

**Sugar Research Institute of Fiji****Financial Statements****For the year ended****31 December 2010****Sugar Research Institute of Fiji****Contents**

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## Sugar Research Institute of Fiji

### Board report

The Board members present their report together with the financial statements of the Institute for the year ended 31 December 2010 and the auditor's report thereon.

### Board members

The Board members in office at the date of this report are:

Dr John Morrison - Chairman

Sundresh Chetty

Viliame Gucake

Dr. Krishnamurthi

Suresh Patel

Mangaiya Reddy

Seru Vularika

### State of affairs

In the opinion of the Board the accompanying statement of financial position gives a true and fair view of the state of affairs of the Institute as at 31 December 2010 and the accompanying statement of comprehensive income and statement of cash flows give a true and fair view of the results and cash flows of the Institute for the year then ended.

### Principal activity


The functions of the Institute are outlined under the Sugar Research Institute of Fiji Act No 14 of 2005, which includes promoting by means of research and investigation, the technical advancement, efficiency and productivity of the sugar industry, and to provide its functions, powers, administration and finance and for related matters.

### Events subsequent to balance date

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

Dated at Lautoka this 10<sup>th</sup> day of September 2011.

Signed in accordance with a resolution of the Board.

  
Chairman

  
Board member



Honourable Commodore Josaia Voreqe Bainimarama  
Minister responsible for the Sugar Industry  
PO Box 2212  
Government Buildings  
Suva

Dear Minister,

## **Report of the independent auditor for Sugar Research Institute of Fiji**

### **Scope**

We have audited the financial statements of Sugar Research Institute of Fiji for the financial year ended 31 December 2010, consisting of the statement of financial position, statement of comprehensive income, statement of cash flows and accompanying notes, set out on pages 3 to 20. The Board members are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to you.

Our audit has been conducted in accordance with Section 12 of the Sugar Research Institute Act 2005 and International Standards on Auditing, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with International Financial Reporting Standards so as to present a view which is consistent with our understanding of the Institute's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### **Audit opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Institute for the year ended 31 December 2010 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

10 September 2011  
Nadi, Fiji Islands

A handwritten signature in blue ink, appearing to read 'KPMG'.

**KPMG**  
Chartered Accountants

**Sugar Research Institute of Fiji**  
**Statement of comprehensive income**  
**For the year ended 31 December 2010**

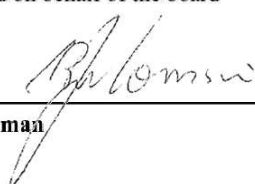
|   | <b>Note</b> | <b>2010</b><br><b>\$</b> | <b>2009</b><br><b>\$</b> |
|---|-------------|--------------------------|--------------------------|
| Contributions and grants                        | 5           | 2,831,840                | 1,872,481                |
| Estate income                                   |             | 755,201                  | 1,203,413                |
| Other income                                    |             | <u>27,110</u>            | <u>14,246</u>            |
| <b>Total income</b>                             |             | 3,614,151                | 3,090,140                |
| Cost of operations                              |             | (1,405,524)              | (2,226,955)              |
| Administrative expenses                         |             | <u>(2,154,706)</u>       | <u>(859,347)</u>         |
| <b>Surplus from operations</b>                  | 6           | 53,921                   | 3,838                    |
| Finance expense                                 | 7           | <u>(4,361)</u>           | <u>(3,838)</u>           |
| <b>Surplus before tax</b>                       |             | 49,560                   | -                        |
| Income tax expense                              | 8           | <u>(49,560)</u>          | <u>-</u>                 |
| <b>Surplus after income tax</b>                 |             | <u>-</u>                 | <u>-</u>                 |
| Other comprehensive income net of income tax    |             | -                        | -                        |
| <b>Total comprehensive surplus for the year</b> |             | <u><u>-</u></u>          | <u><u>-</u></u>          |

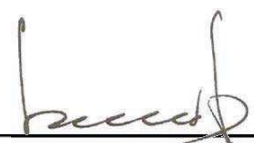
The above statement of comprehensive income is to be read in conjunction with notes to the financial statements set out on pages 6 to 20.

**Sugar Research Institute of Fiji**  
**Statement of financial position**  
**As at 31 December 2010**

|                                  | Note  | 2010<br>\$       | 2009<br>\$       |
|----------------------------------|-------|------------------|------------------|
| <b>Assets</b>                    |       |                  |                  |
| <b>Non-current assets</b>        |       |                  |                  |
| Property, plant and equipment    | 9     | 3,003,668        | 1,719,825        |
| <b>Total non-current assets</b>  |       | <u>3,003,668</u> | <u>1,719,825</u> |
| <b>Current assets</b>            |       |                  |                  |
| Cash and cash equivalents        | 10    | 727,629          | 774,040          |
| Receivables and prepayments      | 11    | 48,467           | 14,126           |
| Receivable from related parties  | 15(b) | 4,295,366        | 3,502,060        |
| <b>Total current assets</b>      |       | <u>5,071,462</u> | <u>4,290,226</u> |
| <b>Total assets</b>              |       | <u>8,075,130</u> | <u>6,010,051</u> |
| <b>Current liabilities</b>       |       |                  |                  |
| Deferred income                  | 12    | 3,736,273        | 3,052,836        |
| Payable to related parties       | 15(c) | 4,022,442        | 2,455,415        |
| Employee benefits                | 13    | 33,060           | 35,108           |
| Trade and other payables         | 14    | 233,795          | 466,692          |
| Provision for income tax         | 8     | 49,560           | -                |
| <b>Total current liabilities</b> |       | <u>8,075,130</u> | <u>6,010,051</u> |
| <b>Total liabilities</b>         |       | <u>8,075,130</u> | <u>6,010,051</u> |

Signed on behalf of the board

  
 Chairman

  
 Board Member

The above statement of financial position is to be read in conjunction with notes to the financial statements set out on pages 6 to 20.

**Sugar Research Institute of Fiji**  
**Statement of cash flows**  
**For the year ended 31 December 2010**

|  | <b>Note</b> | <b>2010</b>               | <b>2009</b>               |
|--|-------------|---------------------------|---------------------------|
|  |             | <b>\$</b>                 | <b>\$</b>                 |
| <b>Operating activities</b>                            |             |                           |                           |
| Receipts from stakeholders and donors                  |             | 2,440,856                 | 3,902,062                 |
| Payment to suppliers and employees                     |             | <u>(1,977,332)</u>        | <u>(3,977,535)</u>        |
| <b>Cash flows (used in)/ from operating activities</b> |             | <u><u>463,524</u></u>     | <u><u>(75,473)</u></u>    |
| <b>Investing activities</b>                            |             |                           |                           |
| Proceeds from sale of property, plant and equipment    |             | 22,391                    | 10,300                    |
| Acquisition of property, plant and equipment           |             | <u>(1,539,020)</u>        | <u>(1,066,487)</u>        |
| <b>Cash flows used in investing activities</b>         |             | <u><u>(1,516,629)</u></u> | <u><u>(1,056,187)</u></u> |
| <b>Financing activities</b>                            |             |                           |                           |
| Repayment of related party advance                     |             | -                         | (200,000)                 |
| Grant income from stakeholders                         |             | <u>1,006,694</u>          | <u>-</u>                  |
| <b>Cash flows used in financing activities</b>         |             | <u><u>1,006,694</u></u>   | <u><u>(200,000)</u></u>   |
| Net decrease in cash and cash equivalents              |             | (46,411)                  | (1,331,659)               |
| Cash and cash equivalents at the beginning of the year |             | <u>774,040</u>            | <u>2,105,699</u>          |
| Cash and cash equivalents at 31 December               | 10          | <u><u>727,629</u></u>     | <u><u>774,040</u></u>     |

The above statement of cash flows is to be read in conjunction with notes to the financial statements set out on pages 6 to 20.



**Sugar Research Institute of Fiji**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**1. Reporting entity**

Sugar Research Institute of Fiji ("the Institute") is a body corporate domiciled in Fiji, established under the Sugar Research Institute of Fiji Act 2005. The address of the Institute's registered office is Drasa, Lautoka, Fiji.

The functions of the Institute are outlined under Sugar Research Institute of Fiji Act No 14 of 2005, which includes promoting by means of research and investigation, the technical advancement, efficiency and productivity of the sugar industry, and to provide its functions, powers, administration and finance and for related matters.

**2. Basis of preparation**

**(a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by International Accounting Standards Board.

The financial statements were authorised for issue by the Board on 10 September 2011.

**(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except where stated. The accounting policies have been consistently applied by the Institute and are consistent with those used in the previous period.

**(c) Functional and presentation currency**

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

**(d) Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- (i) Note 5 - Contributions and grants
- (ii) Note 12 - Deferred income

**Sugar Research Institute of Fiji**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**3. Significant accounting policies**

The principal accounting policies adopted by the Institute are stated to assist in a general understanding of the financial statements. These policies have been consistently applied except where otherwise indicated.

**(a) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



**Sugar Research Institute of Fiji**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**3. Significant accounting policies (continued)**

**(b) Foreign currency transactions**

Transactions in foreign currencies are translated to Fiji dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on translation are recognised in profit or loss.

**(c) Property, plant and equipment**

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Institute and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Institute will obtain ownership by the end of the lease term. Freehold land is not depreciated.

**Sugar Research Institute of Fiji**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**3. Significant accounting policies (continued)**

**(c) Property, plant and equipment (continued)**

Depreciation (continued)

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

|                       |                 |
|-----------------------|-----------------|
| Computers             | 5 years         |
| Fixtures and fittings | 10 years        |
| Motor vehicles        | 6.67 years      |
| Plant and Equipment   | 6.67 - 10 years |

Depreciation methods, useful lives and residual values are reassessed at reporting date and adjusted if appropriate.

**(d) Impairment**

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Loans and receivables

The Institute considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**Sugar Research Institute of Fiji**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**3. Significant accounting policies (continued)**

**(d) Impairment (continued)**

(i) Non-derivative financial assets (continued)

(ii) Non-financial assets

The carrying amounts of the Institute's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on pro rata basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(e) Financial instruments**

Non derivative financial instrument

The Institute initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Institute becomes a party to the contractual provisions of the instrument.

The Institute derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Institute is recognised as a separate asset or liability.

**Sugar Research Institute of Fiji**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**3. Significant accounting policies (continued)**

**(e) Financial instruments (continued)**

Non derivative financial instrument (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Institute has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Institute classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Loans and receivables

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

Loans and receivables comprise cash and cash equivalent, trade and other receivables and receivables from related parties.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand for the purposes of the statement of cash flows.

**(ii) Non-derivative financial liabilities**

Receivables and other assets

Receivables and other assets are measured at initial recognition at fair value. Subsequently, appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. The Institute's financial liabilities include trade and other payables. All financial liabilities, except for derivatives, are recognised initially at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.



**Sugar Research Institute of Fiji**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**3. Significant accounting policies (continued)**

**(f) Trade payables and other payables**

Trade and other payables are non-interest-bearing and are stated at cost. A provision is recognised in the statement of financial position when the Institute has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**(g) Revenue**

**Grant income**

An unconditional government grant related to an asset is recognised in profit or loss as other income when the grant becomes receivable.

Grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Institute will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Institute for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

**(h) Employee benefits**

Superannuation

Obligations for contributions to the Fiji National Provident Fund (FNPF) are recognised as an expense in the profit or loss when they are incurred.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in the profit or loss as the related service is provided.

**(i) Finance expenses**

Finance expense comprise bank charges.

**(j) Comparative information**

Where necessary, comparative figures have been adjusted to conform to changes in current year presentation.

**Sugar Research Institute of Fiji**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**4. Financial risk management**

**Overview**

The Institute has exposure to the following risks:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk

This note presents information about the Institute's exposure to each of the above risks, the Institute's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board members have overall responsibility for the establishment and oversight of the Institute's risk management framework. The Board is responsible for developing and monitoring the Institute's risk management policies. The Institute's risk management policies are established to identify and analyse the risks faced by the Institute, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Institute's activities. The Sugar Research Institute of Fiji, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Institute's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Institute.

**(i) Credit risk**

Credit risk is the risk of financial loss to the Institute if a stakeholder to a financial instrument fails to meet its contractual obligations, and arises principally from the Institute's receivables from industry related entities.

Trade and other receivables

The Institute's exposure to credit risk is influenced mainly by the individual characteristics of each party. However, management also considers the demographics of the Institute's stakeholders, including the default risk of the industry as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances.

The Institute establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.



**Sugar Research Institute of Fiji**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**4. Financial risk management policies (continued)**

**(i) Credit risk (continued)**

The maximum exposure to credit risk is as follows:

|                                  | <b>2010</b>      | <b>2009</b>      |
|----------------------------------|------------------|------------------|
|                                  | <b>\$</b>        | <b>\$</b>        |
| Cash and cash equivalents        | 727,629          | 774,040          |
| Other receivables                | 44,898           | 297              |
| Receivables from related parties | 4,295,366        | 3,502,060        |
|                                  | <u>5,067,893</u> | <u>4,276,397</u> |

**(ii) Liquidity risk**

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

|                                 | <b>2010</b>                 | <b>2010</b>                 | <b>2009</b>                 | <b>2009</b>                 |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                                 | <b>\$</b>                   | <b>\$</b>                   | <b>\$</b>                   | <b>\$</b>                   |
|                                 | <b>Less than 1<br/>year</b> | <b>More than 1<br/>year</b> | <b>Less than 1<br/>year</b> | <b>More than 1<br/>year</b> |
| <b>Financial assets</b>         |                             |                             |                             |                             |
| Cash and cash equivalents       | 727,629                     | -                           | 774,040                     | -                           |
| Receivables                     | 44,898                      | -                           | 297                         | -                           |
| Receivable from related parties | 4,295,366                   | -                           | 3,502,060                   | -                           |
|                                 | <u>5,067,893</u>            | <u>-</u>                    | <u>4,276,397</u>            | <u>-</u>                    |
| <b>Financial liabilities</b>    |                             |                             |                             |                             |
| Payable to related parties      | 4,022,442                   | -                           | 2,455,415                   | -                           |
| Employee benefits               | 33,060                      | -                           | 35,108                      | -                           |
| Trade and other payables        | 233,795                     | -                           | 466,692                     | -                           |
|                                 | <u>4,289,297</u>            | <u>-</u>                    | <u>2,957,215</u>            | <u>-</u>                    |

**Sugar Research Institute of Fiji**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**4. Financial risk management policies (continued)**

**(iii) Market risk**

Market risk is the risk that changes in interest rates will affect the Institute's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Fair value interest risk arises from the potential for a change in interest rates to cause a fluctuation in the fair value of financial instruments. The objective is to manage the interest risk to achieve stable and sustainable net interest earnings in the long term. In managing the risk, the Institute seeks to achieve a balance between reducing risk to earnings and market value from adverse interest rate movements, and enhancing net interest income through correct anticipation of the direction and extent of interest rate changes.

**5. Contributions and grants**

Contributions from stakeholders and grants that compensate the Institute for revenue and capital expenditure

|                                       | <b>2010</b>      | <b>2009</b>      |
|---------------------------------------|------------------|------------------|
|                                       | <b>\$</b>        | <b>\$</b>        |
| AusAid                                | -                | 75,390           |
| Contribution from the Fiji Government | 682,892          | 501,004          |
| European Union                        | 870,895          | 421,833          |
| Fiji Sugar Corporation (FSC)          | 642,270          | 441,851          |
| Sugar Cane Growers Council            | 635,783          | 432,403          |
|                                       | <u>2,831,840</u> | <u>1,872,481</u> |

**6. Surplus from operations**

**(a)** Surplus from operations has been arrived at after including the following items:

|   | <b>2010</b>   | <b>2009</b>   |
|---|---------------|---------------|
|   | <b>\$</b>     | <b>\$</b>     |
| Auditors remuneration - audit                 | 8,500         | 8,500         |
| - other services                              | 3,561         | 4,172         |
| Board allowances                              | -             | 832           |
| Board fees                                    | 36,750        | 31,480        |
| Depreciation                                  | 255,177       | 178,478       |
| FSC costs                                     | 1,392,913     | 208,134       |
| Gain on sale of property, plant and equipment | 22,391        | 10,300        |
| Insurance                                     | 46,355        | 57,064        |
| Legal fees                                    | <u>10,786</u> | <u>11,311</u> |

**Sugar Research Institute of Fiji**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**6. Surplus from operations (continued)**

| <b>(b) Personnel expenses</b>                     | <b>2010</b>    | <b>2009</b>    |
|---|----------------|----------------|
|   | <b>\$</b>      | <b>\$</b>      |
| Fiji National Provident Fund contributions        | 50,054         | 58,111         |
| Training and Productivity Authority of Fiji       | 4,897          | 6,206          |
| Key management compensation - short term benefits | 143,449        | 145,913        |
| Wages and salaries                                | 345,933        | 468,464        |
|   | <u>544,333</u> | <u>678,694</u> |

The average number of employees for the year ended 31 December 2010 was 26 (2009: 31)

**7. Finance expense**

|              |              |              |
|--------------|--------------|--------------|
| Bank charges | <u>4,361</u> | <u>3,838</u> |
|--------------|--------------|--------------|

**8. Income tax expense**

**(a) Recognised in profit or loss**

|                     |               |          |
|---------------------|---------------|----------|
| Current tax expense | <u>49,560</u> | <u>-</u> |
|---------------------|---------------|----------|

**Reconciliation of effective tax rate**

|  |               |          |
|--|---------------|----------|
| Operating loss before income tax                     | 49,560        | -        |
| The prima facie income tax benefit on operating loss | 13,877        | -        |
| Tax effect of permanent differences                  | 36,257        | -        |
| Temporary differences not brought to account         | (574)         | -        |
| Income tax expense                                   | <u>49,560</u> | <u>-</u> |

**Sugar Research Institute of Fiji**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**9. Property, plant and equipment**

|                                | Fixtures & fittings | Plant & equipment | Motor vehicles | Computers | Work in progress | Total     |
|--------------------------------|---------------------|-------------------|----------------|-----------|------------------|-----------|
|                                | \$                  | \$                | \$             | \$        | \$               | \$        |
| <b>Cost</b>                    |                     |                   |                |           |                  |           |
| Balance at 1 January 2009      | 5,227               | 115,727           | 722,319        | 139,926   | 125,867          | 1,109,066 |
| Acquisitions                   | 28,438              | 440,220           | 268,860        | 98,111    | 230,858          | 1,066,487 |
| Disposals                      | -                   | (4,000)           | -              | -         | -                | (4,000)   |
| Balance as at 31 December 2009 | 33,665              | 551,947           | 991,179        | 238,037   | 356,725          | 2,171,553 |
| Acquisitions                   | 10,267              | 157,404           | 75,556         | 5,120     | 1,290,673        | 1,539,020 |
| Disposals                      | -                   | -                 | (15,000)       | -         | -                | (15,000)  |
| Balance as at 31 December 2010 | 43,932              | 709,351           | 1,051,735      | 243,157   | 1,647,398        | 3,695,573 |
| <b>Depreciation</b>            |                     |                   |                |           |                  |           |
| Balance at 1 January 2009      | 649                 | 60,520            | 185,988        | 30,093    | -                | 277,250   |
| Depreciation charge            | 2,094               | 20,780            | 122,107        | 33,497    | -                | 178,478   |
| Disposals                      | -                   | (4,000)           | -              | -         | -                | (4,000)   |
| Balance at 31 December 2009    | 2,743               | 77,300            | 308,095        | 63,590    | -                | 451,728   |
| Depreciation charge            | 3,452               | 52,694            | 150,400        | 48,631    | -                | 255,177   |
| Disposals                      | -                   | -                 | (15,000)       | -         | -                | (15,000)  |
| Balance at 31 December 2010    | 6,195               | 129,994           | 443,495        | 112,221   | -                | 691,905   |
| <b>Carrying amount</b>         |                     |                   |                |           |                  |           |
| At 1 January 2009              | 4,578               | 55,207            | 536,331        | 109,833   | 125,867          | 831,816   |
| At 31 December 2009            | 30,922              | 474,647           | 683,084        | 174,447   | 356,725          | 1,719,825 |
| At 31 December 2010            | 37,737              | 579,357           | 608,240        | 130,936   | 1,647,398        | 3,003,668 |

**Sugar Research Institute of Fiji**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

|  | <b>2010</b>        | <b>2009</b>        |
|--|--------------------|--------------------|
|  | <b>\$</b>          | <b>\$</b>          |
| <b>10. Cash and cash equivalents</b>                     |                    |                    |
| Cash at bank   | 727,344            | 773,838            |
| Cash on hand   | 285                | 202                |
| Cash and cash equivalents in the statement of cash flows | <u>727,629</u>     | <u>774,040</u>     |
| <b>11. Receivables and prepayments</b>                   |                    |                    |
| Receivable from European Union                           | 42,131             | -                  |
| Other receivables  | 2,767              | 297                |
| Prepayments  | <u>3,569</u>       | <u>13,829</u>      |
|  | <u>48,467</u>      | <u>14,126</u>      |
| <b>12. Deferred income</b>                               |                    |                    |
| Balance at the beginning of the year                     | 3,052,836          | 3,064,783          |
| Funds received or receivable during the period           | 3,515,277          | 1,860,534          |
| Utilised during the period                               | <u>(2,831,840)</u> | <u>(1,872,481)</u> |
| Balance at 31 December                                   | <u>3,736,273</u>   | <u>3,052,836</u>   |
| This is comprised as follows:                            |                    |                    |
| Contribution from stakeholders                           | 2,445,577          | 2,336,241          |
| European Union grant                                     | <u>1,290,696</u>   | <u>716,595</u>     |
|  | <u>3,736,273</u>   | <u>3,052,836</u>   |
| <b>13. Employee benefits</b>                             |                    |                    |
| Accrued annual leave                                     | <u>33,060</u>      | <u>35,108</u>      |
| <b>14. Trade and other payables</b>                      |                    |                    |
| Trade payables   | 26,287             | 73,847             |
| Other payables   | 28,540             | 104,952            |
| VAT payable  | <u>178,968</u>     | <u>287,893</u>     |
|  | <u>233,795</u>     | <u>466,692</u>     |

**Sugar Research Institute of Fiji**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**15. Related parties**

Related parties of the Institute include key stakeholders in the Fiji Sugar Industry, namely, the Government of Fiji, Fiji Sugar Corporation, South Pacific Fertilizers Limited, Sugar Cane Growers Fund and Sugar Cane Growers Council.

Transactions with these parties and outstanding balances at year end are disclosed below.

**(a) Board members**

The following are the current Board members of the Institute:

Dr John Morrison - Chairman

Sundresh Chetty

Viliame Gucake

Dr. Krishnamurthi

Suresh Patel

Mangaiya Reddy

Seru Vularika

Board members emoluments and board expenses are disclosed under Note 6.

|  | <b>2010</b>      | <b>2009</b>      |
|--|------------------|------------------|
|  | <b>\$</b>        | <b>\$</b>        |
| <b>(b) Amounts receivable from related parties</b> |                  |                  |
| Fiji Sugar Corporation                             | 3,395,366        | 2,795,366        |
| Sugar Cane Growers Council                         | 900,000          | 706,694          |
|  | <u>4,295,366</u> | <u>3,502,060</u> |
| <b>(c) Amounts payable to related parties</b>      |                  |                  |
| Fiji Sugar Corporation                             | 4,022,442        | 2,455,415        |
|  | <u>4,022,442</u> | <u>2,455,415</u> |
| <b>(d) Transactions with related parties</b>       |                  |                  |
| <u>Revenue</u>                                     |                  |                  |
| Grant income - Fiji Sugar Corporation              | 642,270          | 441,851          |
| Grant income - Fiji Government                     | 682,892          | 501,004          |
| Grant income - Sugar Cane Growers Council          | 635,783          | 432,403          |
| Estate income - Fiji Sugar Corporation             | 755,201          | 1,203,413        |
|  | <u>2,716,146</u> | <u>2,578,671</u> |
| <u>Expenses</u>                                    |                  |                  |
| Fiji Sugar Corporation costs                       | <u>1,392,913</u> | <u>208,134</u>   |



**Sugar Research Institute of Fiji**  
**Notes to the financial statements**  
**For the year ended 31 December 2010**

**15. Related parties (continued)**

**(e) Key management personnel**

Key management personnel include the chief executive officer and finance and administration manager of the Institute.

Transactions with key management personnel are no favourable than those available, or which might be reasonably be expected to be available, on similar transactions to third parties on an arm's length.

Key management compensation is disclosed under Note 6(b).

**16. Capital commitments and contingencies**

Capital commitments and contingent liabilities as at 31 December 2010 amounted to \$Nil (2009: \$Nil).

**17. Events subsequent to balance date**

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



### **Disclaimer**

The additional financial information presented on pages 22 to 24 is in accordance with the books and records of Sugar Research Institute of Fiji which have been subjected to the auditing procedures applied in our statutory audit of the Institute for the year ended 31 December 2010. It will be appreciated that our statutory audit did not cover all details of the additional financial information. Accordingly, we do not express an opinion on such financial information and no warranty of accuracy or reliability is given.

In accordance with our firm policy, we advise that neither the Firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to any person (other than the Institute) in respect of such information, including any errors or omissions therein, arising through negligence or otherwise however caused.

10 September 2011  
Nadi, Fiji Islands

  
**KPMG**  
Chartered Accountants

**Sugar Research Institute of Fiji**  
**Statement of Operations**  
**For the year ended 31 December 2010**

|   | <b>2010</b>      | <b>2009</b>      |
|---|------------------|------------------|
|   | <b>\$</b>        | <b>\$</b>        |
| <b>Income</b>                                 |                  |                  |
| Contribution from the Fiji Government         | 682,892          | 501,004          |
| Fiji Sugar Corporation (FSC) contribution     | 642,270          | 441,851          |
| Grant received from AusAid                    | -                | 75,390           |
| Grant received from European Union            | 870,895          | 421,833          |
| Sugar Cane Growers Council contribution       | 635,783          | 432,403          |
| Estate income                                 | 755,201          | 1,203,413        |
| Gain on sale of property, plant and equipment | 22,391           | 10,300           |
| Sundry income                                 | 4,719            | 3,946            |
| <b>Total income</b>                           | <u>3,614,151</u> | <u>3,090,140</u> |
| <b>Less cost of operations</b>                |                  |                  |
| Bank charges                                  | 4,361            | 3,838            |
| Depreciation                                  | 255,177          | 178,478          |
| Electricity                                   | 798              | 1,534            |
| EU Cost                                       | 68,277           | 536,964          |
| General supplies                              | 3,322            | 6,395            |
| Communication expenses                        | 10,227           | 19,729           |
| Material costs                                | 103,237          | 224,469          |
| Miscellaneous expenses                        | -                | 245              |
| Motor vehicle running expenses                | 185,531          | 205,691          |
| Overhead expenses                             | 3,056            | 520              |
| Other running costs                           | -                | 284              |
| Postage                                       | 59               | 277              |
| RAF costs                                     | 17,438           | -                |
| Rent  | 7,475            | 16,100           |
| Repairs and maintenances                      | 40,015           | 35,257           |
| Subcontract expenses                          | 472,836          | 567,020          |
| Travel  | 9,932            | 9,429            |
| Wages and salaries                            | 228,144          | 424,563          |
| <b>Total cost of operations</b>               | <u>1,409,885</u> | <u>2,230,793</u> |
| <b>Balance carried forward</b>                | 1,409,885        | 2,230,793        |

The above detailed statement of operations is to be read in conjunction with the disclaimer report set out on page 21.

**Sugar Research Institute of Fiji**  
**Statement of Operations**  
**For the year ended 31 December 2010**

|  | <b>2010</b> | <b>2009</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
| <b>Balance brought forward</b>             | 1,409,885   | 2,230,793   |
| <b>Administrative expenses</b>             |             |             |
| Accommodation and meals                    | 25,751      | 31,965      |
| Auditors remuneration - audit              | 8,500       | 8,500       |
| - other services                           | 3,561       | 4,172       |
| Board fees                                 | 36,750      | 31,480      |
| Board allowances                           | -           | 832         |
| Business licenses                          | 216         | 310         |
| CEO Donation                               | 200         | -           |
| CEO Security                               | 4,410       | -           |
| Consultancies                              | 7,508       | -           |
| Electricity                                | 4,048       | 3,271       |
| Fees- Science Audit Committee              | 1,000       | 2,000       |
| Fiji National Provident Fund contributions | 50,054      | 58,111      |
| FSC costs                                  | 1,392,913   | 208,134     |
| General expenses                           | 1,314       | 12,552      |
| Hire of services                           | 17,204      | 23,498      |
| ICT consumables                            | 7,193       | 5,404       |
| ICT license                                | 8,586       | 8,345       |
| Communication expenses                     | 16,368      | 18,277      |
| Insurance                                  | 46,355      | 57,064      |
| Legal fees                                 | 10,786      | 11,311      |
| Medical expense                            | 14,958      | 8,055       |
| Media and publication                      | 7,619       | 572         |
| Freight                                    | 15,178      | 10,267      |
| Rent                                       | 27,490      | 29,603      |
| Repairs and maintenance                    | 16,667      | 34,304      |
| Stationery                                 | 7,067       | 9,678       |
| Subscriptions                              | 8,466       | 2,842       |
| Training                                   | -           | 1,340       |
| <b>Balance carried forward</b>             | 1,740,162   | 581,887     |

The above detailed statement of operations is to be read in conjunction with the disclaimer report set out on page 21.

**Sugar Research Institute of Fiji**  
**Statement of Operations**  
**For the year ended 31 December 2010**

|   | <b>2010</b>   | <b>2009</b> |
|---|---------------|-------------|
|   | <b>\$</b>     | <b>\$</b>   |
| <b>Balance brought forward</b>              | 1,740,162     | 581,887     |
| Training and Productivity Authority of Fiji | 4,897         | 6,206       |
| Travel                                      | 31,566        | 61,990      |
| Tuition fees                                | -             | 4,838       |
| VAT penalty                                 | 102,528       | -           |
| Visa permit                                 | 1,902         | 1,145       |
| Water                                       | 12,413        | 13,467      |
| Wages and salaries                          | 261,238       | 189,814     |
| <b>Total administrative expense</b>         | 2,154,706     | 859,347     |
| <b>Total expenditure</b>                    | 3,564,591     | 3,090,140   |
| <b>Surplus for the year</b>                 | <b>49,560</b> | <b>-</b>    |

The above detailed statement of operations is to be read in conjunction with the disclaimer report set out on page 21.