extension Services Department (ESD).....	16
Factory Services Division.....	19

Engineering.....	19
Core Samplers and Hydraulic Presses	19
Frome.....	19
Appleton	19
Monymusk	19
Bernard Lodge	20
Worthy Park.....	20
Golden Grove.....	20
Everglades.....	20
Laser Alignment	20
Dynamic Balancing.....	20
Ultrasonic Thickness Testing.....	20
This service was utilized mainly by Worthy Park, Appleton, Monymusk and Golden Grove.	20
Ultrasonic Flaw Detection	20
Vibration Measurements.....	21
Projects	21
Instrumentation	21
Sugar Technology	22
Characterization of Polysaccharides in Sugarcane	22
Implementation of Near Infrared (NIR) Technology at Core Laboratories	22
Collaborative Sugar Tests	22
Collaborative Cane Tests	23
Core Laboratory Training Seminars	23
Training Seminar and Workshop on the New DASA Systems using NIR Technology	23
Best Performing Core Laboratory and Best Kept Factory Laboratory	23
Investigation into Poor Crystal Formation at Everglades Sugar Factory	23

Investigations at Golden Grove Sugar Factory	24
Inversion Levels at Juice and Syrup Stations.....	24
Investigation into Low FRI Values	24
Environmental Monitoring & Management.....	24
Pollution Control Programme	24
Wastewater Sampling and Analysis.....	24
Central Services	24
Central Analytical Laboratory	24
Evaluation of Laboratory Methods	25
Sugar Quality 2010	25
Molasses Quality 2010.....	25
Wastewater Analyses 2010	25
Irrigation Water Quality.....	25
Replacement of Lead Sub-acetate in Polarimetry Assay of Molasses	25
Further Evaluation of a Moisture Teller	25
ISO 17025.....	26
Economics and Statistics	26
Cane Expansion Fund	26
Replanting.....	26
Drip Irrigation	26
Repayment	27
Cane Establishment Cost	27
Cost of Production Survey	28
Cane Yield Survey	28
WORLD SUGAR SITUATION.....	28
THE EUROPEAN UNION	29

OUTLOOK FOR 2010/11	30
DIRECTORS	31
BOARD OF DIRECTORS EMOLUMENTS, NOVEMBER 1, 2009 – OCTOBER 31, 2010	31
2010 SALARIES & EMOLUMENTS SENIOR EXECUTIVES.....	32
APPENDIX TABLES	33
TABLE 1: CANE MILLED (TONNES) 2009 & 2010	33
TABLE 2: TONNES 96° SUGAR PRODUCED: 2005-2010	33
TABLE 3: CANE QUALITY- JAMAICA RECOVERABLE CANE	34
SUGAR (JRCS) 2005-2010.....	34
INDEPENDENT AUDITOR'S REPORT	36

ANNUAL REPORT 2010

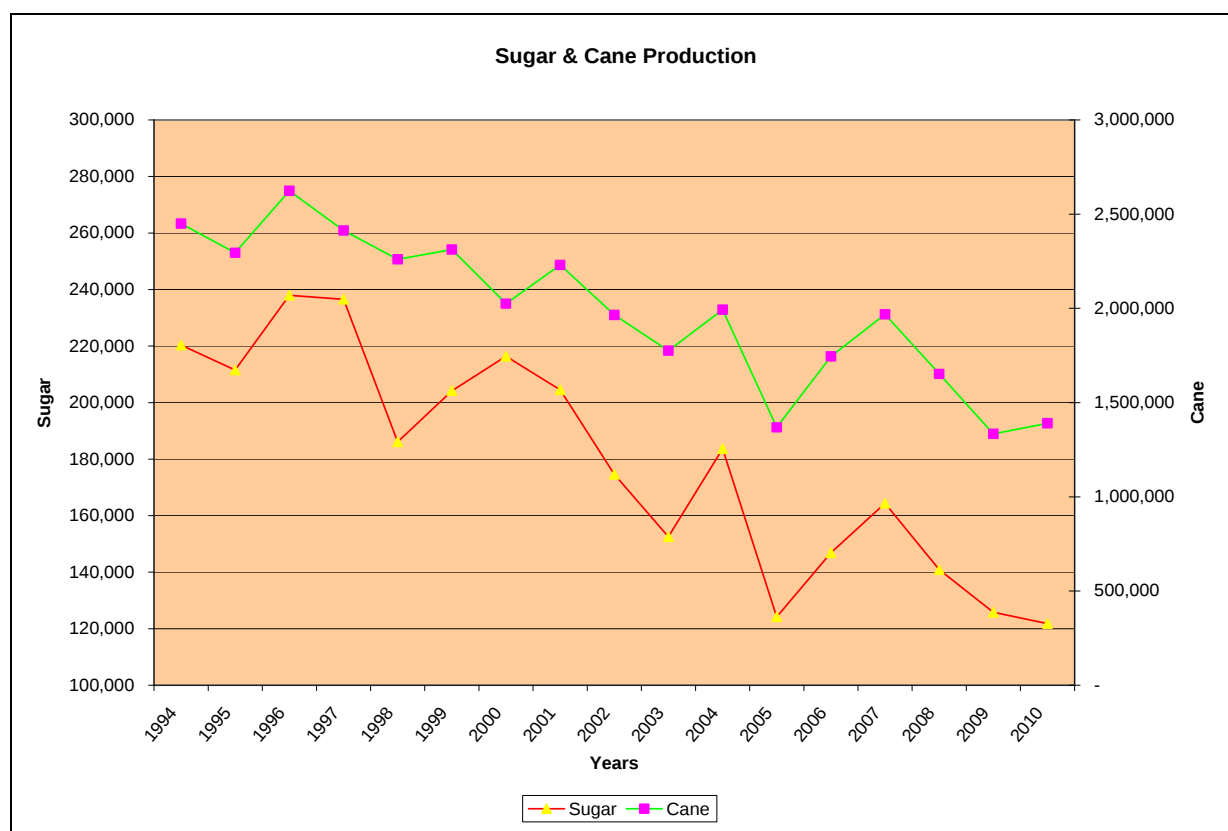
INTRODUCTION

The 2009/2010 crop commenced at Frome Sugar Factory on December 6, 2009 and ended at Everglades Sugar Factory on August 13, 2010. The duration of the crop was 251 days compared with 210 days for the previous crop, an increase of 41 days. The industry experienced its most severe drought in 30 years, followed by a period of extensive rainfall. As a result, there were several interruptions throughout the crop and in some cases canes had to be diverted to factories other than those to which they would normally be delivered. The long awaited privatisation process was completed with the sale of the three remaining government-owned factories.

PRODUCTION

Sugar production for the 2009/10 crop was 121,806 tonnes of 96° sugar, 3.19 per cent below the comparative figure of 125,818 tonnes produced in the previous year. The volume of cane crushed, excluding cane to distilleries, was 1,390,084 tonnes, 4.15 per cent above the 1,334,579 tonnes produced in the previous year. (Table 1)

Chart 1

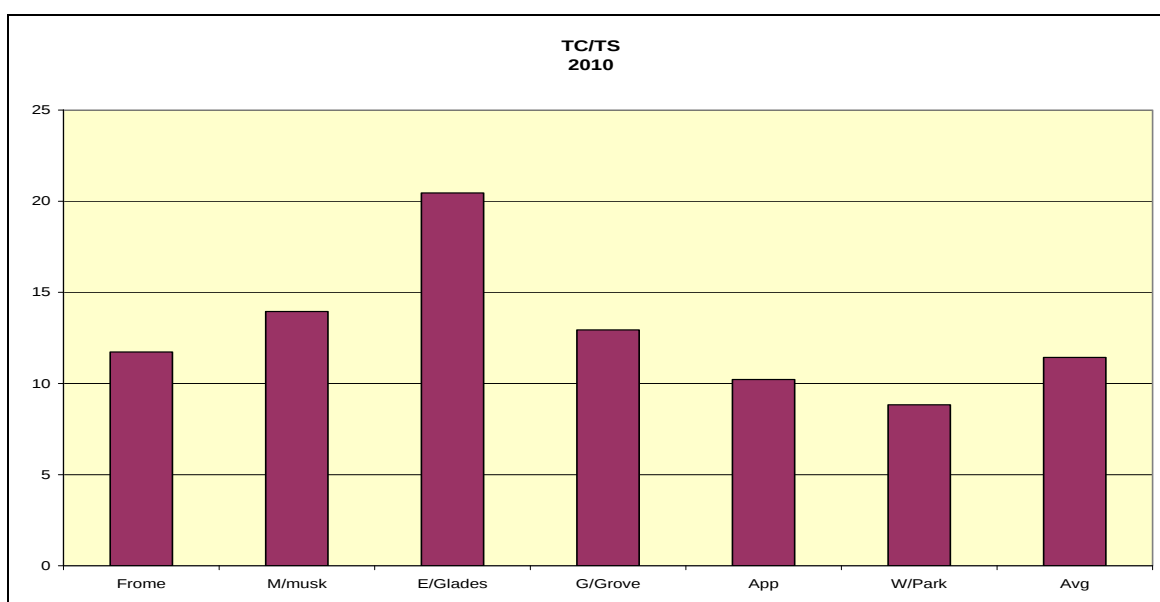


SELECTED PRODUCTION STATISTICS FOR THE 2009 & 2010 CROPS

	2009	2010
Cane Milled ('000 tonnes)	1,335	1,390
Farmers	515	572
Estates	820	818
96° Sugar Production ('000 tonnes)	125.80	121.80
Hectares Reaped ('000)	26.30	28.00
Tonnes cane/hectare	50.75	49.69
Tonnes cane /tonne sugar	10.61	11.41
Tonnes sugar/hectare	4.78	4.35

Despite the increase in cane milled, sugar production did not increase and this was mainly attributed to the decline in the Tonnes Cane per Tonne Sugar (TC/TS) ratio. The TC/TS ratio deteriorated from 10.61 in 2009 to 11.41 in 2010. The deterioration in the TC/TS ratio was a result of a combination of factors, mainly the poor weather conditions and a marginal decline in factory efficiency. The country was affected by a prolonged period of drought, and this had a negative effect on the industry. Preceding the drought there was extensive rainfall during the months of May and June and this negatively affected the quality of canes delivered to some factories. In addition to that there were several factory stoppages and this adversely affected production for an extended period of time.

Chart 2



CANE QUALITY

The Factory Recovery Index (FRI), a measure of factory efficiency, declined marginally from 88.2 in 2009 to 88.15 in 2010. Appleton and Worthy Park were the only factories to surpass the industry standard of 91. All the other factories had FRI in the eighties with the exception of Everglades which had a FRI of 39.91. Everglades had severe difficulty with its milling operations to the extent that the factory was closed earlier than scheduled.

The Jamaica Recoverable Cane Sugar (JRCS), a measure of cane quality, declined marginally when compared to the previous year. The decline was mainly a result of the variable weather conditions prior to and during the harvesting season. The JRCS reduced from 11.09 in 2009 to 10.28 in 2010. All the factories except Everglades, saw a reduction in their JRCS. Please see tables 3 & 4 for details.

PRICES

The guaranteed price of sugar sold to the EU was reduced by 36% over a four year period which ended in 2009. Consequently there was a 10.5 % reduction in the price of sugar paid to growers and millers. This is the first time the price has been reduced since the 2000/01 crop. The division of the payment between cane growers and manufacturers according to the split of 62% to growers and 38% to manufacturers was as follows:

		<u>2008/09</u>	<u>2009/10</u>
Cane Growers	(62%) \$28,783	\$25,757	
Sugar Manufacturers	(38%) <u>\$17,641</u>	<u>\$15,786</u>	
		<u>\$46,424</u>	<u>\$41,543</u>

TIME LOSS

The actual grinding time for all factories was 52.76 % of the total available time. This is a reduction when compared to the previous year's figure of 57.14. It was a challenging year for most factories as the weather was the biggest contributor to most factories' downtime. This was followed by mechanical stoppages which was the other main contributor. The industry's standard operating time is set at 85%. However, all factories found it difficult to achieve this time. Appleton and Worthy Park were the closest, with Appleton operating for 74% of the time available and Worthy Park operating for 71 %.(Table 5)

MARKETING

The total (gross) value of sugar exported in 2009/10 was US\$45,842,594. This represents a 39% reduction when compared to the previous year's figure of US\$75,659,227. The volume of sugar exported was 92,899 tonnes of which 78,639 tonnes of protocol sugar valued at US\$36,527,357 went to the EU. A total of 13,980 tonnes valued at US\$9,152,737 went to the United States. The remainder which valued US\$162,500 was shipped to the Cayman Islands and Antigua. The reduction in export earnings was due

mainly to the significant decline in exports to the EU. This was a result of the huge decrease in the price per tonne sugar sold to that market.

Subsequent to the price reduction, which was detailed under the price heading, the EU renounced the Sugar Protocol and a transitional period of six years is now in effect. After 2015 the exports of sugar to the EU will be quota-free, duty-free and there will be no guaranteed price under the CARIFORUM-EU EPA.

The price per tonne sugar received from exports decreased from US\$629 in 2008/09 to US\$493 in 2009/10.

Chart 3(a)

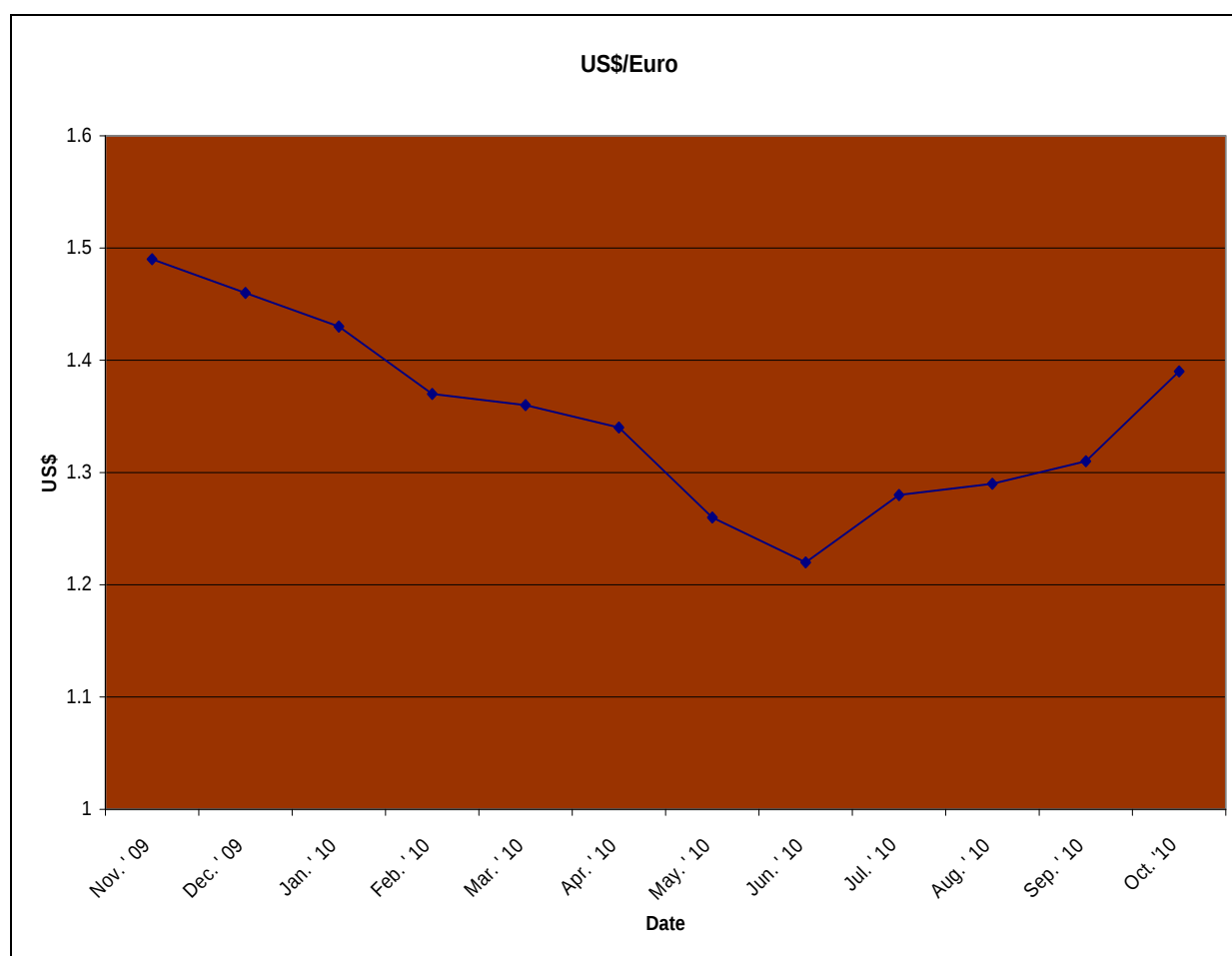
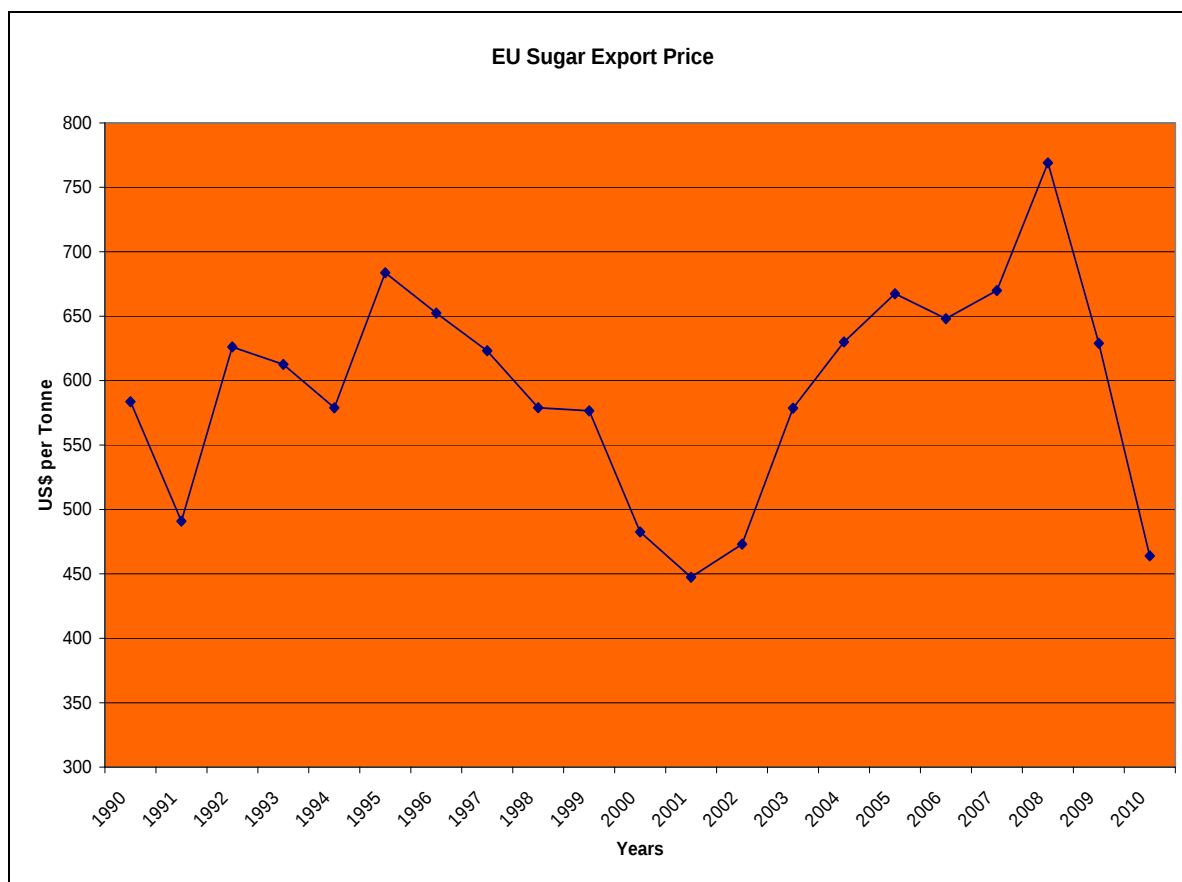


Chart 3(b)



LOCAL SALES OF RAW SUGAR

The amount of locally produced raw sugar sold on the domestic market during the 2009/2010 crop was 23,895 tonnes compared with 86 tonnes for the 2008/09 crop. When the sale of imported brown sugar was added to the above, the comparative figures were 56,346 tonnes and 46,877 tonnes respectively. The increased sale of locally produced raw sugar on the domestic market was mainly a result of the dismantling of the sugar protocol. As a result more sugar was diverted to the local market.

SUGAR CANE PROCESSING COURSE AT UWI

Sugar Cane Processing is one of courses included for study in the Applied Chemistry Programme within the Department of Chemistry at the University of the West Indies. The course is held in the second semester in collaboration with SIA/SIRI and consists of lectures, tutorials, work study and a field trip. Mr. Ludlow Brown of the SIA conducted the lectures and tutorials.

During the review period the students went on a field trip to Monymusk factory. Two students were selected to undertake projects in the work study component of the programme. They were engaged in projects which involved using NIR technology to measure boiling house products and a comparative study of ***“Total Polysaccharides and Starch in Sugar Cane Varieties cultivated in Jamaica”***.

The projects were planned and supervised jointly by Mrs. Elaine Manning, Messrs. Leighton Campbell and Sydney Roman of SIRI and Dr. Camille Bowen-Forbes of the UWI.

INDUSTRY OPERATIONS

Following the reform of the European Union sugar market, the Government of Jamaica embarked on a strategy to make the sugar industry more competitive and viable at all levels. To this end, a master plan was developed called “*The Jamaica Country Strategy for the Adaptation of the Sugar Cane Industry*” (“JCS”).

The overall goals and objectives of JCS include: to develop and maintain a sustainable private sector led sugar cane industry; to strengthen the economic diversification, social resilience and environmental sustainability of sugar dependent areas; and to support progress towards macroeconomic goals.

COMMISSION OF ENQUIRY

In order to address these objectives, particularly the full privatization of the industry, the Government of Jamaica appointed a Sugar Industry Enquiry Commission. The Commission was given the mandate “*to enquire into and report on the relevance of the current regulatory, institutional, cane pricing and product marketing arrangements in the sugar industry and to make recommendations in respect of any changes, if any, to these current arrangements and to enquire into and assist in the effective implementation and maintenance of a sustainable private sector –led sugar industry*”.

The Commission submitted its report on September 30, 2010 and made the following recommendations:

1. The Sugar Industry Authority (SIA), headed by a non-executive chair, should continue to function as regulator of the industry, subject to an operational audit to determine its optimal manning level and governance structure, including an assessment of the appropriateness of its movement to Executive Agency Status. The SIA should place a greater focus on using its statutory authority, where necessary, to adjudicate in disputes between farmers and processors. It should also engage in regular reviews of the cane payment formulae and implement a clear bilateral obligation framework for farmers and processors. With the SIA functioning effectively in this capacity, this Commission proposes that there will be no further need for commissions of enquiry into the Jamaican Sugar Industry.
2. The Industry should continue to have a research function, operating through the Sugar Industry Research Institute (SIRI), subject to an operational audit to determine SIRI’s optimal manning level. SIRI should operate separately from the SIA, and report to a board which should include individuals with research expertise; and Rural Agricultural Development Authority (RADA) representation, to encourage collaboration between these two agencies involved in the provision of agricultural services. SIRI’s funding should continue to be sourced through the Sugar Industry.
3. There is value in the continued pooling of sugar. The Jamaica Cane Product Sales Co. (JCPS) should continue to function as a marketing agent of the SIA, subject to an operational audit to determine optimal staffing levels. All marketing arrangements within the Industry should continue to be subject to the general oversight, but not necessarily

involvement, of the SIA, in line with the provision of the existing Sugar industry Control Act.

4. The cane payment formulae and process should be reviewed by the SIA, addressing in particular, the appropriate payment for sub-standard cane, incorporation of a value for bagasse used in electricity generation, continuous review of the (Factory Recovery Index (FRI) and Jamaica Recovery Cane Sugar (JRCS) benchmarks, payment structure, review of the appropriate level of mandatory testing of cane, independence of core samplers, and considerations of incorporating quality benchmarks into payments to contractors.
5. There should be no centralization of the importation of refined sugar, but a continuation of the import licensing system. The Jamaica Customs Department and the Ministry of Industry, Investment & Commerce should improve their levels of surveillance to reduce revenue leakages.
6. The Government of Jamaica should carefully balance the level of duties imposed on refined sugar with the benefits, including the social externalities, associated with an integrated domestic Sugar Industry, particularly in the event of forward vertical integration into sugar refining.
7. All participants in the Export Sugar Industry should be eligible for incentives provided to exporters that allow them to compete on world markets on the basis of having access to inputs as close as possible to world market prices. Incentives to exporters of sugar should be industry-wide and not be determined in an ad-hoc, case-by-case basis.
8. The Accompanying Measures Funds should be available, in grant form, for general purpose agricultural equipment, and in the form of loans, at commercial levels of collateralization, for equipment that is highly industry or firm-specific.
9. If idle government-owned agricultural lands are available, firms from whatever sector, including the sugar industry, willing to pay at commercial levels should be allowed to lease such lands. Assistance from the relevant government agencies should be made available to identify appropriate lands.
10. The Commission supports the Office of Utility Regulation (OUR)'s "avoided cost" principle for pricing co-generated electricity, with a premium for electricity generated using renewable resources. The Commission recommends that the OUR disseminate its methodology for arriving at "avoided cost" and continue to review the level of premium for renewable sources of energy that is appropriate in Jamaica's particular circumstances.
11. The Commission also recommends that the GoJ develop a definitive policy on co-generation. The Commission further recommends that GoJ complete, with dispatch, the development of its biofuels policy, including a clear articulation of the role that ethanol produced from local feedstock is expected to play in the development of the local biofuels industry.

12. The Commission further recommends that the GoJ provide policy support, where appropriate, to the Jamaican Rum Industry.

GOVERNMENT SUGAR DIVESTMENT PROGRAMME

As part of the Government's sugar divestment programme, on July 30, 2010 COMPLANT International Sugar Industry Company Limited acquired Frome and Monymusk factories Bernard Lodge Estate for a total cost of US\$9 million. According to the Memorandum of Understanding, the company is expected to construct a 200,000 tonne sugar refinery and ethanol plant at a cost of US\$221 million, depending on the results of a feasibility study. Also, the company will have ownership of 25-50 acres of the land immediately surrounding each facility. The firm will also lease some 30,000 hectares of cane lands for US\$35 per hectare per annum for a period of 50 years, renewable for another 25 years, and they have agreed to budget another US\$11 billion for the rehabilitation of the cane fields.

The St Thomas Sugar Company was sold to a joint venture between Seprod Limited and Fred M. Jones Estate for US\$500,000 on July 16, 2009. The newly created entity, Golden Grove Sugar Company, is owned 55% by Seprod and 45% by Fred M Jones Estates. In the short term, Golden Grove Sugar Company will spend US\$5M for factory repairs. These include repairs to broilers, processing equipment and cane yard-yard equipment. As a term of the agreement for sale, the company will lease 1,551 hectares of land for a period of 50 years; the lease can be extended for another 25 years. All of the above measures are expected to result in maximised output from the factory, as the company expects to produce 20,000 tonnes of sugar for each crop.

Additionally, in June 2009 Everglades Farms Limited acquired the Long Pond Sugar Factory and Hampden Estates for a value of US\$1.5 million. The company has since committed some US\$6.2 million to the rehabilitation of the factory and surrounding cane-fields.

SUGAR INDUSTRY RESEARCH INSTITUTE

The Institute functions as the research and technical arm of the SIA. It has as its primary focus the delivery of technical support and research services to the cane farming and sugar manufacturing sections of the industry and provides these through its Agricultural, Factory and Central Services Departments.

AGRICULTURAL SERVICES DIVISION

The Department carries out research in Variety Development, Crop Protection, Agricultural Engineering, Sugar Cane Nutrition and Physiology. The Department has as one of its major functions the provision of Extension Services to growers through nine Area Agronomists deployed across the cane producing areas.

The work of the Department, especially with regard to the conduct of field experiments, was unfavourably impacted by the prolonged transition from public to private ownership of the major estates, Frome, Monymusk and Bernard Lodge. Towards the end of the year there were encouraging signs of conclusion to the transfer of ownership and the beginning of a new period of collaboration between SIRI and these estates. During the transition many experiments suffered from neglect, or were totally lost as the estates lacked the resources to properly tend to them. Data from some experiments that survived until harvest was lost because of a failure to notify the Department in time for cane yields to be recorded. The

variety programme in particular, suffered setbacks when Stage I nurseries were lost resulting in a 1-year gap in what should be a continuous exercise. The decision to transfer some of these experiments from these estates to farmers' holdings did not meet with the desired degree of success.

VARIETY DEVELOPMENT

From fuzz obtained from the West Indies Central Sugar Cane Breeding Station, the BJ2012 series was started with establishment of approximately 30,000 seedlings in a Stage I nursery at Innswood farm, Bernard Lodge. Establishment and growth up to the end of 2010 were satisfactory.

The disease screening trial to test varieties for smut susceptibility was carried out in a plot on Baugh's farm in Clarendon. Known orange rust-susceptible varieties BJ7230 and BJ9186 were included as standards to test the relative susceptibility of the new varieties. This trial contained selections from the BJ92, BJ94, BJ95, BJ97, BJ98 and BJ99 series.

During the year final yield trials were established for the following series: BJ94 series at Frome and Worthy Park, and BJ97 series at Golden Grove.

Lattice trials containing selections from the BJ02 and BJ06 series and a final yield trial of selections from the BJ94/95 series were laid down at Everglades, Trelawny. Another lattice trial was also established at Worthy Park (BJ01 series).

Data was gathered and analysed from five final yield trials: BJ92/93 series at Golden Grove, BJ97 series at Leiba's farm, Clarendon, BJ94 series at Appleton and BJ95 and BJ98 series at Worthy Park. Each contained 7 test varieties.

One lattice trial containing 18 test varieties from the BJ99 series was reaped at Frome. From this trial the seven best performers – BJ9907, BJ9928, BJ9955, BJ9959, BJ9967, BJ9973 and BJ99115 – are to be advanced to the final testing stage.

The BJ11 Stage I trial planted in 2009 at Baugh Brothers' Farm was assessed and approximately 5,000 selections made from the 42,000 originally planted. Also, at the same farm 479 clones from the BJ08 series and 280 clones from the combined BJ08 and BJ09 series were assessed. This trial also contained 44 multi-purpose canes (of higher than normal fibre content which may have greater value in electricity co-generation). At Bernard Lodge, a Stage II nursery from the BJ10 series was assessed and 268 clones selected to be advanced to Stage III.

In a continuing effort to spur the spread of newly released varieties, small seed cane nursery plots of BT80311, CR892023 and BJ8783 were established on various farmers' holdings across the industry.

Of various varieties scheduled to be placed in pre-commercial trials based on outstanding performance in final yield trials, perhaps the most exciting was BJ9342 which, in a trial in St Thomas, exceeded the standards, BJ7465 and BJ78100, in Economic Sugar Index, by 76 and 67%, respectively. Other pre-commercial varieties of noteworthy performance include BJ9221, BJ9250, BJ9252 and BJ9310.

WEED CONTROL & RIPENERS

Weed control efficacy studies were conducted comparing name brand herbicides with their generic alternatives in the cases of: Velzone vs. Velpar; Asulam vs. Asulox; Carzone vs. Sencor; Credit vs. Roundup, Diurex vs. Karmex. While some generics performed equally well as their name brand standards, Asulox gave superior results to Asulam; Velpar was better than Velzone and Roundup outperformed Credit. Following efficacy studies, weed control demonstrations were conducted at Danks, Bullards, New Yarmouth, Lucky Valley, Springvale, Monymusk, Hampden and Long Pond.

The Department helped to develop long term weed management programmes in conjunction with a number of large farms and estates including Buchanan Brothers, Lenworth, Noel Lowe, Jackson, Holland, Appleton, New Yarmouth, Pinkney and Garvey Maceo High.

SIRI also provided guidance and assistance in calibration and repairs to boom and knapsack sprayers at Appleton, Holland, Salabie, Pinkney, St Thomas Sugar and Innswood.

Programmes of training for spray operators were carried out at Holland, Lucky Valley, Bullards, Danks and Pennants.

Advice was given to growers on the rates, timing and proper application of chemicals for enhancing cane ripening. Special emphasis was placed on observing the differential window for harvesting based on which of the two main chemicals, Roundup or Fusilade, was applied. Roundup sprayed fields should be harvested 5-8 weeks after application but Fusilade sprayed fields are best harvested 3-5 weeks after application. Growers were advised that failure to observe these requirements could result in economic loss and/or severe damage to fields.

PEST CONTROL

The industry continued to enjoy a sustained period of quiescence of its main pest, the West Indian Canefly, during 2010. There were minor flare-ups in population of the Canefly, particularly in lower St Catherine/Clarendon and at Appleton in St Elizabeth, with the occasional patches of heavy sooty mold on leaves in some locations. However, these never attained outbreak levels and did not warrant intervention.

Early in the second half of the year there were minor outbreaks of defoliating caterpillars, primarily the looper caterpillar, in mid-Clarendon and at Caymanas. Although damage was quite severe in affected fields, the outbreak covered a combined area of less than 100 ha. Outbreaks were brought under control by natural enemies and, as in previous instances, within weeks new foliage was generated and the attack seemed to have had no lasting effect.

Attention was therefore focused on the biological control programme against the sugar cane stalk borer. The annual survey showed stalk damage levels remaining stable in the southern irrigated plains – the traditional area of high infestation. However, concerns arose about high levels of damage at Sheekles, a new area brought under cultivation by New Yarmouth, and at Bull Head, Westmoreland, which is in a traditional zone of low infestations.

With these high borer population centres identified, a portion of the laboratory reared imported parasite, *Cotesia flavipes*, was released in these areas. Most releases were, however, directed at traditional high areas of infestation at New Yarmouth and Caymanas.

Monitoring of the parasitism in the field found *C. flavipes* to be well established in Clarendon, particularly in the Monymusk area. This parasite was even found at low levels in Sheckles but not at Bull Head. The concern at Sheckles was that the borer population developed late in the growing season and caused much damage before natural enemies caught up. A recommendation to management was for the establishment of small bordering plots of cane to act as “natural enemy reservoirs” which would tend to curb the explosion in borer populations.

SUGAR CANE NUTRITION

An evaluation of yields under centre pivot versus rain-fed conditions at Holland showed 13% higher cane tonnage and 16% higher sugar yield under pivot irrigation. Soil tests showed that both under irrigated and rain-fed conditions there was nutrient depletion warranting adequate and balanced fertilizer application.

As it is known that some varieties exhibit different nutritional needs, two of the newer varieties, BJ8783 and CR892013 were tested against a standard BJ78100 for nitrogen utilisation on Caymanas Clay Loam. This is an ongoing exercise requiring further data collection and analysis.

In recent years a number of products have been on the market purporting to boost yields by various means. SIRI has been testing a number of these but none has so far yielded positive results. During 2010, a product called Agri Grow and another called Ocean Solution were tested in trials in Westmoreland. Yet another product called Azomite was tested on a farmers holding in Upper Clarendon.

SIRI, in collaboration with the Mauritius Sugar Industry Research Institute and Fiji, launched a study, funded by the EU, to test phosphate nutrition (to decrease production cost and protect fresh water resources) on different soils on varying slopes and under various rainfall regimes. This is a 3-year project which falls under the ACP/EU cooperative agreement.

Meanwhile the Department continued its routine soil and foliar diagnostic studies from areas across the industry in support of its fertilizer advisory service.

The Department was also involved in a study of soil infiltration of distillers waste and in monitoring runoff from treated fields. This formed part of the environmental monitoring of the sugar and alcohol industry being conducted in collaboration with the National Environmental Protection Agency (NEPA).

A project documenting experiences in sugar cane nutrition in Jamaica over the last 50 years is currently underway. The end result is to be published.

AGRICULTURAL ENGINEERING

The Agricultural Engineering Department used GPS/GIS mapping and designs to assist a number of farmers on lands totaling some 50 ha in laying out drip irrigation schemes under a project funded by the EU through the Sugar Transformation Unit and the SIA. Plots varied in size from 2 to 10 ha and were located in lower St Catherine and Clarendon.

GPS/GIS mapping using satellite imagery was also applied to several hundred hectares at Appleton and Holland.

Support was given to the Land Information Council of Jamaica in areas such as the National Emergency Response and Regional Climate Change and the application as well as the pricing policy associated with GIS service.

The department applied non-intrusive ultrasonic water flow measurements in diagnosing overheating problems at the Clarendon Distillery.

The Agricultural Engineering Department was also part of a multi-agency team set up by the Ministry of Energy and Mining to develop sustainable bio-fuels (such as sugar cane) to meet local demands for bio-fuels while contributing to economic development.

The weather station at the Institute was upgraded to an Automatic Weather Station by the National Meteorological Services of Jamaica. The station now details various meteorological data on an hourly basis and transmits this electronically to the head office. This represents one of several such station upgrades in the network serving the island and facilitates improvement in the quality of data and the efficiency in reporting.

EXTENSION SERVICES DEPARTMENT (ESD)

A series of Pre-Crop Seminars to reinforce the importance of good harvesting practices towards achieving high cane quality and payment were conducted across the Industry. Seminars were well attended and were held at Frome, Appleton, Monymusk, Trelawny and St. Thomas. The targeted audiences were Farmers, Contractors, Farm Managers, Supervisors, Headmen, Cane Cutters and Ticket Writers. Pre-crop seminars are considered essential to managing the harvest and are repeated each year because of the complexities of the Cane Payment System and the relationship to cane price.

In the Frome area a number of large farms were targeted and the topics discussed were wide ranging, including Factors Affecting Cane and Sugar Quality, Efficient Harvesting, Equipment Maintenance and Safety, Cane Quality and payment and Effective Weed Control Practices, **Fig.1**. As requested a special presentation was done for Cane Cutters and Equipment Operations at the Sankars Farm & Equipment, Westmoreland.



Fig. 1: Participants at Cane Quality Seminar at Frome

Also in the Frome area, a study was conducted to determine the cause of the very low JRCS and consequently low payment that affected cane farmers. Results indicated that late fertilizing as evidenced

in high nitrogen (N) levels in leaves tested, coupled with unfavourable ripening conditions were the primary cause of the low sucrose and poor result obtained.

The Department continued to play a major role in providing technical services as well as assisting the Economics and Statistics Department of the Institute in the implementation of the Industry's Cane Expansion Programme funded by the Sugar Transformation Unit (STU) of the Ministry of Agriculture and Fisheries. Areas of responsibility include the screening of loan applications, evaluation of Farm Business Plans and assessing the quality of work provided by service contractors for approval of disbursement of funds for jobs completed. The Extension Area Agronomists further see to the application of sound agronomic practices in the operations of these new cane establishments.

Much of the 3,715 ha planted (3,004 ha by estates and 771 ha by farmers) in 2010 was facilitated by this loan programme. The programme also established some 16 ha under Drip Irrigation in St. Catherine.

In promoting the Certified Seed Cane Project several nurseries of new cane varieties were established across the industry under the care and supervision of the Extension Agronomist. Among the varieties established were the BJ 8841, BT 80311 and CR 892023, **Fig 2**.



Fig. 2: Variety CR 892023 – Clarendon Plot

In highlighting the work of the Institute in Sugar Cane Research & Development the Extension Unit spearheaded several outreach programmes to provide information to students as well as to the public in general. Events included Career Fora, Expo and Agricultural Shows and participation were as follows:-

Career Day	Christiana High School	February 16
Agricultural Show	Hague - Trelawny	February 17
Career Day	Elim Agricultural School	March 10
Career Day	Northern Caribbean University (NCU)	March 24
Agricultural Show	Gray's Inn, St. Mary	April 5
4H Day	National Achievement - Denbigh	April 30
Agricultural Show	Denbigh - Clarendon	July/August



Fig. 3: Participants viewing the SRI Exhibit at NCUs Career Expo

Personnel from the Department gave two (2) lectures on the contribution of the Sugar Industry to National Development. The lectures were contributions to the National Heritage Week celebrations and the presenters were Ms. Paulette Wright at the Sam Sharpe Teachers' College, Montego Bay and Mr. Derek Little at Northern Caribbean University, Mandeville.

Routinely the ESD provided technical services to cane growers across the industry in areas such as Soil and Leaf Sampling, Fertilizer Recommendations, Weed Control Practices, Pest and Disease Control and address issues relating to cane payment.

In addition, the ESD compiled several reports essential to the management of the Industry including; Crop Estimates, Production Reports, Crop Review and Estimates of damage relating to extreme weather conditions. As a useful reminder, Tropical Storm Nicole caused extensive flooding to several areas in the West, which had implications for the outcome of the 2010/2011 harvest, ***Fig. 4.***



Fig. 4: Flooding caused by Tropical Storm Nicole

FACTORY SERVICES DIVISION

ENGINEERING

During the 2010 sugar crop, the Engineering Department successfully completed its work programmes as it responded successfully to all the requests made by the factories. The Department carried out the following duties during the year:

CORE SAMPLERS AND HYDRAULIC PRESSES

Out of crop maintenance which entailed the repairing or replacing of damaged and malfunctioning components, setting of the press gaps, adjusting of the sequence cycles and pressure switches were carried out just before the start of the crop at all factories.

The core sampler structures at Appleton, Monymusk, Worthy Park and Golden Grove were repainted; also, core laboratories at Golden Grove, Appleton, Worthy Park and Bernard Lodge were repainted. The windows in the core laboratory at Frome were replaced with aluminum sliding windows. The provision of controlled ambient temperatures in core laboratories is an important requirement for their proper functioning. All air-conditioning units in core laboratories were serviced and wherever inadequate cooling was recorded, new units were installed.

An overall average of 90.35 percent testing of canes was achieved by core laboratories for the crop, a slight decrease compared to 91.98 percent sampling achieved in the previous crop.

During the crop, the following problems were experienced and corrective actions taken:

FROME

The No.3 press cylinder cartridge broke and the complete hydraulic cylinder had to be replaced. Also, the No.3 press timer and the No.1 core sampler shredder counter balance valve malfunctioned and had to be replaced. The incidence of burst hydraulic hoses requiring replacement was significantly lower than for the previous crop.

Routine building up of all three shredder hammers were effected to maintain the required preparation index of > 80% cell breakage mandated by industry standards.

A crop average of 83.01 percent testing of canes delivered at the core was achieved, a slight increase of 0.35% on the previous crop (82.66%).

APPLETON

This system had a very good run achieving a crop average of 96.66 % testing, although this was lower than the 98.83 % for the previous crop. During the period, replacement of a burnt contactor for the core sampler motor was required.

MONYMUSK

Both hydraulic press cylinders, oil filters and the No.1 core sampler carriage cylinder flow control valve developed leaks and had to be replaced. The No.2 core sampler carriage cylinder cartridge also began to leak oil but this was corrected by repairs. This system achieved an overall crop average of 99.81 % testing showing an improvement on the 99.64 % recorded for the previous crop.

BERNARD LODGE

There were no major problems with this unit.

WORTHY PARK

Readjustment of the pressure switches for the automatic sequence cycle on the core sampler had to be effected from time to time. The hydraulic press solenoid valve coils were burnt and the complete solenoid valve was replaced. There was frequent opening of fuses but this was corrected by replacing the transformer in the press control panel. The core sampler carriage cylinder spindle housing pillow block bearings broke and had to be replaced. A leaking pressure switch on the core sampler had to be replaced. This unit had a crop average of 84.99 % testing, recording a decrease of 3.83% from the 88.82 % for the previous crop.

However, this level of testing was still considerably above the industry regulation level (50%).

GOLDEN GROVE

The carriage cylinder cartridge developed a leak and had to be repaired. Also the main pump signal solenoid valve coil burnt and had to be replaced. The core sampler control panel also required corrective work. The pressure switches were re-adjusted for the setting of the automatic cycle. This unit had a crop average of 92.29 % testing, slightly lower (0.43%) than the level (92.72 %) recorded for the previous crop.

EVERGLADES

The core sampler pressure switches had to be re-adjusted in order to set the automatic sequence cycle. This unit had a good year, finishing with a crop average of 99.23 % testing, improving from the 95.06 % recorded for the previous crop.

LASER ALIGNMENT

Laser alignment of steam turbines and powerhouse alternators was carried out at Appleton, Frome, Golden Grove, Worthy Park and Monymusk. A total of forty four machines was checked, an increase on the twenty units checked in the previous crop. The alignment was corrected on those machines that were found to be misaligned.

DYNAMIC BALANCING

Dynamic Balancing of boiler fans and centrifugal baskets was carried out at Frome, Appleton, Golden Grove, Worthy Park, Everglades and Monymusk. A total of seventy three units was checked, compared to sixty five in the previous crop. Dynamic balancing was carried out on those units that were found to show excessive vibration.

ULTRASONIC THICKNESS TESTING

This service was utilized mainly by Worthy Park, Appleton, Monymusk and Golden Grove.

ULTRASONIC FLAW DETECTION

This was carried out on shafts at Golden Grove and Everglades.

VIBRATION MEASUREMENTS

Vibration measurements were done at Worthy Park, Frome, Golden Grove, Monymusk, Everglades and Appleton.

PROJECTS

Nine locally made high pressure filtration units intended to be used in conjunction with newly acquired Near Infrared (NIR) polarimeters were successfully modified to meet specifications required by the Sugar Technology Unit. These filtration units are integral components of a new system for measuring polarimetric readings and dextran levels (Dextran and Sucrose Analysis, DASA) to be introduced in core laboratory analyses.

Members of the Department also participated in training workshops put on by Optical Activity UK, the manufacturers of the above equipment and assisted in the commissioning of the equipment in the core laboratories.

INSTRUMENTATION

Servicing and maintenance of instruments used routinely in core, in factory control laboratories and in the Central Analytical Laboratory at SIRI, during the crop were successfully completed before the start of the harvesting period and were delivered to the respective laboratories in good working order.

The Department successfully carried out the following duties:

- servicing and reinstalling of all sugar samplers;
- servicing and calibration of all Bagging scales;
- general maintenance of Servo Balans sugar scale at Ocho Rios;
- general repairs to all truck scales except for those at Frome;
- calibration of all truck scales for certification by the Bureau of Standards;
- assisting in certification of all truck scales.
- general maintenance of Servo Balans sugar and juice scales in factories;
- checking and commissioning of new instruments on arrival;
- maintained the inventory for the department.
- provided technical support to factory personnel.
- providing assistance to Institute staff in training seminars and workshops;
- modifying control circuits for the high pressure filtration units acquired for the Sugar Technology Unit.

SUGAR TECHNOLOGY

CHARACTERIZATION OF POLYSACCHARIDES IN SUGARCANE

This project is a continuation of ongoing work in identifying and quantifying polysaccharides in sugarcane. The study involves the testing of varieties currently under investigation in the variety development programme. Cane samples are collected by the Variety Department and the Sugar Technology Unit provides analytical support. Cane samples are analyzed for pol, brix, total sugars, total polysaccharides, and starch. The analytical data provided is used by the Variety Department in eliminating those varieties showing unfavourable characteristics (e.g. low sugar, high starch content) from its variety selection programme.

IMPLEMENTATION OF NEAR INFRARED (NIR) TECHNOLOGY AT CORE LABORATORIES

Based on preliminary studies carried out by the Institute during 2005 – 2009, the Technical Subcommittee of the Sugar Manufacturing Corporation of Jamaica (SMCJ), recommended to the Authority that the method currently in use in core laboratories for measuring polarimetric values of juice samples be replaced by measurements based on NIR technology. The Authority, with the agreement of the cane growing sector the All Island Cane Farmers Association (AICFA), mandated the Institute to undertake more extensive field trials of the feasibility of NIR techniques for determining polarimetric values of juice samples at core laboratories. NIR polarimetry permits the measurement of dark coloured juice samples (provided they are transparent) and avoids the use of chemically active clarifying agents (e.g. Octapol currently used).

Eight Dextran and Sucrose Analysis (DASA) systems incorporating the SacchAAr 880D Duplex NIR High Penetration Saccharimeter manufactured by Optical Activity UK, were acquired for use in core laboratories. Trials were conducted at five (5) core laboratories over the period 2009-2010, using NIR technology to measure pol values in cane juice against the method currently in use which involved the use of Octapol as a clarifying agent.

A data base of 2,836 samples collected across the industry (5 core laboratories) showed a good linear correlation ($r^2 = 0.9909$) between polarimetric values obtained by the NIR-based method and those obtained by the Octapol-based method.

It was agreed that, starting with the 2010-2011 harvesting period, the NIR method would replace the current Octapol-based method and that the technique would be further investigated with a view to its use for the direct determination of dextran in cane juice in future crops.

COLLABORATIVE SUGAR TESTS

Three collaborative sugar tests were conducted over the cropping period. The general objectives of the test were to:

- conduct a comprehensive evaluation of the performance of all factory laboratories with respect to sugar pol and moisture analyses;
- standardize the methods of analysis and equipment with respect to polarization and moisture;

- provide technical support to laboratories to ensure the highest level of accuracy and precision in results;
- establish acceptability limits for data produced using statistical techniques.

COLLABORATIVE CANE TESTS

Three collaborative cane tests were carried out over the period January to April 2010. The objective of the test was to ensure that all core laboratories were operating within guidelines set out by the Sugar Industry Control Act. Attention was given to the juice analysis, moisture levels, fiber percentages and the level of cane preparation (PI).

The results for both sets of tests indicate that more attention to the use of good experimental techniques was needed if precise, accurate and comparable data across core laboratories was to be obtained.

CORE LABORATORY TRAINING SEMINARS

The 2009-10 training seminars were conducted at six of the seven factories. All seminars were very successful and saw full participation from the Core Laboratory staff. Topics covered in the seminar included:

- A review of the 2008/2009 core laboratory performance
- Occupational Health and Safety at the Core
- Overview of core laboratory repairs and preventative maintenance
- Interactive session on analytic techniques, instrument use and core operations.

TRAINING SEMINAR AND WORKSHOP ON THE NEW DASA SYSTEMS USING NIR TECHNOLOGY

A training seminar and workshop was held at the Institute on July 23 and 24, 2010 involving participants from both Core and Factory laboratories. The training was conducted by Dr Jennifer Horn, Managing Director of Optical Activity Ltd. and Index Instruments Ltd. Participants were trained in the operation and basic maintenance of the instruments. Additional training was also provided in servicing the equipment by Paul Marsh, Service Manager from Optical Activity Ltd.

BEST PERFORMING CORE LABORATORY AND BEST KEPT FACTORY LABORATORY

The best performing Core Laboratory was won by Frome, while the best performing Factory was won by Appleton Estate. Factories were judged on their performances in cleanliness, safety and general appearance of all areas in and around the factory. The Core laboratories were judged on general cleanliness, organization with respect to layout of equipment and work space, waste disposal practices, management of supplies, care of the equipment, general conduct of laboratory personnel and observance of proper procedures.

INVESTIGATION INTO POOR CRYSTAL FORMATION AT EVERGLADES SUGAR FACTORY

Poor crystal formation was experienced at Everglade sugar factory. Investigations were carried out in the form of observations of operating procedures and collection of samples which were analyzed at SIRI Central Laboratory. Mixed juice, clarified juice, syrup, A and B-molasses were analyzed for dextran, pH, reducing sugars, and starch. Low pH of the clarified juice resulted in samples of the lime used in

clarification being analyzed at SIRI Central Laboratory. The results indicated that the lime that was being used was below specifications with respect to Calcium Oxide (CaO) content.

INVESTIGATIONS AT GOLDEN GROVE SUGAR FACTORY

INVERSION LEVELS AT JUICE AND SYRUP STATIONS

Samples of clarified juice and syrup were collected and analyzed to investigate the levels of inversion occurring across the clarified juice and syrup stage at request of personnel at the Golden Grove Sugar Factory. This was done and a report submitted.

INVESTIGATION INTO LOW FRI VALUES

The Sugar Industry Research Institute in collaboration with the Sugar Industry Authority conducted an investigation on the consistent low Factory Recovery Index (FRI). This investigation was conducted based on a request from the management of Golden Grove. It was carried out over the period April 28 to May 8, 2010. Historical factory data was also used to guide the investigation.

The accuracy of the FRI reported by the factory and the sugar recovery process used were investigated to determine the feasibility of increasing the recovery of sugar. A report on the findings was prepared and submitted to the management of the Golden Grove Sugar factory.

ENVIRONMENTAL MONITORING & MANAGEMENT

POLLUTION CONTROL PROGRAMME

Extensive work was done over the period with the Sugar Divestment Enterprise in the development of an Environmental Compliance Plan for the remaining government-owned sugar factories and also for the two newly divested factories. Several meetings were held over the period with representatives of the group and NEPA in an effort to complete and submit a plan acceptable to the environmental agency. The plan covers areas such as compliance with Air Emissions Regulations; Trade Effluent standards and Solid Waste disposal. Other areas include water resources management and land use.

WASTEWATER SAMPLING AND ANALYSIS

The Sugar Industry Research Institute continued the program of collecting and analyzing wastewater from sugarcane processing. Routine analyses for Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD), sulphates, nitrates and phosphates were done. Most factories were out of compliance with the set Trade Effluent Standards especially for BOD and COD.

CENTRAL SERVICES

CENTRAL ANALYTICAL LABORATORY

The Laboratory continued routine analysis on wastewater samples, water for irrigation purposes, soils, plant tissue, fertilizers, cane juice, sugars and molasses samples from the sugar factories over the period under review. Analytical support was given to activities and projects from both the Agricultural and Factory Services Divisions. A total of 21 172 analyses were done on routine samples. This represented an increase of 37% over the previous year. This was due to analytical support given to one of the factories which was required to do continuous monitoring of its wastewater effluent.

EVALUATION OF LABORATORY METHODS

The Laboratory continued to participate in the plant tissue and soil material exchange programmes conducted by Wageningen University of the Netherlands (WEPAL) as well as the collaborative testing of raw sugar for pol and moisture organised by the Sugar Association of London. Participation was done to assess precision and accuracy of analytical test methods and skills of the analysts. In all the reports, statistical analysis showed that the results obtained by SIRI were not significantly different from the results obtained by the other participants.

SUGAR QUALITY 2010

The average pol for the industry was 98.52° representing an improvement in pol of 0.10 over last crop and 0.36 higher than the crop before. The safety factor of 0.24 was well within the specification of not more than 0.30. The industrywide average for dextran was 218mau well below the maximum allowable value of 250mau, a significant improvement over the value of 265mau for the last crop. The average reducing sugars, 0.35%, was within the specification of less than 0.70% and both raw (2423 IU) and affined (1217 IU) colour values were within the specification of 3000 and 1500 IU respectively.

MOLASSES QUALITY 2010

The results obtained for the analyses of molasses showed improvement in the exhaustion of final molasses at all the factories. However, there is room for further improvement.

WASTEWATER ANALYSES 2010

The routine analysis of wastewater was conducted in the normal fashion. The results for the samples analysed, showed that biochemical oxygen demand (BOD) and chemical oxygen demand (COD) were always much higher than the standard of 30 and 100 ppm respectively, even values for the out-of-crop period; whereas the other parameters only sometimes exceeded the specification as set out by the National Environmental Planning Agency (NEPA) for wastewater from factories. Nitrates and sulphates were usually within the specifications of 5 and 250 ppm respectively, however those for phosphates generally exceeded the standard of 5 ppm. Oils were found to be absent.

IRRIGATION WATER QUALITY

The number of samples analysed during the year was significantly lower than in previous years. However, there was no statistically significant change in the salinity and SAR values of the water samples from those wells analysed, with average results being classified as medium to high in salinity and medium to moderately high in sodium.

REPLACEMENT OF LEAD SUB-ACETATE IN POLARIMETRY ASSAY OF MOLASSES

The experiments to assess the suitability of NIR technology for molasses pol were completed. The results obtained were not statistically different from those obtained using lead subacetate and showed the same level of precision. However, there were significant differences in terms of accuracy. The NIR method gave the better results.

FURTHER EVALUATION OF A MOISTURE TELLER

A reassessment of an Omni Mark moisture teller was done. The comparative study with the ICUMSA method for moisture when analyzed using the Pearson Correlation Coefficient and paired two sample T

Test gave a correlation of 0.94 indicating that both methods were highly correlated to each other, with the moisture teller providing an added benefit of shorter times for analyses.

ISO 17025

The laboratory continued to maintain the procedures and systems required for accreditation. These have assisted the laboratory in meeting its performance targets. Internal audits were conducted and a few non-conformances detected. These must be addressed before accreditation is sought.

ECONOMICS AND STATISTICS

CANE EXPANSION FUND

Under a Cane Expansion Fund the Government, through its Sugar Transformation Unit, in a programme developed with the EU has been providing funding through the SIA for the expansion of the industry's cane supply. The fund provides concessionary financing for cane replanting and installation of drip irrigation infrastructure. SIRI has been providing administrative and technical support to the programme since its inception.

REPLANTING

For the 2010 planting period, some 233 replanting applications with loan financing requirement amounting to over \$154M were approved under the fund, and when fully utilized would enable the replanting of some 1 267 hectares across the industry. Impacted mainly by weather extremes and a general lack of tillage machinery, just about half of planned replanting was achieved. As a consequence, the remaining applications were brought forward to the 2011 planting season. Cumulatively, since its inception in 2008, the fund has enabled the replanting of close to 2500 ha, mainly among farmers. The concessionary rates of interest and an extended payback period of five years provided by the fund have led to a much improved replanting rate among farmers.

DRIP IRRIGATION

To assist in realizing the fund's objective of increased and sustainable cane productivity, some 90.82 hectares of drip irrigation were approved for grant funding. The fund financed the predetermined cost of installation of up to 90% for farms 4 ha and less, and up to 80% for farms above that size.

Twenty-two hectares on five farmers' holding are now under drip irrigation, with plot size ranging from 2 to 4 ha. Fields harvested so far have yielded in excess of 120 tonnes cane per hectare, and represent a significant increase on yield normally obtained from the conventional furrow system. Concessionary loan financing with a payback period of seven years are also available to extend the hectares beyond the limit of grant funding.

Small farmer drip irrigation plot – Bernard Lodge

Cane Expansion Fund



REPAYMENT

The fund continued to realize excellent recovery rates of 95% and above in some areas. However, there are areas where recovery has dipped or remained below expectation. Factors responsible were being examined with a view to improve recovery in the short run.

CANE ESTABLISHMENT COST

The exercise of updating cane establishment cost with a view to determining the viability of cane growing is an annual undertaking of the Department. Cost information is provided on both rainfed areas and canes grown under irrigation. This serves as a guide to cane growers in arriving at costing for their individual farms. The information is also used by credit institutions.

COST OF PRODUCTION SURVEY

The main objective of the survey is to determine unit cost of production and harvesting for farms, estates, regions and nationally. The survey also provides economic and technical data useful in other studies. Preliminary review of cost data on 2009 and 2010 crops are in progress. This will be followed by data entry and analysis.

CANE YIELD SURVEY

The cane yield survey is an annual project designed to provide information on production and productivity, in addition to information on hectares in cane, tonnes cane produced, fertilizer and water use within the sugar cane industry. Data obtained are used to monitor variety performance, determine sugar production per hectare per month and to derive other indices of productivity. The survey is normally representative of roughly 50% of cane produced and hectares reaped across the industry.

The survey is also a management tool that has been used to gauge the profitability of the business. It is generally accepted that to be profitable, rainfed areas should achieve a tonnes sugar per hectare (ts/ha) of 7.5 and the irrigated areas, a ts/ha of 8.5. This would require cane yields of 75 and 85 tc/ha respectively and a minimum JRCS of 10. Preliminary results of the 2010 survey showed a grower achieving this benchmark with a yield of 67.5 tonnes cane per hectare and a JRCS of 11.86.

WORLD SUGAR SITUATION

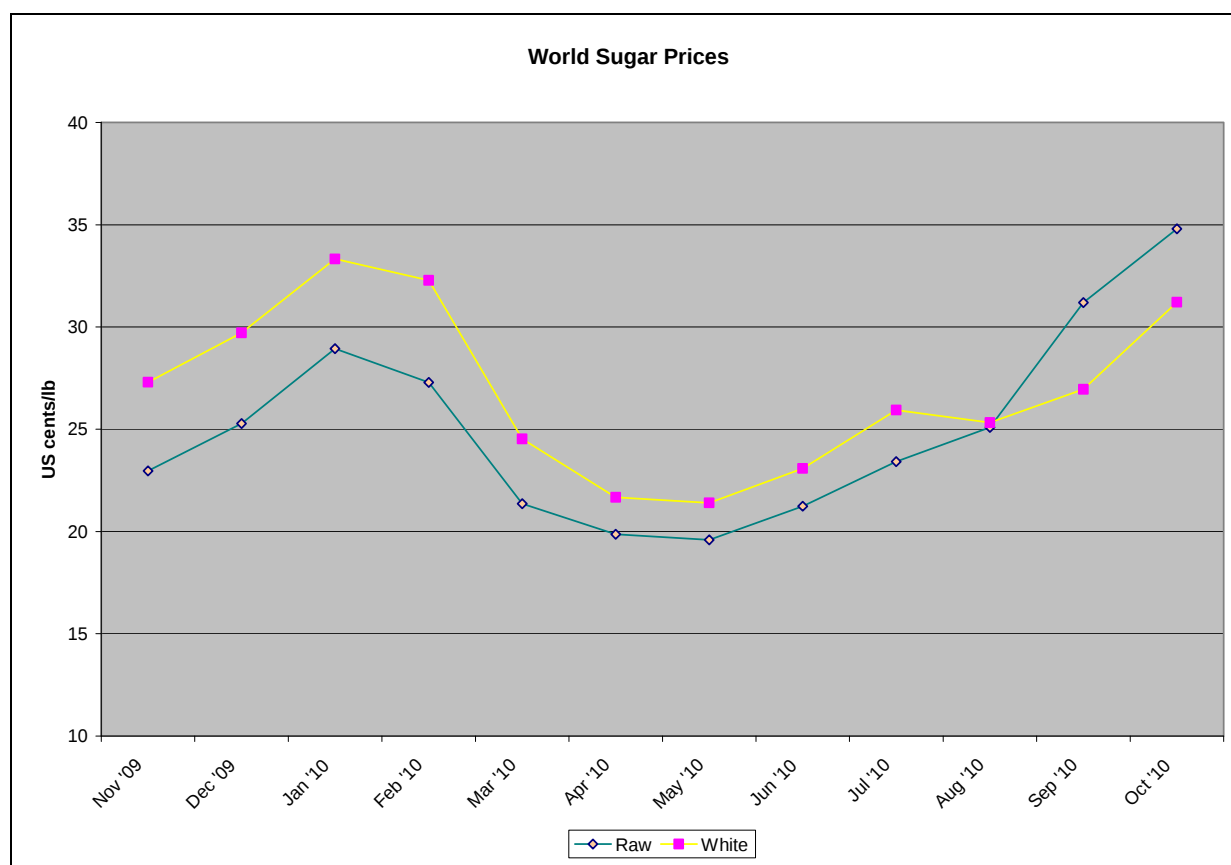
In 2009 sugar prices more than doubled, making the sweetener the second-best performing commodity next to copper. Analysts were of the view that there would be little relief for consumers in 2010. Initially prices rose to the level expected, reaching a 29 year high of 30.40 cents per pound in February. Prices began to slide in March and dropped sharply the following two months to a one year low of 13.00 cents per pound in May. There were few who can claim they were not surprised by the pace at which raw prices collapsed, particularly in March. The reasons for the collapse were manifold, although six factors seem to be causal for the dramatic turnaround:

1. The announcement by the EU that they would increase exports by 0.5 mln tonnes beyond their WTO limit of 1.374 mln tonnes.
2. The cutback of speculative long positions after the expiry of the March contract.
3. The higher-than expected Brazilian exports in the inter-harvest period rendered possible by a reduction of stocks.
4. Lower physical demand by some importers in expectation of even lower prices.
5. The spectacular rise in Indian production estimates for 2009/10.
6. Prediction of a higher-than expected global sugar surplus in 2010/11.

Undoubtedly the main reason for the sharp price fall was India, which usually causes the greatest turbulence on the international market. India's 2009/10 production was first estimated at 14mln was later revised to 19-20 mln tonnes. As a result, imports projection was reduced from 6-7 mln to 4 mln tonnes.

Furthermore, India's 2010/2011 crop was projected to reach 25 mln tonnes. Consequently official sources were indicating that the country may return to the world market as an exporter.

Prices regained strength in September given growing concerns over expected reduction in sugar supplies as a result of the fragile stock situation, weather problems around the globe and uncertainty over whether or not there would be a surplus in 2010/11. Prices rose further in October given fears over production prospects for 2011/12 and the weakening US dollar. It was first thought that there would be a surplus of 2.5 mln tonnes, but it was later revealed that there would be a deficit instead. This was mainly as a result of the fact that production in Brazil for 2011 would be lower than expected. November was a volatile month which saw sugar prices reaching a peak of 33.32 cents per pound, the highest since January 1981. This was short-lived as the prices soon stabilized and ended the month at 27.55 cents per pound. It is expected that the market will go higher, considering all bullish fundamentals coming from the supply and demand side of the equation.



THE EUROPEAN UNION

The European Sugar market is facing significant stress following its reform which has resulted in marked changes to the EU's relationship with the world market. At the start of the year prices in some parts of the EU strengthened above 900 Euro per tonne. The Commission announced a duty-free import quota for 300,000 tonnes to bring in additional supply. This is unplanned development for the world's largest beet-growing region which until recently used to be the world's largest white sugar exporter. The EU is now a deficit region which now makes the longstanding ACP suppliers an important part of its balance sheet

after many years of being on the periphery of EU policy. In recent years, the price on offer to these suppliers has fallen alongside the decline in the European intervention prices. Furthermore, some of the suppliers locked in multi-year supply agreements in order to secure forward price certainty as the fixed price guarantee, which formed part of the pre-reform sugar market regulation, were abandoned in the reform process in preference for duty-free, quota free access. As part of the reform process, the EU made available financial aid in order to make the ACP sugar industries more competitive in the new price environment. However, with decrease certainty over their income and their level of income, this proved to be a paltry gesture. Alongside the traditional trade partners, a second group of suppliers to the EU, the 50 least developed countries in the world – stood at the foundation of some of the decisions made within the reform process.

Under the EU's 'Everything But Arms' initiative, these Least Developed Countries (LDC's) received annually – increasing import quotas culminating in unlimited duty-free access to European markets for sugar since October 2009. However, the volume of sugar arrivals from these countries to date has been extremely low, with most of the supply coming from countries with existing ACP access to the EU.

OUTLOOK FOR 2010/11

Last year, was a year of extremes for the sugar market, with price volatility comparable to what was seen in 1980. Early hopes are that the 2010/11 season would return the global balance to a surplus. However, the adverse weather in 2010 will have a negative impact on the 2011 season. A key focus in 2011 will be the progress of key cane crops in India, Thailand, China and Brazil where production is expected to be varied.

India is expected to deliver the largest increase in production for the 2011 season surpassing Brazil, as a result of a large increase in area under cane. However, agricultural and sucrose yields are also a critical consideration for the Indian crop. Production in Thailand is expected to be higher this year than it was last year, barring any adverse changes in the weather. Though China is a smaller producer and consumer than India it is likely to have a greater impact than India on the global trade this year. The Chinese market is in deficit and this could translate directly into additional import demand.

Brazil is expected to produce a lower crop because for the first time in almost a decade less cane will be available than crushing capacity. This is partly due to ageing cane profile. Many factories are under financial stress following the global financial crisis. Canefield renovation has fallen below the level needed to maintain a constant age of cane. Ageing cane has led to a reduction in agricultural yields and increased vulnerability of the cane to weather stress.

The global sugar balance could return to a small surplus in 2011, however, it will not take much to shift the fragile balance sheet with weather risks remaining high.

WORLD SUGAR PRODUCTION 2010/2011

<u>Production Area</u>	<u>Tonnes (mln)</u>
Europe	24.36
Africa	10.99
North & Central America	19.30
South America	48.52
Asia	60.89
Oceania	4.57

TOTAL	168.63
=====	

DIRECTORS

Ambassador Derick Heaven
Chairman

Mr. Allan Rickards
Director

Mr. Robert Henriques
Director

Mr. Aubyn Hill
Director

Mr. Donovan Stanberry
Director

Mr. Harold Brown
Director

Mr. Badiah Handal
Director

Mr. Peter Haley
Secretary

BOARD OF DIRECTORS EMOLUMENTS, NOVEMBER 1, 2009 – OCTOBER 31, 2010

\$

Director 1	73,833.36
Director 2	2,600.00
Director 3	98,666.72
Director 4	13,000.00
Director 5	18,500.00
Director 6	26,000.00

Note: The Executive Chairman, whose emoluments appear below, receives no additional compensation for chairing Board meetings.

2010 SALARIES & EMOLUMENTS SENIOR EXECUTIVES

POST	TOTAL	REMARKS
COURACT OFFICERS	\$	
1. Executive Chairman	5,634,996	Plus Gratuity & Motor Vehicle
2. Director Of Research, SIRI	3,266,496	Plus Gratuity, Motor Vehicle & Lunch Allowance
3. Director, Finance & Administration	3,334,293	Plus Gratuity, Motor Vehicle & Lunch Allowance
4. Real Estate Manager	3,485,000	Plus Gratuity, Motor Vehicle & Lunch Allowance
OTHER SENIOR EXECUTIVES		
1. Agricultural Service Manager, SIRI	4,307,664	Plus Motor Vehicle & Lunch Allowance
2. Information & Planning Manager	3,541,313	Plus Motor Vehicle & Lunch Allowance
3. Head, Extension Services	3,507,336	Plus Motor Vehicle & Lunch Allowance

APPENDIX TABLES

TABLE 1: CANE MILLED (TONNES) 2009 & 2010

FACTORIES	2009			2010		
	Estates	Farmers	Total	Estates	Farmers	Total
Frome	204,772	197,570	402,342	235,322	243,702	479,024
Monymusk	191,632	66,570	258,202	171,113	66,093	237,206
Long Pond/Everglades	28,038	24,515	52,553	13,062	16,736	29,798
St. Thomas/Golden Grove	65,486	63,889	129,375	62,110	100,784	162,894
Appleton	185,718	120,941	306,659	236,067	60,591	296,658
Worthy Park	82,050	103,399	185,449	100,258	84,246	184,504
TOTAL	757,696	576,882	1,334,579	817,932	572,152	1,390,084

TABLE 2: TONNES 96^o SUGAR PRODUCED: 2005-2010

FACTORIES	2005	2006	2007	2008	2009	2010
Frome	42,515	46,524	53,729	49,828	37,847	40,830
Monymusk	9,322	18,400	16,957	15,421	19,342	17,004
Bernard Lodge	14,053	15,124	16,114	15,017		
Long Pond/Everglades	4,654	8,761	9,884	6,399	3,833	1,457
St. Thomas/Golden Grove	10,426	10,928	14,151	12,886	11,486	12,587
Appleton	21,404	26,196	31,332	22,310	31,625	29,025
Worthy Park	21,833	20,949	22,220	19,011	21,685	20,903
TOTAL	124,206	146,882	164,387	140,872	125,818	121,806

**TABLE 3: CANE QUALITY- JAMAICA RECOVERABLE CANE
SUGAR (JRCS) 2005-2010**

FACTORIES	2005	2006	2007	2008	2009	2010
Frome	10.42	9.34	9.47	9.58	11.34	9.85
Monymusk	9.90	10.26	9.92	10.20	10.62	9.29
Bernard Lodge	9.51	9.62	9.42	9.58		
Long Pond/Everglades	9.75	9.80	9.88	10.89	10.87	11.22
St. Thomas/Golden Grove	10.24	10.24	9.12	9.74	10.87	9.47
Appleton	10.45	10.15	9.67	9.88	10.69	10.10
Worthy Park	12.22	11.24	10.89	11.33	12.06	11.75
AVERAGE	10.46	9.92	9.69	9.97	11.09	10.28

Note: Since the inception of the core sampling method of testing cane quality in 1991, cane suppliers have been paid by the Jamaica Recoverable Cane Sugar (JRCS) as measured by the core sampling operation required to make up for their inefficiency while those above gain benefits. The FRI is derived from the core sample testing of the sugar cane entering a factory and this measure has replaced a former measure of Overall Efficiency which was derived in the Factory, that is to say, the sugar is measured coming into the factory rather than going out.

**TABLE 5: TIME ACCOUNT 2009 & 2010
(TIME LOSS AS A % OF TOTAL AVAILABLE TIME)**

FACTORIES	Total Time Loss		STOPPAGES					
			Factory		Non-Factory		Cleaning	
	2009	2010	2009	2010	2009	2010	2009	2010
Frome	36.41	38.50	17.11	12.74	19.30	25.76	5.67	4.00
Monymusk	48.27	68.71	37.96	8.83	10.31	59.88	4.98	2.30
Long Pond/Everglades	67.80	73.78	43.82	54.20	23.98	19.58	3.51	3.57
St.Thomas/Golden Grove	51.73	48.93	18.79	28.13	32.93	20.80	5.12	5.26
Appleton	25.94	25.99	5.31	7.26	20.63	18.73	4.32	4.34
Worthy Park	30.74	28.63	2.52	2.05	28.22	26.58	5.99	6.23
TOTAL	42.86	47.24	19.40	16.15	22.53	31.09	5.01	4.19

Total time loss (time not available for milling) is broken down into causes for stoppages related to (1) "factory" such as factory breakdown (11) "non-factory" such as weather, lack of cane or strikes and (111) time devoted to weekend cleaning and expressed as a percentage of total available time.

TABLE 6: SUGAR EXPORTS BY DESTINATION 2006-2010

	2006		2007		2008		2009		2010	
DESTINATION	QUANTITY (TONNES)	VALUE (US\$'000)	QUANTITY (TONNES)	VALUE (US\$'000)	QUANTITY (TONNES)	VALUE (US\$'000)	QUANTITY (TONNES)	VALUE (US\$'000)	QUANTITY (TONNES)	VALUE (US\$'000)
European Union	135,426	87,769	147,035	98,582	136,048	104,662	120,180	75,631	78,639	36,527
USA	5,007	2,507	5,987	2,637	0	0	0	0	13,980	9,152
Other	12	10	31	27	22	21	30	28	280	162
TOTAL	140,445	90,286	153,053	101,246	136,070	104,683	120,210	75,659	92,899	45,841

Independent Auditor's Report

To the Members of
Sugar Industry Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Sugar Industry Authority standing alone, set out on pages 38 to 92, which comprise the balance sheet as of 31 October 2010 and the income and expenditure account, statement of operation – imported raw sugar and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm



**Members of Sugar Industry Authority
Independent Auditor's Report
Page 2**

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority standing alone as of 31 October 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, 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, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers'.

Chartered Accountants
27 January 2012
Kingston, Jamaica

Sugar Industry Authority

Balance Sheet

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$	2009 \$
Non-current Assets			
Intangible assets	5	1	1
Property, plant and equipment	6	195,155,662	179,291,072
Retirement benefit asset	7	72,115,000	70,700,000
Loans receivable	8	177,638,114	84,828,699
		<u>444,908,777</u>	<u>334,819,772</u>
Current Assets			
Inventories	9	1,954,950	2,093,451
Current portion of loans receivable	8	58,206,615	108,717,625
Accounts receivable and sundry assets	10	126,300,123	232,915,417
Cash and short term deposits	11	467,884,630	305,077,810
		<u>654,346,318</u>	<u>648,804,303</u>
Current Liability			
Accounts payable and accrued expenses	12	100,731,281	101,862,432
Net Current Assets			
		<u>553,615,037</u>	<u>546,941,871</u>
		<u>998,523,814</u>	<u>881,761,643</u>
Equity			
Fund balances at end of year	13	319,786,509	373,091,346
Accumulated surplus on imported raw sugar	14	98,322,623	88,506,955
		<u>418,109,132</u>	<u>461,598,301</u>
Capital reserves	15	126,607,308	126,607,308
ECU reserve fund	16	8,596,432	28,288,783
Certified seed cane reserve fund	17	-	30,850,000
Training programme fund	18	-	1,321,251
European Union fund	19	405,523,942	201,000,000
		<u>958,836,814</u>	<u>849,665,643</u>
Non-current Liability			
Retirement benefit obligations	7	39,687,000	32,096,000
		<u>998,523,814</u>	<u>881,761,643</u>

Approved for issue by the Board of Directors on 27 January 2012 and signed on its behalf by:

Derick Heaven

Executive Chairman

Peter A. Haley

Director, Finance and
Administration

Sugar Industry Authority

Income and Expenditure Account

Year ended 31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$	2009 \$
Income			
Cess		329,048,500	330,883,999
Other income	21	59,278,913	149,974,972
		<u>388,327,413</u>	<u>480,858,971</u>
Expenses			
Administrative expenses	22	(482,747,564)	(371,884,401)
Cane replanting and drip irrigation grants		(3,476,058)	(9,000,000)
Subsidies for cane transportation		(10,741,288)	(10,336,639)
Natural Cane Products Limited expenses		<u>(7,000)</u>	<u>(7,000)</u>
		<u>(496,971,910)</u>	<u>(391,228,040)</u>
(Deficit)/Surplus of Income over Expenditure		(108,644,497)	89,630,931
Fund balances at beginning of year		<u>373,091,346</u>	<u>259,814,919</u>
		264,446,849	349,445,850
Release from Capital Reserve	15	-	3,025,002
Transfer to ECU Reserve Fund	16	(1,281,570)	(2,930,132)
Release from ECU Reserve Fund	16	50,542,351	10,336,639
Release from Training Programme Fund	18	2,602,821	4,213,987
Release from European Union Fund	19	<u>3,476,058</u>	<u>9,000,000</u>
Fund Balances at End of Year		<u><u>319,786,509</u></u>	<u><u>373,091,346</u></u>

Sugar Industry Authority

Statement of Operation – Imported Raw Sugar

Year ended 31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010	2009
		\$	\$
Turnover		<u>76,048,868</u>	<u>88,772,724</u>
Accumulated Surplus on Imported Raw Sugar at End of Year	14	<u>98,322,623</u>	<u>88,506,955</u>

Sugar Industry Authority

Statement of Cash Flows

Year ended 31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$	2009 \$
Cash Flows from Operating Activities			
Cash used in operating activities	24	(6,506,399)	(182,451,612)
Cash Flows from Investing Activities			
Interest received		42,339,253	60,880,314
Proceeds from sale of property, plant and equipment		775,970	85,128,230
Purchase of property, plant and equipment	6	(40,058,682)	(12,188,367)
Disbursement of loans receivable		(104,621,309)	(110,534,520)
Receipts on loans receivable		<u>63,514,518</u>	<u>109,788,876</u>
Cash (used in)/provided by investing activities		<u>(38,050,250)</u>	<u>133,074,533</u>
Cash Flows from Financing Activity			
Grants received	19	<u>208,000,000</u>	<u>100,000,000</u>
Cash provided by financing activity		<u>208,000,000</u>	<u>100,000,000</u>
Net increase in cash and short term deposits		163,443,351	50,622,921
Effect of exchange rate changes on cash and short term deposits		(636,531)	841,329
Cash and cash equivalents at beginning of year		<u>305,077,810</u>	<u>253,613,560</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	<u><u>467,884,630</u></u>	<u><u>305,077,810</u></u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activity

The Sugar Industry Authority (SIA) is a Jamaican Government statutory body, incorporated under the Sugar Industry Control Act. The registered office is at 5 Trevennion Park Road, Kingston 5, Jamaica. Its main activity comprises industry regulation, arbitration, research and the provision of technical assistance.

These financial statements include the combined financial position and results of the following funds, division and trading accounts administered by the Authority.

Funds

- General Fund
- Sugar Industry Capital Rehabilitation Fund
- ECU Reserve Fund
- Certified Seed Cane Reserve Fund
- Training Programme Fund

Division

- Sugar Industry Research Institute (S.I.R.I.)

Trading Accounts

- Imported Refined Sugar
- Imported Raw Sugar

The financial statements do not include the results of the subsidiaries and associated companies, as explained in significant accounting policy Note 2(b).

Based on a decision by the Cabinet, Sugar Industry Housing Limited (SIHL), a subsidiary of the Authority, is to be wound up. The process commenced during the year ended 31 October 2002 with the transfer of assets and liabilities of SIHL to the Authority. The investment in SIHL has been fully provided for in the accounts.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Authority's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Interpretations of published standards effective during the year

Certain new interpretations of existing standards have been published that became effective during the current financial year. The Authority has assessed the relevance of all such new interpretations and has put into effect the following IFRS, which are immediately relevant to its operations.

- **IAS 19 (Amendment), 'Employee benefits'** (effective for annual periods beginning on or after 1 July 2009). The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost, if it results in a reduction in the present value of the defined benefit obligation.

The return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from the measurement of the defined benefit obligation.

The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

The amended standard has also deleted guidance stating that IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' requires contingent liabilities to be recognised.

The Authority adopted IAS 19 (Amendment) from 1 November 2009. The adoption did not have a material impact on the Authority's financial statements.

- **IFRS 7 (Amendment), 'Financial instruments: Disclosures'** (effective for accounting periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosures of fair value measurement by level of fair value measurement hierarchy. The Authority adopted the Amendment to IFRS 7 effective 1 November 2009. The adoption of the amendment did not have a material impact on the Authority's financial statements.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Interpretations of published standards effective during the year (continued)

- **IAS 1 (Revised) – ‘Presentation of financial statements’ and IAS 1 (Amendment) – ‘Presentation of financial statements’** (effective for annual periods beginning on or after 1 January 2009). Under this revised standard, recognised income and expenses are to be presented in a single statement (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income), separately from owner changes in equity. Components of other comprehensive income may not be presented in the statement of changes in equity. Both the statement of comprehensive income and the statement of changes in equity are to be included as primary statements. The balance sheet is to be referred to as the ‘statement of financial position’ and the cash flow statement is to be referred to as the ‘statement of cash flows’. The Authority will be required to disclose the income tax related to each component of other comprehensive income either in the statement of comprehensive income or in the notes to the financial statements. The Authority should also present a statement of financial position as at the beginning of the earliest comparative period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassifies items in the financial statements. The Authority adopted IAS 1(Revised) and IAS 1(Amendment) from 1 November 2009. The adoption did not have a material impact on the Authority’s financial statements.

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are mandatory for the Authority’s accounting period beginning on or after 1 November 2010 or later periods, but were not effective at the date of the statement of financial position, and which the Authority has not early adopted. The Authority has assessed the relevance of all such new standards, interpretations and amendments and has determined that the following may be relevant to its operations, and has concluded as follows:

- **IFRS 9, ‘Financial instruments’** (effective for annual periods beginning on or after 1 January 2013). IFRS 9 addresses classification and measurement of financial assets and liabilities. IFRS 9 replaces the multiple classification and measurement models in IAS 39 ‘Financial instruments: Recognition and Measurement’ with a single model that has only two classification categories: amortised cost and fair value. IFRS 9 represents the first milestone in the IASB’s planned replacement of IAS 39. Management is currently considering the implications of the standard, the impact on the Authority and the timing of its adoption by the Authority.
- **IAS 7 (Amendment), ‘Statement of Cash Flows’** (effective for annual periods beginning on or after 1 January 2010). This amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The Authority will apply the amendment to IAS 7 effective November 1, 2010.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

- **IAS 24 (Amendment), 'Related party transactions and balances'** (effective for annual periods beginning on or after 1 January 2011). The revised standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities, and clarifies and simplifies the definition of a related party. The Authority will apply the revision to IAS 24 effective November 1, 2011.
- **Amendment to IAS 1, 'Presentation of financial statements'** (effective for annual periods beginning on or after 1 July 2012). The amendment requires entities to separate items presented in Other Comprehensive Income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present Other Comprehensive Income items before tax will be required to show the amount of tax related to the two groups separately. The amendment is not expected to have a significant impact on the Authority's financial statements.
- **IAS 19 (Revised 2011) 'Employee benefits'** (effective for annual periods beginning on or after 1 January 2013). The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Management is currently assessing the impact of these changes on the Authority's financial statements.
- **IFRS 13, 'Fair value measurement'** (effective for annual periods beginning on or after 1 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The standard is not expected to have a significant impact on the Authority's financial statements.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Consolidation

Subsidiaries are those entities in which the Authority has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies.

Associates are those entities over which the Authority has the power to participate in the financial and operating policy decisions but is not in control or joint control.

The Authority has exercised the option not to present consolidated financial statements, having met the preconditions for exemption outlined in IAS 28 'Accounting for Investments in Associates'.

These financial statements present the results of the operations of the Authority standing alone and therefore do not include consolidated results for its subsidiaries and associates. Consolidated results are not presented as:

- The assets and liabilities of its subsidiary, Sugar Industry Housing Ltd were transferred to the Authority in 2002 as explained in Note 1. The company is to be wound up as it is no longer operational.
- Natural Cane Products Ltd is inactive, and therefore the investment has been written off.
- The associated companies, National Sugar Company Ltd and Jamaica Sugar Holdings Ltd, have not been accounted for under the equity method of accounting as the entities are dormant. The investments in these entities have been written off.

(c) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated using the closing exchange rate.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange difference on unsettled foreign currency monetary assets and liabilities are recognised in the income and expenditure account.

(d) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Authority's activities. Revenue is recognised as follows:

Cess

The Authority's primary income is from a cess levied on the manufacturers of sugar and is recognised on an accrual basis.

Interest income

Interest income is recognised on an accrual basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Authority.

(e) Intangible assets

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with acquiring identifiable and unique software products which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs are amortised over the estimated useful life of the software (three years).

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(f) Property, plant and equipment

Buildings comprise mainly warehouses, factories and offices and are shown at deemed cost less accumulated depreciation. All other property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation of property, plant and equipment is calculated on the straight-line basis at annual rates estimated to amortise the cost or valuation of each asset over the term of its expected useful life. The expected useful lives are as follows:

Buildings	25 years
Pilot plant and office accommodation	25 years
Plant, equipment and furniture	4 – 10 years
Motor vehicles	4 years
Assets on loan to Jamaica Cane Products Sales Limited	10 years

Land which is carried at deemed cost is not depreciated as it is deemed to have an indefinite life.

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in surplus of income over expenditure.

The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Authority. Major renovations are depreciated over the remaining useful lives of the related assets. Repairs and maintenance are charged to the income and expenditure account during the financial period in which they are incurred.

(g) Impairment of non-financial assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(h) Employee benefits

(i) Pension obligations

The Authority operates a defined benefit plan, which is generally funded through payments to a trustee-administered fund as determined by periodic actuarial calculations. The employees contribute 5% or 10% of salary and the Authority, such amount as is necessary to provide the stipulated benefits. However, the employer must also be an ordinary annual contributor to the plan and such contributions must not exceed 10% of members' earnings.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(h) Employee benefits (continued)

(i) Pension obligations (continued)

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The Authority's pension benefits are based on the average earnings of members over the last two years of pensionable service.

The asset or liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Under this method the cost of providing pensions is charged to the income and expenditure account so as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries. The present value of the defined benefit obligation is determined by the estimated future cash outflows using estimated discount rates based on market yields on government securities which have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to the income and expenditure account over the average remaining service lives of the related employees.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(ii) Other retirement obligations

The Authority provides retirement healthcare benefits to its retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plan. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to the income and expenditure account over the average remaining service lives of the related employees. These obligations are valued annually by independent qualified actuaries.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Authority before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Authority recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the balance sheet date are discounted to present value.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(i) **Loans receivable**

When assets are leased out under finance leases, the present value of the lease payments is recognised as a receivable. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Loans receivable are stated at the principal amount remaining to be repaid over the period of the loans, less provision made for impairment. See Note 2(k).

(j) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. These items are stated less provision for write down to net realisable value, where necessary. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(k) **Receivables**

Receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of receivables and loans is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

(l) **Payables**

Payables are stated at cost.

(m) **Provisions**

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Authority expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(n) **Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, and short-term highly liquid investments with original maturities of three months or less, less bank overdraft.

(o) **Borrowings**

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the income and expenditure account over the period of the borrowings.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(p) Capital reserve

The matching value of property, plant and equipment received as gift or grant is included in a capital reserve fund, and released to revenue over the estimated useful life of the assets, in line with the relevant depreciation charge.

Unrealised surpluses arising on previous revaluation of land and buildings are also included in capital reserves.

(q) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets

The Authority classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'loans receivable' and 'accounts receivable and sundry assets' and are included in non-current assets and current assets in the balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date. These assets are classified as 'cash and short term deposits' and are included in current assets on the balance sheet.

The Authority assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income and expenditure account. Impairment provisioning of receivables is described in Note 2(k).

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(q) Financial instruments (continued)

Financial liabilities

The Authority's financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method. These liabilities are classified as 'accounts payable and accrued expenses' and are included in current liabilities on the balance sheet.

(r) Grants received

Grants received are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Authority will comply with any attached conditions.

Grants relating to the purchase of property, plant and equipment are included in capital reserves and credited to the income and expenditure account on a straight line basis over the expected lives of the related assets.

3. Financial Risk Management

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

The Authority's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Authority regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Authority's risk management framework. As a government-run entity, written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity, are provided in government policy. Compliance with these policies is monitored by the Auditor General's Department, through periodic reviews. The Board has established the following committee for managing and monitoring risks:

Finance Committee

It is responsible for managing the Authority's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Authority. This is carried out through the Authority's Finance department, which identifies, evaluates and hedges financial risks and reports to the Finance Committee.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk

The Authority takes on exposure to credit risk, which is the risk that its debtors or counterparties will cause a financial loss for the Authority by failing to discharge their contractual obligations. Credit risk is the most important risk for the Authority's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the Authority's receivables, loans receivable and investment activities.

Credit review process

The Authority has established a Finance Committee whose responsibility involves regular analysis of the ability of borrowers and other counterparties to meet repayment obligations.

(i) Loans and other receivables

Loans receivable relate to loans to farmers, estates and factories, motor vehicle lease receivables and mortgage and home improvement loans. The Authority makes these loans to the sugar industry, primarily from grant funds received or from the proceeds of loans received for on-lending. Other receivables relate to current amounts due from parties within the industry.

The Authority's credit exposure is limited as repayments under the loans are deducted from crop proceeds due to the farmers, estates and factories, prior to the remittance of these proceeds to the farmers, estates and factories.

The Authority establishes an allowance for impairment that represents its estimate of incurred losses in respect of loans and other receivables. The Authority's average credit period on other receivables normally spans one cane harvesting period while loans receivable are normally due over several harvesting periods. Receivables are provided for based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit review process (continued)

(ii) Cash and short term deposits

The Authority limits its exposure to credit risk by investing mainly in liquid deposits with financial institutions of a high credit quality. Accordingly, management does not expect any counterparty to fail to meet its obligations.

Maximum exposure to credit risk

	Maximum exposure	
	2010	2009
	\$	\$
Credit risk exposures are as follows:		
Loans receivable	235,844,729	193,546,324
Accounts receivable and sundry assets	126,300,123	232,915,417
Cash and short term deposits	467,884,630	305,077,810
	<u>830,029,482</u>	<u>731,539,551</u>

The above table represents a worst case scenario of credit risk exposure to the Authority at 31 October 2010 and 2009.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

(iii) Aging analysis of loans and other receivables

Receivables that are less than one year past due are not considered impaired. As of 31 October 2009, loans receivable of \$36,162,928 were past due but not impaired. There were no such amounts for the year ended 31 October 2010. The ageing analysis of these receivables is as follows:

	2010 \$	2009 \$
Over 365 days	-	36,162,928

As of 31 October 2010, receivables of \$160,155,957 (2009 - \$47,132,673) were impaired. The amount of the provision was \$160,155,957 (2009 – \$47,132,673). The individually impaired receivables mainly relate to farmers, estates and factories who are in unexpected difficult economic situations.

The aging of these receivables is as follows:

	2010 \$	2009 \$
Over 365 days	160,155,957	47,132,673

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

(iii) Aging analysis of loans and other receivables (continued)

Movements on the provision for impairment of receivables are as follows:

	2010 \$	2009 \$
At 1 November	47,132,673	50,604,622
Receivables written off during the year as uncollectible	(4,213,639)	(4,015,839)
Unused amounts reversed	-	(36,884,631)
Receivables provided for during the year	<u>117,236,923</u>	<u>37,428,521</u>
At 31 October	<u>160,155,957</u>	<u>47,132,673</u>

The creation and release of provision for impaired receivables have been included in expenses in the income and expenditure account. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

There are no financial assets other than those listed above that were individually impaired.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

(iv) Loans and other receivables

The following table summarises the Authority's credit exposure for receivables at their carrying amounts, as categorised by the customer sector:

	2010 \$	2009 \$
Accounts receivable and other sundry assets	231,570,122	238,149,917
Loans to farmers, estates and factories	273,734,328	226,790,096
Mortgage and home improvement loans	6,629,426	6,916,770
Motor vehicle leases	10,366,933	1,737,631
	<u>522,300,809</u>	<u>473,594,414</u>
Less: Provision for credit losses	<u>(160,155,957)</u>	<u>(47,132,673)</u>
	<u>362,144,852</u>	<u>426,461,741</u>

All loans and other receivables are due from debtors in Jamaica.

(b) Liquidity risk

Liquidity risk is the risk that the Authority is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

Liquidity risk management process

The Authority's liquidity management process, as carried out within the Authority and monitored by the Finance Committee, includes:

- (i) Monitoring future cash flows and liquidity on a weekly basis. This incorporates an assessment of expected cash flows and the availability of funding if required.
- (ii) Maintaining a portfolio of liquid assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Optimising cash returns on investment;
- (iv) Managing the concentration and profile of debt maturities.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Authority and its exposure to changes in interest rates and exchange rates.

Financial liabilities cash flows

The tables below summarises the maturity profile of the Authority's financial liabilities at 31 October based on contractual undiscounted payments.

	Within 1 Month \$	1 to 3 Months \$	3 to 12 Months \$	Total \$
As at 31 October 2010:				
Accounts payable and accrued expenses	3,676,010	27,987,181	69,068,090	100,731,281
Total financial liabilities (contractual maturity dates)	3,676,010	27,987,181	69,068,090	100,731,281

	Within 1 Month \$	1 to 3 Months \$	3 to 12 Months \$	Total \$
As at 31 October 2009:				
Accounts payable and accrued expenses	2,768,276	26,599,765	72,494,391	101,862,432
Total financial liabilities (contractual maturity dates)	2,768,276	26,599,765	72,494,391	101,862,432

Assets available to meet all of the liabilities and to cover financial liabilities include cash and short-term investments and loans receivable from farmers, estates and factories.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk

The Authority takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Finance Committee which carries out reviews and monitors the price movement of financial assets on the local markets. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Authority's exposure to market risks or the manner in which it manages and measures the risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Authority is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Pound Sterling. Foreign exchange risk arises from recognised assets and liabilities.

The Authority manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions.

Concentrations of currency risk

The table below summarises the Authority's exposure to foreign currency exchange rate risk at 31 October.

	Jamaican J\$	US\$ J\$	GBP J\$	Total J\$
At 31 October 2010:				
Financial Assets				
Loans receivable	235,844,729	-	-	235,844,729
Accounts receivable and sundry assets	126,300,123	-	-	126,300,123
Cash and short term deposits	461,752,514	6,053,385	78,731	467,884,630
Total financial assets	823,897,366	6,053,385	78,731	830,029,482
Financial Liabilities				
Accounts payable and accrued expenses	100,731,281	-	-	100,731,281
Total financial liabilities	100,731,281	-	-	100,731,281
Net financial position	723,166,085	6,053,385	78,731	729,298,201

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk (continued)

	Jamaican J\$	US\$ J\$	GBP J\$	Total J\$
At 31 October 2009:				
Financial Assets				
Loans receivable	193,546,324	-	-	193,546,324
Accounts receivable and sundry assets	232,915,417	-	-	232,915,417
Cash and short term deposits	298,907,738	6,091,341	78,731	305,077,810
Total financial assets	725,369,479	6,091,341	78,731	731,539,551
Financial Liabilities				
Accounts payable and accrued expenses	101,862,432	-	-	101,862,432
Total financial liabilities	101,862,432	-	-	101,862,432
Net financial position	623,507,047	6,091,341	78,731	629,677,119

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

The following tables indicate the currencies to which the Authority had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% revaluation/devaluation (2009 – 5% revaluation, 10% devaluation) in foreign currency rates. The percentage change in the currency rate will impact each financial asset/liability included in the sensitivity analysis differently. Consequently, individual sensitivity analyses were performed. The effect on the surplus/deficit of income over expenditure shown below is the total of the individual sensitivities done for each of the assets/liabilities. There was no impact on other components of equity.

Currency:

USD – Revaluation
USD – Devaluation
GBP – Revaluation
GBP – Devaluation

% Change in Currency Rate 2010	Effect on Deficit 2010 \$
5%	302,669
5%	(302,669)
5%	3,937
5%	(3,937)

Currency:

USD – Revaluation
USD – Devaluation
GBP – Revaluation
GBP – Devaluation

% Change in Currency Rate 2009	Effect on Surplus 2009 \$
5%	(304,567)
10%	609,134
5%	(3,937)
10%	7,873

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Authority to cash flow interest risk, whereas fixed interest rate instruments expose the Authority to fair value interest risk.

The following tables summarises the Authority's exposure to interest rate risk. It includes the Authority's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Non-Interest Bearing	Total
	\$	\$	\$	\$	\$	\$
At 31 October 2010:						
Assets						
Loans receivable	-	-	48,910,797	186,933,932	-	235,844,729
Accounts receivable and sundry assets	-	-	-	-	126,300,123	126,300,123
Cash and short term deposits	205,255,795	262,628,835	-	-	-	467,884,630
Total financial assets	205,255,795	262,628,835	48,910,797	186,933,932	126,300,123	830,029,482
Liabilities						
Accounts payable and accrued expenses	-	-	-	-	100,731,281	100,731,281
Total financial liabilities	-	-	-	-	100,731,281	100,731,281
Total interest repricing gap	205,255,795	262,628,835	48,910,797	186,933,932	25,568,842	729,298,201

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Non-Interest Bearing	Total
	\$	\$	\$	\$	\$	\$
At 31 October 2009:						
Assets						
Loans receivable	-	-	108,717,625	84,828,699	-	193,546,324
Accounts receivable and sundry assets	100,000,000	-	-	-	132,915,417	232,915,417
Cash and short term deposits	169,720,949	135,356,861	-	-	-	305,077,810
Total financial assets	269,720,949	135,356,861	108,717,625	84,828,699	132,915,417	731,539,551
Liabilities						
Accounts payable and accrued expenses	-	-	-	-	101,862,432	101,862,432
Total financial liabilities	-	-	-	-	101,862,432	101,862,432
Total interest repricing gap	269,720,949	135,356,861	108,717,625	84,828,699	31,052,985	629,677,119

Interest rate sensitivity

Interest rate risk is the risk that the value or future cash flows of a financial asset will fluctuate because of changes in market interest rates. Interest is earned on short-term deposits and loans receivable. All the company's financial liabilities are non-interest bearing. Due to the nature of these items, there is no significant interest rate risk to which the Authority is exposed.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Authority makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Pension plan assets and retirement benefit obligations

The cost of these benefits and the present value of the pension and the other retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumption used in determining the net periodic cost (income) for pension and retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investments returns. The Authority determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and retirement benefit obligations. In determining the appropriate discount rate, the Authority considered interest rate of high-quality corporate bonds that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating the terms of the related pension liability. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation in the respective economy. Past experience has shown that the actual medical costs have increased on average by one time the rate of inflation. Other key assumptions for the pension and post retirement benefits costs and credits are based in part on current market conditions.

If the expected return on plan assets was to change by 1%, the net expense would change as follows:

	Impact on net expense	
	General Fund	SIRI
	\$	\$
1% increase in return on plan assets	(1,121,000)	(266,000)
1% decrease in return on plan assets	1,100,000	263,000

If the discount rate was to change by 1%, the net expense would change as follows:

	Impact on net expense	
	General Fund	SIRI
	\$	\$
1% increase in discount rate	(4,812,000)	(1,999,000)
1% decrease in discount rate	612,000	292,000

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

5. Intangible Assets

	Computer Software
	\$
Cost -	
31 October 2010 and 2009	<u>1,053,899</u>
Accumulated Amortisation -	
31 October 2010 and 2009	<u>1,053,898</u>
Net Book Value -	
31 October 2010 and 2009	<u>1</u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

6. Property, Plant and Equipment

Property, plant and equipment comprise:

	Land	Buildings	Plant, Equipment & Furniture	Motor Vehicles	Assets on Loan to Jamaica Cane Products Sales Limited	Pilot Plant & Office Accommod- ation	Total
	\$	\$	\$	\$	\$	\$	\$
Cost or Valuation -							
At 31 October 2008	62,596,431	89,395,417	101,637,299	79,016,695	13,529,515	2,748,400	348,923,757
Additions	-	-	9,493,367	2,695,000	-	-	12,188,367
Disposals	(9,300,000)	-	(1,342,068)	(1,206,308)	-	-	(11,848,376)
31 October 2009	53,296,431	89,395,417	109,788,598	80,505,387	13,529,515	2,748,400	349,263,748
Additions	-	-	40,058,682	-	-	-	40,058,682
Disposals	-	-	(2,073,846)	(4,158,763)	-	-	(6,232,609)
31 October 2010	53,296,431	89,395,417	147,773,434	76,346,624	13,529,515	2,748,400	383,089,821
Accumulated Depreciation -							
At 31 October 2008	-	26,123,996	60,240,544	47,841,795	12,764,734	1,765,872	148,736,941
Charge for the year	-	3,076,632	8,727,729	11,714,889	162,537	102,324	23,784,111
Relieved on disposals	-	-	(1,342,068)	(1,206,308)	-	-	(2,548,376)
31 October 2009	-	29,200,628	67,626,205	58,350,376	12,927,271	1,868,196	169,972,676
Charge for the year	-	3,317,054	9,582,141	11,030,036	162,537	102,324	24,194,092
Relieved on disposals	-	-	(2,073,846)	(4,158,763)	-	-	(6,232,609)
31 October 2010	-	32,517,682	75,134,500	65,221,649	13,089,808	1,970,520	187,934,159
Net Book Value -							
At 31 October 2010	53,296,431	56,877,735	72,638,934	11,124,975	439,707	777,880	195,155,662
At 31 October 2009	53,296,431	60,194,789	42,162,393	22,155,011	602,244	880,204	179,291,072

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

6. Property, Plant and Equipment (Continued)

(a) General Fund:-

	Land	Buildings	Plant, Equipment & Furniture	Motor Vehicles	Assets on Loan to Jamaica Cane Products Sales Limited	Total
	\$	\$	\$	\$	\$	\$
Cost or Valuation -						
At 31 October 2008	31,104,233	12,078,520	20,276,779	21,332,436	13,529,515	98,321,483
Additions	-	-	4,108,448	-	-	4,108,448
Disposals	(9,300,000)	-	-	(1,206,308)	-	(10,506,308)
31 October 2009	21,804,233	12,078,520	24,385,227	20,126,128	13,529,515	91,923,623
Additions	-	-	39,987,582	-	-	39,987,582
Disposals	-	-	-	(4,158,763)	-	(4,158,763)
31 October 2010	21,804,233	12,078,520	64,372,809	15,967,365	13,529,515	127,752,442
Accumulated Depreciation -						
At 31 October 2008	-	8,499,253	18,842,538	12,628,864	12,764,734	52,735,389
Charge for the year	-	483,141	621,945	3,150,688	162,537	4,418,311
Relieved on disposals	-	-	-	(1,206,308)	-	(1,206,308)
31 October 2009	-	8,982,394	19,464,483	14,573,244	12,927,271	55,947,392
Charge for the year	-	483,141	1,733,656	3,150,687	162,537	5,530,021
Relieved on disposals	-	-	-	(4,158,763)	-	(4,158,763)
31 October 2010	-	9,465,535	21,198,139	13,565,168	13,089,808	57,318,650
Net Book Value -						
At 31 October 2010	21,804,233	2,612,985	43,174,670	2,402,197	439,707	70,433,792
At 31 October 2009	21,804,233	3,096,126	4,920,744	5,552,884	602,244	35,976,231

- (i) Land and buildings with a fair value of \$5,840,000 (2009 - \$5,840,000) have been included in the table above, where the fair value has been used as the deemed cost of those assets under the provision of IFRS 1. The properties were previously held by the SIHL, and were transferred to the Authority during the year ended 31 October 2002 (Note 1).

The fair value of \$5,840,000 (2009 - \$5,840,000), attributed to the parcels of land acquired from SIHL, was estimated by the Authority for inclusion in the table above. An independent valuation was not carried out for these 73 parcels of land at the time of acquisition. A deemed value of \$80,000 was attributed to each.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

6. Property, Plant and Equipment (Continued)

(a) General Fund (continued):-

(ii) Equipment included in the table above at a cost of \$39,801,063 was acquired using funds obtained from the ECU Reserve Fund (Note 16).

(b) S.I.R.I:-

	Land	Buildings	Plant, Equipment & Furniture	Motor Vehicles	Pilot Plant & Office Accommod- ation	Total
	\$	\$	\$	\$	\$	\$
Cost or Valuation -						
At 31 October 2008	31,492,198	77,316,897	81,360,520	57,684,259	2,748,400	250,602,274
Additions	-	-	5,384,919	2,695,000	-	8,079,919
Disposals	-	-	(1,342,068)	-	-	(1,342,068)
At 31 October 2009	31,492,198	77,316,897	85,403,371	60,379,259	2,748,400	257,340,125
Additions	-	-	71,100	-	-	71,100
Write offs	-	-	(2,073,846)	-	-	(2,073,846)
At 31 October 2010	31,492,198	77,316,897	83,400,625	60,379,259	2,748,400	255,337,379
Accumulated Depreciation -						
At 31 October 2008	-	17,624,743	41,398,006	35,212,931	1,765,872	96,001,552
Charge for the year	-	2,593,491	8,105,784	8,564,201	102,324	19,365,800
Disposal	-	-	(1,342,068)	-	-	(1,342,068)
At 31 October 2009	-	20,218,234	48,161,722	43,777,132	1,868,196	114,025,284
Charge for the year	-	2,833,913	7,848,485	7,879,349	102,324	18,664,071
Write offs	-	-	(2,073,846)	-	-	(2,073,846)
At 31 October 2010	-	23,052,147	53,936,361	51,656,481	1,970,520	130,615,509
Net Book Value -						
At 31 October 2010	31,492,198	54,264,750	29,464,264	8,722,778	777,880	124,721,870
At 31 October 2009	31,492,198	57,098,663	37,241,649	16,602,127	880,204	143,314,841

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

6. Property, Plant and Equipment (Continued)

(b) S.I.R.I. (continued):-

Land and buildings with a fair value of \$95,000,000 (2009 - \$95,000,000) have been included in the tables above, where the fair value has been used as the deemed cost of these assets under the provision of IFRS 1. The properties, transferred by the Government of Jamaica, were valued at open market value as determined by professionally qualified independent valuers. The fair value, net of applicable transaction costs, has been taken to capital reserves.

7. Post-employment Benefits

	General Fund \$	S.I.R.I. \$	Total 2010 \$	Total 2009 \$
Assets/(liabilities) recognised in the balance sheet –				
Pension scheme	-	72,115,000	72,115,000	70,700,000
Medical benefits	12,431,000	27,256,000	39,687,000	(32,096,000)
Amounts recognised in the income and expenditure account (Note 23) –				
Pension scheme	6,599,000	2,959,000	9,558,000	15,299,000
Medical benefits	2,682,000	5,621,000	8,303,000	7,901,000

(a) Pension scheme benefits

The Authority and its division participate in defined benefit pension schemes, which are open to all permanent employees and administered by independent trustees. Two separate plans are in place for pension benefits. The majority of the employees of the division, are covered under a separate plan and the remaining employees are covered under the same plan as the employees of the Authority. Both plans provide benefits to members based on average earnings for the two years prior to retirement. Employees contribute 5% or 10% of pensionable salaries and the employer contributes a matching amount, as necessary. The schemes are valued by independent actuaries annually using the projected unit credit method; the latest such valuation being as at 31 October 2010. Additionally, the plans are valued by independent actuaries triennially to determine that the plan assets are adequate to meet the liabilities of the scheme. The latest such valuation for the Authority was as at 31 October 2009 and revealed that the scheme was adequately funded as at that date. The latest valuation of the scheme covering the majority of the employees of S.I.R.I. was as at 31 October 2010 and revealed that the scheme had a surplus of plan assets over liabilities as at that date.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

7. Post-employment Benefits (Continued)

(a) Pension scheme benefits (continued)

(i) General Fund:-

The defined benefit asset recognised in the balance sheet was determined as follows:

	2010 \$	2009 \$
Fair value of plan assets	130,949,000	109,069,000
Present value of funded obligations	(133,132,000)	(105,061,000)
	(2,183,000)	4,008,000
Unrecognised actuarial losses	41,787,000	36,858,000
Limitation due to asset restriction	(39,604,000)	(36,858,000)
	-	4,008,000

Movement in the surplus recognised in the balance sheet:

	2010 \$	2009 \$
At beginning of the period	4,008,000	10,494,000
Total charge – as shown below	(6,599,000)	(9,037,000)
Contributions paid	2,591,000	2,551,000
At end of the period	-	4,008,000

The movement in the fair value of plan assets during the year was as follows:

	2010 \$	2009 \$
At beginning of year	109,069,000	95,090,000
Expected return on plan assets	16,650,000	15,014,000
Actuarial gains/(losses) on plan assets	1,222,000	(4,721,000)
Employer contributions	2,591,000	2,551,000
Employee contributions	2,265,000	2,244,000
Benefits paid	(848,000)	(1,109,000)
At end of year	130,949,000	109,069,000

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

7. Post-employment Benefits (Continued)

(a) Pension scheme benefits (continued)

(i) General Fund (continued):-

The movement in the present value of the defined benefit obligation during the year was as follows:

	2010 \$	2009 \$
At beginning of year	105,061,000	78,763,000
Current service cost	1,090,000	1,052,000
Interest cost	17,791,000	11,343,000
Employee contributions	2,265,000	2,244,000
Actuarial losses on obligations	7,773,000	12,768,000
Benefits paid	(848,000)	(1,109,000)
At end of year	<u>133,132,000</u>	<u>105,061,000</u>

The amounts recognised in the income and expenditure account are as follows:

	2010 \$	2009 \$
Current service cost, net of employee contributions	1,090,000	1,052,000
Interest cost	17,791,000	11,343,000
Expected return on plan assets	(16,650,000)	(15,014,000)
Net actuarial losses recognised during the year	1,622,000	759,000
Change in asset limitation	2,746,000	10,897,000
Total included in staff costs (Note 23)	<u>6,599,000</u>	<u>9,037,000</u>

The total charge was included in staff costs in administration expenses.

The actual return on plan assets was \$19,871,000 (2009 - \$12,053,000).

Expected contributions to the plan for the year ending 31 October 2011 amount to \$2,771,000.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

7. Post-employment Benefits (Continued)

(a) Pension scheme benefits (continued)

(i) General Fund (continued):-

The distribution of plan assets was as follows:

	2010		2009	
	\$	%	\$	%
Equity Fund	20,887,000	16	23,908,000	22
Mortgage and Real Estate Fund	20,887,000	16	27,169,000	25
Fixed Income Fund	75,716,000	58	46,730,000	43
Other	13,459,000	10	11,262,000	10
	<u>130,949,000</u>		<u>109,069,000</u>	

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The five-year trend for the fair value of plan assets, the defined benefit obligation, the surplus in the plan, and experience adjustments for plan assets and liabilities is as follows:

	2010 \$	2009 \$	2008 \$	2007 \$	2006 \$
As at 31 October -					
Fair value of plan assets	130,949,000	109,069,000	95,090,000	119,682,000	103,782,000
Present value of defined benefit obligation	<u>(133,132,000)</u>	<u>(105,061,000)</u>	<u>(78,763,000)</u>	<u>(70,871,000)</u>	<u>(62,803,000)</u>
Surplus	<u>(2,183,000)</u>	<u>4,008,000</u>	<u>16,327,000</u>	<u>48,811,000</u>	<u>40,979,000</u>
Experience adjustments -					
Fair value of plan assets	(1,222,000)	4,721,000	3,324,000	696,000	1,940,000
Defined benefit obligation	<u>(7,773,000)</u>	<u>(12,768,000)</u>	<u>37,499,000</u>	<u>(2,192,000)</u>	<u>(680,000)</u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

7. Post-employment Benefits (Continued)

(a) Pension scheme benefits (continued)

(ii) S.I.R.I.-

The defined benefit asset recognised in the balance sheet was determined as follows:

	2010 \$	2009 \$
Fair value of plan assets	405,813,000	353,998,000
Present value of funded obligations	(303,152,000)	(220,700,000)
	102,661,000	133,298,000
Unrecognised actuarial gains	(39,095,000)	(77,390,000)
Unrecognised past service cost	13,685,000	17,107,000
Unrecognised asset due to Section 58	(5,136,000)	(6,323,000)
	<u>72,115,000</u>	<u>66,692,000</u>

Movement in the surplus recognised in the balance sheet:

	2010 \$	2009 \$
At beginning of the period	66,692,000	64,539,000
Total charge – as shown below	(2,959,000)	(6,262,000)
Contributions paid	8,382,000	8,415,000
At end of the period	<u>72,115,000</u>	<u>66,692,000</u>

The movement in the fair value of plan assets during the year was as follows:

	2010 \$	2009 \$
At beginning of year	353,998,000	306,736,000
Expected return on plan assets	40,807,000	32,512,000
Actuarial (losses)/gains on plan assets	(3,738,000)	3,696,000
Employer contributions	8,382,000	8,415,000
Employee contributions	7,568,000	7,572,000
Benefits paid	(1,204,000)	(4,933,000)
At end of year	<u>405,813,000</u>	<u>353,998,000</u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

7. Post-employment Benefits (Continued)

(a) Pension scheme benefits (continued)

(ii) S.I.R.I. (continued):-

The movement in the present value of the defined benefit obligation during the year was as follows:

	2010	2009
	\$	\$
At beginning of year	220,700,000	217,912,000
Current service cost	9,990,000	10,372,000
Interest cost	41,098,000	29,619,000
Employee contributions	273,000	261,000
Actuarial losses/(gains) on obligations	32,295,000	(32,531,000)
Benefits paid	(1,204,000)	(4,933,000)
At end of year	<u>303,152,000</u>	<u>220,700,000</u>

The amounts recognised in the income and expenditure account are as follows:

	2010	2009
	\$	\$
Current service cost, net of employee contributions	2,695,000	3,060,000
Interest cost	41,098,000	29,619,000
Expected return on plan assets	(40,807,000)	(32,512,000)
Past service cost – vested benefits	3,422,000	4,277,000
Net actuarial gains recognised during the year	(2,262,000)	(660,000)
Change in unrecognised asset	(1,187,000)	2,478,000
Total included in staff costs (Note 23)	<u>2,959,000</u>	<u>6,262,000</u>

The total charge was included in staff costs in administration expenses.

The actual return on plan assets was \$37,520,000 (2009 - \$36,601,000).

Expected contributions to the plan for the year ending 31 October 2011 amount to \$9,047,000.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

7. Post-employment Benefits (Continued)

(a) Pension scheme benefits (continued)

(ii) S.I.R.I. (continued):-

The distribution of plan assets was as follows:

The plan forms a part of the Guardian Life Limited Deposit Administration Fund, as such there are no assets that are explicitly allocated.

The five-year trend for the fair value of plan assets, the defined benefit obligation, the surplus in the plan, and experience adjustments for plan assets and liabilities is as follows:

	2010 \$	2009 \$	2008 \$	2007 \$	2006 \$
Fair value of plan assets	405,813,000	353,998,000	306,736,000	282,946,000	248,772,000
Present value of defined benefit obligation	(303,152,000)	(220,700,000)	(217,912,000)	(196,880,000)	(195,410,000)
Surplus	<u>102,661,000</u>	<u>133,298,000</u>	<u>88,824,000</u>	<u>86,066,000</u>	<u>53,362,000</u>
Experience adjustments –					
Fair value of plan assets	(3,738,000)	3,696,000	(2,685,000)	2,092,000	6,318,000
Defined benefit obligation	<u>(8,497,000)</u>	<u>(11,190,000)</u>	<u>(2,137,000)</u>	<u>(18,724,000)</u>	<u>(4,316,000)</u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

7. Post-employment Benefits (Continued)

(b) Medical benefits

The Authority and its division operate a post-employment medical benefit scheme. Funds are not built up to cover the obligations under the medical benefit scheme. The method of accounting and the frequency of valuations is similar to those used for defined benefit pension schemes.

(i) General Fund:-

The liability recognised in the balance sheet was determined as follows:

	2010 \$	2009 \$
Present value of unfunded obligations	14,011,000	12,308,000
Unrecognised actuarial gains	(1,580,000)	(2,266,000)
	<u>12,431,000</u>	<u>10,042,000</u>

Movement in the liability recognised in the balance sheet:

	2010 \$	2009 \$
At beginning of year	10,042,000	7,983,000
Total charge – as shown below	2,682,000	2,388,000
Contributions paid	(293,000)	(329,000)
At end of year	<u>12,431,000</u>	<u>10,042,000</u>

The movement in the present value of the defined benefit obligation during the year was as follows:

	2010 \$	2009 \$
At beginning of year	12,308,000	11,447,000
Current service cost	427,000	472,000
Interest cost	2,190,000	1,750,000
Actuarial gains on obligations	(621,000)	(1,032,000)
Benefits paid	(293,000)	(329,000)
At end of year	<u>14,011,000</u>	<u>12,308,000</u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

7. Post-employment Benefits (Continued)

(b) Medical benefits (continued)

(i) General Fund (continued)-

The amounts recognised in the income and expenditure account are as follows:

	2010 \$	2009 \$
Current service cost, net of employee contributions	427,000	472,000
Interest cost	2,190,000	1,750,000
Net actuarial losses recognised during the year	65,000	166,000
Total included in staff costs (Note 23)	<u>2,682,000</u>	<u>2,388,000</u>

The total charge was included in staff costs in administration expenses.

The effects of a 1% movement in the assumed medical cost trend rate were as follows:

	Increase \$	Decrease \$
Effect on the aggregate of the current service cost and interest cost	3,087,000	2,349,000
Effect on the defined benefit obligation	<u>16,161,000</u>	<u>12,276,000</u>

The five-year trend for the defined benefit obligation and experience adjustments is as follows:

	2010 \$	2009 \$	2008 \$	2007 \$	2006 \$
Defined benefit obligation	14,011,000	12,308,000	11,447,000	7,955,000	4,953,000
Experience adjustments	<u>(1,242,000)</u>	<u>(2,064,000)</u>	<u>4,848,000</u>	<u>4,598,000</u>	<u>(80,000)</u>

(ii) S.I.R.I.-

The liability recognised in the balance sheet was determined as follows:

	2010 \$	2009 \$
Present value of unfunded obligations	30,587,000	25,127,000
Unrecognised actuarial gains	<u>(3,331,000)</u>	<u>(3,073,000)</u>
	<u>27,256,000</u>	<u>22,054,000</u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

7. Post-employment Benefits (Continued)

(b) Medical benefits (continued)

(ii) S.I.R.I. (continued)-

Movement in the liability recognised in the balance sheet:

	2010 \$	2009 \$
At beginning of year	22,054,000	16,900,000
Total charge – as shown below	5,621,000	5,513,000
Contributions paid	(419,000)	(359,000)
At end of year	<u>27,256,000</u>	<u>22,054,000</u>

The movement in the present value of the defined benefit obligation during the year was as follows:

	2010 \$	2009 \$
At beginning of year	25,127,000	25,327,000
Current service cost	1,105,000	1,319,000
Interest cost	4,487,000	3,899,000
Actuarial losses/(gains) on obligations	287,000	(5,059,000)
Benefits paid	(419,000)	(359,000)
At end of year	<u>30,587,000</u>	<u>25,127,000</u>

The amounts recognised in the income and expenditure account are as follows:

	2010 \$	2009 \$
Current service cost, net of employee contributions	1,105,000	1,319,000
Interest cost	4,487,000	3,899,000
Recognised actuarial loss	<u>29,000</u>	<u>295,000</u>
Total included in staff costs (Note 23)	<u>5,621,000</u>	<u>5,513,000</u>

The total charge was included in staff costs in administration expenses.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

7. Post-employment Benefits (Continued)

(b) Medical benefits (continued)

(ii) S.I.R.I (continued)

The effects of a 1% movement in the assumed medical cost trend rate were as follows:

	Increase \$	Decrease \$
Effect on the aggregate of the current service cost and interest cost	6,912,000	4,794,000
Effect on the defined benefit obligation	<u>37,055,000</u>	<u>25,558,000</u>

The five-year trend for the defined benefit obligation and experience adjustments is as follows:

	2010 \$	2009 \$	2008 \$	2007 \$	2006 \$
Defined benefit obligation	30,587,000	25,127,000	25,327,000	17,207,000	11,811,000
Experience adjustments	<u>574,000</u>	<u>(10,118,000)</u>	<u>10,512,000</u>	<u>7,134,000</u>	<u>(404,000)</u>

(c) Principal actuarial assumptions used in valuing post-employment benefits

The principal actuarial assumptions used in valuing post-employment benefits for employees under the Authority's plan were as follows:

	2010	2009
Discount rate	11.0%	18.0%
Expected return on plan assets	8.0%	15.0%
Future salary increases	7.0%	12.0%
Future pension increases	4.5%	8.0%
Medical cost trend rate	<u>10.0%</u>	<u>16.0%</u>

The average expected remaining service life of the employees is 13 years (2009 – 12 years) for the General Fund and 18 years (2009 – 17 years) for S.I.R.I.

Post-employment mortality for active members and mortality for pensioners and deferred pensioners is based on the American 1994 Group Annuitant Mortality (GAM94) table.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

7. Post-employment Benefits (Continued)

(c) Principal actuarial assumptions used in valuing post-employment benefits (continued)

The in-service specimen rates (number of occurrences per 1,000 members) are as follows:

Age	Males	Females
20 - 30	0.507 – 0.801	0.284 – 0.351
30 - 40	0.507 – 1.072	0.284 – 0.709
40 - 50	1.072 – 2.579	0.709 – 1.428
50 - 60	2.579 – 7.976	1.428 – 4.439
60 - 70	7.976 – 23.73	4.439 – 13.73

No assumption was made for termination and death prior to retirement.

The principal actuarial assumptions used in valuing pension benefits for the plan covering the majority of the S.I.R.I. employees were as follows:

	2010	2009
Discount rate	11.0%	18.0%
Expected return on plan assets	10.0%	12.0%
Future salary increases	7.0%	12.0%
Future pension increases	2.0%	2.5%

The average expected remaining service life of the employees is 20.7 years (2009 – 21.1 years).

Post-employment mortality for active members is based on the A67/70 Ultimate Mortality Table for Assured Lives and mortality for pensioners is based on the PA(90) Ultimate Mortality Table for Annuitants, with no age setback.

The in-service specimen rates (number of occurrences per 1,000 members) are as follows:

Age	Deaths in service	
	Males	Females
20	0.507	0.284
25	0.661	0.291
30	0.801	0.351
35	0.851	0.478
40	1.072	0.709
45	1.578	0.973
50	2.579	1.428
55	4.425	2.294
60	7.976	4.439

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

8. Loans Receivable

Loans receivable comprise:

	Non- Current Portion \$	Current Portion \$	Total Outstanding Loans \$	Total Outstanding Loans \$
		2010		2009
Disbursed from European Union Fund (Note 19) -				
(a) Replanting Loans	165,443,003	30,110,511	195,553,514	133,573,950
(b) Ratoon Loans	-	17,821,159	17,821,159	11,950,326
(c) Equipment Loans	-	6,268,793	6,268,793	5,915,045
	165,443,003	54,200,463	219,643,466	151,439,321
Disbursed from General Fund -				
(a) Replanting Loans	-	25,542,678	25,542,678	38,902,705
(b) Ratoon Loans	-	5,396,109	5,396,109	12,455,667
(c) Equipment Loans	-	2,055,725	2,055,725	2,318,557
(d) Seed Cane Loans	-	8,607,665	8,607,665	6,786,077
(e) NDB/DBJ Funded Loans	-	12,488,685	12,488,685	14,887,769
(f) Mortgage and Home Improvement Loans	3,526,435	3,102,991	6,629,426	6,916,770
(g) Motor Vehicle Lease	8,668,676	1,698,257	10,366,933	1,737,631
	12,195,111	58,892,110	71,087,221	84,005,176
	177,638,114	113,092,573	290,730,687	235,444,497
Less provision for bad debts	-	(54,885,958)	(54,885,958)	(41,898,173)
	177,638,114	58,206,615	235,844,729	193,546,324

Loans receivable includes interest receivable of \$13,682,768 (2009 - \$12,491,155).

Loans receivable relate to:

- Loans disbursed by the Authority to sugar estates and farmers for establishing and maintaining certified seed cane nurseries. Interest is charged at the rate of 5% per annum and the balances are recoverable over a three-year period.
- Loans disbursed by the Authority to sugar estates and farmers for establishing and maintaining certified seed cane nurseries. Interest is charged at the rate of 5% per annum and the balances are recoverable over a one-year period.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

8. Loans Receivable (Continued)

- c) Loans disbursed by the Authority to sugar estates and farmers to assist with the purchase of equipment. Interest is charged at the rate of 5% per annum and the balances are recoverable over a three-year period.
- d) Loans disbursed by the Authority to sugar estates for establishing and maintaining certified seed cane nurseries. Interest is charged at the rate of 5% per annum and the balances are recoverable over a two-year period
- e) Loans disbursed by the Authority to sugar estates and farmers for establishing and maintaining certified seed cane nurseries. Interest is charged at a rate of 9% per annum and the balances are recoverable over a four-year period, a moratorium being granted in the first year on principal and interest. The loans were disbursed from a loan facility granted to the Authority from the Development Bank of Jamaica (DBJ) for this purpose.
- f) Mortgage and home improvement loans taken over from SIHL (See Note 1). Interest is charged at a rate of 9% per annum and the balances are recoverable over a twenty-five year period.
- g) Motor vehicles purchased by the Authority and leased to factory inspectors. These are interest free facilities recoverable over a seven-year period.

9. Inventories

Inventories comprise mainly chemical, apparatus and consumables.

10. Accounts Receivable and Sundry Assets

	2010 \$	2009 \$
Accounts receivable	14,049,314	12,354,137
Due from related party (Note 20(e))	205,720,808	213,995,780
Receivable from Jamalco (Note 26)	11,800,000	11,800,000
	<u>231,570,122</u>	<u>238,149,917</u>
Less: Provision for doubtful debts	(105,269,999)	(5,234,500)
	<u><u>126,300,123</u></u>	<u><u>232,915,417</u></u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

11. Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	2010	2009
	\$	\$
Cash at bank and in hand	97,673,622	49,537,516
Short-term deposits	370,211,008	255,540,294
	<u>467,884,630</u>	<u>305,077,810</u>

The short-term deposits have an average maturity of 35 days (2009 – 90 days) and the weighted average effective interest rate was 6.94% (2009 – 14.50%). Short-term deposits include interest receivable of \$2,108,473 (2009 - \$2,761,090).

12. Accounts Payable and Accrued Expenses

	2010	2009
	\$	\$
Advance from Imported Refined Sugar Account	41,627,030	41,627,030
Accounts payable	17,455,469	14,343,160
Accrued expenses	14,207,722	15,024,881
Other payables (Note 26)	25,674,949	27,446,250
Unexpended public awareness campaign grant	1,766,111	3,421,111
	<u>100,731,281</u>	<u>101,862,432</u>

During the prior year, a grant of \$9,000,000 was received from the Ministry of Agriculture to be used to fund public awareness campaigns. An amount of \$1,655,000 (2009 - \$5,578,889) was expended during the year (Note 22), leaving a balance of \$1,766,111 (2009 - \$3,421,111).

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

13. Fund Balances

Fund balances are represented by the following:

	General Fund	Sugar Industry Research Institute	Capital Rehabilitation Fund	Total
	\$	\$	\$	\$
Balance at 31 October 2008	153,294,887	98,575,678	7,944,354	259,814,919
Surplus/(Deficit) of Income over Expenditure	96,762,657	(7,131,726)	-	89,630,931
Release from Capital Reserve (Note 15)	3,025,002	-	-	3,025,002
Transfer to ECU Reserve Fund (Note 16)	(2,930,132)	-	-	(2,930,132)
Release from ECU Reserve Fund (Note 16)	10,336,639	-	-	10,336,639
Release from Training Programme Fund (Note 18)	4,213,987	-	-	4,213,987
Release from European Union Fund (Note 19)	9,000,000	-	-	9,000,000
Balance at 31 October 2009	273,703,040	91,443,952	7,944,354	373,091,346
Deficit of Income over Expenditure	(95,686,886)	(12,957,611)	-	(108,644,487)
Transfer to ECU Reserve Fund (Note 16)	(1,281,570)	-	-	(1,281,570)
Release from ECU Reserve Fund (Note 16)	50,542,351	-	-	50,542,351
Release from Training Programme Fund (Note 18)	2,602,821	-	-	2,602,821
Release from European Union Fund (Note 19)	3,476,058	-	-	3,476,058
Balance at 31 October 2010	233,355,814	78,486,341	7,944,354	319,786,509

14. Accumulated Surplus on Imported Raw Sugar

This represents the surplus on imported raw sugar sold on behalf of the Government of Jamaica (GOJ), less costs incurred also on its behalf.

	2010	2009
	\$	\$
Balance at beginning of year	88,506,955	68,134,231
Movements during the year -		
Add: Commission income	76,048,868	88,772,724
Less: Road repair expenses	(65,933,200)	(68,100,000)
Other operating expenses	(300,000)	(300,000)
Balance at end of year	<u>98,322,623</u>	<u>88,506,955</u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

15. Capital Reserve

	2010	2009
	\$	\$
(a) General Fund -		
Balance brought forward -		
Assets transferred from SIHL	36,483,971	39,508,973
Realised on sale of land	-	(3,025,002)
Balance carried forward	<u>36,483,971</u>	<u>36,483,971</u>
(b) S.I.R.I. -		
Balance brought forward -		
Transfer of asset -		
Land and Buildings	<u>90,123,337</u>	<u>90,123,337</u>
Balance carried forward	<u>90,123,337</u>	<u>90,123,337</u>
Total balance carried forward	<u><u>126,607,308</u></u>	<u><u>126,607,308</u></u>

(a) This balance represents assets transferred to the Authority during the year ended 31 October 2002 from its subsidiary, Sugar Industry Housing Limited (Notes 1 and 6(a)). During the prior year, some of the assets were sold and the revaluation surplus realised.

(b) This balance represents the fair value of land and buildings transferred to S.I.R.I from the Government of Jamaica in 2003 (Note 6(b)).

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

16. ECU Reserve Fund

This consists of amounts received from European Economic Community (EEC) countries under a Lome Convention arrangement whereby sugar-exporting countries are compensated for short-falls experienced in the price of their sugar exports in a particular year.

The proceeds received under this arrangement must be used for the development of the industry.

	2010	2009
	\$	\$
Balance at beginning of year	28,288,783	38,625,422
Movements during the year -		
Transfer to General Fund -		
Subsidies for transportation of cane	(10,741,288)	(10,336,639)
Purchase of equipment (Note 6(a))	(39,801,063)	-
	(50,542,351)	(10,336,639)
Transfer from the Seed Cane Fund (Note 17)	30,850,000	-
Interest earned	1,281,570	2,930,132
Transfer to Training Programme Fund (Note 18)	(1,281,570)	(2,930,132)
Balance at end of year	8,596,432	28,288,783

17. Certified Seed Cane Reserve Fund

This fund was financed from an amount transferred from the ECU Reserve Fund and was used for the disbursement of loans to farmers, for the establishment and management of certified cane nurseries. The Fund was discontinued during the year and the balance transferred back to the ECU Reserve Fund.

The amount represented:

	2010	2009
	\$	\$
Balance held in the fund at end of year	30,850,000	30,850,000
Loan principal receivable at beginning of year	-	8,232,810
Loan repayments during the year	-	(8,232,810)
Loan principal receivable at end of year	-	-
Transfer to the ECU Reserve Fund (Note 16)	(30,850,000)	-
Accumulated drawdown from ECU Reserve Fund	-	30,850,000

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

18. Training Programme Fund

This represents funds set aside to finance training programs within the sugar industry broken down as follows:

	2010	2009
	\$	\$
Balance at beginning of year	1,321,251	2,605,106
Transfer from ECU Reserve Fund (Note 16)	1,281,570	2,930,132
	2,602,821	5,535,238
Amounts utilised during the year	(2,602,821)	(4,213,987)
Balance at end of year	-	1,321,251

19. European Union Fund

During previous years, grants totaling \$210,000,000 were received from the European Union through the Ministry of Agriculture. The purpose of the grants is to finance loans to farmers, which are to be used for cane replanting activities. An additional grant of \$208,000,000 was received in the current year. The fund balance was reduced to \$405,523,942 (2009 - \$201,000,000) by the issuance of grants totaling of \$3,476,058 (2009 - \$9,000,000).

The amount represents:

	2010	2009
	\$	\$
Available balance in the fund at end of year	193,602,031	56,322,853
Loan principal receivable at the beginning of the year	144,677,147	88,025,990
Loan principal disbursed during the year	103,401,370	96,782,922
Loan repayments during the year	(36,156,606)	(40,131,765)
Loan principal receivable at end of year (Note 8)	211,921,911	144,677,147
Total fund balance at end of year	405,523,942	201,000,000
Fund balance at the beginning of the year	201,000,000	110,000,000
Grants received during the year	208,000,000	100,000,000
Release to Income and Expenditure Account	(3,476,058)	(9,000,000)
Total fund balance at end of year	405,523,942	201,000,000

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

20. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions and balances are recognised and disclosed for the following:

(a) Sales of services

	2010 \$	2009 \$
Jamaica Cane Products Sales Limited -		
Rent	1,360,881	1,360,881
Lease of assets	<u>9,500,004</u>	<u>9,500,004</u>

(b) Purchases of services

	2010 \$	2009 \$
The Sugar Producers Federation of Jamaica -		
Consultancy fees	<u>690,287</u>	<u>690,287</u>

(c) Other transactions

	2010 \$	2009 \$
Interest income -		
Jamaica Cane Products Sales Limited	<u>7,000,000</u>	<u>7,000,000</u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

20. Related Party Transactions and Balances (Continued)

(d) Key management compensation:

	2010 \$	2009 \$
Salaries and other short-term employee benefits	44,233,987	42,856,135
Statutory contributions	5,516,384	5,631,626
Pension costs	3,455,395	4,560,872
Other retirement benefits	654,252	213,760
	<u>53,860,018</u>	<u>53,262,393</u>
Directors' emoluments -		
Management remuneration (included above)	<u>6,938,898</u>	<u>6,888,266</u>

(e) Year-end balances arising from sales/purchases of services:

	2010 \$	2009 \$
Receivable from related parties -		
Jamaica Cane Products Sales Limited	<u>205,720,808</u>	<u>213,995,780</u>

The amount receivable from Jamaica Cane Products Sales Limited is included in accounts receivable and sundry assets in the balance sheet (Note 10). The amount includes a revolving loan of \$100,000,000 on which interest is earned at a rate of 7% as shown in Note 20(c) above. The loan was fully provided for at the year end.

21. Other Income

	2010 \$	2009 \$
Lease and rental	11,903,220	11,903,220
Interest income	43,530,866	58,398,148
Profit on disposal of property, plant and equipment	775,970	75,828,230
Miscellaneous	3,068,857	3,845,374
	<u>59,278,913</u>	<u>149,974,972</u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

22. Expenses by Nature

Total administration expenses:

	2010	2009
	\$	\$
Advertising and public relations	7,210,422	2,477,809
Auditors' remuneration	2,750,000	2,500,000
Field operations	7,256,217	6,732,562
Depreciation and amortisation	24,194,092	23,784,111
Public awareness campaign expenses (Note 12)	1,655,000	5,578,889
Insurance	2,750,966	4,487,424
Legal claim (Note 25(b))	-	4,000,000
Postage and communication expenses	4,855,650	4,876,236
Legal and professional fees	12,132,331	4,745,200
Bad debt expense	117,236,923	4,576,695
Travelling expenses	31,365,331	27,378,519
Motor vehicle expenses	16,203,353	17,760,662
Other	18,537,753	19,340,202
Repairs and maintenance	9,473,239	8,011,164
Security costs	9,273,592	8,926,996
Staff costs (Note 23)	171,272,586	179,421,107
Utilities	12,741,200	9,780,957
Core sampler operations	33,838,909	37,505,868
	<u>482,747,564</u>	<u>371,884,401</u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

23. Staff Costs

	2010	2009
	\$	\$
Wages and salaries	126,269,727	126,724,430
Statutory contributions	11,387,802	10,877,217
Termination costs	1,059,777	-
Pension costs (Note 7)	9,558,000	15,299,000
Other retirement benefit costs (Note 7)	8,303,000	7,901,000
Other	14,694,280	18,619,460
	<u>171,272,586</u>	<u>179,421,107</u>

Average number of persons employed by the Authority during the year:

	2010	2009
	No.	No.
General Fund:-		
Full - time	26	24
S.I.R.I.-		
Full - time	65	65
	<u>91</u>	<u>89</u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

24. Cash Flows from Operating Activities

	2010	2009
	\$	\$
(Deficit)/Surplus on local sugar	(108,644,497)	89,630,931
Surplus on imported raw sugar	98,322,623	88,506,955
	<u>(10,321,874)</u>	<u>178,137,886</u>
Adjustments to reconcile surplus to net cash provided by operating activities:		
Depreciation	24,194,092	23,784,111
Exchange losses/(gains) on foreign balances	636,531	(841,329)
Interest income	(43,530,866)	(58,398,148)
Profit on disposal of property, plant and equipment	(775,970)	(75,828,230)
Transferred to imported raw sugar	<u>(88,506,955)</u>	<u>(68,134,231)</u>
	<u>(118,305,042)</u>	<u>(1,279,941)</u>
Changes in operating assets and liabilities:		
Inventories	138,501	(19,906)
Accounts receivable and sundry assets	106,615,293	56,168,736
Accounts payable and accrued expenses	(1,131,151)	(248,866,501)
Retirement benefit asset	(1,415,000)	4,333,000
Retirement benefit obligations	<u>7,591,000</u>	<u>7,213,000</u>
Cash used in by operating activities	<u><u>(6,506,399)</u></u>	<u><u>(182,451,612)</u></u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2010

(expressed in Jamaican dollars unless otherwise indicated)

25. Contingent Liability

- (a) In 2003, a claim was filed by Duel Thames against the Sugar Industry Housing Limited (SIHL) in the amount of \$6,094,272 with interest at 24% per annum. In the year ended 31 October 2008, a judgement was entered in favour of the claimant in the amounts of \$2,885,160 and \$168,150 with interest thereon at 12% per annum from 2 September 1997 to 27 March 2007 and from 5 January 1998 to 27 March 2007 respectively. As it is the dormant legal entity, SIHL, which was liable in this matter and not the Authority, the Authority made an offer to the claimant of \$4,000,000 in full and final settlement. This was accepted and the amount paid during the prior year.
- (b) In 2010, a claim was filed against the Sugar Industry Authority by Joshua Jaddoo, a former employee, relating to the termination of his employment contract. Mr. Jaddoo is claiming for redundancy payment and unpaid gratuities. No estimate of the approximate amounts for which settlement may be expected could be made in respect of these proceedings.

26. Joint Venture Arrangement

In 2007, the Authority, along with two other parties, entered into a joint venture agreement to sell sugar lands located in Clarendon to Alcoa Minerals of Jamaica Incorporated (Jamalco). A deposit of \$270,000,000 was received in the prior year and was held in custody by the Authority on behalf of the other parties. The deposit was invested and earned interest of \$10,705,509 as at 31 October 2008. The Authority had also paid expenses from the proceeds on behalf of the other parties. During the prior year, the agreement was finalised and the sale of the land recognised. The Authority made a gain of \$75,828,230 on its portion of the land (Note 21). At the year-end, an amount of \$11,800,000 (2009 - \$11,800,000) representing the Authority's portion of the final payment due from Jamalco has been included in accounts receivable (Note 10). An amount of \$25,674,949 (2009 - \$27,446,250) is still being held by the Authority on behalf of one of the parties and is included in accounts payable (Note 12).