

**SUGAR RESEARCH AND DEVELOPMENT CORPORATION**  
**NOTES TO AND FORMING PART OF THE**  
**FINANCIAL STATEMENTS**

*for the year ended 30 June 2007*

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# **SUGAR RESEARCH AND DEVELOPMENT CORPORATION**

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#### **Note 1: Summary of Significant Accounting Policies**

##### **1.1 Objectives of Sugar Research and Development Corporation**

The objective of the Sugar Research and Development Corporation (the Corporation) is to foster an innovative and sustainable Australian sugar industry through targeted investment in research and development.

The Corporation's corporate outcome expresses the overall goal of a profitable and internationally competitive Australian sugar industry providing economic, environmental and social benefits for rural and regional communities.

##### **1.2 Basis of Preparation of Financial Report**

The financial statements and notes are required by clause 1(b) of schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and are a General Purpose Financial Report.

The Financial Statements and notes have been prepared in accordance with:

- Finance Minister's Orders (or FMOs) for reporting periods ending on or after 01 July 2006; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that apply for the reporting period.

The financial report has been prepared on an accrual basis and is in accordance with historical cost convention, except for certain assets, at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest whole dollar.

Unless alternative treatment is specifically required by an Accounting Standard, revenues and expenses are recognised in the Income Statement when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

##### **1.3 Significant Accounting Judgement and Estimates**

In the process of applying the accounting policies listed in this note, no accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

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#### **1.4 Statement of Compliance**

The financial statements complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS).

#### ***Adoption of new Australian Accounting Standard requirements***

No accounting standard has been adopted earlier than the effective date in the current period.

#### ***Other effective requirement changes***

The following amendments, revised standards or interpretations have become effective but have had no financial impact or do not apply to the operations of the Corporation.

*Amendments:*

- 2005–1 Amendments to Australian Accounting Standards [AASBs 1, 101, 124]
- 2005–6 Amendments to Australian Accounting Standards [AASB 3]
- 2006–1 Amendments to Australian Accounting Standards [AASB 121]
- 2006–3 Amendments to Australian Accounting Standards [AASB 1045]

*Interpretations:*

- UIG 4 Determining whether an Arrangement contains a Lease
- UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- UIG 7 Applying the Restatement Approach under AASB129 financial Reporting in Hyperinflationary Economies
- UIG 8 Scope of AASB 2
- UIG 9 Reassessment of Embedded Derivatives

UIG 4 and UIG 9 might have impacts in future periods, subject to existing contracts being renegotiated.

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#### ***Future Australian Accounting Standard requirements***

The following new standards, amendments to standards or interpretations have been issued by the Australian Accounting Standards Board but are effective for future periods. It is estimated that the impact of adopting these pronouncements when effective will have no material financial impact on future reporting periods.

#### ***Financial instrument disclosure***

*AASB7 Financial Instruments: Disclosures* is effective for reporting periods beginning on or after 1 January 2007 (the 2007–08 financial year) and amends the disclosure requirements for financial instruments. In general AASB 7 requires greater disclosure than that presently. Associated with the introduction of AASB 7 a number of accounting standards were amended to reference the new standard or remove the present disclosure requirements through *2005–10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]*. These changes have no financial impact but will affect the disclosure presented in future financial reports.

#### ***Other***

The following standards and interpretations have been issued but are not applicable to the operations of the Corporation.

- AASB 1049 Financial Reporting of General Government Sectors by Governments
- UIG 10 Interim Financial Reporting and Impairment

#### **1.5 Revenue**

##### ***Revenue***

The revenues described in this Note are revenues relating to the core operating activities of the Corporation.

Revenue is predominantly derived from levies collected from the sugar industry with matching Commonwealth Contributions in accordance with the Primary Industries and Energy Research and Development Act 1989 (PIERD).

PIERD Commonwealth Contribution revenue is recognised based on a percentage of monthly expenditure incurred by the Corporation, subject to a cap of 0.5% of the Gross Value of Production.

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Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is no longer probable.

#### ***Revenues from Government***

The full amount of the appropriation for the Corporation's outputs for the year is recognised as revenue.

#### **1.6 Gains**

##### ***Sale of Assets***

Gains from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

#### **1.7 Transactions with the Government as Owner**

##### ***Equity injections***

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) are recognised directly in Contributed Equity in that year.

There are no transactions with the Government in the 2007 financial year, (2006, nil).

#### **1.8 Employee Benefits**

##### ***Benefits***

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

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#### **Leave**

The leave liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non vesting and the average sick leave taken in future years by employees of the Corporation is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including the Corporation's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2007. In determining the present value of the liability, the Corporation has taken into account attrition rates and pay increases through promotion and inflation.

#### **Superannuation**

The majority of the Corporation's employees are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap). Some employees have chosen their own superannuation funds to contribute to.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

The Corporation makes employer contributions to the Employee Superannuation Scheme at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the Corporation's employees. The Corporation accounts for the contributions as if they were contributions to defined contribution plans.

From 1 July 2005, new employees are eligible to join the PSSap scheme.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

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#### **1.9 Leases**

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased non-current assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the leased assets.

The corporation has no finance leases.

#### **1.10 Grants**

Most grant agreements require the grantee to perform services, provide facilities or meet eligibility criteria. In these cases, the Corporation recognises grant liabilities only to the extent that the services required have been performed or the eligibility criteria have been satisfied by the grantee.

In cases where grant agreements are made without conditions to be monitored, liabilities are recognised on signing the agreement.

Grant expenses are recognised when a milestone is approved.

#### **1.11 Cash**

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

For purposes of the Cash Flow Statement, cash includes monies on short term deposit with a bank as the deposits are of short term duration and are used in the day to day management of the business.

#### **1.12 Derecognition of Financial Assets and Liabilities**

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the asset is transferred to another Entity. In the case of a transfer to another entity, it is necessary that the risks and rewards of ownership are also transferred.

Financial liabilities are derecognised when the obligation under the contract is discharged, cancelled or expires.

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#### **1.13 Supplier and other payables**

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

#### **1.14 Contingent Liabilities**

Contingent Liabilities are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability, or represent an existing liability in respect of which settlement is not probable or the amount cannot be reliably measured. Remote contingencies are part of this disclosure. Where settlement becomes probable, a liability is recognised. A liability is recognised when its existence is confirmed by a future event, settlement becomes probable or reliable measurement becomes possible.

#### **1.15 Acquisition of Assets**

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

#### **1.16 Property, Plant and Equipment**

##### ***Asset Recognition Threshold***

Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

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#### **Revaluations**

Fair values for each class of asset are determined as shown below:

Leasehold improvements	Depreciated replacement cost
Plant and equipment	Market selling price

Assets which are surplus to requirements are measured at their net realisable value. At 30 June 2007 the Corporation held no surplus assets (30 June 2006: \$0)

Following initial recognition at cost, property plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through surplus and deficit. Revaluation decrements for a class of assets are recognised directly through surplus and deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

#### **Depreciation**

Depreciable plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Corporation using, in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives) and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

# SUGAR RESEARCH AND DEVELOPMENT CORPORATION

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Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2007	2006
Computer equipment	<b>3 years</b>	3 years
Furniture and fittings	<b>13 <math>\frac{1}{3}</math> years</b>	13 $\frac{1}{3}$ years
Leasehold improvements	<b>Lease term</b>	Lease term
Motor vehicles	<b>6 <math>\frac{2}{3}</math> years</b>	6 $\frac{2}{3}$ years

### ***Impairment***

All property, plant and equipment were assessed for impairment at 30 June 2007. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Corporation were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

No indicators of impairment were found for plant and equipment held at fair value.

### **1.17 Impairment of Financial Assets**

Financial assets are assessed for impairment at each balance date.

#### ***Financial Assets held at Amortised Cost***

If there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Income Statement.

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#### **1.18 Financial Risk Management**

The Corporation's activities expose it to normal commercial financial risk. As a result of the nature of the Corporation's business and internal and Australian Government policies, dealing with the management of financial risk, the Corporation's exposure to market, credit, liquidity and cash flow and fair value interest rate risk is considered to be low.

#### **1.19 Taxation**

The Corporation is exempt from all forms of taxation except fringe benefits tax (FBT) and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- except for receivables and payables.

#### **1.20 Foreign Currency**

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date. Associated currency gains and losses are not material.

#### **1.21 Insurance**

The Corporation has insured for risks through the Government's insurable risk managed fund, called 'Comcover'. Workers' compensation is insured through the Government's Comcare Australia.

#### **Note 2: Economic Dependency**

The normal operating activities of the the Corporation are dependent on the receipt of sugar levies from cane growers and millers which are collected by the Australian Government and then remitted to the Corporation.

The Corporation is also economically dependent on funding from the Australian Government for its continued existence and ability to carry out its normal activities. The Government provides funding to the Corporation on the basis of a multiple of the sugar levies collected from cane growers and millers.

# SUGAR RESEARCH AND DEVELOPMENT CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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### Note 3: Events after the Balance Sheet Date

The only event which occurred after balance date that affects the Corporation's 2006–07 financial statements is the retirement of Dr Russell Muchow (Executive Director). Robert Troedson has been appointed as Acting Executive Director and will sign the 2007 Financial Statements.

The Board of the Corporation reached agreement with Dr Russell Muchow in relation to his retirement from the office of Executive Director of the Corporation. The agreed departure date is 20 July 2007 at which time a payment of \$62,507.50 will be made.

	2007	2006
<b>Note 4: Income</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
<b>Note 4A: Revenue from Government</b>		
Commonwealth contribution — PIERD Act	5,308,333	4,765,626
Commonwealth contribution — FMS	213,500	429,414
<b>Total revenue from Government</b>	<b>5,521,833</b>	<b>5,195,040</b>
<b>Note 4B: Interest</b>		
Cash at bank	84,792	76,950
Short term deposits	640,948	511,676
<b>Total interest</b>	<b>725,740</b>	<b>588,626</b>
<b>Note 4C: Industry contributions (sugar levies)</b>		
Industry contributions (sugar levies)	4,886,875	5,341,747
<b>Total Industry contributions (sugar levies)</b>	<b>4,886,875</b>	<b>5,341,747</b>

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	2007	2006
<b>Note 5: Expenses</b>	<b>\$</b>	<b>\$</b>
<b>Note 5A: Employee benefits</b>		
Wages and salaries	<b>559,783</b>	602,959
Superannuation	<b>70,639</b>	73,560
Leave and other entitlements	<b>72,540</b>	104,658
<b>Total employee benefits</b>	<b>702,962</b>	781,177
<b>Note 5B: Suppliers</b>		
Provision of goods — external entities	<b>40,732</b>	38,522
Rendering of services — external entities	<b>845,864</b>	781,424
Operating lease rentals	<b>77,810</b>	74,839
Workers' compensation premium	<b>1,742</b>	1,944
<b>Total supplier expenses</b>	<b>966,148</b>	896,729
<b>Note 5C: Depreciation and amortisation</b>		
<b>Depreciation</b>		
Plant and equipment	<b>10,717</b>	16,169
Leasehold improvements	<b>4,691</b>	4,823
Motor vehicles	<b>7,659</b>	1,232
<b>Total depreciation</b>	<b>23,067</b>	22,224
<b>Note 5D: Losses from asset sales</b>		
Plant and equipment:		
Proceeds from disposal	<b>(34,989)</b>	(44,090)
Carrying value of assets sold	<b>42,058</b>	45,365
<b>Total losses from disposal of assets</b>	<b>7,069</b>	1,275
<b>Note 5E: Grants</b>		
The Corporation makes grants to support research and development for the sugar industry in Australia.		
Research and development grants — PIERD	<b>9,024,555</b>	8,458,288
<b>Total grants</b>	<b>9,024,555</b>	8,458,288

# SUGAR RESEARCH AND DEVELOPMENT CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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	2007	2006
<b>Note 6: Financial Assets</b>	<b>\$</b>	<b>\$</b>
<b>Note 6A: Cash and cash equivalents</b>		
Cash at bank or on deposit	951,020	2,019,691
<b>Total cash and cash equivalents</b>	<b>951,020</b>	<b>2,019,691</b>
<b>Note 6B: Trade and other receivables</b>		
GST receivable from the Australian Taxation Office	196,121	353,341
Goods and services	–	1,253
Levies receivable	35,783	211,656
Interest receivable	15,970	39,016
<b>Total trade and other receivables (net)</b>	<b>247,874</b>	<b>605,266</b>
<b>Note 6C: Investments under s18 of the CAC Act</b>		
Term deposits	7,943,338	6,128,865
<b>Total investments</b>	<b>7,943,338</b>	<b>6,128,865</b>

All other financial assets are current.

	2007	2006
<b>Note 7: Non-Financial Assets</b>	<b>\$</b>	<b>\$</b>
<b>Note 7A: Leasehold improvements</b>		
Leasehold improvements		
– at fair value	13,500	13,500
– accumulated depreciation	(12,256)	(7,567)
<b>Total leasehold improvements (non-current)</b>	<b>1,244</b>	<b>5,933</b>
<b>Note 7B: Plant and equipment</b>		
Plant and equipment:		
– at fair value	103,343	93,625
– accumulated depreciation	(17,341)	(17,704)
<b>Total plant and equipment (non-current)</b>	<b>86,002</b>	<b>75,921</b>

All revaluations are conducted in accordance with the revaluation policy stated in Note 1.

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### Note 7C: Analysis of plant and equipment

**TABLE A – Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment**

2007	Leasehold improvements	Plant & equipment	Total
	\$	\$	\$
<b>As at 1 July 2006</b>			
Gross book value	13,500	93,626	<b>107,126</b>
Accumulated depreciation/amortisation	(7,567)	(17,704)	<b>(25,271)</b>
<b>Net book value 1 July 2006</b>	<b>5,933</b>	<b>75,922</b>	<b>81,855</b>
<i>Additions:</i>			
By purchase	–	70,685	<b>70,685</b>
Depreciation/amortisation expense	(4,689)	(18,378)	<b>(23,067)</b>
<i>Disposals:</i>			
From disposal	–	(42,227)	<b>(42,227)</b>
<b>Net book value 30 June 2007</b>	<b>1,244</b>	<b>86,002</b>	<b>87,246</b>
<b>Net book value as of 30 June 2007 represented by:</b>			
Gross book value	13,500	103,343	<b>116,843</b>
Accumulated depreciation/amortisation	(12,256)	(17,341)	<b>(29,597)</b>
<b>Closing net book value</b>	<b>1,244</b>	<b>86,002</b>	<b>87,246</b>
2006	Leasehold improvements	Plant & equipment	Total
	\$	\$	\$
<b>As at 1 July 2005</b>			
Gross book value	13,500	92,368	<b>105,868</b>
Accumulated depreciation/amortisation	(2,746)	(10,435)	<b>(13,181)</b>
<b>Net book value 1 July 2005</b>	<b>10,754</b>	<b>81,933</b>	<b>92,687</b>
<i>Additions:</i>			
By purchase	–	56,758	<b>56,758</b>
Depreciation/amortisation expense	(4,823)	(17,401)	<b>(22,224)</b>
<i>Disposals:</i>			
From disposal	–	(45,366)	<b>(45,366)</b>
<b>Net book value 30 June 2006</b>	<b>5,933</b>	<b>75,922</b>	<b>71,099</b>
<b>Net book value as of 30 June 2006 represented by:</b>			
Gross book value	13,500	93,626	<b>107,126</b>
Accumulated depreciation/amortisation	(7,567)	(17,704)	<b>(25,271)</b>
<b>Prior Year Closing net book value</b>	<b>5,933</b>	<b>75,922</b>	<b>81,855</b>

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	2007	2006
<b>Note 7D: Other Non-Financial Assets</b>	<b>\$</b>	<b>\$</b>
Prepayments	<b>6,388</b>	51,145
<b>Total other non-financial assets</b>	<b>6,388</b>	51,145
All other non-financial assets are current assets.		
<b>Note 8: Payables</b>		
<b>Note 8A: Suppliers</b>		
Trade creditors	<b>48,466</b>	83,664
<b>Total suppliers payable</b>	<b>48,466</b>	83,664
All supplier payables are current liabilities.		
<b>Note 8B: Grants Payable</b>		
Grants payable	<b>411,320</b>	481,605
<b>Total grants payable</b>	<b>411,320</b>	481,605
All grants payable are current liabilities.		
<b>Note 9: Provisions</b>		
<b>Note 9A: Employee Provisions</b>		
Salaries and wages	<b>3,690</b>	3,484
Leave	<b>214,789</b>	171,158
Superannuation	<b>535</b>	491
<b>Total employee provisions</b>	<b>219,014</b>	175,133
Employee provisions are represented by:		
Current	<b>115,262</b>	90,513
Non-current	<b>103,752</b>	84,620
<b>Total employee provisions</b>	<b>219,014</b>	175,133

The classification of current includes amounts for which there is not an unconditional right of deferral of one year, hence in the case of employee provisions the above classification does not equal the amount expected to be settled within one year of reporting date. Employee provisions expected to be settled in one year \$11,857 (2006: \$24,702), in excess of one year \$207,157 (2006: \$150,431).

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	2007	2006
<b>Note 10: Cash Flow Reconciliation</b>	<b>\$</b>	<b>\$</b>
<b>Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement</b>		
<b>Report cash and cash equivalent as per:</b>		
Cash Flow Statement	<b>8,894,358</b>	8,148,556
Balance Sheet	<b>951,020</b>	2,019,691
Difference	<b>7,943,338</b>	6,128,865
The difference is represented by the cash investments described in Note 6C totalling \$7,943,338		
Balance Sheet items comprising above cash: 'Financial Asset — Cash'	<b>951,020</b>	2,019,691
<b>Reconciliation of operating result to net cash from operating activities:</b>		
Operating result	<b>410,647</b>	965,720
Depreciation and amortisation	<b>23,067</b>	22,224
Loss from disposal of assets	<b>7,238</b>	1,276
(Increase)/decrease in net receivables	<b>402,136</b>	(138,677)
Increase/(decrease) in employee provisions	<b>43,631</b>	38,912
Increase/(decrease) in supplier payables	<b>(35,196)</b>	23,759
Increase/(decrease) in grants payable	<b>(70,275)</b>	275,249
Increase/(decrease) in other payables	<b>250</b>	(130,414)
<b>Net cash from/(used by) operating activities</b>	<b>781,498</b>	1,058,049

# SUGAR RESEARCH AND DEVELOPMENT CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*for the year ended 30 June 2007*

### Note 11: Contingent Liabilities and Assets

The Schedule of Contingencies in the Financial Report reports a contingent liability as at 30 June 2007 being a bank guarantee provided over the lease of the head office premises occupied in Level 16/141 Queen Street, Brisbane.

In relation to the new lease on Level 16/141 Queen Street Brisbane, the final lease agreement is yet to be signed, however, it is envisaged that a fit out will take place in September 2007 for the new premises. A quote has been received by building designers and a budget of approximately \$100,000 has been set which includes designer's fees, consultant's fees and approval costs.

	2007	2006
<b>Note 12: Directors Remuneration</b>	<b>\$</b>	<b>\$</b>
The number of directors of the Corporation included in these figures are shown below in the relevant remuneration bands:		
\$ Nil to \$14 999	1	1
\$15,000 to \$29,999	6	6
\$30,000 to \$44,999	1	1
\$180,000 to \$194,999	1	–
\$195,000 to \$209,999	–	1
<b>Total number of directors of the Corporation</b>	<b>9</b>	<b>9</b>
Total remuneration received or due and receivable by directors of the Corporation	<b>345,993</b>	293,948

Part-time directors and the Chairman of the Corporation received fees and allowances as determined by the Remuneration Tribunal. The Executive Director is the only full-time director of the Corporation and receives a salary and allowances as approved by the Board. Remuneration includes salary, allowances and superannuation.

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*for the year ended 30 June 2007*

### Note 13: Related Party Disclosures

The aggregate remuneration of Directors is disclosed in Note 12.

Grants were made to Mackay Area Productivity Services Ltd of which Andrew Barfield is the Chairman and Herbert River District Cane Growers Organisation Limited of which Stephen Guazzo is Director. All transactions with these organisations were under normal terms and conditions. The Directors involved took no part in the relevant decisions of the Board.

	2007	2006
<b>Note 14: Executive Remuneration</b>	<b>\$</b>	<b>\$</b>
The number of senior executives who received or were due to receive total remuneration of \$130,000 or more:		
\$190 000 to \$204 999	<b>1</b>	1
<b>Total</b>	<b>1</b>	1

The aggregate amount of Executive Director remuneration is included in note 13 above.

	2007	2006
<b>Note 15: Remuneration of Auditors</b>	<b>\$</b>	<b>\$</b>
Financial statement audit services provided to the Corporation	<b>25,500</b>	12,000
	<b>25,500</b>	12,000

No other services are provided by the Auditor-General.

	2007	2006
<b>Note 16: Average Staffing Levels</b>	<b>9</b>	8
The average staffing levels for the Corporation during the year were:	<b>9</b>	8

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*for the year ended 30 June 2007*

**Note 17: Financial Instruments**

**Note 17A: Interest Rate Risk**

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate Maturing In			
		2007	2006	1 Year or Less		1 to 5 Years	
		\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>							
Cash	6A	950,520	2,019,191	-	-	-	-
Appropriation receivable	6B	-	-	-	-	-	-
Investments	6C	-	-	7,943,338	6,128,865	-	-
Accrued interest	6B	-	-	-	-	-	-
<b>Total</b>		<b>950,520</b>	<b>2,019,191</b>	<b>7,943,338</b>	<b>6,128,865</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities</b>							
Trade creditors	8A	-	-	-	-	-	-
Grants payable	8B	-	-	-	-	-	-
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**(Note 17A: Interest Rate Risk – *continued*)**

Fixed Interest Rate Maturing In		Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
<b>&gt; 5 Years</b>							
<b>2007</b>	2006	<b>2007</b>	2006	<b>2007</b>	2006	<b>2007</b>	2006
<b>\$</b>	\$	<b>\$</b>	\$	<b>\$</b>	\$	<b>%</b>	%
-	-	<b>500</b>	500	<b>951,020</b>	2,091,691	<b>5.75</b>	4.75
-	-	<b>35,783</b>	212,909	<b>35,783</b>	212,909		
-	-	-	-	<b>7,943,338</b>	6,128,865	<b>6.06</b>	5.32
-	-	<b>15,970</b>	39,016	<b>15,970</b>	39,016		
-	-	<b>52,253</b>	252,425	<b>8,946,111</b>	8,400,481		
-	-	<b>48,466</b>	83,664	<b>48,466</b>	83,664		
-	-	<b>411,320</b>	481,605	<b>411,320</b>	481,605		
-	-	<b>459,786</b>	565,269	<b>459,786</b>	565,269		

# SUGAR RESEARCH AND DEVELOPMENT CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*for the year ended 30 June 2007*

### Note 17B: Fair Values of Financial Assets and Liabilities

		2007		2006	
		Total Carrying Amount	Aggregate Fair Value	Total Carrying Amount	Aggregate Fair Value
Notes		\$	\$	\$	\$
<b>Departmental Financial Assets</b>					
	6A	951,020	951,020	2,019,691	2,019,691
	6B	15,970	15,970	39,016	39,016
	6B	35,783	35,783	211,656	211,656
	6C	7,943,338	7,943,338	6,128,865	6,128,865
		<b>8,946,111</b>	<b>8,946,111</b>	8,399,228	8,399,228
<b>Financial Liabilities (Recognised)</b>					
	8A	48,466	48,466	83,664	83,664
	8B	411,320	411,320	481,605	481,605
		<b>459,786</b>	<b>459,786</b>	565,269	565,269

### Note 17C: Credit Risk Exposures

The Corporation's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Balance Sheet.

The Corporation has no significant exposures to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

# **SUGAR RESEARCH AND DEVELOPMENT CORPORATION**

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### **FINANCIAL STATEMENTS**

*for the year ended 30 June 2007*

#### **Note 18: Reporting of Outcomes**

The Corporation core business is 'to foster an innovative and sustainable Australian sugar industry through targeted investment in research and development'.

The Corporation is structured to meet one outcome; 'A profitable and internationally competitive Australian sugar industry providing economic, environmental and social benefits for rural and regional communities'.

Four Output groups have been identified as contributing to the one corporate outcome:

- 1.1. Whole of system solutions based on integrated management of the value chain, particularly at mill area and regional areas (Program A).
- 1.2. Sustainable sugarcane production systems based on integrated management of resources at farm level (Program B).
- 1.3. Flexible, cost effective systems for sustainable harvest, transport, milling and marketing based on innovative design (Program C).
- 1.4. Enhanced human capacity for change, learning and innovation in the sugar industry (Program D).

The actual grant expenses of the Outcomes is applied to the four output groups. All other revenues and expenses are allocated on a proportionate basis.

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**Note 18A: Net Cost of Outcome Delivery**

	Outcome 1		Total	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Expenses</b>				
Administered expenses	–	–	–	–
Departmental expenses	<b>10,723,801</b>	10,159,693	<b>10,723,801</b>	10,159,693
<b>Total expenses</b>	<b>10,723,801</b>	10,159,693	<b>10,723,801</b>	10,159,693
<b>Costs recovered from provision of goods and services to the non-government sector</b>				
Administered	–	–	–	–
Departmental	–	–	–	–
<b>Total costs recovered</b>	–	–	–	–
Departmental				
Goods and Services Income from Related Entities	<b>4,886,875</b>	5,341,747	<b>4,886,875</b>	5,341,747
Interest	<b>725,740</b>	588,626	<b>725,740</b>	588,626
<i>Total Departmental</i>	<b>5,612,615</b>	5,930,373	<b>5,612,615</b>	5,930,373
<b>Total other external income</b>	<b>5,612,615</b>	5,930,373	<b>5,612,615</b>	5,930,373
<b>Net cost/(contribution) of outcome</b>	<b>5,111,186</b>	4,229,320	<b>5,111,186</b>	4,229,320

# SUGAR RESEARCH AND DEVELOPMENT CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

*for the year ended 30 June 2007*

### Note 18B: Major Classes of Departmental Income and Expenses by Output Groups and Outputs

Outcome 1	Output 1		Output 2		Output 3	
	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$
<b>Departmental expenses</b>						
Employees	105,444	117,468	344,451	383,729	119,504	133,131
Suppliers	144,922	134,218	473,413	438,445	164,245	152,113
Grants	1,353,684	1,268,743	4,422,032	4,144,561	1,534,174	1,437,909
Depreciation and amortisation	3,460	3,334	11,303	10,890	3,921	3,778
Losses from asset sales	1,060	191	3,464	625	1,202	217
<b>Total departmental expenses</b>	<b>1,608,570</b>	<b>1,523,954</b>	<b>5,254,663</b>	<b>4,978,250</b>	<b>1,823,046</b>	<b>1,727,148</b>
<b>Funded by:</b>						
Income from government	828,275	779,256	2,705,698	2,545,570	938,712	883,157
Interest	108,861	88,294	355,613	288,427	123,376	100,066
Industry contributions (sugar levies)	733,031	801,262	2,394,569	2,617,456	830,768	908,097
<b>Total departmental revenues</b>	<b>1,670,167</b>	<b>1,668,812</b>	<b>5,455,880</b>	<b>5,451,453</b>	<b>1,892,856</b>	<b>1,891,320</b>

Outcome 1 (continued)	Output 4		Outcome 1 Total	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Departmental expenses</b>				
Employees	133,563	148,793	702,962	783,121
Suppliers	183,568	170,009	966,148	894,785
Grants	1,714,665	1,607,075	9,024,555	8,458,288
Depreciation and amortisation	4,383	4,222	23,067	22,224
Losses from asset sales	1,343	242	7,069	1,275
<b>Total departmental expenses</b>	<b>2,037,522</b>	<b>1,930,341</b>	<b>10,723,801</b>	<b>10,159,693</b>
<b>Funded by:</b>				
Income from government	1,049,148	987,057	5,521,833	5,195,040
Interest	137,891	111,839	725,741	588,626
Industry contributions (sugar levies)	928,506	1,014,932	4,886,874	5,341,747
<b>Total departmental revenues</b>	<b>2,115,545</b>	<b>2,113,828</b>	<b>11,134,448</b>	<b>11,125,413</b>