



Mission Statement

The mission of the Authority is to enforce the provisions of the Sugar Industry Control Act, so as to ensure the viability of the industry. This it will do by taking a leadership role in the development of the industry and by being a strong efficient organization with highly motivated and professional employees.



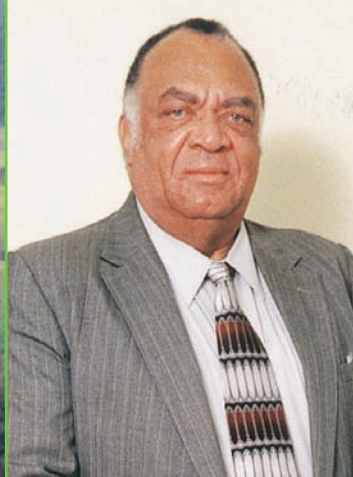
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"If Jamaica is to remain in the global market, it is imperative for us to stop relying exclusively on the production of raw sugar, and to begin to explore alternate streams of income to boost the industry's earning capacity. It is, therefore, imperative that we harness the opportunities to be derived from producing some of the value added commodities that we have been discussing for years."

Hon. Roger Clarke
Minister of Agriculture





SIA EXECUTIVE CHAIRMAN
Ambassador Derick Heaven



Dr. Richard Harrison

Secretary
Mr. Peter Haley



Mr. Allan Rickards





Mr. Livingstone Morrison



Mr. Robert Henriques

BOARD OF --- DIRECTORS

Mr. Alexander C. McDonald



Senator Professor Trevor Munroe



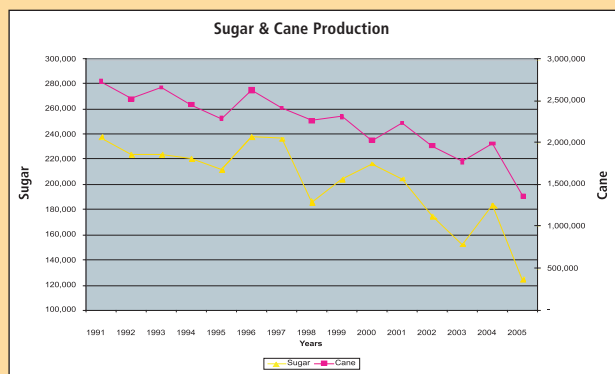
INTRODUCTION

The 2004/2005 crop commenced at Frome Sugar Factory on December 11, 2004 and ended at Trelawny Sugar Company (Long Pond) on July 12, 2005. The duration of the crop was 214 days compared with 255 days for the previous crop. Cane and Sugar production during the crop were adversely affected by hurricanes "Ivan" in September 2004 and "Dennis" and "Emily" during the cropping period. These events, which resulted in severe flood damage, were bridged by a mid-crop period of severe drought. The crop ended prematurely in July due to the extensive flooding associated with Hurricane "Dennis."

PRODUCTION

Sugar production for the crop was 124,206 tonnes of 96° sugar. This represents the lowest production in 75 years. (Table 2). The volume of cane crushed, excluding cane to distilleries, was 1,368,729 tonnes, 31.3 per cent less than the 1,993,145 tonnes produced in the previous year (Table 1).

Chart 1



SELECTED PRODUCTION STATISTICS FOR THE 2004 & 2005 CROPS

	2004	2005
Cane Milled ('000 tonnes)	1,993	1,369
Farmers	788	572
Estates	1,205	797
96° Sugar Production ('000 tonnes)	183.7	124.2
Hectares Reaped ('000)	30.95	27.58
Tonnes cane/hectare	64.39	49.6
Tonnes cane/tonne sugar	10.85	11.02
Tonnes sugar/hectare	5.93	4.50

The tonnes cane per tonne sugar ratio of 11.02 represents a significant deterioration when compared with the previous year's ratio of 10.85. The deterioration in this statistic is explained mainly by the unseasonable weather conditions which obtained throughout the crop.

Chart 2

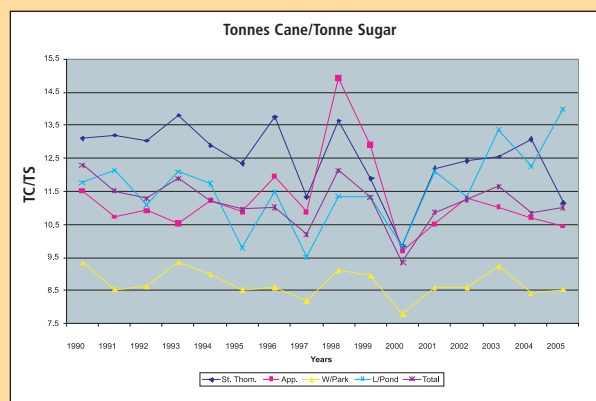
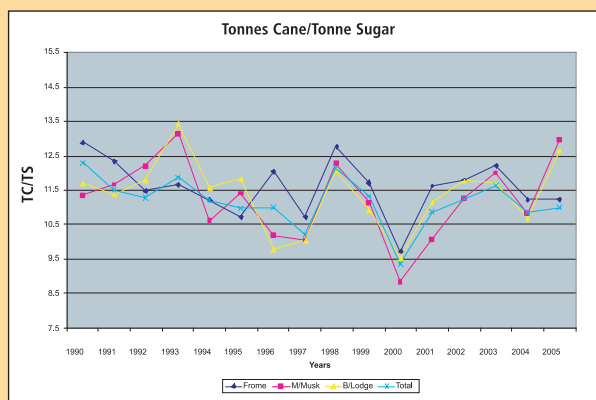


Chart 3



CANE QUALITY

Performance, measured by Factory Recovery Index (FRI) and the Jamaica Recoverable Cane Sugar (JRCS), was relatively stable when compared to the previous year. Average FRI improved marginally from 87.31 in 2003/04 to 87.39 in 2004/05, while average JRCS declined from 10.63 to 10.46 during the same period. Two factories, Appleton and Worthy Park, surpassed the standard FRI of 91.00 units with performances of 91.55 and 95.74 units respectively. Long Pond and Monymusk recorded performances in the seventies, while Frome, Bernard Lodge and St. Thomas recorded performances in the eighties. All factories, with the exception of Frome and St. Thomas, showed a decline in their FRI when compared to 2003/2004. (Tables 3 & 4).

PRICES

The industry continued to benefit from the strengthening of the euro against the U.S. dollar. The price per tonne sugar paid to growers and millers for 2004/05 was \$32,943. This represents a 5% increase over the \$31,387 paid in 2003/04. 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:

TIME LOSS

	2003/04	2004/05
Cane Growers (62%)	\$19,460.00	\$20,425.00
Sugar Manufacturers (38%)	\$11,927.00	\$12,518.00
	\$31,387.00	\$32,943.00

The actual grinding time for all factories was 52.04 per cent of total available time which represents a decline of 14.8 per cent over the 61.09 per cent achieved in 2003/04. This decline is mostly explained by the 71.5 per cent increase in non-factory stoppages from 17.76 per cent of total available time in 2003/04 to 30.45 per cent for the 2004/05 crop. The adverse weather conditions, which affected the farmers and estate deliveries, were the main factor contributing to the significant increase in non-factory stoppages. Only three factories (Frome, Appleton and Worthy Park) were able to pass the 50 per cent mark in actual grinding time. Monymusk, Long Pond and Bernard Lodge had actual grinding times in the thirties while St. Thomas had a grinding time of 46.69 per cent.

MARKETING

The total (gross) value of sugar exports in 2004/05 was US\$74,740,765 and this was 24.3 per cent below the value of US\$98,684,138 in 2003/04. The volume of sugar exported was 112,928 tonnes of which 110,064 tonnes went to the United Kingdom and 2,823 tonnes to the United States. No sugar was shipped under the Special Preferential Sugar (SPS) arrangement for this crop year. (Table 6)

The euro declined steadily vis-à-vis the US dollar in 2005. The euro peaked at an all time high of US\$1.34 in December and ended the crop year at US\$1.24. Despite the decline, the industry received marginally higher earnings per tonne sugar. Price per tonne sugar moved from US\$633.14 in 2003/04 to US\$667.48 in 2004/2005. The base price of € 520.37 for protocol sugar remained the same.

LOCAL SALES OF RAW SUGAR

The amount of local raw sugar sold on the domestic market during the 2004/05 crop was 6,959 tonnes, compared with 15,558 tonnes in 2003/04. When the

Chart 3(a)

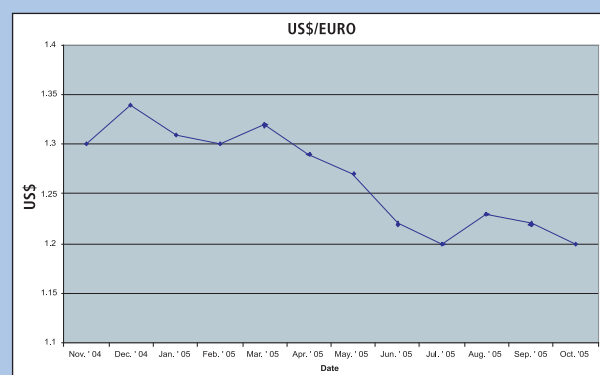
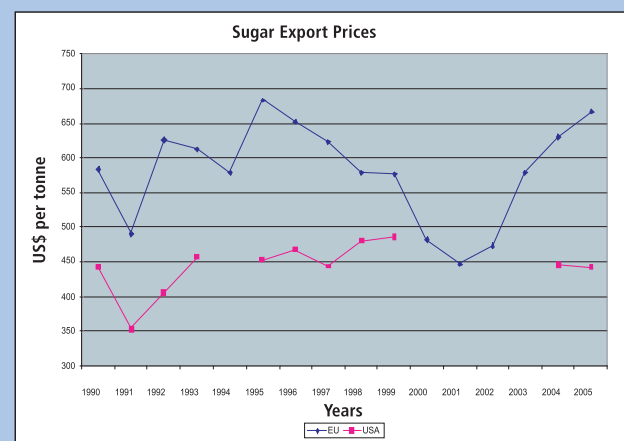


Chart 3(b)



sale of imported brown sugar was added to the above, the comparative figures were 55,199 tonnes and 49,553 tonnes respectively. The volume of locally produced raw sugar consumed within a crop year is dependent on the level of domestic production because the first objective of the industry is to supply sugar to the preferential markets. Thus, the volume of imported raw sugar increases in times of low production, as was the case in 2004/05.

SIA/SIRI SUMMER TRAINING PROGRAMME

The SIA/SIRI training programme for 2005 consisted of four agricultural and five factory courses. The programme commenced on August 2, 2005 and was completed on August 25, 2005. The courses were presented in collaboration with UTECH and HEART Ebony Park Academy. The agricultural courses were presented at Ebony Park Academy. SIRI personnel and Specialists from the Ministry of Agriculture instructed the participants in these courses, while SIRI and UTECH personnel, in addition to specialists in factory operations, instructed the participants in the factory courses.

C34M SUGAR CANE PROCESSING COURSE

The Sugar Industry continued to be one of the industries selected by the University of the West Indies for detailed study. In keeping with this selection, the Department of Chemistry continues to include a course in Sugar Cane Processing in its Applied Chemistry programme. The course is offered in the second semester in collaboration with SIA/SIRI. It consists of lectures, tutorials and work-study. Mr. Ludlow Brown of SIA conducts the lectures and tutorials.

During the period under review two students carried out work-study projects which involved isolating chemicals from bagasse. The students succeeded in isolating waxes, phytosterols and some very polar compounds. These projects were selected in the hope of developing products for the sugar cane industry which, in addition to sugar, will comprise a mix of value added products. The projects were planned by Dr. Maureen Wilson, Laboratory Manager of SIRI and undertaken in the Chemistry Department of the University of the West Indies.

SUGAR INDUSTRY RESEARCH INSTITUTE

The main objective of the Institute is the provision of technical support and research services to the industry through its Agricultural, Factory and Central Services Divisions.

AGRICULTURAL SERVICES DIVISION



(left) **Mr. Lindsay Jolly**, Senior Economist of the International Sugar Organization (ISO) pastes the CFC logo on the Control Panel of the Centre Pivot Irrigation System.

(right) **Miss Eltha Brown** Project Manager of the Common Fund for Commodities Project (CFC) Turns on Centre Pivot Irrigation System on a farm funded by the CFC.



(left to right) **Dr. Earle Roberts**, Director of Research, (SIRI), **Mr. Lindsay Jolly**, Senior Economist of the International Sugar Organization (ISO), **Miss Eltha Brown** Project Manager of the Common Fund for Commodities Project (CFC), and **Mr. Keith Scott**, Manager Information & Planning, Sugar Industry Authority (SIA).

Fund For Commodities (CFC) Project

Implementation of the CFC project was the highlight of activities carried out by the Agricultural Services Division of the Sugar Industry Research Institute in 2005, by which time it was fifty per cent implemented.

1. At the time of the Mid-Term Review in Dec. 2005, aspects of the project to be handled by the Collaborating Institution, Caroni Ltd of Trinidad, were yet to get off the ground, as that institution had undergone fundamental changes in structure and functioning since the project was approved.

2. The Jamaican aspects were well advanced, despite setbacks occasioned by severe weather – droughts at the start of 2004 and 2005, a direct hit by Hurricane Ivan in 2004, and glancing blows by hurricanes Dennis, Emily and Wilma in 2005. The project was sub-divided into 7 components.
3. **Component 1: Establishing Seed Cane Nurseries on small holdings.** This was perhaps the most extensive in its reach and impact, with 28 farmers directly benefiting by having nurseries of newly released, high yielding, disease resistant varieties on their

Mr. Noel Lowe
— a farmer
participating
in the CFC
Project.



farms. The 60.9 ha of nurseries so established became the prime source of high quality planting material highly sought not only by other small-holders but also by major estates.

4. **Component 2: Farmer participatory variety evaluation.** This component was complementary to Component 1 but allowed selected farmers to evaluate for themselves, on their own farms, the difference between the new varieties. This called for establishment of relatively large farm plots and movement of relatively large volumes of seed cane of different varieties that were not always simultaneously at the desired stage of maturity for this exercise. These factors tended to limit progress under this Component. Nonetheless, the seven participating growers were highly appreciative and these plots became focal points of Field Days for farmer training.

5. **Component 3: Farmer participatory training in improved agronomic and management practices.** Demonstration plots, seminars and field days were the main tools used to convey to farmers the various techniques to enhance viability. By bringing growers together and demonstrating new techniques and results being obtained by model farmers, this Component has so far had the effect of rekindling waning interest in the industry.
6. **Component 4: Setting up and operation of a pilot centre pivot irrigation scheme among contiguous small cane farming holdings.** A centre pivot irrigation scheme covering approximately 60 ha and benefiting 18 growers on small holdings was finally commissioned in August 2005, in the parish of Clarendon. Participating growers were formed into a Water User group for managing the system. Arrangements were being put in place to establish a financial base for the growers to continue operation and maintenance of the system beyond the end of the Project. A further 8 growers are benefiting from small drip irrigation projects totaling roughly 22 ha on farms in Clarendon and St. Catherine. Both systems of irrigation are far more efficient than the traditional furrow irrigation practiced in the area.
7. **Component 5: Research and development of factors causing yield decline in sugar cane.** This has taken the form of introducing crop rotation to break the centuries-old monoculture, thus restoring soil productivity largely by reducing the level of soil borne pathogens associated with sugar cane. Sea Island Cotton, a high value crop, was originally intended to be the main rotation crop. However, unreliable cotton seed quality has resulted in several crop failures, making it necessary to turn to alternatives such as sweet potato, sorrel and peanut. Meanwhile, studies are in progress on changes in soil chemical and biotic factors. Exercises in soil amelioration to correct pH and organic matter deficiencies are also conducted where required.

8. **Component 6: Determining viable farm modules.** The approach to undertaking this exercise had to be totally revamped when it was found that growers were unresponsive to efforts to get them to keep adequate farm records. Temporary employment of a data collection officer towards the end of 2005 was producing desired results. Data analysis should be possible by mid-2006.
9. **Component 7: Dissemination** There has been ongoing dissemination of information among farmers through the many field days held. Local radio stations have also developed an interest in the programme leading to several interviews of the local project coordinator. The leadership of the local Cane Farmers' Association has been championing the programme, which has also been highlighted in various articles published for farmer education.

Comments

The Project's reach extends way beyond the 90 growers directly involved in it. Seed cane provided by Component 1, for instance has completely transformed the status of the small holder from being at the end of the chain receiving new varieties to one of equal prominence with any other farmer in the industry. Every major farming district now has its own supply of good quality seed stock so that the beneficiaries are in effect anyone of the thousands of small holders who may undertake replanting. There are also significant spin-offs in rural employment in the various operations involved in this multifaceted project.

EXTENSION SERVICES

In keeping with its main function of providing information and training in relevant agronomic techniques, the Extension Services Unit established several demonstration plots to highlight best practices as well as to introduce new techniques in cane cultivation. The Reduced Tillage method of planting, which can cut tillage costs by as much as 50%, is being promoted in Clarendon, Trelawny and St. Elizabeth.

Demonstration plots using the dual-row method of planting as practiced at Worthy Park Estate were established in Clarendon, St. Catherine and Westmoreland. Fields established by this method have recorded

increased cane yields up to 30% above those obtained by the conventional single row method at the plant cane stage. Assessment of yields at the ratoon stage is continuing. These demonstrations were largely facilitated by funds provided by the Common Fund for Commodities (CFC).

The plots also served as training sites for farmers by exposing them to various agronomic activities involved during field establishment.

The Unit also participated in the management activities of the SIA Replanting Loan Programme. These included the development of business plans, provision of technical advice, assessment of work quality and recommendation for the disbursement of funds.

The Unit, as part of its routine activities, also provided the industry with estimates of cane and sugar production and other data to be used in the assessment of performance as well as management decisions.

The industry information radio programme, "Raising Cane" has been expanded to six programmes weekly aired on four radio stations. The programmes carry a range of technical articles based on work done by SIRI, general information, interviews, commentaries as well as coverage of conferences and public fora.

VARIETY DEVELOPMENT

Since 2004, at SIRI's request, the West Indies Central Sugar Cane Breeding Station has been supplying three main categories of fuzz:

1. Commercial - for the traditional high sucrose varieties
2. Multipurpose - varieties combining high sucrose with higher than normal fibre levels (approximately 20%)
3. Biomass - varieties with no commercial sugar content but with high fibre to be used solely for fuelling boilers in the out-of-crop period in an electricity cogeneration system.

These are being tested in three different streams. This wider gene pool provides a base from which varieties may be selected for whatever course the envisaged new Sugar Cane Industry might take.

In 2005 a total of 38,000 seedlings was successfully raised

and planted from fuzz imported from the Breeding Station. This exceeded the number produced in 2004 by 20%, approximately.

Three new varieties, BJ8532, BJ8534 and J9501 were released to growers for commercial use. Productivity data collected so far indicate very promising results in the Frome, Hampden and Worthy Park areas for J9501. Three other varieties, BJ8783, BJ8859 and BJ9186 are currently undergoing field trials under commercial growing conditions before they are released to the industry for commercial production.

Sugarcane Nutrition

Evaluation of the nutrient status of soils and lime requirement in the industry is provided by the Fertilizer Advisory Service of the Institute in order to assess fertilizer and lime requirements for improved productivity. The establishment of standards relating to optimal pH and nutrient levels in local soils provides a basis for taking decisions relating to fertilizer and soil amelioration practices. The commercial application of distillers waste for nutrient recycling has resulted in an improvement in pH, organic matter and potassium reserves without any accompanying unfavourable increases in toxic levels.

Reduced Tillage Machine

The prototype Reduced Tillage Machine, designed and built by SIRI, was deployed during the early part of the year at Advanced Farm on the North Coast. Adverse weather prevented use for an extended period. After a number of field trials it was returned to the workshop for modification. An unusually wet second half of the year limited the quantity of field tests that could be subsequently carried out. The present studies indicate that its adoption where suitable could result in significant reduction in land preparation costs.

In keeping with this objective, cane growing areas in St. Thomas where this technology is considered to be applicable are being prepared with a double row reduced tillage machine.

GIS/GPS Technology and Satellite Imagery

An assessment of the financial impact of this technology was made during the year under review. Based on its use on over 500 ha at major estates and another

estimated 500 ha on scattered parcels of land throughout the cane growing areas of the island, on a unit cost per hectare basis, the use of GIS/GPS can lead to a reduction of up to 50% in the costs normally associated with selected mapping and surveying field activities.

Intangible benefits include map updates and the ease of location of fields due to the flexibility afforded by the digital data.

Training of eight members of staff in the use of this technology was made possible through their participation in short term courses offered at the Land Information Council of Jamaica Geo-Informatics Training Centre. In addition, some estates and farms have acquired the relevant instrumentation in order to utilize the technology.

FACTORY SERVICES DIVISION

Engineering

During the 2005 sugar crop, the Engineering Department responded to all the requests made by the factories. The Department carried out the following duties during the year:

Core Samplers

Out of crop maintenance involving the repairing or replacing of damaged and malfunctioning components, setting of the press gaps and adjusting of the sequence cycles and pressure switches was carried out just before the start of the crop at all factories. The core sampler structure at Monymusk was repaired and repainted along with the St. Thomas core. During the crop, work was done at all seven factories. It involved the repair or replacement of parts such as cylinders, switches, hoses, valves, wheel axles and sensors.

Laser Alignment

Laser alignment of steam turbines and power alternators was carried out at Appleton, Frome, St. Thomas Sugar Company and Worthy Park.

Dynamic Balancing

Dynamic Balancing of boiler fans and centrifugal baskets was carried out at Frome, Appleton, St. Thomas Sugar Company, Worthy Park, Long Pond, Monymusk and Bernard Lodge.

Ultrasonic Thickness Testing

This service was utilized mainly by Worthy Park and St. Thomas Sugar Company.

Ultrasonic Flaw Detection

This was carried out at Worthy Park and St. Thomas Sugar Company.

Vibration Measurements

Vibration measurements were carried out at Worthy Park, Frome, St. Thomas Sugar Company and Appleton.

Workshop

Tumbler buckets requested by the Sugar Technology Unit were fabricated and delivered.

Projects

A tribological and corrosion study into the life of mechanical harvester blades, using two thermal spray coating techniques (Plasma and Electric Arc Spray) with the objective of extending the life of the harvester blades, was undertaken with the University of Technology, Jamaica. A paper on the project was presented at the 2005 JAST Conference.

Instrument Department

Servicing and maintenance of core laboratory instrumentation were completed before the start of the harvesting period and all core laboratories were supplied with the relevant instruments in good working condition. Frome and Monymusk core laboratories were fitted with power meters to measure the amount of energy used in each laboratory. The Long Pond core laboratory was fitted with a new a/c unit while the lunchroom attached to that at Appleton was modified with cupboards and a counter.

Scales

Truck scales were modified and updated at Worthy Park, Ocho Rios Port, Frome and the Marcus Garvey Sugar warehouse. These scales were fitted with the Fairbanks Intalogix display units and the necessary circuit boards. Presently, all factories, except Long Pond and affiliated outlets, are now using the Intalogix system, which was

certified by the Bureau of Standards before the start of crop.

Servo Balans sugar scales at Bernard Lodge and the Ocho Rios Port were serviced and calibrated. Servo Balans juice scales at Frome, Bernard Lodge and Monymusk were also repaired and calibrated. Bagging scales at Bernard Lodge, Frome and St. Thomas Sugar Company were fitted with spare parts and calibrated. During the summer, training courses were conducted on the operations and maintenance of the Intalogix display scale units.

In keeping with the regulations of the Bureau of Standards, the department has since been producing calibration certificates, repairs trending recording and certified stickers for all core laboratory equipment. All the test weights at the SIRI Workshop and Central Analytical Laboratory have been certified by the Bureau.

Sugar Samplers

Requests were made to the department to manufacture and install sugar samplers in all the factories for the purpose of sugar premium payments. Two motor scroll type samplers were designed and installed at Bernard Lodge and Monymusk Factories. Sampling pans with sliding gates were installed at the remaining factories except Worthy Park, which had already designed a suitable sampler. Problems with the samplers originally installed at Monymusk and St. Thomas Sugar Company factories have resulted in their planned replacement with samplers similar to that in operation at Worthy Park factory.

Sugar Technology

The re-establishment of a Sugar Technology Unit has allowed the Institute to increase its services and technical assistance to the industry in its processing operations. A number of projects were undertaken which involved significant levels of collaboration with factory and field personnel across the industry.

Mill Tests

A schedule of mill tests was developed which allowed for mill performance at all the factories to be assessed during the year. The main parameters evaluated were cane preparation and pol extraction. The impact of cane preparation on extraction was also evaluated and the

results made available to the respective factory personnel.

Sugar Loss and Cane Yard Loss Audits

A sugar loss audit was conducted at Frome factory. This basically involved an assessment of the process and non-process areas to determine the possible sources of sucrose loss. Similarly, cane loss audits were conducted at Frome and Appleton. This exercise involved tracking incoming cane from the point of coring to the point of milling. Analysis of a number of samples retrieved from the cane yard (in some instances) and the mills was conducted to determine the levels of deterioration of the incoming canes. Dextran tests were also conducted on canes left in the yard.

Dextran Control/Treatment System

Dextran Treatment and Control systems, developed by Midland Research Laboratories were installed at Frome and Worthy Park. The programme involved the use of enzymes (dextranase and amylase) and biocides to treat process material at various stages of production. The programme lasted approximately six weeks at Frome and significant improvement in the quality of the sugar produced during that time was observed.

The treatment system was installed at Worthy Park during the latter part of their production period mainly to combat the high levels of polysaccharides thought to be responsible for the process problems experienced at that time. Varying levels of success were reported.

Collaborative cane testing

A collaborative cane testing exercise for all core laboratories was conducted during March 2005. The standard deviation for polarization measurements fell within the acceptable standard deviation indicating that the results for all laboratories were within the acceptable range of values. In general, improvements in laboratory analyses over the last collaborative cane testing exercise were noted in that there was a reduction in the standard deviations for most of the parameters (pol, brix, fibre, JRCS, TC/TS) measured.

Starch Study

During the dextran treatment undertaken at Frome, starch levels in sugar were also determined to assess

the impact of the amylase enzyme on the levels of starch in the sugar after treatment in the process. Samples obtained prior to treatment were also tested to determine starch levels. The method of testing used was the Modified Method for starch determination obtained from Domino Sugars. The results indicated that starch levels were too low to be considered significant.

Factory Database

The Sugar Technology unit embarked on a project to establish a database for all factory capacities. The information gathered was related to all unit operations within the process and all auxiliary units. Some information is still outstanding. It is proposed to complete the exercise in the coming year so that the database can be used to determine material and energy balances and vessel capacities simply by inputting basic parameters.

Polysaccharide Study

During the year a project was initiated to study the level of polysaccharides in canes harvested and ground at Worthy Park. This project was undertaken due to persistent processing problems at Worthy Park mainly attributed to high viscosity and prolonged sugar boiling times. The project is a collaborative effort between the management and field staff of Worthy Park and SIRI. Initially the project involved the sampling of cane as it is harvested for milling and analyzing for total polysaccharide but it has been expanded subsequently to involve the collection of a series of cane samples prior to maturity and analysis to assess changes in polysaccharide levels with respect to the age of the cane. Other factors such as rainfall, topography and variety are also to be taken into consideration.

NIR Polarimetry

An exhaustive study of the determination of pol measurements in process materials, mainly cane juice, was undertaken. The results indicate that this technique is a suitable alternative to the current method, which involves conventional pol measurements on clarified juice. Equally important, cost-benefit analysis indicates that it is more economical than the method currently in use. The determination of pol by NIR polarimetry in other process materials such as molasses is still being studied.

DASA Dextran Project

The unit continues to conduct research on the DASA dextran method. To date, the level of accuracy provided by the method is still not acceptable. Further work in collaboration with the manufacturers of the equipment, Optical Activity UK, is scheduled for next year.

CENTRAL SERVICES

Economics & Statistics

SIA Replanting Loan Programme

The Department has been assigned overall responsibility for administration of the SIA Replanting Loan Programme, which has continued into the second year. The programme involved the planting of 1,243 ha with accompanying loan disbursements of over **J\$67.29M**. Total requests for loans received and processed by the SIA exceeded the **J\$100.00M** earmarked for the programme by over J\$84.00M. Some 676 applications were approved but planting operations could be initiated in only 408 due to various constraints such as protracted drought and lack of tillage equipment.

Cost of Production Survey (COP)

The Department undertakes, on an annual basis, a Cost of Production Survey to track the cost of producing and harvesting cane among cane farmers. The 2004 cost is presently being analyzed.

Profitability Study

Given the impending price cuts for sugar supplied to the EU, profitability studies were undertaken to quantify the effect of these reductions on the viability of cane farmers. The results indicate that a reasonably efficient farmer in the rainfed areas could realize a reasonable return on investment (ROI) if a productivity of 75 tc/ha, coupled with a sugar content (JRCS) of 10.47, and overall production costs of approximately \$94,000/ha can be achieved. For the irrigated areas, with inherently higher production costs, higher economic efficiencies would have to be achieved for cane production operations to remain viable.

Evaluation of Farm Modules

This project, which is a component of the CFC project,

seeks to determine the viability of varying farm modules and work on this aspect of the project continued throughout the year. Some 200 farmers were identified and interviewed to determine and analyse costs associated with their farming operations.

Cane Yield Survey (CYS)

The 2005 Cane Yield Survey forms part of an ongoing survey undertaken by the department. The results of these surveys provide vital statistics on cane production and various measures of productivity, inclusive of hectares of cane reaped, tonnes cane and sugar produced and fertilizer used.

Information Systems

A virtual private network(VPN) link was established between the SIA and SIRI thus enabling remote assistance when required. Necessary and continuing maintenance was carried out on core and scale programs. Other database programs including factory reports, laboratory management and inventory programs were rewritten to make them more efficient and compatible with newer operating systems. Additional documents and reports have been added to the SIA/SIRI website.

Central Analytical Laboratory

The Central Laboratory automated some methods of analysis during the period under review. The new High Performance Liquid Chromatography (HPLC) which is fully automated was commissioned and will improve the capabilities of the laboratory to separate polysaccharides in cane juice and sugar factory products. A new software package was acquired for the Autoanalyzer and this has improved the process of leaf analysis by reducing the time taken for results to be obtained. There has been continued documentation of laboratory procedures with the ultimate aim of obtaining full ISO 17025 accreditation of all laboratory processes.

Almost 16 000 analyses including analysis of samples from research projects were completed during 2005. Routine analytical work was done on samples classified as foliar, soil, wastewater, irrigation water, sugars, molasses, cane juice, compost and fertilizer. The parameters determined included brix, pol, reducing sugars, dextran, whole raw and affined colour,

suspended solids, micro and macro-nutrients, total dissolved salts, Biochemical Oxygen Demand, BOD and Chemical Oxygen Demand, COD. Analyses done on samples classified as research work were done to support activities in the area of variety improvement, nutrition of sugar cane and the identification of polysaccharides in cane juice.

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 as well as the collaborative testing of raw sugar for pol and moisture organised by the Sugar Association of London. This was done to assess precision and accuracy of analytical techniques. In all the reports, statistical analysis revealed that the results obtained by SIRI showed no significant differences when compared with results obtained by other participating laboratories. The close fit obtained for pol analyses was encouraging as the laboratory had started using the ICUMSA (2005) method for sugar pol analysis employing NIR polarimetry.

Sugar Quality 2005

The laboratory continued to assess on a daily basis the levels of dextran in sugars produced at two factories and starch levels in sugar from one factory. There was continued assessment of dextran levels in the sugar produced at the other factories on a weekly basis. The industry wide average for dextran was 362 mau and while this was an improvement over the value obtained in previous years, the specification for dextran of less than 250 mau was not met. The safety factor was well below the specification of 0.30 for all factories; the average result for reducing sugars was 0.60, well below the maximum allowable value. However, the average pol for the industry was 97.82° indicating a decrease of 0.40° over that for the last crop.

Molasses Quality

The results obtained for the analyses of molasses showed that there was room for improvement in the exhaustion of final molasses at all the factories. An average purity of 36.25 and a pol of 30.02° were obtained.

Wastewater Analyses

The results for the wastewater samples analysed showed, generally, that Biochemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) were always much higher than the standard of 30 and 100 ppm respectively, even for values obtained in 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. Some parameters were influenced by activities at the factories for example high pH, conductivity values and phosphate levels were indicative of the occurrence of cleaning operations

Irrigation Water Quality

The numbers of water samples received from individual wells were greatly reduced from previous years. However, there was no statistically significant change in the salinity and SAR of the water samples from wells analysed for the period under review, 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 Experiments for the Analysis of Pol of Molasses

The use of Octapol as a clarifying reagent and the use of NIR for polarimetric measurements were examined. The results showed that Octapol was a suitable alternative to lead subacetate and NIR polarimetry could be used for pol determinations in molasses and the other darker factory products although the correlation found in both instances was not good. There might be the need for a correction factor to be applied if a greater degree of accuracy is needed. There were instances when no readings were obtained when test solutions were clarified with Octapol and read at 589 nm but readings were obtained for these samples when the NIR method was employed.

New Methods of Analysis

Method validation for starch analysis (ICUMSA 2005 method) has been started and an adaptation to a rapid method to assess cane juice has also been undertaken. The results of these studies will be available in 2006.

ENVIRONMENTAL MONITORING AND MANAGEMENT

Pollution Control Programme

Sugar Factory Wastewater Monitoring

The sampling and analyses of wastewater leaving all factories were done in accordance with Section 17 of the National Resources Conservation Authority (NRCA) Act 1991. NRCA pollution control forms were completed and submitted to the National Environment and Planning Agency (NEPA) as required.

Sampling was done over the period January to May 2005 with most factories being sampled twice for the crop.

The results obtained indicated that the wastewater leaving the factories was out of compliance with the NRCA standards especially for parameters such as Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD), Total Suspended Solids (TSS), Phosphates and Coliform. For some factories the high BOD, COD and TSS readings observed are attributable to the high filter mud component present in the wastewater. However, for most factories, parameters such as sulphates and phosphates were within the NRCA specification.

Environmental Improvement Programmes at factories

In an effort to address the problems associated with the disposal of the cane wash water and other trade effluents, the Appleton Estate constructed five settling ponds. These ponds were designed to settle the ash slurry from the boiler and the cane wash water from the washing plant. Plans are also in place to install aerators in some of the ponds to accelerate the degradation of the organic compounds in the wastewater. It is expected that this will significantly reduce the BOD and COD levels of the final effluent going into the Black River.



Cane Wash Water Entering Pond

An improvement of the drain for the cane wash water was carried out at the Worthy Park Estate where two baffles were placed in the drain to increase the aeration of the water. A solids-reclaimer, to effectively trap

extraneous matter (bagasse, etc.) from the cane wash water before final disposal, has been installed.

A programme to collect waste metallic scrap from the Machine Shop has also been introduced. Worthy Park has also identified a Purchaser for their waste oil that is collected and stored at the factory

Plans are in place to install at least three aerators in the wastewater stream at Frome. These should be installed early 2006.

ENVIRONMENTAL CODE OF PRACTICE FOR THE SUGARCANE INDUSTRY

The October 2004 draft of the Environmental Code of Practice for the Sugar Cane Industry has been approved by the Board of the Sugar Industry Authority and has since been distributed to Environmental Committees at all factories.

A presentation of the COP was made at the 2005 JAST conference. The major sections of the document were outlined and important aspects discussed. The timely implementation of the Codes was emphasized. This implementation should begin early 2006.

Air Emission Measurements

An Environmental Combustion Analyzer, model 450, was acquired during the latter part of the year and will be used to monitor flue gases from boiler stacks and measure boiler efficiencies. The instrument is able to calculate combustion efficiency, excess air and carbon dioxide. Other parameters such as nitrogen oxide, nitrogen dioxide, sulphur dioxide, methane and carbon monoxide can also be measured.

Measurements at factories will start early 2006 in collaboration with the Energy Engineer.

Other aspects of the Institute's work are indicated by papers presented at the Annual Conference of the Jamaica Association of Sugar Technologists:

1. Review of the 2004/2005 Sugar Crop – D. Little and N. Reece

2. Report on the XXV International Society of Sugar Cane Technologists Conference – *P. Wright and T. Falloon*
3. Impact of the EU's proposed price reduction on cane profitability – *C. Woolery*
4. An Environmental Code of Practice for Jamaica's sugar cane industry – *E. Manning*
5. Assessment of local sugar cane soils: standard adequacies employed at the Sugar Industry Research Institute – *C. Fearon*
6. Tillage practices to reduce fuel consumption – *K. Chandon and L. Agra*
7. Reflections on different aspects of variety development in Jamaica – *M. Bennett-Easy*
8. Biological control of the sugar cane stalk borer, *Diatraea saccharalis* Fabricius (Lepid: Pyralidae) in the Caribbean – *T. Falloon*
9. Chemicals from Bagasse – *D. Wilson and L. Campbell*
10. NIR Polarimetry: A viable alternative for Juice Polarization Analysis – *M. McDonald, N. Reece and S. Roman*.
11. Tribological and corrosion study of mechanical harvester blades using the plasma and arc coating sprays – *K. Cooke (UTECH) and A. Lyle*.

WORLD SUGAR SITUATION

World sugar production in 2004/2005 is estimated at 146.4 million tonnes, compared with 144.4 million in 2003/2004. Europe and South America produced better crops while Asia experienced a significant shortfall, mainly due to bad weather.

Consumption, excluding unrecorded demands was estimated at 145.1 million tonnes compared with 142.9 million tonnes in the previous season, indicating growth of 1.5%.

Demand in China and India continues to grow steadily, much in line with population growth, but remains sluggish in the US and EU. Health scores and anti-sugar diets continue to restrict growth in these countries.

Chart 4



The year 2004/5 was an interesting one for sugar. It is the year that sugar became inextricably linked with the oil industry. With oil prices likely to remain high for the immediate future, oil consumers and other end users are frantically searching for other sources of fuel.

Another important change in 2005 was the prospect of EU moving towards significantly lower exports following the W.T.O. ruling.

THE EUROPEAN UNION

On January 13, 2005, the EU officially appealed the World Trade Organization (WTO) ruling that their sugar exports were in violation of global trade rules. However, on April 28, 2005, the Appellate Body confirmed its January decision that the EU has been illegally exporting too much subsidized sugar, thereby undercutting more competitive producers overseas. The EU was required to significantly reduce its sugar exports and expenditure on export subsidies and was given until May 22, 2006 to implement the ruling.

African Caribbean and Pacific (ACP) countries have expressed disappointment in the ruling, given the consequence such a ruling will have on their preferential access to the EU sugar market. The ACP members, state that because of the ruling they are expected to lose millions in sugar earning, as a result this could aggravate the acute poverty faced by the citizens of the ACP countries who depend on the sugar industry for their livelihood.

The EU has promised to help the ACP countries adjust to the consequences of the WTO ruling on their preferences. EU Commissioner for Agricultural and Rural Development, Mariann Fischer Boel, said she would take

the ACP concerns into account when she finalizes the EU sugar reform proposals.

The widely anticipated EU reform plan for sugar was released on June 22, 2005. The reform plan comes in the wake of a successful challenge to the EU sugar subsidies at the WTO by Australia, Brazil and Thailand. The proposal includes a 39 percent cut in the guaranteed price of white sugar; compensation to EU farmers for 60 percent of the price-cut in the form of a decoupled subsidy linked to environmental aid and land management standards; and a restructuring scheme encouraging less competitive producers to move out of sugarcane farming as well as supporting factory closure. The reform also offered assistance to the ACP countries that currently enjoy preferential access to the EU sugar market.

As part of the reform package, the EU will offer Euro 40 million in adjustment assistance to the ACP countries in 2006, and continue to support this process for another eight years. According to the EU, trade measures under EU-ACP Economic Partnership Agreement (EPA) will also serve to assist the ACP countries in the adjustment process.

The ACP countries, however, called for a slower pace of implementation, as well as for more assistance. As far as the ACP is concerned, the proposed reform is too fast, too deep, and too soon. Under these conditions the sugar industry in many countries will be simply unable to survive, while in other producing countries the so-called reform will inevitably lead to severe cutbacks with disastrous socio-economic consequences. The EU sugar reform will await the final decision in November 2005, by the EU Agriculture Council.

COUNTRY STRATEGY

In light of changes by the European Union (EU) to the Sugar Protocol with African Caribbean and Pacific (ACP) countries, and developments in the international energy market, Jamaica has developed a country strategy for the sugar cane industry. This was announced on October 25, 2005 by then Prime Minister, P.J. Patterson.

The industry will be centered around three products namely, raw sugar, molasses and ethanol.

The industry is expected to produce 200,000 tonnes of raw sugar per annum. This level of production will



enable the country to meet its quota of 126,000 tonnes per annum in the EU Market, 12,000 tonnes per annum in the US Market and 62,000 tonnes per annum for the domestic market.

Seventy million litres of ethanol will be produced for the local gasoline market as a substitute for MTBE. This will be done at the Petrojam Ethanol facilities.

The industry will produce sufficient molasses for the local rum industry.

The strategy proposes the closure of two of the Government-owned factories, Long Pond and Bernard Lodge, with respect to the production of sugar. Additional lands will be leased to the two private factories to enable them to expand their facilities to a combined production level of 75,000 tonnes per annum.

The strategy calls for a return to a managed import regime for refined sugar. This is to prevent the diversion of refined sugar imported for manufacturing to the retail trade, and to protect the domestic market for locally produced raw sugar against imports of dumped refined sugar.

It will seek to identify business partners with the requisite experience in sugar cane growing and sugar production, capital and technology, to enable the industry to achieve the targeted production levels of sugar, molasses and ethanol on an efficient basis.

OUTLOOK FOR 2005/06

The mood for 2005/06 sugar crop is one of optimism. Supplies are expected to remain tight as demand for cane for the production of ethanol in Brazil grows

coupled with lower exports from Thailand in the first half of the year and significantly lower EU exports. From May 22, EU exports are likely to reduce drastically, creating a huge gap to be filled by other suppliers, mainly Brazil.

Last year raw sugar prices reached their highest in seven years. Prices increased from 6.42 cents per pound in January 2004 to 15.09 cents per pound in December 2005. Many believe that this is not the end of the story and prices will gain further ground during the first half of 2006. Several explanations have been put forward for the sharp increases in sugar prices. One is the strength of the Brazilian real, which surged between 15% and 20% against the dollar in 2005. Another is the high price of energy, fueling expectation that more cane will be channeled into ethanol production at the expense of sugar, notably in Brazil.

Oil prices are expected to remain high, therefore, the search for alternative sources of fuel will gather momentum. The phenomenal success of flexifuel cars in Brazil is not lost in other countries that are starting ethanol programmes and in this respect, sugar cane is by far the most efficient feedstock.

However, if sugar prices remain at 13 to 14 cents or higher, it is possible that more cane would be diverted to sugar in Brazil next season, as sugar export prices would be more attractive than that of the domestic demand for ethanol.

WORLD SUGAR PRODUCTION

Production Area	Tonnes (mln)
Europe	28.9
Africa	10.5
North & Central America	19.7
South America	37.3
Asia	46.8
Oceania	5.7
TOTAL	148.9



A cane field with label identifying the variety planted out in the field.



Cane field showing robust growth

Participants
in field visit
on a project
funded by the
Common
Fund for
Commodities
(CFC)



Centre Pivot
Irrigation System,
a Common Fund for
Commodities project.

LIST OF DIRECTORS

Ambassador Derick Heaven

Executive Chairman
Sugar Industry Authority (SIA)

Mr. Livingstone Morrison

President & Chief Executive Officer
Sugar Company of Jamaica (SCJ)

Mr. Robert Henriques

Managing Director
J. Wray & Nephew - Agricultural Division

Senator Professor Trevor Munroe

President
University & Allied Workers Union (UAWU)

Mr. Allan Rickards

Chairman
All Island Jamaica Cane Farmers' Association (AIJCFA)

Mr. Alexander C. McDonald

Member of the Committee of Management
All Island Jamaica Cane Farmers Association (AIJCFA)

Dr. Richard Harrison

Permanent Secretary
Ministry of Agriculture

Mr. Peter Haley

Secretary to the Board
Director, Finance & Administration (SIA)

2005 SALARIES & EMOLUMENTS SENIOR EXECUTIVES

POST	TOTAL	REMARKS
CONTRACT OFFICERS	\$	
1. Executive Chairman	4,900,000	Plus Gratuity and Motor Vehicle
2. Director of Research, SIRI	2,722,080	Plus Gratuity, Motor Vehicle & Lunch Allowance
3. Director, Finance & Administration	2,778,578	Plus Gratuity, Motor Vehicle & Lunch Allowance
4. Factory Services Manager, SIRI	2,520,000	Plus Gratuity, Motor Vehicle & Lunch Allowance
OTHER SENIOR EXECUTIVES		
1. Agricultural Services Manager, SIRI	2,939,636	Plus Motor Vehicle & Lunch Allowance
2. Information & Planning Manager	2,165,056	Plus Motor Vehicle & Lunch Allowance
3. Head, Extension Services, SIRI	2,234,807	Plus Motor Vehicle & Lunch Allowance

APPENDIX TABLES

TABLE 1: CANE MILLED (TONNES) 2004 & 2005

FACTORIES	2004			2005		
	Estates	Farmers	Total	Estates	Farmers	Total
Frome	315,246	325,103	640,349	224,537	253,612	478,149
Monymusk	188,757	104,585	293,342	71,629	49,278	120,907
Bernard Lodge	196,954	36,823	233,777	144,084	33,922	178,006
Long Pond	61,534	66,127	127,661	29,269	35,823	65,092
St. Thomas	97,677	78,998	176,675	58,699	57,701	116,400
Appleton	248,584	65,531	314,116	174,737	48,836	223,573
Worthy Park	96,681	110,544	207,225	93,792	92,810	186,602
TOTAL	1,205,433	787,712	1,993,145	796,746	571,983	1,368,729

TABLE 2: TONNES 96° SUGAR PRODUCED: 2000-2005

FACTORIES	2000	2001	2002	2003	2004	2005
Frome	59,108	64,078	56,534	53,117	56,978	42,515
Monymusk	42,247	32,559	22,666	19,028	27,091	9,322
Bernard Lodge	29,325	28,193	19,672	16,798	21,869	14,053
Long Pond	15,600	8,967	9,873	10,475	10,410	4,654
St. Thomas	13,389	10,615	10,968	9,685	13,492	10,426
Appleton	23,291	30,706	26,707	20,882	29,267	21,404
Worthy Park	25,188	22,339	23,066	22,552	24,566	21,833
Hampden	8,239	7,021	5,154	-	-	-
TOTAL	216,387	204,478	174,640	152,536	183,672	124,206

TABLE 3: CANE QUALITY- JAMAICA RECOVERABLE CANE SUGAR (JRCS) 2004-2005

FACTORIES	2000	2001	2002	2003	2004	2005
Frome	10.72	9.45	9.90	8.96	10.50	10.42
Monymusk	11.81	10.95	9.86	9.71	11.11	9.90
Bernard Lodge	10.93	10.27	9.42	9.55	10.60	9.51
Long Pond	10.93	9.51	10.54	9.24	10.37	9.75
St. Thomas	11.49	9.84	9.66	9.66	9.60	10.24
Appleton	10.62	10.07	9.73	9.94	10.03	10.45
Worthy Park	10.81	12.24	11.84	9.26	12.35	12.22
Hampden	12.85	10.59	10.48	-	-	-
AVERAGE	11.21	10.10	10.05	9.57	10.63	10.46

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.

TABLE 4: FACTORY RECOVERY INDEX (FRI) 2000-2005

FACTORIES	(Rating) (2005)	2000	2001	2002	2003	2004	2005
Frome	4	95.62	90.73	85.23	91.14	84.25	85.07
Monymusk	6	95.71	91.83	90.58	87.55	83.80	79.79
Bernard Lodge	5	95.94	87.51	90.13	89.54	88.48	84.70
Long Pond	7	93.93	87.54	86.67	84.90	81.32	76.74
St. Thomas	3	88.70	84.73	83.06	83.14	83.06	89.93
Appleton	2	97.03	95.24	91.19	92.55	93.13	91.55
Worthy Park	1	99.51	100.03	98.02	98.12	96.08	95.74
Hampden		87.25	80.64	79.23	-	-	-
AVERAGE		95.32	91.11	88.44	90.49	87.31	87.39

Note: Cane payments are now based on a standard Factory Recovery Index (FRI) of 91%. Factories below 91% are 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 2004 & 2005
(TIME LOSS AS A % OF TOTAL AVAILABLE TIME)**

	Total Time Loss		STOPPAGES					
			Factory		Non-Factory		Cleaning	
FACTORIES	2004	2005	2004	2005	2004	2005	2004	2005
Frome	36.26	40.82	18.91	13.50	17.35	27.31	5.12	3.79
Monymusk	40.90	65.11	16.37	17.50	24.53	47.61	4.99	3.67
Bernard Lodge	42.02	62.38	20.81	18.23	21.21	44.16	4.04	2.87
Long Pond	56.74	64.60	36.66	41.53	20.09	23.07	3.11	3.02
St. Thomas	47.86	53.31	33.89	23.29	13.95	30.02	4.75	5.69
Appleton	24.56	35.23	13.12	10.56	11.44	24.67	3.96	3.31
Worthy Park	19.25	24.68	2.49	3.48	16.65	21.19	6.63	6.15
TOTAL	38.91	47.96	21.15	17.51	17.76	30.45	4.73	4.14

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 2001-2005

DESTINATION	2001		2002		2003		2004		2005	
	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	156,861	70,174	138,089	65,326	128,485	74,348	148,681	93,667	110,064	73,465
USA		1,251		1,448	-	-	11,165	4,977	2,823	1,248
Other	46	29	56	35	52	32	62	40	41	28
TOTAL	156,907	71,454	138,145	66,809	128,537	74,380	159,908	98,684	112,928	74,741



SUGAR INDUSTRY AUTHORITY

Financial Statements
31 October 2005



Sugar Industry Authority

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7 April 2006

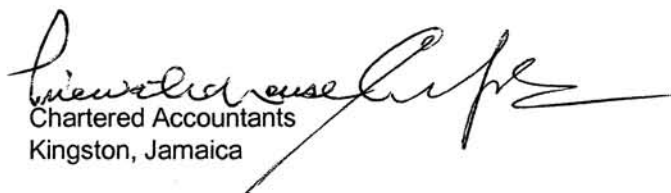
To the Members of
Sugar Industry Authority

Auditors' Report

We have audited the financial statements set out on pages 28 to 52, and have received all the information and explanations which we considered necessary. These financial statements are the responsibility of the Authority's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of the Authority's affairs as at 31 October 2005 and of the results of operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.


Chartered Accountants
Kingston, Jamaica

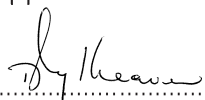
Sugar Industry Authority

Balance Sheet

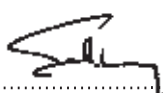
31 October 2005

	Note	2005 \$	2004 \$
Non-current Assets			
Property, plant and equipment	3	210,036,263	214,171,715
Retirement benefit asset	4	65,087,000	48,180,000
Long term receivables	5	38,551,729	25,346,303
		<u>313,674,992</u>	<u>287,698,018</u>
Current Assets			
Inventories	6	2,211,445	2,080,943
Loan to farmers, estates and factories	7	37,004,283	39,465,809
Mortgage and home improvement loans	5	1,866,692	1,585,128
Accounts receivable and sundry assets	8	184,991,199	179,291,371
Cash and short term deposits	9	126,038,163	138,186,825
		<u>352,111,782</u>	<u>360,610,076</u>
Current Liabilities			
Accounts payable and accrued expenses	10	61,961,563	62,380,322
Current portion of long term liability	17	59,542,678	33,333,334
		<u>121,504,241</u>	<u>95,713,656</u>
Net Current Assets		<u>230,607,541</u>	<u>264,896,420</u>
		<u>544,282,533</u>	<u>552,594,438</u>
Equity			
Fund Balances at End of Year	11	232,276,356	221,844,771
Accumulated Surplus on Imported Raw Sugar	12	52,795,510	39,808,968
		<u>285,071,866</u>	<u>261,653,739</u>
Capital Reserves	13	163,224,459	163,421,133
ECU Reserve Fund	14	38,625,422	38,625,422
Certified Seed Cane Reserve Fund	15	30,850,000	30,850,000
Training Programme Fund	16	10,421,786	10,258,144
		<u>528,193,533</u>	<u>504,808,438</u>
Non-current Liabilities			
Borrowings	17	-	33,300,000
Retirement benefit obligations	4	16,089,000	14,486,000
		<u>544,282,533</u>	<u>552,594,438</u>

Approved for issue by the Board of Directors on 7 April 2006 and signed on its behalf by:



 Derick Heaven Executive Chairman



 Peter A. Haley Director, Finance &
 Administration

Sugar Industry Authority

Income and Expenditure Account

Year ended 31 October 2005

	Note	2005 \$	2004 \$
Turnover		<u>241,482,001</u>	<u>224,360,004</u>
Surplus of Income over Expenditure	18	10,398,553	15,557,456
Fund balances at beginning of year		<u>221,844,771</u>	<u>207,498,886</u>
		232,243,324	223,056,342
Release from capital reserve- S.I.R.I.	13	196,674	295,013
Release from Training Programme Fund	16	4,094,490	3,425,170
Transfer to Training Programme Fund	16	<u>(4,258,132)</u>	<u>(4,931,754)</u>
Fund Balances at End of Year		<u>232,276,356</u>	<u>221,844,771</u>



Sugar Industry Authority

Statement of Operation - Imported Raw Sugar

Year ended 31 October 2005

	Note	2005	2004
		\$	\$
Turnover		<u>52,286,542</u>	<u>37,805,747</u>
Accumulated Surplus on Imported Raw Sugar at End of Year	12	<u>52,795,510</u>	<u>39,808,968</u>

Sugar Industry Authority

Statement of Cash Flows

Year ended 31 October 2005

	2005 \$	2004 \$
Cash Flows from Operating Activities		
Cash provided by/(used in) operating activities (Note 20)	10,393,874	(32,765,726)
Cash Flows from Investing Activities		
Interest received	19,436,191	21,803,345
Proceeds from sale of property, plant and equipment	718,662	2,166,793
Purchase of property, plant and equipment	(15,447,407)	(20,617,127)
Long term receivables	(13,486,990)	(8,894,775)
Cash used in investing activities	(8,779,544)	(5,541,764)
Cash Flows from Financing Activities		
Interest paid	(6,745,713)	(87,388)
Long term liability	(7,090,656)	33,300,001
ECU Reserve Fund	-	(186,875)
Cash (used in)/provided by financing activities	(13,836,369)	33,025,738
Net decrease in cash and short term deposits	(12,222,039)	(5,281,752)
Effect of exchange rate changes on cash and short term deposits	73,377	(218,047)
Cash and short term deposits at beginning of year	138,186,825	143,686,624
CASH AND SHORT TERM DEPOSITS AT END OF YEAR	126,038,163	138,186,825

Sugar Industry Authority

Notes to the Financial Statements

31 October 2005

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 (2b).

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.

These financial statements are presented in Jamaican dollars.

2. Significant Accounting Policies

(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 and financial assets.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results could differ from those estimates.

2. Significant Accounting Policies (Continued)

(b) Consolidation

Subsidiaries, which 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, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Authority and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

These financial statements present the results of the operations of the Authority. The assets and liabilities of its subsidiary, Sugar Industry Housing Limited have been transferred to the Authority as explained in Note 1. The results of Natural Cane Products Limited have not been consolidated as the Authority's control is temporary due to the planned divestment of the company. In addition, the associated companies, National Sugar Company Limited and Jamaica Sugar Holdings Limited, have not been accounted for under the equity method of accounting.

(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 profit and loss account.

(d) Revenue recognition

Turnover represents a cess levied on the manufacturers of sugar and is recognised on an accrual basis.

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.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2005

2. Significant Accounting Policies (Continued)

(e) Property, plant and equipment

Land and 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 historical cost less accumulated depreciation. Under IFRS 1, a first time adopter may elect to use the fair value of an item of property, plant and equipment at the date of transition to IFRS as the deemed cost of the asset. The Authority elected to apply this provision in the prior year.

Depreciation is calculated on the straight-line basis by reference to cost at rates estimated to write off the relevant assets over their expected useful lives. The annual rates of depreciation are as follows:

Buildings	4%
Pilot plant and office accommodation	4%
Plant, equipment and furniture	10%-25%
Motor vehicles	25%

Land is not depreciated.

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.

Repairs and maintenance are charged to the income and expenditure account during the financial period in which they are incurred.

(f) Impairment of non-current 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.

(g) 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. 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.

2. Significant Accounting Policies (Continued)

(g) Employee benefits (Continued)

(i) Pension obligations (Continued)

The 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 cost. The pension costs are assessed 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, who carry out a full valuation of the plan every year. 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 liability.

A portion of the actuarial gains and losses is recognised in the income and expenditure account if the net cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceeded ten percent (10%) of the

(i.i) present value of the gross defined benefit obligation; and

(i.ii) the fair value of the plan assets at that date.

Any excess actuarial gains or losses are charged to income over the average remaining service lives of the related employees.

(ii) Other post-retirement obligations

The Authority provides post-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 plans. These obligations are valued annually by independent qualified actuaries.

(h) Long term receivables

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.

Long term receivables are stated at the principal amount remaining to be repaid over the period of the loans, less provision made for impairment. See Note 2 (j).

(i) Inventories

Inventories are stated at cost; cost being 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.

2. Significant Accounting Policies (Continued)

(j) Provision for bad debts

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.

(k) Other 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.

(l) 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.

(m) 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.

(n) 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.

(o) Financial instruments

Financial instruments carried on the balance sheet include long term receivables, loans to farmers, estates and factories, mortgage and home improvement loans, accounts receivable, cash and short term deposits, accounts payable and long term liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The determination of the fair values of the Authority's financial instruments is disclosed in Note 22.

(p) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2005

3. Property, plant and equipment

Property, plant and equipment comprise:

(a) General Fund:-

	Land	Buildings	Plant, Equipment & Furniture	Motor Vehicles	Assets on Loan to Jamaica Cane Products Sales Limited	Total
	\$	\$	\$	\$	\$	\$
Cost or Valuation -						
At 1 November 2004	35,604,233	43,578,520	19,704,885	10,818,096	13,529,515	123,235,249
Additions	-	-	803,204	2,070,000	-	2,873,204
	35,604,233	43,578,520	20,508,089	12,888,096	13,529,515	126,108,453
Accumulated Depreciation -						
At 1 November 2004	-	9,086,689	16,859,152	7,159,509	12,114,586	45,219,936
Charge for the year	-	1,743,141	1,568,531	2,096,706	162,537	5,570,915
	-	10,829,830	18,427,683	9,256,215	12,277,123	50,790,851
Net Book Value -						
At 31 October 2005	35,604,233	32,748,690	2,080,406	3,631,881	1,252,392	75,317,602
At 31 October 2004	35,604,233	34,491,831	2,845,733	3,658,587	1,414,929	78,015,313

- (i) Land and buildings with a fair value of \$51,140,000 (2004 - \$51,140,000) 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 (Note 2(e)). The properties were previously held by the SIHL, and were transferred to the Authority during the year ended 31 October 2002 (Note 1). The open market value of these properties as determined by professionally qualified independent valuers, as at February 2000 and May 2000, except as stated in Note 3 (a) (ii) below, revealed a revaluation surplus of \$43,276,701, which has been included in capital reserves.
- (ii) The fair value of \$5,840,000 (2004 - \$5,840,000), attributed to certain 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 75 parcels of land at the time of acquisition. A deemed value of \$80,000 was attributed each.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2005

3. Property, plant and equipment (Continued)

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

	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 1 November 2004	31,492,198	70,783,342	48,179,989	46,810,608	-	2,748,400	200,014,537
Additions	-	109,940	9,566,051	2,898,212	-	-	12,574,203
Disposals	-	-	(97,750)	(2,435,850)	-	-	(2,533,600)
	<u>31,492,198</u>	<u>70,893,282</u>	<u>57,648,290</u>	<u>47,272,970</u>	<u>-</u>	<u>2,748,400</u>	<u>210,055,140</u>
Accumulated Depreciation -							
At 1 November 2004	-	4,235,353	23,161,224	35,310,664	-	1,150,894	63,858,135
Charge for the year	-	2,844,353	4,947,641	5,531,880	-	181,578	13,505,452
Disposal	-	-	(51,590)	(1,975,518)	-	-	(2,027,108)
	<u>-</u>	<u>7,079,706</u>	<u>28,057,275</u>	<u>38,867,026</u>	<u>-</u>	<u>1,332,472</u>	<u>75,336,479</u>
Net Book Value -							
At 31 October 2005	<u>31,492,198</u>	<u>63,813,576</u>	<u>29,591,015</u>	<u>8,405,944</u>	<u>-</u>	<u>1,415,928</u>	<u>134,718,661</u>
At 31 October 2004	<u>31,492,198</u>	<u>66,547,989</u>	<u>25,018,765</u>	<u>11,499,944</u>	<u>-</u>	<u>1,597,506</u>	<u>136,156,402</u>
Total Net Book Value -							
At 31 October 2005	<u>67,096,431</u>	<u>96,562,266</u>	<u>31,671,421</u>	<u>12,037,825</u>	<u>1,252,392</u>	<u>1,415,928</u>	<u>210,036,263</u>
At 31 October 2004	<u>67,096,431</u>	<u>101,039,820</u>	<u>27,864,498</u>	<u>15,158,531</u>	<u>1,414,929</u>	<u>1,597,506</u>	<u>214,171,715</u>

Land and buildings with a fair value of \$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 (Note 2(e)). 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.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2005

4. Pension and Other Post-retirement Benefits

(a) Pension benefits

The Authority and its division participate in a defined benefit scheme, which is open to all permanent employees and administered by independent trustees. The 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.

(i) General Fund:-

The amounts recognised in the balance sheet are determined as follows:

	2005 \$	2004 \$
Present value of funded obligations	56,866,000	42,262,000
Fair value of plan assets	(94,343,000)	(80,482,000)
	(37,477,000)	(38,220,000)
Unrecognised actuarial gains	22,947,000	30,565,000
Unrecognised amount due to limitation	1,280,000	-
Asset in the balance sheet	(13,250,000)	(7,655,000)

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

	2005 \$	2004 \$
Current service cost	1,038,000	714,000
Interest cost	5,002,000	5,515,000
Expected return on plan assets	(9,769,000)	(7,799,000)
Net actuarial gains recognised in year	(1,344,000)	(1,414,000)
Change in disallowed assets	1,280,000	(1,832,000)
Total, included in staff costs (Note 19)	(3,793,000)	(4,816,000)

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

The actual return on plan assets was \$13,403,000 (2004 - \$22,894,000).

Movement in the surplus recognised in the balance sheet:

	2005 \$	2004 \$
At beginning of year	(7,655,000)	(1,270,000)
Total credit - as shown above	(3,793,000)	(4,816,000)
Contributions paid	(1,802,000)	(1,569,000)
At end of year	(13,250,000)	(7,655,000)

Sugar Industry Authority

Notes to the Financial Statements

31 October 2005

4. Pension and Other Post-retirement Benefits (Continued)

(a) Pension benefits (Continued)

(i) General Fund (Continued):-

The principal actuarial assumptions used were as follows:

	2005 \$	2004 \$
Discount rate	12.5%	12.5%
Expected return on plan assets	12.5%	12.5%
Future salary increases	9.0%	9.0%
Future pension increases	2.5%	2.5%

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

The amounts recognised in the balance sheet are determined as follows:

	2005 \$	2004 \$
Present value of funded obligations	122,473,000	111,073,000
Fair value of plan assets	(213,074,000)	(177,850,000)
	(90,601,000)	(66,777,000)
Unrecognised actuarial gains	18,426,000	26,252,000
Unrecognised assets due to limitation on economic benefits	20,338,000	-
Asset in the balance sheet	(51,837,000)	(40,525,000)

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

	2005 \$	2004 \$
Current service cost	427,000	(1,391,000)
Interest cost	12,896,000	11,611,000
Expected return on plan assets	(17,152,000)	(13,960,000)
Past service cost	(22,216,000)	(690,000)
Income not eligible for recognition	20,339,000	-
Net actuarial gains recognised in year	(386,000)	-
Total, included in staff costs (Note 19)	(6,092,000)	(4,430,000)

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

The actual return on plan assets was \$27,693,000 (2004 - \$29,852,000).

Sugar Industry Authority

Notes to the Financial Statements

31 October 2005

4. Pension and Other Post-retirement Benefits (Continued)

(a) Pension benefits (Continued)

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

Movement in the surplus recognised in the balance sheet:

	2005 \$	2004 \$
At beginning of year	(40,525,000)	(30,866,000)
Total credit – as shown above	(6,092,000)	(4,430,000)
Contributions paid	<u>(5,220,000)</u>	<u>(5,229,000)</u>
At end of year	<u><u>(51,837,000)</u></u>	<u><u>(40,525,000)</u></u>

The principal actuarial assumptions used were as follows:

	2005 \$	2004 \$
Discount rate	12.5%	12.5%
Expected return on plan assets	9.5%	9.5%
Future salary increases	9.5%	9.0%
Future pension increases	<u>2.5%</u>	<u>0.0%</u>

(b) Post-employment medical benefits

In addition to pension benefits, the Authority and its division offer post-retirement medical benefits. Funds are not built up to cover the obligations under these retirement benefit schemes. The method of accounting and frequency of valuations are similar to those used for defined benefit schemes.

In addition to the assumptions used for the pension schemes, the main actuarial assumption is a long term increase in health costs of 10.5 % per year (2004 - 10.5%).

(i) General Fund:-

The amounts recognised in the balance sheet are determined as follows:

	2005 \$	2004 \$
Present value of unfunded obligations	4,375,000	3,631,000
Fair value of plan assets	<u>-</u>	<u>-</u>
	4,375,000	3,631,000
Unrecognised actuarial gains	<u>1,261,000</u>	<u>1,630,000</u>
Liability in the balance sheet	<u><u>5,636,000</u></u>	<u><u>5,261,000</u></u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2005

4. Pension and Other Post-retirement Benefits (Continued)

(b) Post-employment medical benefits (Continued)

(i) General Fund (Continued):-

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

	2005 \$	2004 \$
Current service cost	153,000	135,000
Interest cost	445,000	503,000
Net actuarial gains recognised in year	<u>(76,000)</u>	<u>(87,000)</u>
Total, included in staff costs (Note 19)	<u>522,000</u>	<u>551,000</u>

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

Movement in the liability recognised in the balance sheet:

	2005 \$	2004 \$
At beginning of year	5,261,000	4,839,000
Total expense – as shown above	522,000	551,000
Contributions paid	<u>(147,000)</u>	<u>(129,000)</u>
At end of year	<u>5,636,000</u>	<u>5,261,000</u>

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

The amounts recognised in the balance sheet are determined as follows:

	2005 \$	Restated 2004 \$
Present value of unfunded obligations	10,546,000	7,938,000
Fair value of plan assets	<u>-</u>	<u>-</u>
	10,546,000	7,938,000
Unrecognised actuarial gains	<u>(93,000)</u>	<u>1,287,000</u>
Liability in the balance sheet	<u>10,453,000</u>	<u>9,225,000</u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2005

4. Pension and Other Post-retirement Benefits (Continued)

(b) Post-employment medical benefits (Continued)

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

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

	2005 \$	2004 \$
Current service cost	451,000	277,000
Interest cost	981,000	785,000
Net actuarial gains recognised in year	(19,000)	(138,000)
Total, included in staff costs (Note 19)	<u>1,413,000</u>	<u>924,000</u>

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

Movement in the liability recognised in the balance sheet:

	2005 \$	2004 \$
At beginning of year	9,225,000	8,507,000
Total expense – as shown above	1,413,000	924,000
Contributions paid	(185,000)	(206,000)
At end of year	<u>10,453,000</u>	<u>9,225,000</u>

The current service cost does not include employee contributions.

5. Long Term Receivables

Long term receivables comprise:

	Mortgage and Home Improvement Loans	Motor Vehicle Lease	Certified Seed Cane Programme	Cane Replanting Loans	2005	2004
	\$	\$	\$	\$	\$	\$
Total recoverable	8,128,672	1,599,725	9,609,590	58,531,462	77,869,449	72,458,002
Less: current portion	(1,866,692) ⁽ⁱ⁾	(446,745) ⁽ⁱⁱ⁾	(9,609,590) ⁽ⁱⁱⁱ⁾	(27,394,693) ⁽ⁱⁱⁱ⁾	(39,317,720)	(47,111,699)
	<u>6,261,980</u>	<u>1,152,980</u>	<u>-</u>	<u>31,136,769</u>	<u>38,551,729</u>	<u>25,346,303</u>

(i) Included in mortgage and home improvement loans.

(ii) Included in accounts receivable and sundry assets.

(iii) Included in loans to farmers, estates and factories.

Sugar Industry Authority

Notes to the Financial Statements

31 October 2005

5. Long Term Receivables (Continued)

The balances relate to:

- a) Mortgage and home improvement loans taken over from SIHL (See Note 1). Mortgage and home improvement loans are stated, net of provision for doubtful debts of \$3,299,604 (2004 - \$2,945,398).
- b) Motor vehicles purchased by the Authority and leased to factory inspectors.
- c) Equipment purchased by the Authority and leased to farmers, factories and contractors. These balances were written off during the year.
- 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 (Note 15).
- e) 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 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 (Note 17).

6. Inventories

Inventories comprise mainly chemical, apparatus and consumables and are stated net of provision for obsolescence of Nil (2004 - \$76,358).

7. Loans to Farmers, Estates and Factories

Loans to farmers, estates and factories are stated after provision for doubtful debts of \$47,770,516 (2004 - \$48,380,621), of which \$2,511,234 (2004 - \$1,000,000) relates to the Certified Seed Cane Loan Programme.

8. Accounts Receivable and Sundry Assets

	2005	2004
	\$	\$
Accounts receivable	441,738,771	424,892,769
Current portion of long term receivables (note 5)	446,745	6,060,762
	<u>442,185,516</u>	<u>430,953,531</u>
Less: Provision for doubtful debts	257,194,317	251,662,160
	<u>184,991,199</u>	<u>179,291,371</u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2005

9. Cash and Short Term Deposits

	2005	2004
	\$	\$
Cash at bank and in hand	40,584,435	32,381,022
Short-term deposits	85,453,728	105,805,803
	<u>126,038,163</u>	<u>138,186,825</u>

The short term deposits have an average maturity of 50 days and the weighted average effective interest rate was 10.61% (2004 – 16.29%).

10. Accounts Payable and Accrued Expenses

	2005	2004
	\$	\$
Accounts payable	54,223,216	53,568,790
Accrued expenses	7,005,560	6,132,081
Interest payable	732,787	2,679,451
	<u>61,961,563</u>	<u>62,380,322</u>

11. Fund Balances

Fund balances are represented by the following:

	General Fund	Sugar Industry Research Institute	Capital Rehabilitation Fund	Total
	\$	\$	\$	\$
Balance at 1 November 2003	126,712,897	72,841,635	7,944,354	207,498,886
Surplus of Income over Expenditure	5,561,265	9,996,191	-	15,557,456
Release from Capital Reserve (Note 13)	-	295,013	-	295,013
Release from Training Programme Fund (Note 16)	3,425,170	-	-	3,425,170
Transfer to Training Programme Fund (Note 14)	(4,931,754)	-	-	(4,931,754)
Balance at 31 October 2004	130,767,578	83,132,839	7,944,354	221,844,771
Surplus of Income over Expenditure	6,476,711	3,921,842	-	10,398,553
Release from Capital Reserve (Note 13)	-	196,674	-	196,674
Release from Training Programme Fund (Note 16)	4,094,490	-	-	4,094,490
Transfer to Training Programme Fund (Note 14)	(4,258,132)	-	-	(4,258,132)
Balance at 31 October 2005	<u>137,080,647</u>	<u>87,251,355</u>	<u>7,944,354</u>	<u>232,276,356</u>

Sugar Industry Authority

Notes to the Financial Statements

31 October 2005

12. 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.

	2005	2004
	\$	\$
Balance at beginning of year	39,808,968	29,303,221
Movements during the year -		
Add: Commission income	52,286,542	37,805,747
Less: Road repair expenses	(39,000,000)	(27,000,000)
Other operating expenses	<u>(300,000)</u>	<u>(300,000)</u>
Balance at end of year	<u>52,795,510</u>	<u>39,808,968</u>

13. Capital Reserve

	2005	2004
	\$	\$
(a) General Fund:-		
Assets transferred from SIHL	73,101,122	73,101,122
(b) S.I.R.I.-		
Balance brought forward -		
Motor vehicles	196,674	491,687
Transfer of asset -		
Land & Buildings	90,123,337	90,123,337
Less: Release to income and expenditure account -		
Motor vehicles	<u>(196,674)</u>	<u>(295,013)</u>
Balance carried forward	<u>90,123,337</u>	<u>90,320,011</u>
Total balance carried forward	<u>163,224,459</u>	<u>163,421,133</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 3 (a)).

(b) This balance represents:

- (i) The directors' valuation of motor vehicles received during 1994, 1995, 1997 and 2004.
- (ii) The fair value of land and buildings transferred to the Division from the Government of Jamaica in the prior year. (Note 3 (b)).

Sugar Industry Authority

Notes to the Financial Statements

31 October 2005

14. 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.

	2005	2004
	\$	\$
Balance at beginning of year	38,625,422	38,812,297
Movements during the year -		
Operating expenses	-	(186,875)
Interest earned	4,258,132	4,931,754
Transfer to Training Programme Fund (Note 16)	(4,258,132)	(4,931,754)
Balance at end of year	<u>38,625,422</u>	<u>38,625,422</u>

15. Certified Seed Cane Reserve Fund

This fund is financed from amount transferred from the ECU Reserve Fund and is used for the disbursement of loans to farmers, which are to be used for the establishment and management of the certified cane nurseries.

The amount represents:

	2005	2004
	\$	\$
Balance held in the fund at end of year	<u>18,729,176</u>	<u>13,543,950</u>
Loans receivable at beginning of year	17,306,050	20,282,725
Loans disbursed during the year	-	4,368,848
Loan repayments during the year	<u>(5,185,226)</u>	<u>(7,345,523)</u>
Loans receivable at end of year	12,120,824	17,306,050
Accumulated drawdown from ECU Reserve Fund (Note 14)	<u>30,850,000</u>	<u>30,850,000</u>

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16. Training Programme Fund

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

	2005	2004
	\$	\$
Balance at beginning of year	10,258,144	8,751,560
Transfer from ECU Reserve Fund (Note 14)	4,258,132	4,931,754
	14,516,276	13,683,314
Amounts utilised during the year	(4,094,490)	(3,425,170)
Balance at end of year	10,421,786	10,258,144

17. Borrowings

This represents a loan to the Authority from the Development Bank of Jamaica (DBJ) for the purpose of financing a Planting/Replanting Loan Programme. The total facility amounts to \$100 million and is to be drawn down in three tranches of \$33,333,333, the first of which was received during the year ended 31 October 2003, whilst the second tranche of \$33,300,000 was received during the year ended 31 October 2004, bringing the total loan balance drawn down to \$66,633,334. The funds are to be on-lent to sugar-cane farmers to facilitate the planting and replanting of cane. The loan attracts interest at a rate of 7% per annum. There is a one year moratorium on each tranche of the principal and interest accrued thereon commencing on the date of each such disbursement. The funds on-lent to farmers as at the end of the year amounted to \$58,531,462 (2004 – 37,833,932) (Note 5).

Jamaica Cane Product Sales Limited (JCPS), from whom the Authority receives the majority of its income, has given a Letter of Undertaking to DBJ to pay over amounts due to the Authority to repay the loan and interest accrued as and when they fall due. These amounts will come from proceeds of cane supplies of farmers who benefit from the loan, and/or from the monthly fee paid to the Authority by JCPS and/or from any other source of funds to which the Authority is beneficially entitled.

In addition, it is agreed that the interest rate to the final borrower (the sugar-cane farmers) shall not exceed 9% per annum.

The balance at year is as follows:

	2005	2004
	\$	\$
Balance at beginning of year	66,633,334	33,333,334
Additions	-	33,300,000
Repayment	7,090,656	-
	59,542,678	66,633,334
Less current portion	(59,542,678)	(33,333,334)
Long term portion	-	33,300,000

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18. Surplus of Income over Expenditure

The following items have been charged in arriving at surplus of income over expenditure:

	2005	2004
	\$	\$
Auditors' remuneration	2,270,000	2,000,000
Depreciation	19,076,367	18,473,291
Directors' emoluments (included in staff costs) -		
Management remuneration	6,125,000	6,437,500
Impairment charge for bad and doubtful receivables	13,130,752	13,213,560
Profit on disposal of property, plant and equipment	212,170	2,157,267
Repairs and maintenance expenditure on property, plant and equipment	4,989,899	5,701,067
Staff costs (note 19)	<u>118,703,004</u>	<u>126,755,963</u>

19. Staff Costs

	2005	2004
	\$	\$
Wages and salaries	100,243,869	90,252,760
Termination costs	260,683	20,157,769
Statutory contributions	9,851,688	8,902,073
Pension costs (Note 4)	(9,885,000)	(9,246,000)
Other post-retirement benefit costs (Note 4)	1,935,000	1,475,000
Other	<u>16,296,764</u>	<u>15,214,361</u>
	<u>118,703,004</u>	<u>126,755,963</u>

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

	2005	2004
	No.	No.
General Fund:-		
Full - time	24	31
S.I.R.I:-		
Full - time	75	75
Part - time	<u>1</u>	<u>1</u>
	<u>100</u>	<u>107</u>

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20. Cash Flows from Operating Activities

	2005	2004
	\$	\$
Surplus on local sugar	10,398,553	15,557,456
Surplus on imported raw sugar	<u>52,795,510</u>	<u>39,808,968</u>
	63,194,063	55,366,424
Adjustments to reconcile surplus to net cash provided by operating activities:		
Depreciation	19,076,367	18,473,291
Exchange (gains)/losses on foreign balances	(73,377)	218,047
Interest expense	4,799,049	2,766,839
Interest income	(22,836,747)	(21,931,013)
Profit on disposal of property, plant and equipment	(212,170)	(2,157,267)
Transferred to imported raw sugar	<u>(39,808,968)</u>	<u>(29,303,221)</u>
	24,138,217	23,433,100
Changes in operating assets and liabilities:		
Inventories	(130,502)	41,851
Loans to farmers, estates and factories	2,461,526	(21,731,330)
Accounts receivable and sundry assets	(2,299,272)	(19,203,236)
Accounts payable and accrued expenses	1,527,905	(402,111)
Retirement benefit asset	(16,907,000)	(16,044,000)
Retirement benefit obligations	<u>1,603,000</u>	<u>1,140,000</u>
Cash provided by/(used in) operating activities	<u>10,393,874</u>	<u>(32,765,726)</u>

21. Financial Risk Management

Financial risk factors

The Authority's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates and interest rates. Risk management is carried out by the finance function along with the Board of Directors, which identifies, evaluates and manages risk based on guidelines set by the Ministries of Finance and Agriculture.

(a) Currency risk

The balance sheet at 31 October 2005 includes aggregate net foreign assets in respect of transactions arising in the ordinary course of business as follows:

	2005	2004
	\$	\$
United States dollar	66,577	97,963
Pound Sterling	<u>12,558</u>	<u>15,487</u>

21. Financial Risk Management (Continued)

(b) Interest rate risk

The Authority's operating income and cash flows are substantially independent of changes in market interest rates. As at 31 October 2005, the Authority has interest-bearing assets as disclosed in Notes 5, 7 and 9 and interest-bearing liabilities as disclosed in Note 17.

(c) Market risk

The Authority has no significant exposure to market risk as the financial instruments subject to this risk are not material.

(d) Credit risk

The Authority's credit exposure is heavily concentrated in the sugar industry. Receivable balances are shown net of provision for doubtful debts, and the Authority's historical experience in collection of accounts receivable falls within this provision.

Cash and short-term deposits are with substantial financial institutions.

(e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The management of the Authority maintains sufficient cash and short-term deposits and available funding through an adequate amount of committed credit facilities.

22. Fair Value Estimation

In assessing the fair value of financial instruments, the Authority uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The estimated fair values are determined using available market information and appropriate valuation methodologies. However, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Authority would realise in a current market exchange.

The face values, less any estimated credit adjustments, of financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities are cash and short-term deposits, receivables and payables.

Long term receivables

The fair values of long term receivables cannot be reasonably assessed as the timing of future contractual cash flows are not determinable.

Long term liability

The fair value of the long term liability cannot be reasonably assessed as the timing of future contractual cash flows are not determinable.

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23. Contingent Liability

- (a) In 1984, a suit was filed by General Truckers Limited against the Authority relating to a contract terminated in the same year. General Truckers Limited is claiming damages in the amount of \$2,275,000. Other third party claims also arose as a result of the termination of the contract. There is uncertainty about the status of other third party claims relating to the above proceedings. The management does not believe that this claim has legal merit and pursuant to new Civil Procedure Rules, the cases will stand dismissed on 31 December 2004 if no step is taken in the actions.
- (b) In 2003, a claim was filed by Duel Thames against the Sugar Industry Housing Limited in the amount of \$3,053,310 with interest at 24% per annum. The matter is set for case management on 23 November 2005.