BSES

Sugarcane for the future

BSES Limited
Annual Report - 2006-2007

BSES QCANES®
Varieties for your future

BSES QCROPS®
Growing your bottom line

sutech SOLUTIONS
Sugar Technologies from BSES

OUR BUSINESS

BSES Limited - essential to profitable, sustainable sugarcane production.

Through research, creative development and effective extension of new knowledge and technology are vital to every agricultural industry. BSES is the principal provider of research, development and extension to the Australian sugar industry.

BSES is made up of scientists, engineers, field staff, extension officers and administrative staff who work together to ensure that Australian sugarcane is a valuable, viable commodity.

BSES has three major programs of work, QCanes, QCrops and Sutech Solutions, and conducts these through its stations, centres and laboratories that are located in 18 cane growing areas throughout Queensland, northern New South Wales and northern Western Australia.

What future are we creating? An industry-owned BSES partnering in a profitable and sustainable sugarcane industry in Australia.	**What is our role in contributing to that future?** Delivering realised value to growers, millers and other customers from targeted research, development and extension.	**How do we operate**? • Industry leader • Customer focus • Commercial performance • Innovation and creativity • Teamwork and effective collaboration • Motivated and skilled staff • Safe workplace
Core business function Deliver realised value to improve grower and miller profitability at a sugar price of $250 per tonne		

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HIGHLIGHTS 2006-07

BSES has been involved heavily in all aspects of the response to sugarcane smut. The BSES-led contingency planning for a smut incursion and screening of Australian varieties for smut resistance in Indonesia and the Ord River Irrigation Area have assisted the rapid response to the incursion of sugarcane smut. These rapid responses and preparation will minimise the losses to the industry and will allow a managed restructuring of variety composition throughout the industry.

Three new high-yielding varieties were released – Q232 in the Southern region, Q233 in the Herbert area and Q234 in New South Wales. Q232 is resistant to smut, while Q233 and Q234 have intermediate resistance. Four varieties, Q177$^{\phi}$, Q200$^{\phi}$, Q208$^{\phi}$ and KQ228$^{\phi}$, all with resistance to smut, have been approved for planting in all Pest Quarantine Areas.

Rapid propagation methods, including one-eye setts and tissue culture, were used to enable the early release of the smut-resistant variety Q232 in the Southern region. Significant quantities of KQ228$^{\phi}$ from tissue culture were also planted-out in Bundaberg-Childers.

Annual benchmarking of genetic gain from new varieties indicates that the newer varieties are continuing to outperform older varieties and that the rate of gain in cane yield, CCS and sugar yield is more rapid than in the past. Improved methods of breeding and selection and adoption of technology, following targeted R&D, have contributed to this.

Sugarcane artificial-seed technology has been developed as part of SmartSett® plant production system and has been used to propagate plantlets of Q208$^{\phi}$ and KQ228$^{\phi}$.

The three pillars of the new farming system – legume breaks, controlled-traffic and minimum-tillage - are being adopted throughout the industry at an ever-increasing rate. In 2006, 21,200 ha were planted to controlled-traffic configurations, 16,370 ha underwent zonal or minimum-tillage, and 6,700 ha were growing legume break-crops.

Modified nutrient-management guidelines, developed by BSES, CSR and NR&W, are being promoted through training programs using the *Six Easy Steps* principles and demonstration trials. *Six Easy Steps* is widely recognised as the industry's best-practice program for nutrient management.

Cane analysis systems (CAS) based on near infra-red (NIR) spectroscopic instruments continue to gain traction within the Australian sugar industry. New installations were performed for NSW Sugar and CSR.

The Commonwealth government will provide $1.3 million to support the establishment of a commercial micropropagation facility for sugarcane. BSES' partners in the venture are CANEGROWERS and Lowes TC Pty Ltd. The first supply of tissue-cultured plants to industry will be in 2008.

CHAIR OF DIRECTORS' STATEMENT

Demonstrating value to our stakeholders has been the key issue identified by the Board of BSES Limited as the strategy for moving the company to a more customer-focussed commercial enterprise. This was also identified in a review of our RD&E conducted by three external experts, along with recommendations on suggested approaches to building and retaining staff capabilities, ensuring an efficient infrastructure/delivery system and having a better ability to attract outside funding.

The reviewers reported that BSES is doing well in delivery to all its stakeholders. BSES varieties are held in high regard by all of its customers, and great value is placed on the BSES Extension Service. The reviewers cited examples, such as the changes to the sugarcane farming system, and the production of smut-resistant varieties, to be great testimonies to the ability of BSES to determine the real needs of the industry. Other impressive deliveries identified were the SmartSett® technology, markers for smut resistance (molecular and NIR), NIR technology in mills, planting technology for zero-tillage, controlled-traffic farming systems, soil-specific nutrient management, and the preparedness for an incursion of sugarcane smut. In short, it was obvious to the reviewers that BSES RD&E activities are focused strongly on the delivery of outcomes and that the commitment of BSES for service delivery to the industry is outstanding.

However, the panel did highlight that additional attention needs to be applied to project management, training in new extension methods, succession planning, fragmentation of BSES resources and succession. Strategies have been adopted to address these issues.

Since taking up the role of Chairman, I have been impressed by the dedication and commitment of our staff. One example of the high regard in which the industry holds BSES staff and programs was our success at the 2007 industry awards. The Sugar Yield Decline Venture was awarded the SRDC Innovation Award, BSES pathologist Barry Croft was a joint recipient of the SRDC R&D Award and BSES Extension Officer Judy Plath received the SRDC Service Award. BSES staff have also continued to serve professional organisations – David Calcino was the President of the Australian Society of Sugar Cane Technologists, Dr Rob Magarey the President of the Australasian Plant Pathology Society, and Dr Peter Allsopp the President of the Entomological Society of Queensland.

Late 2006 saw the retirement from the Board of Ross Chapman and the appointment of John Pollock to the Board. Ross gave 6 years of exceptional service to the statutory authority and the company and I thank him for that contribution. John brings wide research, natural-resource management, primary industry and corporate management experience to the Board.

Like all organisations, BSES needs to find the most effective balance between operating sustainably and meeting the expectations of its stakeholders and other customers. The strategies that the Board has identified will ensure that BSES remains an essential component in a profitable and sustainable Australian sugarcane industry.

BSES Limited

Strategic Plan

2006-2009

WHAT FUTURE ARE WE CREATING?

An industry owned BSES partnering In a profitable and sustainable sugarcane Industry in Australia

WHAT IS OUR ROLE IN CONTRIBUTING TO THAT FUTURE?

Delivering realised value to growers, millers and other customers from targeted research, development and extension

HOW WE WILL OPERATE:

Industry leader - Customer focus – Commercial performance – Innovation and creativity -Teamwork and effective collaboration – Motivated and skilled staff – Safe workplace

CORE BUSINESS FUNCTION:

Deliver realised value to improve grower and miller profitability at a sugar price of $250 per tonne

GOAL:

Achieve an internationally competitive and environmentally sustainable sugarcane production system for the reliable supply of sugar and diversified products

High-priority actions we must take to achieve the goal
Deliver improved conventional varieties and enhance their adoption
Develop and deliver GM varieties to enhance industry profitability and competitiveness
Support an effective biosecurity capability for the Australian sugar industry
Enhance the industry's income stream through development of non-sugar products from sugarcane
Deliver tailored solutions to increase adoption of R&D by different customers in different regions
Develop technologies to improve gross margins, productivity, sustainability and supply security
Maximise revenue opportunities and profit from BSES products and services, while developing its internal commercial capabilities

CEO'S STATEMENT

BSES operations in 2006-07 were dominated by one issue – smut. The discovery of the disease near Childers in June 2006 saw a comprehensive emergency response led by the Queensland Department of Primary Industries and Fisheries, partnered by BSES Limited and CANEGROWERS.

Extensive surveillance in the Bundaberg-Childers area showed that the disease was widespread and well established. Summer and autumn saw evidence of considerable build-up of the disease in infested fields and continued spread. Surveillance in the other sugarcane growing regions on the east coast commenced in September-October 2006, and infestations were subsequently found in the Central region and Herbert district. These findings modified the response to one of managing the disease, particularly through the replacement of susceptible varieties with resistant lines. As part of this, BSES ensured that stocks of resistant varieties were brought into the Bundaberg-Childers area from further north – these have been bolstered by tissue-cultured planting material.

The incidence of smut and decisions concerning replacement of susceptible with resistant varieties will be an important issue in sugarcane production in eastern Australia. However, the preparedness and response plans developed by BSES and partners will minimise the economic impact of the disease and ensure a viable future for the industry. The response capability certainly showed the value and professionalism of an industry-based RD&E organisation that could plan for such an incursion and then implement an appropriate response plan. This was reflected in the independent review of RD&E within BSES conducted by our peers that concluded "no other Industry in the World would have been as well prepared for incursion of smut".

BSES also continued the development of other important initiatives that will benefit the industry. Our Variety Improvement program, conducted in association with CSIRO Plant Industry, is focused on the production of smut-resistant, high-yielding varieties. Screening for smut resistance is now underway in Bundaberg, and near-infrared methods are showing promise as rapid methods for screening for resistance very early in the breeding process. An Economic Genetic Index, which places greater emphasis on CCS but also takes into account the planting, harvesting and milling costs associated with producing sugar, has been developed and is being used for selection of elite clones and the best parents for crossing.

Micropropagation techniques allowed BSES Indooroopilly to produce and distribute nearly 100,000 tissue-cultured plantlets of smut-resistant clones to the industry. This will enable growers to receive these varieties a year earlier than conventional propagation would have allowed. The growth of crops established with these plantlets are similar to that produced through conventional propagation. The challenge now is to develop this technique into a commercially viable process to speed up the adoption of new varieties.

The industry should also be proud of two BSES initiatives that are having impacts on productivity, profitability and sustainability. The Farm Productivity Assessment provides a comprehensive method to evaluate current farm practices and to plan implementation of best farming practices. Modified nutrient-management guidelines, promoted through the *Six Easy Steps* process, are delivering real changes in nutrient management without compromising productivity. Both are being delivered through BSES' Extension Service and form part of an industry farm-management system.

The above show some of BSES' abilities to research, package and deliver industry improvements. They show the importance of an integrated organisation that spans the whole R&D spectrum and that delivers realised value to the industry.

2006-07 IN SUMMARY

BSES' strength is its scientists, engineers, field staff, extension officers and administrative staff who work together with industry and other stakeholders to ensure that Australian sugarcane is a valuable, viable commodity with minimal environmental impact.

BSES focuses on developing improved varieties and productive, profitable and sustainable farming systems and delivering these through its integrated extension program. It conducts these programs through its stations, centres and laboratories that are located in 18 cane growing areas throughout Queensland, northern New South Wales and northern Western Australia.

Variety Improvement

The BSES-CSIRO conventional sugarcane breeding and selection program uses optimal genetic evaluation systems to select parents, crosses and clones, with the ultimate objective of delivering new, more productive varieties to the Australian sugar industry. These varieties will also have adequate disease resistance to endemic diseases and acceptable milling and sugar quality. Variety introduction (foreign varieties) and variety exchange between regional programs enhance the germplasm used, both for breeding and varietal development. Varieties from this program are protected by Plant Breeders' Rights.

The program was led by Dr Michael Cox.

Highlights

- BSES has increased significantly the size of, and investment in, the Variety Improvement program following the smut incursion. This was necessary to maintain productivity increases now that smut resistance is a required trait. The selection program now has two components:
  - Core program – only seedlings from resistant and intermediate crosses (RxR and RxI) will be planted in stage 1 trials. The selection regime will be unchanged, except that all clones will be screened for smut prior to planting in Final Assessment Trials.
  - Smut program – about 50,000 additional seedlings from crosses with high yield potential but higher smut susceptibility will be screened for smut resistance in Bundaberg. Research to develop screening methods has commenced. About 2,500 smut-resistant clones will be selected and these will be added to the core stage 2 trials, effectively doubling the number of entries in this stage of selection.
- 1,100 field-based crosses and almost 750 photoperiod-facility crosses were made at Meringa in 2006. No crosses were made in Bundaberg because of the smut outbreak. In 2007, 1,350 field-based crosses were made at Meringa. In Bundaberg, 130 crosses were made in the photoperiod facility, while crossing is still underway in the Meringa photoperiod facilities.
- 42 foreign varieties were imported from five countries in 2006-07.
- Net merit grade (NMG), which was developed in the 1960s, was replaced by a new Economic Genetic Index (EGV). EGV places greater emphasis on CCS and takes into account the planting, harvesting and milling costs associated with producing sugar. It is based on cane yield, CCS, fibre and visual appearance grade of a variety relative to standard varieties and the smut rating of the individual variety. Although only developed

for sugar at this stage, EGV can be modified easily for co-generation and/or ethanol production.

- New statistical techniques to combine data from multi-environment trials that have multiple harvests have been developed and incorporated into the program.
- Implementation of marker-assisted selection (MAS) has progressed significantly:
  - Modelling work is assessing where in the selection program MAS will be most effective;
  - Associations among phenotypic traits and the presence or absence of molecular markers are being developed;
  - A database for marker data that will enable linkage to phenotypic data and the application of MAS is being developed;
  - MAS will be trialled in a selection program in 2008 in parallel with conventional selection.
- Several thousand introgression hybrids involving *Saccharum spontaneum* and *Erianthus arundinaceus* (seed from China, as part of a collaborative ACIAR project) have been tested in small plots and high-yielding clones have been progressed to larger plots. About 100 crosses have been made using this material and high yield potential, smut-resistant sugarcane varieties.
- High-speed sugar analyser systems using near-infrared spectroscopy (SpectraCane) are being deployed to the Bundaberg, Mackay and Burdekin breeding programs. These will improve productivity and assessment of field trials.

Molecular Breeding

This program aims to apply plant biotechnology strategies to develop varieties that improve the productivity, sustainability and competitiveness of the Australian sugar industry. It focuses on developing and applying useful gene technologies to create sugarcane with increased CCS, canegrub resistance, nitrogen- and water-use efficiency, and altered shoot architecture. Developing automated sugarcane micropropagation technologies (SmartSett®) to accelerate release and accelerated adoption of new sugarcane varieties is also a major thrust of this program. Much of this program's research is carried out in conjunction with CSIRO Plant Industry with the financial support of the Co-operative Research Centre for Sugar Industry Innovation through Biotechnology.

The program was led by Dr Prakash Lakshmanan.

Highlights

- Sugarcane artificial-seed technology developed as part of SmartSett® plant-production system was used to propagate plantlets of Q208$^{\phi}$ and KQ228$^{\phi}$ that will be field-tested over the next 2-3 years. Artificial-seed technology will greatly enhance the efficiency of sugarcane propagation through tissue culture.
- Preliminary results from a new screening method to identify high early sugar clones at seedling stage indicate that varieties that mature early and which are suitable for harvest early in the crushing season can be identified reliably after 3 months of growth. This finding is being further tested with more genetically diverse clones.
- More molecular markers were added to the sugarcane genetic map to improve coverage of the sugarcane genome. This expanded genetic map is likely to accelerate the practical application of markers to select for smut resistance and high CCS.
- Gene technology, focusing on the increased production of the plant hormone gibberellin that results in remarkable increases in stem and leaf growth, has potential for extending the harvest season. Shoot growth can also be slowed down by modulating gibberellin production, allowing the plant to extend its growth phase and potentially accumulate more sugar. Future work will assess whether commercial crop productivity can be increased with this GM strategy.

- New projects have been initiated to test alterations to shoot architecture and to characterise the Australian sugarcane germplasm for drought tolerance and water-use efficiency. This research will test the limits of current crop yield barriers.

Biosecurity

A range of diseases and pests represent a significant threat to the continued security of cane supply for the Australian sugar industry. Cooperating with federal and state government departments to prevent entry of these pests and preparation for possible incursions is a high priority for this program. Assisting the Variety Improvement program to breed disease- and pest-resistant varieties and conducting quarantine programs to prevent the spread of pests and diseases within Australia is also a high priority.

The program was led by Mr Barry Croft.

Highlights

- BSES, with partial funding from Queensland Government and Sugar Research and Development Corporation, has developed a comprehensive set of projects to minimise the impact of smut throughout the eastern Australian industry. These comprise:
  - surveillance throughout eastern Australia to determine the extent of infestation and provide warning to local industry;
  - spore trapping to provide an early warning system;
  - enhanced breeding to fast-track the provision of new, high-yielding, smut-resistant cultivars;
  - epidemiology to better understand the progress of infestations;
  - whole-farm variety management to allow growers to make better choices about resistant cultivars;
  - a coordinated communications program to inform industry and government better about the response.
- Sugarcane smut has spread to almost all parts of the Bundaberg-Childers region, with 20-30% of farms in the Bundaberg mill area and more than 60% of farms in the Isis mill area now infested. Within known infested fields, the disease developed slowly up until February, but after February there was a rapid escalation in disease levels in many fields. Spread and build-up of the disease is within the range predicted by BSES pathologists.
- A DNA assay was developed to speed up the reading of the spore-trap tapes. This assay is specific for sugarcane smut.
- Movements of trash for garden mulch and stock-feed have required careful consideration, as managing these movements to reduce the risk of spread of smut is a high priority. Decontamination of machinery moving out of smut-infested regions and initially moving off smut-infested farms in the infested regions has required significant cooperation between BSES and QDPI&F. BSES research enabled two disinfectants to receive emergency use permits for disinfecting machinery.

Variety Adoption

Variety Adoption program undertakes operations that maximises the adoption of the most suited varieties by the client and, in doing so, maximises industry productivity and profitability. The program has an important role in maximising benefits attained from the BSES QCanes operations.

The program was led by Mr Robert Cocco.

Highlights

- Five varieties are being maximum propagated for possible release in 2008: QS85-7325 (Southern and New South Wales), QS96-2174 (Southern), KQ91-31405 and MQ93-538 (Herbert), and QN97-23 (Northern).
- To accelerate variety release and adoption, BSES, in collaboration with CANEGROWERS and the tissue-culture company Lowes TC Pty Ltd is setting up a sugarcane tissue-culture plant-production facility. Commercial crops of tissue-cultured smut-resistant sugarcane plants produced by BSES are now growing in the Bundaberg-Childers district.
- Development of a tool to allow whole-farm planning for adoption of varieties has commenced. The tool will have live, up-to-date information on a variety's characteristics and disease ratings, through links to the powerful SPIDNet database. Access to live and reliable mill data is also being sought. The tool will provide a much needed link between growers, extension and plant breeders.

Improved Cropping Systems

The Improved Cropping Systems program comprises four sub-programs that collectively strive to develop technologies to improve productivity, sustainability and supply security on-farm and at district / regional levels. The sub-programs focus on both a wide perspective and component parts of new farming systems, best-practice nutrient management; irrigation and water-use efficiency; weed management; and harvesting operations and developments.

This program was led by Dr Bernard Schroeder.

Highlights

- Modified nutrient-management guidelines that have been developed by BSES, CSR and NR&W are being promoted through:
  - District-specific soil reference booklets aimed at presenting information on soil-specific nutrient management guidelines for sugarcane production - the Proserpine booklet was launched in April 2007.
  - A training program that involves grower-orientated short courses - about 100 growers and their advisers have attended 10 short courses within the Mackay/Plane Creek, Proserpine, Burdekin, Tully and Innisfail districts. Courses also continue to be delivered in the Herbert and Bundaberg districts.
  - About 40 demonstration trials have been established in the Johnstone, Herbert, Proserpine, Central and Bundaberg districts aimed at comparing grower practices to best-practice options. In many instances, the best-practice nutrient management options have produced comparable yields to those obtained from nutrients applied at usual 'grower' rates, despite mostly lower nutrient inputs.
  - A Soil Constraints And Management Package (SCAMP) that allows for incorporation of temporal risk into nutrient management was publicised in workshops in four districts (attended by about 60 growers, extension officers and agri-business personnel).
- New farming systems investigations include:
  - Trials at Bundaberg, Mackay, Burdekin, Ingham and Tully focusing on the efficiency of nitrogen nutrition in a permanent bed, non-tilled, controlled-traffic system involving legume breaks, and on the benefits of permanent, non-tilled beds in terms of water

infiltration and storage. To date, infiltration and water storage are considerably better with the permanent beds.

  - Assessment of appropriate genotypes for a controlled-traffic farming system in trials at Bundaberg, Mackay, Burdekin, Ingham and Meringa. Fifty clones will also be assessed in different row configurations (1.5 m single, 1.8 m single, 1.8 m dual) at Meringa. Outputs include knowledge of the performance of varieties on different row configurations in each region, better understanding of any genotype-by-row configuration interaction, identification of clones that perform well on wider row spacings, and identification of traits that influence performance at wider row spacings.

- Trials to find an economically viable source of silicon continue. There is evidence of strong correlations between leaf and soil silicon status at two sites where air-cooled blast-furnace slag has been applied. Yield values are related to soil silicon status, confirming the basis of the yield response. Other silicon sources will also be assessed.
- Harvesting best-practice was the topic of a workshop held in the Northern Region involving 15 attendees. Information was supplied on efficient harvester operation to minimise losses and improve cane quality. Further workshops are planned for other districts.
- BSES engineers have worked with SRDC-funded grower groups investigating harvester elevator modifications to suit the new farming system, as well as a new chopper system/harvester design being developed in the Burdekin.
- BSES' experimental harvester has been used to illustrate an improved gathering/feeding system and an automated speed-control system. Trials have been cut at both Mackay and Bingera with local growers/contractors being able to observe the machine in action.

Crop Protection

Protecting sugarcane crops from pests and diseases is important in maximising productivity. Diseases have caused extensive yield losses in the past with the recent orange rust epidemic resulting in major cane supply problems in many districts. This program aims to minimise the losses from diseases by integrated management strategies.

Insect pests, such as canegrubs, and vertebrate pests, such as rats, require Integrated Pest Management (IPM) programs to prevent serious yield losses. BSES has developed innovative IPM programs that combine chemical, biological and cultural controls to reduce the impacts from insect and vertebrate pests.

This program was led by Mr Barry Croft, reflecting its strong integration with the Biosecurity program.

Highlights

- Field trials are currently in place to determine the effectiveness of controlled-release and knockdown formulations of insecticides against canegrubs in farming systems with wider row spacings.
- Significant predictors of infestation categories for greyback canegrubs were region, distance of field from tree lines, and previous year's data on insecticide treatment, number of grubs, severity of damage, distance to damage in neighbouring fields and maximum severity of damage in neighbouring fields. These are being built into a model to predict severity of infestations. Some other potential predictors, including harvest date and cane height at the time of beetle flight, were not significant in the analysis.
- Methods developed for the accurate identification of species of climbing rats have shown that *Melomys burtoni* is the major species, with lower numbers of the similar *M. cervinpes*. These rodents invade fields after canopy closure, but there is only a weak relationship between damage and the availability of in-crop weeds. This differs significantly from the biology of the ground rat.

Technology Support

The Technology Support program is responsible for the provision of chemistry and chemical engineering expertise across BSES. The program concentrates primarily on practical outcomes that can be adopted by the industry, but also includes elements of basic and pure research.

The program pursues a deliberately broad range of work activities and interacts across virtually all other disciplines in BSES. Strengths are in sugar quality, cane quality, NIR technology, separation technologies, analytical determinations and the application of these skills to benefit the industry. Activities directly involve working relationships with plant breeders, agronomists, biotechnologists, entomologists and pathologists and chemical engineers. The multidisciplinary nature of the program is a key strength, and is central to the ongoing conversion of new ideas into research opportunities that lead to industry benefits.

The team has considerable expertise across a range of disciplines including chemical engineering, organic, inorganic and analytical chemistry, biochemistry, chromatographic separations, microbiology, vibrational spectroscopy and statistical data treatment. In addition, team members have direct sugar-industry experience in factory and laboratory environments.

The program was led by Dr Michael O'Shea.

Highlights

- Cane Analysis Systems (CAS) based on near infra-red (NIR) spectroscopic instruments continue to gain traction within the Australian sugar industry. New installations were performed for NSW Sugar and CSR, and plans for the 2007 crushing season include new installations at Isis Mill, Rocky Point Mill and Bundaberg Sugar (Millaquin Mill). Progress on international sales of these systems should soon be boosted by an evaluation trial in South Africa in conjunction with the South African Sugar Association.
- Application of NIR technology to predict ratings for smut and Fiji leaf gall has progressed further from the R&D proof of concept stage towards implementation within the joint BSES/CSIRO variety-improvement program. These rapid screening methods will be further developed and installed in the next 3 years.
- Evaluation of cane separation technology for the production of non-sugar byproducts such as sugarcane juice, bioactive extracts to lower glycaemic index and human dietary-fibre products had a successful pilot trial in late 2006. 2007-08 will see further pre-commercial testing and, if successful, significant progression towards a full commercial installation.
- Research through CRC-SIIB in collaboration with Southern Cross University is focused on producing and characterising bioactive extracts in areas of antioxidant, glycaemic index reduction, anti-cancer and anti-inflammatory activities. We are identifying individual compounds within these active extracts that are responsible for bioactivity, with efforts primarily directed at the extracts that reduce glycaemic index and are active against prostate cancer.
- BSES' Inorganic Chemistry Laboratory completed 55,000 assays on a variety of soil, water, plant, byproduct and nutrient samples. This service primarily supports BSES research and extension programs, but is increasingly being used by others on a fee-for-service basis.
- Technology Support staff have played a large role in the transferral of metrology calibration and certification services to commercial providers. The 2007 crushing season is the first season in which none of these services have been offered by BSES.

Technology Packaging and Adoption

Technology transfer/extension specialists work with researchers and industry participants to increase the adoption of R&D by different customers in different regions. Extension specialist have good working knowledge of all aspects of cane growing and use a variety of channels such as one-on-one contact, grower discussion groups, field days and media to facilitate change in practice for cane growers and other industry clients. Extension is embedded in BSES QCanes and QCrops and ensures that research is responsive to industry needs and research findings are communicated in a timely and effective manner. BSES extension specialists also deliver tailored solutions as part of Sutech Solutions.

This program was led by Mr Trevor Willcox.

Highlights

- Two videos were prepared on smut to inform all growers of the situation and need to move to smut-resistant varieties. The second video was distributed to all BSES service-fee payers. Grower information meetings were held in all areas and an issue of the *BSES Bulletin* was dedicated to sugarcane smut.
- Farm Productivity Assessment modules have been completed for most regions. These allow assessment of farming practices and the provision of locally tailored recommendations towards adoption of best farming practices.
- BSES entomologists revised the GrubPlan booklet to incorporate new insecticide registrations and new information on biology, ecology and predicting infestations. The booklet will be used in planning whole-farm management of greyback canegrubs.
- BSES and CSIRO staff combined to produce a handbook on best-practice surface drainage for low-lying sugarcane lands, especially those in the Herbert district.
- The BSES website now incorporates a weed-identification tool that allows easy identification of problem weeds.
- Workshops (involving about 175 growers) were held in the Burdekin, Tully, Innisfail, Cairns, Maryborough and New South Wales districts as part of a new initiative to encourage better control of weeds. These workshops delivered information to growers on new nozzle technology; the importance of, and how to select, various nozzles; changes to 2,4-D legislation and required droplet size; potential losses from poor weed control; and the importance of correct adjuvant use, water quality and time management. Roll-out of the weed management workshops will continue in districts not yet targeted (including Isis, Central Region and Herbert). Spring demonstration trials are planned for the Maryborough, Isis and Bundaberg areas to illustrate the use and benefits of best-practice weed management.

sutech SOLUTIONS

Sugar Technologies from BSES

Sutech Solutions devises solutions for individual growers, millers or companies on a needs-basis. Services range from analysis and auditing, to technical support and training through accredited programs, to specific farm assessments and commercial consultancies. It draws on the expertise of BSES staff and others as required.

This program was led by Mr Garry Butler.

Highlights

- A MODDUS® roll-out program has been developed with Syngenta and other industry partners to allow the commercial supply and application of this cane ripener. This novel program incorporates a cost-sharing arrangement between growers and Syngenta and involved careful monitoring of chemical applications and assessment of crop response.
- BSES staff carried out consultancy contracts in Pakistan, Tanzania and Indonesia.
- BSES was successful with an application to the Commonwealth's Regional Communities Program. The Commonwealth will provide $1.3 million to support the establishment of a commercial micropropagation facility for sugarcane. BSES' partners in the venture are CANEGROWERS and Lowes TC Pty Ltd. The first supply of tissue-cultured plants to industry will occur in 2008.

BSES
Sugarcane for the future

Corporate and Commercial Services

Corporate and Commercial Services provides the systems and processes to deliver commercial and administrative support to BSES operations. These include the provision of financial and accounting systems, library and records management systems, human resources systems and support mechanisms, and information technology systems and helpdesk facilities.

This area was led by Ms Karen Bishop-Stuart and Mr Garry Butler.

Highlights

- Efficiency improvements and cost savings have come from:
  - A business improvement process designed to increase productivity without increasing costs implemented by the finance group and being applied to all areas of BSES.
  - Increasing the speed and reliability of the IT network and the telephone system.
  - WH&S training and awareness that reduced lost time from injuries this year by 17%.
  - Technology improvements in electronic storage and retrieval of important business records and documents that enables regional and off-site staff access to this information.
  - A focus by the Human Resources group on the recruitment of new graduates.
- Service improvements have come from technology improvements in the Records and Library functions that have allowed web-based access by all staff and service-fee payers to our extensive library resources, the BSES Bulletin and research reports.

CORPORATE GOVERNANCE

The role of the board
The BSES board is responsible for setting the company's strategic direction and monitoring the performance of senior management.

The board's functions include:

- promoting the good health of the company by embracing appropriate issues of good corporate governance;
- setting the organisation's strategic direction and goals;
- reviewing and approving policies, plans, performance targets and budgets;
- assessing BSES' ongoing performance and strategies and monitoring both the suitability of strategies and the performance of management;
- overviewing the establishment of, and adherence to, appropriate systems to:
  - enable the company's business and financial risks to be identified and managed;
  - enable the company's assets to be safeguarded;
  - enable business to be conducted in compliance with laws and regulations;
  - meet ethical and corporate governance standards.

Composition of the board
The board comprises seven non-executive directors, together with the chief executive who, under the company's constitution, is the managing director. Under the company's constitution, two directors are elected by the grower members, and two directors by the mill-owner members. Three directors, other than the chief executive, are selected by the grower directors and the mill-owner directors. These three must have expertise in an area considered by the grower directors and the mill owner directors as appropriate, including business, commercial, marketing, finance, research, development or extension experience, and not be a mill owner or a grower or a director or employee of a mill owner or a grower, and not be a current director or employee of a sugar-industry representative body.

Non-executive directors act as independent officers of the company, rather than representing their own interests or those of their organisations. If a potential conflict of interest does arise, the director concerned does not receive the relevant board papers and leaves the meeting room while the matter is discussed and any vote is taken.

The work of the board
Directors receive regular reports from the chief executive and senior management on the company's activities since the last report to directors, including information on research and other projects, variety improvement, farming and extension services, and financial performance. These reports are discussed at board meetings. The board also reviews strategies that may assist to further promote and develop the company's role in providing services to the sugar industry. Meeting agendas are set by the chairman and the chief executive.

Remuneration of directors
At the company's first annual general meeting held on 26 October 2004 members set the remuneration of non-executive directors for the time being as an aggregate of $200,000. Directors are reimbursed travel and related expenses incurred in the course of carrying out their duties. Non-executive directors do not receive retirement benefits other than contributions for the compulsory superannuation levy required under the *Superannuation Guarantee Act*.

Board committees
To assist in carrying out its functions, the board has established an Audit, Compliance and Risk Management Committee. The committee has formal terms of reference approved by the board.

The current members of the committee are Mrs MS Boydell (committee chair), Mr JH King, and Mr JS Pollock. Under the committee's terms of reference, the company chairman is an ex officio member of the committee. The chief executive, the financial controller, other members of the management team and representatives of the company's auditors attend by invitation. The committee's role is to assist the board in reviewing systems and controls in place for financial reporting, risk management, and compliance with company policies and with laws and regulations that apply to the company's activities, and in maintaining an effective and efficient audit function.

Specific responsibilities include advising the board on the appointment and remuneration of auditors and reviewing, in consultation with management and the auditors, the audit plans and results of audits and actions proposed arising from them. The committee is a direct link for providing the views of the auditors to the board, if necessary, independently of management influence. The committee also monitors and advises the board in relation to all matters necessary to ensure the company adopts and follows sound principles of corporate governance.

The directors established an administration committee on 10 March 2004 for the limited purpose of authorising the execution of a document under the common seal of the company, or otherwise on behalf of the company, where the document brings into effect or implements a decision already taken by the board, or acknowledges a matter agreed at a board meeting; or where the subject matter of the document falls within the scope of the company's Authorities and Delegations policy and has been approved within the scope of that policy. This committee has formal terms of reference approved by the board. A committee consists of any two directors, one of whom must be either the chairman of the company or the managing director.

Managing risk

In its commitment to managing its exposure to significant business risk, BSES Limited has policies for:

- risk management;
- workplace health and safety;
- equal opportunity, anti-discrimination and freedom from harassment;
- trade practices;
- privacy.

Business conduct

The board has adopted a Code of Conduct requiring directors, management, employees, and contractors to act with integrity and objectivity, and maintain high standards, and ethical behaviour in the execution of their duties.

Under the code, all those associated with BSES Limited must act in accordance with the fundamental principles of integrity and diligence, respect for persons and procedural fairness, objectivity, confidentiality, ethical behaviour, and maintenance of professional and personal standards.

Independent advice

BSES Limited recognises there may be occasions when the board as a whole, or directors as a group or as individuals, believe it to be in their interests and in the interests of the company to seek independent professional advice, on matters such as accounting, taxation or law, at the company's expense. Requests for the provision of such advice are to be directed to the chairman or the company secretary.

BOARD OF DIRECTORS

Paul Wright AM

Director (Chairman) since 1 December 2006. Mr Wright has combined banking, health, hospitality and consulting into a career that has encompassed over 25 years in senior executive management with a breadth and depth in leadership roles. He has been General Manager Qld & NT of Medical Benefits Fund of Australia Limited and provided executive services as General Manager of The Brisbane Club. Mr Wright has also been a company director for more than 20 years and has served as Chairman/President of The Australian Institute of Management and The Royal Flying Doctor Service. He is currently the Chairman of The Queensland Institute of Medical Research Trust, Phoenix Eagle Company Pty Ltd and is serving a second term as Chairman of The Royal Flying Doctor Service (Queensland Section). Other current board appointments include QIMR Council, PQ Lifestyles Pty Ltd and Queensland Fruit & Vegetable Growers Limited.

Luigi Raiteri

Director since 4 April 2003 (Director, Bureau of Sugar Experiment Stations from 24 September 2000), Deputy Chairman since 25 October 2006, and Acting Chairman from 31 July 2006 until 1 December 2006. Mr Raiteri is a third-generation primary producer, with extensive experience in canegrowing, harvesting and haulage. He is Chairman of the Proserpine Co-operative Mill and has been Deputy Chairman of Sugar Services Proserpine and Proserpine Landcare.

Mary Boydell

Director since 4 April 2003 (Director, Bureau of Sugar Experiment Stations from 24 September 2000). A Fellow of the Institute of Chartered Accountants in Australia, with significant experience in business, finance and corporate administration. Mrs Boydell is the Chairperson of the Gladstone Area Water Board and the Rural Industries Research & Development Corporation, a Director of Energex Limited, a member (Deputy Chairperson 2007) of the Queensland Regional Council of the Institute of Chartered Accountants, and a member of the Smart State Council established by the Premier of Queensland, and was a Director of the Australian Trade Commission and Burnett Water Pty Ltd, She is formerly chief financial officer (Australia and Asia) for the international law firm Deacons.

Ross Chapman

Director from 4 April 2003 (Director, Bureau of Sugar Experiment Stations from 24 September 2000) until his retirement on 24 October 2006. At the time of his retirement, Mr Chapman was the Deputy Chairman of the FarmBis State Planning Group and was active in facilitation of strategic, business and research planning and management both within and outside the sugar industry.

Tom Fenwick

Chairman from 4 April 2003 (Chairman, Bureau of Sugar Experiment Stations from 24 September 2000) until his retirement on 31 July 2006. At the time of his retirement, Mr Fenwick was a Director of South East Queensland Water Corporation Limited and Managing Director of Tom Fenwick and Associates Pty Ltd. He had been Director-General of the Queensland Department of Natural Resources Director-General of the Queensland Department of Primary Industries and Commissioner of Water Resources.

John King

Director since 25 October 2005. Mr King has over 30 years experience in the sugar industry in both technical and managerial roles. He is currently General Manager of Tully Sugar

Limited, having commenced with that company in June 2003. Mr King has experience on industry boards, with 6 years on the Sugar Experiment Stations Board during 1988-1994 and 8 years on the board of Australian Molasses Trading during 1994-2002, the last 6 years as Chairman. He was reappointed to the Board of Australian Molasses Trading in February 2007 and currently is a Director of Mourilyan Molasses Terminal Company Pty Ltd.

John Pollock

Director since 24 October 2006. Mr Pollock is also a Director of Far North Queensland Natural Resource Management Ltd and serves as chair of several government committees. He was Executive Director of the Department of Primary Industries and Fisheries and has served as Deputy Commissioner for the Murray-Darling Basin Commission, board member of the Queensland Fisheries Management Authority and Director of the Sugar Research and Development Corporation. Mr Pollock has wide research, natural resource management, primary industry and corporate management experience.

Joe Russo

Director since 25 October 2005. Mr Russo is a third-generation Isis-district cane grower and Managing Partner of Russo Brothers. He is Chairman of CANEGROWERS Isis Limited, Senior Vice President of Queensland Cane Growers Organisation Limited, and a Director of Queensland Farmers Federation, Canegrowers Superannuation Pty Ltd and Canegrowers Financial Services Pty Ltd. In 2003, Mr Russo was the Australian Institute of Management's (Sunshine Coast Region) Rural Remote Manager of the Year.

Shayne Rutherford

Director since 1 October 2003. Mr Rutherford is the General Manager, New Business Development for CSR Limited Sugar Division and serves as a Director on CSR Sugar subsidiary companies. At CSR Sugar, he has responsibility for the strategy, planning and development of new growth initiatives. Prior to this appointment, Mr Rutherford held senior management roles in the agribusiness, oil and gas, and manufacturing industries, including international experience in South East Asia.

Eoin Wallis

Managing Director and Chief Executive Officer since 9 April 2003 (Director and Chief Executive of Bureau of Sugar Experiment Stations from 5 March 2001). Prior to this engagement, he led the Sugar Research and Development Corporation as its Executive Director and is currently a Director of the CRC for Sugar Industry Innovation through Biotechnology. Mr Wallis also gained extensive knowledge of BSES from his work as a BSES group manager. His career in agricultural management includes work for the Australian Centre for International Agricultural Research, and the Department of Agriculture at the University of Queensland. Mr Wallis is a Fellow of the Australian Institute of Agricultural Science and Technology and was awarded the industry's R&D Management Award in 2006.

COMPANY SECRETARY

David Munro

Dr Munro has 34 years of corporate, legal and corporate governance experience, including 15 years as Company Secretary and General Counsel of MIM Holdings Limited. During that time, he also served as a director on numerous Australian and international companies associated with MIM. In addition to his current role as Company Secretary of BSES, he is Company Secretary of Queensland Sugar Limited. He is a Fellow of the Chartered Secretaries Australia Limited and has degrees in Arts and Law and a doctorate in Counselling.

DIRECTORS' REPORT

In conformity with the *Corporations Act 2001*, your directors formally report that:

The reporting period
The financial reports of the company have been prepared for its activities for the period beginning on 1 July 2006 and ending on 30 June 2007 (the Reporting Period). The Directors' Report and the Annual Report also relate to this Reporting Period.

Review of operations and results
The operations of the company during the Reporting Period and the results of those operations are reviewed in detail on pages 1 to 16 of this annual report and these pages form part of this report.

Change in state of affairs
The state of affairs of the company and significant changes thereto are set out on pages 1 to 16 of this annual report. Other than set out in these pages, there was no significant change in the company's state of the affairs during the Reporting Period.

Principal activities
The company's principal activities during the Reporting Period consisted of research and development and extension activities, serving both the agricultural and milling sections of the Australian sugar industry. There have been no significant changes in the nature of those activities during the year.

Events after end of reporting period
Other than reported on pages 1 to 16 of the annual report, no matter or circumstance has arisen since the end of the Reporting Period that has significantly affected or may significantly affect:

- the company's operations in future financial years;
- the results of those operations in future financial years; or
- the company's state of affairs in future financial years.

Likely developments
Likely developments in the company's operations in future financial years and the expected results of those operations are referred to on pages 1 to 16 of this annual report.

Environmental performance
The company's operations are not subject to significant environmental regulation under Commonwealth and State laws, in relation to its land and chemical usage.

The company has established procedures to monitor and manage compliance with existing environmental regulations and new regulations as they come into force.

Directors are not aware of any significant breaches of environmental regulation during the Reporting Period.

Information relating to directors and secretary
The following table shows the persons who were directors during the financial year ended 30 June 2007 and the attendance of directors at meetings of the board. There were nine board meetings during the financial year.

TD Fenwick[1]	-	JS Pollock[3]	4	ES Wallis	8
MS Boydell	9	LJ Raiteri	8	PS Wright[4]	5
RN Chapman[2]	4	JJ Russo	9		
JH King	9	SW Rutherford	6		

[1] no meetings were held in the period to retirement on 31 July 2006.
[2] attended the 4 meetings held to retirement on 24 October 2006.
[3] attended 4 of the 5 meetings held since appointment on 24 October 2006.
[4] attended the 5 meetings held since appointment on 1 December 2006.

The Audit Compliance and Risk Management Committee met on six occasions during the financial year. Committee chair Mrs M Boydell attended all meetings, Mr RN Chapman attended the two meetings held while he was a member of the Committee to 24 October 2006, Mr JH King attended the four meetings held after he joined the Committee on 24 October 2006, Mr JS Pollock attended the two meetings held after he joined the Committee on 21 February 2007, and Mr S Rutherford attended three of the four meetings held while he was a member of the Committee to 20 February 2007.

One Board Administration Committee meeting was held during the financial year. Mr LJ Raiteri, acting Chair and Mr JJ Russo participated in the meeting.

Particulars of the qualifications and experience of each director of the company and of the company secretary are set out on pages 15 to 16.

Indemnities and insurance premiums
The constitution provides that the company, to the extent permitted by law, must indemnify each person who is, or has been a director or secretary of the company against any liability (resulting directly or indirectly from facts or circumstances relating to the person serving in that capacity in relation to the company):

- to any person (other than the company) which does not arise out of conduct involving the lack of good faith or conduct known to the person to be wrongful;
- for costs and expenses incurred by the person in defending proceedings, whether civil or criminal, in which judgement is given in favour of the person or in which the person is acquitted, or in connection with any application in relation to such proceedings in which the court grants relief to the person under the Corporations Law.

The constitution also provides that the board of directors may authorise the company to, and the company may enter into any insurance policy for the benefit of any person who is, or has been, a director, secretary, auditor, employee or other officer of the company. The obligation of the company to indemnify persons as set out in the preceding paragraph is reduced to the extent that a person is entitled to an indemnity in respect of that liability under a contract of insurance.

The company has paid or has agreed to pay premiums in respect of contracts insuring against the liability the following persons, being persons who are or have been officers of the company: namely, any past, present or future director or officer of the company. The liabilities insured are legal costs that may be incurred in defending civil and criminal proceedings that may be brought against the officers in their capacity as officers of BSES Limited, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of

information to gain an advantage for themselves or someone else or to cause detriment to BSES Limited. It is not possible to apportion premium between amounts relating to the insurance against legal costs and those relating to other liabilities. The contracts prohibit disclosure of the extent of the cover and the amounts of the premium.

The company has entered into Deeds of Indemnity with each of its directors and company secretary. To the extent permitted by law, the company has agreed to indemnify and maintain insurance in favour of the individual for certain liabilities, including costs and expenses, incurred in the capacity as an officer of the company.

Proceedings on behalf of company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Auditor's independence

The auditor has provided the following Auditor's Independence Declaration to the directors of BSES Limited:

"In accordance with the requirements of section 307C of the *Corporations Act 2001*, as auditor of BSES Limited, I declare that, to the best of my knowledge and belief, for the year ended 30 June 2007 there has been:

(a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) No contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON QUEENSLAND PARTNERSHIP

D J CARROLL
Partner
Brisbane 6 September 2007"

Rounding

BSES Limited is a company of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts in the financial report. Unless otherwise shown in this Annual Report, amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

This report is signed for and on behalf of the directors in accordance with a resolution of the board of directors.

PS Wright AM
Chairman

ES Wallis
Chief Executive Officer

6 September 2007

BSES Limited
Income Statement
For the year ended 30 June 2007

	Notes	*2007* *$'000*	*2006* *$'000*
Revenue	2(a), 3	24,287	20,239
Research, development and extension expenses	3	(22,088)	(19,077)
Gross profit / (loss)		**2,199**	**1,162**
Other income	2(b)	100	166
Administration expenses		(3,344)	(2,847)
Results from operating activities		(1,045)	(1,519)
Financial income	6	1,288	1,243
Financial costs	6	-	-
Net financing income	6	1,288	1,243
Profit/(loss) before income tax		243	(276)
Income tax expense/(benefit)	4	-	-
Profit/(loss) for the year		**243**	**(276)**

The Income Statement should be read in conjunction with the accompanying notes.

BSES Limited
Statement of Recognised Income and Expense
For the year ended 30 June 2007

	Notes	2007 $'000	2006 $'000
Actuarial gains/(losses) on defined benefit plan	16(e)	1,130	928
Deferred tax benefit on actuarial gains/(losses) on defined benefit plan	4(c)	-	-
		1,130	928
Profit / (loss) for the year		243	(276)
Net income recognised in accumulated funds	17(a)	1,373	652
Change in fair value of equity securities available-for-sale	17(b)	21	17
Total recognised income and expense for the year		**1,394**	**669**

The Statement of Recognised Income and Expense should be read in conjunction with the accompanying notes.

BSES Limited
Balance Sheet
As at 30 June 2007

	Notes	2007 $'000	2006 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	3,000	20,506
Trade and other receivables	9	3,065	3,967
Financial assets	12	18,791	-
Inventories	10	606	129
Total current assets		**25,462**	**24,602**
Non-current assets			
Property, plant and equipment	11	16,805	16,777
Financial assets	12	64	43
Deferred tax assets	13	-	-
Employee benefits	15	3,275	2,429
Total non-current assets		**20,144**	**19,249**
TOTAL ASSETS		**45,606**	**43,851**
LIABILITIES			
Current liabilities			
Trade and other payables	14	1,613	1,469
Employee benefits	15	1,901	1,812
Total current liabilities		**3,514**	**3,281**
Non-current liabilities			
Trade and other payables	14	47	60
Employee benefits	15	1,526	1,385
Total non-current liabilities		**1,573**	**1,445**
TOTAL LIABILITIES		**5,087**	**4,726**
NET ASSETS		**40,519**	**39,125**
EQUITY			
Retained earnings	17(a)	40,478	39,105
Fair value reserve	17(b)	41	20
TOTAL EQUITY		**40,519**	**39,125**
		-	

The Balance Sheet should be read in conjunction with the accompanying notes.

BSES Limited
Cash Flow Statement
For the year ended 30 June 2007

	Notes	2007 $'000	2006 $'000
Cash flows from operating activities			
Cash receipts from customers		25,971	19,366
Interest received		1,288	1,213
Net GST input tax credits		1,389	1,031
Payments to suppliers and employees		(24,456)	(21,082)
GST remitted to the ATO		(1,455)	(1,000)
Net cash used in operating activities	19	**2,737**	**(472)**
Cash flows from investing activities			
Acquisition of property, plant & equipment		(1,543)	(985)
Proceeds from sale of property, plant & equipment		91	300
Net cash used in investing activities		**(1,452)**	**(685)**
Net increase/(decrease) in cash and cash equivalents		**1,285**	**(1,157)**
Cash and cash equivalents at 1 July		20,506	21,663
Cash and cash equivalents at 30 June	19(a)	**21,791**	**20,506**

The Cash Flow Statement should be read in conjunction with the accompanying notes.

Note 1 Significant accounting policies

BSES Limited (the "Company") is a company domiciled in Australia. The Company is an unlisted public company, limited by guarantee.

The financial report was authorised for issue by the directors on 6 September 2007.

(a) Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*.

(b) Basis of preparation

The financial report is presented in Australian dollars, which is the Company's functional currency.

The financial report is prepared on an accruals basis and is based on historical cost, except that the following assets and liabilities are stated at their fair value: financial instruments classified as available-for-sale.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005) and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in Note 1(t).

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation of the current financial year.

(c) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on the retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments.

(d) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses, see Note 1(i). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2004, the date of transition to Australian Accounting Standards - AIFRS are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

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.

(ii) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. The property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses see Note 1(i).

Note 1 Significant accounting policies (continued)

(iii) Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the Income Statement as an expense as incurred.

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property plant and equipment. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

- Buildings 33.3 years
- Laboratory Equipment 3-14 years
- Plant and Machinery 5-18 years
- Motor Vehicles 5-15 years
- Office Furniture & Equipment 3-10 years
- Information Technology Equipment 3-7 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Gains and losses on disposal are determined by comparing proceeds with the carrying value. These gains or losses are included in the Income Statement.

(e) Financial assets

Equity financial instruments held by the Company are classified as being available-for-sale financial assets and are stated at fair value (except where the equity financial instrument is unquoted, in which case it is carried at cost), with any resultant gain or loss being recognised directly in equity, except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is transferred to profit or loss.

(i) Held-to-maturity investments

If the Company has the positive intent and ability to hold debt securities (including term deposits) to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment costs.

(ii) Available-for-sale financial assets

The fair value of financial instruments classified as available-for-sale financial assets is their quoted bid price at the balance sheet date.

Financial instruments classified as available-for-sale financial assets are recognised / derecognised by the Company on the date it commits to purchase / sell the investments.

(f) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses, see Note 1(i).

(g) Inventories

Inventories represent work in progress, being the shortfall between the accumulated revenue received for each research project and the revenue that would have been recognised based on the revenue percentage completion method used. At balance date, the Company examined each of these projects and believes that the valuation methodology is acceptable and the balances are fairly stated; refer Note m(iii). Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated recoverable income in the ordinary course of business, less the estimated costs of completion.

(h) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and at call deposits.

(i) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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 original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Note 1 Significant accounting policies (continued)

Individually significant financial assets are tested for impairment on an individual basis, at each reporting date. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax 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. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in 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 amount of the other assets in the unit (group of units) on a pro rata basis.

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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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.

(j) Employee benefits

(i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

(ii) Defined benefit superannuation funds

The Company's net obligation in respect of defined benefit superannuation funds is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any fund assets is deducted.

The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a fund are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

The Company has elected to recognise actuarial gains and losses directly to retained earnings.

Past service cost is the increase in the present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service costs may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

(iii) Long-term service benefits

The Company's net obligation in respect of long-term service benefits, other than superannuation funds, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Company's obligations.

(iv) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Company as the benefits are taken by the employees.

Note 1 Significant accounting policies (continued)

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(k) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability.

(l) Trade and other payables

Trade and other payables are stated at cost.

(m) Revenue

(i) Goods sold and services rendered

Revenue from the sale of goods is recognised in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the Balance Sheet until the service has been rendered or the Company has successfully completed agreed-to milestones. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, if the costs incurred or to be incurred cannot be measured reliably, if there is a risk of return of goods, or if there is continuing management involvement with the goods.

(ii) Grants

Grants that compensate the Company for expenses incurred are recognised as revenue in the Income Statement on a systematic basis in the same periods in which the expenses are incurred.

Grants of assets, or that compensate the Company for the cost of an asset, are recognised in the Income Statement when the Company obtains control of the contribution or the right to receive the contribution; it is probable that the economic benefits comprising the contribution will flow to the Company; and the amount of the contribution can be recognised reliably.

(iii) Revenue in Advance

Revenue in advance represents income received for research projects in excess of income that would have been recognised if the percentage of revenue completion methodology was applied. At balance date, the Company examined each of these projects and believe that the valuation methodology is acceptable and the balances are fairly stated.

(n) Financial income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

(o) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense and spread over the lease term.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(p) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in 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 on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Note 1 Significant accounting policies (continued)

Deferred tax is provided using the balance sheet liability method, providing for 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 the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

(q) Segment reporting

The company has not applied AASB114, *Segment Reporting*, as the Standard does not apply to not-for-profit entities.

(r) Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

(s) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(t) Critical accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. Instances when accounting estimates and judgements were used are outlined below:

(i) Actuarial assumptions: The Company accepted the actuarial assumptions in the determination of its net asset or liability related to the defined benefit superannuation fund as set out in Note 16.

(ii) Long service leave provisions: Estimates and judgements used to determine the likelihood of staff qualifying for long service leave in future accounting periods are based on historical trends within the Company. Historical data was used to determine when existing entitlements would be taken, and redundancies were excluded.

(iii) Work in progress and revenue received in advance: Assessment is based on several assumptions that have been fully disclosed to the auditors and the Audit Committee, refer Note 1(g) and 1(m)(*iii*).

(u) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations are available for early adoption at 30 June 2007, but have not been applied in preparing the Company's financial statements:

- AASB 101 *Presentation of Financial Statements* (October 2006) has deleted the Australian specific Illustrative Financial Report Structure and reinstated the current IASB 1 guidance on Illustrative Financial Statement Structure. The revised AASB 101 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 7 *Financial Instruments: Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Company's financial instruments and share capital.
- AASB 1049 *Financial Reporting of General Government Sectors by Governments* specifies requirements for the form and content of General Government Sector (GGS) financial reports. AASB 1049 is applicable for annual reporting periods beginning on or after 1 July 2008 and is not expected to have any impact on the Company's financial statements.
- AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings Per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the Company's financial report.
- AASB 2006-3 *Amendments to Australian Accounting Standards* (October 2006) amends AASB 1045 *Land under Roads* to extend the current transitional provisions for a further 12 months so that they do not lapse prior to the issue of amended or new standards resulting from the review of AAS 27/29/31.

Note 1 Significant accounting policies (continued)

- Interpretation 7 *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies* addresses the application of AASB 129 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax. Interpretation 7, which becomes mandatory for the Company's 2008 financial report, is not expected to have any impact on the Company's financial report.
- Interpretation 8 *Scope of AASB 2 Share-based Payments* addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. Interpretation 8 will become mandatory for the Company's 2007 financial report, is not expected to have any impact on the Company's financial report.
- Interpretation 9 *Reassessment of Embedded Derivatives* requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. Interpretation 9, which becomes mandatory for the Company's 2007 financial report, is not expected to have any impact on the Company's financial report.
- Interpretation 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the Company's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Company first applied the measurement criteria of AASB 136 and AASB 139 respectively (i.e., 1 July 2004 and 1 July 2005, respectively). Interpretation 10 is not expected to have any impact on the Company's financial report.
- Interpretation 11 AASB 2 *Share-based Payment -- Group and Treasury Share Transactions* addresses the classification of a share-based payment transaction (as equity or cash settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving the services. Interpretation 11 will become mandatory for the Group's 2008 financial report. Interpretation 11 is not expected to have any impact on the Company's financial report.

		Notes	2007 $'000	2006 $'000
Note 2	**Revenue**			
(a)	Fees and service charges		13,916	9,849
	Research grants			
	Queensland Government - Department of Primary Industries & Fisheries		3,800	3,800
	Other parties (including SRDC, CRCSIIB, NR&W)		5,165	6,163
	Other revenue [1]		1,406	427
			24,287	20,239
	[1] Includes recovery of smut resistant cane delivered to Isis and Bundaberg.			
(b)	**Other income**			
	Miscellaneous income		100	166
			100	166
Note 3	**Significant Revenue and Expenses - Smut Incursion**			
	Additional expenses - smut incursion		4,321	-
	Less reimbursements received[2]:			-
	- Queensland Government - Department of Primary Industries & Fisheries		2,247	-
	- Grower & miller reimbursement		949	-
	Net expense		1,125	-
	[2] Reimbursements received are included in Note 2(a).			
Note 4	**Income tax**			
(a)	**Income tax expense/(benefit)**			
	Recognised in the income statement			
	Current tax expense/(benefit)			
	Current year		-	-
	Adjustments for prior years		-	-
			-	-
	Deferred tax expense/(benefit)			
	Origination and reversal of temporary differences		-	-
	Benefit of tax losses recognised		-	-
			-	-
	Total income tax expense/(benefit) in income statements		-	-
	Attributable to:			
	Continuing operations		-	-
			-	-
	Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:			
	Decrease/(increase) in deferred tax assets		-	-
	(Decrease)/increase in deferred tax liabilities		-	-
			-	-
(b)	**Numerical reconciliation of income tax expense/(benefit) to pre-tax net profit**			
	Profit/ (loss) for the period		243	(276)
	Income tax using the corporate tax rate of 30% (2006: 30%)		73	(83)
	Increase in income tax expense due to:			
	Non-deductible expenses		3	2
	Benefit of losses and deferred tax balances not brought to account		(76)	81
	Tax losses utilised		-	-
	Under/(over) provided in prior years		-	-
	Income tax expense/(benefit)		-	-
	Attributable to:			
	Continuing operations		-	-
			-	-
(c)	**Income tax recognised directly in equity**			
	Relating to actuarial (gains)/ losses recognised on defined benefit plan		-	-

		Notes	2007 $'000	2006 $'000
Note 5	**Personnel expenses**			
	Wages, salaries and oncosts[3]		14,405	12,366
	Superannuation contributions - accumulation members		947	631
	Defined benefit plan expense	16(d)	284	402
			15,636	13,399

[3] Includes casual wages and overtime payments of $741,000 relating to the smut incursion.

Note 6	**Net financing income**			
	Interest income		1,288	1,243
	Interest expense		-	-
			1,288	1,243
Note 7	**Auditors' remuneration**			
	Auditors of the company's financial reports			
	Grant Thornton Queensland Partnership			
	Audit of financial reports		35	35
Note 8	**Cash and cash equivalents**			
	Cash on hand		3	3
	Imprest bank accounts		12	11
	Cash at bank		584	834
	Deposits at call		2,401	19,658
			3,000	20,506

Cash held in term deposits is disclosed in Note 12 Financial Assets.

Note 9	**Trade and other receivables**			
	Trade debtors		1,742	2,270
	Provision for impairment of trade debtors*		(106)	-
	Prepayments		205	191
	Accrued income		1,219	1,499
	Other receivables		5	7
			3,065	3,967

* Typically referred to as Provision for Doubtful Debts

Note 10	**Inventories**			
	Work in progress		606	129
Note 11	**Property, plant & equipment**			
	Land - at cost		7,911	7,911
	Buildings - at cost		7,133	6,851
	Less: Accumulated depreciation		(1,720)	(1,301)
			5,413	5,550
	Plant and machinery - at cost		3,216	2,792
	Less: Accumulated depreciation		(1,877)	(1,627)
			1,339	1,165
	Laboratory equipment - at cost		3,309	2,620
	Less: Accumulated depreciation		(1,954)	(1,654)
			1,355	966
	Motor vehicles - at cost		744	924
	Less: Accumulated depreciation		(538)	(524)
			206	400
	Office furniture and equipment - at cost		296	225
	Less: Accumulated depreciation		(180)	(119)
			116	106
	Information technology equipment - at cost		2,299	2,050
	Less: Accumulated depreciation		(1,834)	(1,371)
			465	679
	Total property, plant and equipment		16,805	16,777

Note 11 Property, plant & equipment *(continued)*

Movements during the reporting period

	Land	Buildings	Plant and machinery	Laboratory Equipment	Motor Vehicles	Office Furniture and Equipment	Information Technology Equipment	Total
Cost	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2005	7,983	6,899	2,554	2,346	1,161	170	1,825	22,938
Additions	-	36	258	280	-	69	276	919
Disposals	(72)	(84)	(20)	(6)	(237)	(14)	(51)	(484)
Balance at 30 June 2006	7,911	6,851	2,792	2,620	924	225	2,050	23,373
Balance at 1 July 2006	7,911	6,851	2,792	2,620	924	225	2,050	23,373
Additions	5	297	449	689	-	72	249	1,761
Disposals	(5)	(15)	(25)	-	(180)	(1)	-	(226)
Balance at 30 June 2007	7,911	7,133	3,216	3,309	744	296	2,299	24,908

	Land	Buildings	Plant and machinery	Laboratory Equipment	Motor Vehicles	Office Furniture and Equipment	Information Technology Equipment	Total
Accumulated depreciation and impairment losses	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2005	-	853	1,271	1,267	490	80	888	4,849
Depreciation expense	-	459	365	390	197	44	527	1,982
Disposals	-	(11)	(9)	(3)	(163)	(5)	(44)	(235)
Balance at 30 June 2006	-	1,301	1,627	1,654	524	119	1,371	6,596
Balance at 1 July 2006	-	1,301	1,627	1,654	524	119	1,371	6,596
Depreciation expense	-	419	265	300	130	61	463	1,638
Disposals	-	-	(15)	-	(116)	-	-	(131)
Balance at 30 June 2007	-	1,720	1,877	1,954	538	180	1,834	8,103
Carrying amounts								
At 1 July 2005	7,983	6,046	1,283	1,079	671	90	937	18,089
At 30 June 2006	7,911	5,550	1,165	966	400	106	679	16,777
At 1 July 2006	7,911	5,550	1,165	966	400	106	679	16,777
At 30 June 2007	7,911	5,413	1,339	1,355	206	116	465	16,805

	2007	***2006***
	$'000	***$'000***
Profit or (loss) on disposal of property, plant and equipment	(4)	51

		Notes	2007 $'000	2006 $'000
Note 12	**Financial assets**			
	Current			
	Held-to-maturity term deposits		18,791	-
			18,791	-
	Non-Current			
	Equity instruments, available-for-sale			
	Shares in Sugar Terminals Ltd, at fair value		64	43
			64	43

Held-to-maturity term deposits at Commonwealth Bank of Australia $7,619,650 at an interest rate of 6.36% (2006: Nil) and mature in 88 days, National Australia Bank $6,095,572 at an interest rate of 6.53% (2006: Nil) and mature in 178 days, Westpac Banking Corporation $5,075.624 at an interest rate of 5.98% (2006: Nil) and mature in 28 days.

Note 13 Deferred tax assets and liabilities

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Assessable temporary differences	(4a)	859	529
Tax losses	(4a)	568	974
		1,427	1,503

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that the future taxable profit will be available against which the company can utilise the benefits.

Note 14	**Trade and other payables**			
	Current			
	Trade creditors		517	684
	Other creditors		13	29
	Accrued expenses		593	531
	Income received in advance		490	225
			1,613	1,469
	Non-current			
	Rent in advance		47	60
			47	60
Note 15	**Employee benefits**			
	Assets			
	Non-current			
	Defined benefit plan surplus	16(a)	3,275	2,429
	Liabilities			
	Current			
	Salaries and wages accrued		362	349
	Liability for annual leave		1,321	1,169
	Liability for long-service leave		218	294
			1,901	1,812
	Non-Current			
	Liability for long-service leave		1,526	1,385

Note 16 Superannuation

Plan information

BSES Limited is the sponsor of the BSES Limited Superannuation Plan. The last actuarial valuation of the plan was conducted as at 1 July 2005. Accordingly, the actuary determined this fund had surplus assets to allow BSES Limited to continue its contribution holiday for the defined benefit plan until 30 June 2009. The superannuation fund was moved into a Sunsuper Master Trust Fund effective from 1 July 2005. The contribution holiday for the defined benefit fund has continued from 1 July 2005 to 30 June 2007. Contributions for the accumulation members were paid throughout the 2006/07 year.

Defined benefit members receive lump sum benefits on retirement, death, total permanent disablement and withdrawal. The defined benefit section of the plan is closed to new members.

The last actuarial assessment of the fund was made at 1 July 2005 and is detailed in Note 16(n).

	Notes	***2007 $'000***	***2006 $'000***
a) The amounts recognised in the balance sheet are as follows:			
Present value of funded defined benefit obligations at end of year	16(b)	14,063	13,102
Fair value of Plan assets at end of year	16(c)	17,338	15,531
		(3,275)	(2,429)
Unrecognised past service cost		-	-
Unrecognised gain/(loss)		-	-
Adjustment for limitation on net asset		-	-
Net liability/(asset) recognised in balance sheet at year end	15	**(3,275)**	**(2,429)**
b) Reconciliation of the present value of the defined benefit obligation:			
Present value of defined benefit obligations[1] at beginning of the year		13,102	14,227
Current service cost		585	762
Interest cost		633	629
Contributions by plan participants		189	189
Defined benefit salary sacrifice contributions met from defined benefit assets		-	(61)
Actuarial (gains)/losses		401	(226)
Benefits and taxes paid		(847)	(2,251)
Accumulation contributions met from defined benefit assets		-	(167)
Past service cost		-	-
Curtailments		-	-
Settlements		-	-
Exchange rate changes		-	-
Present value of defined benefit obligations[1] at end of the year		**14,063**	**13,102**

[1] *Includes contributions tax provision on plan surplus or deficit*

Note 16	Superannuation (continued)		2007 $'000	2006 $'000
c)	Reconciliation of movement in the fair value of plan assets is as follows:			
	Fair value of plan assets at beginning of the year		15,531	16,130
	Expected return on plan assets		934	989
	Actuarial gains/(losses)		1,531	702
	Employer contributions		-	-
	Contributions by plan participants		189	189
	Defined benefit salary sacrifice contributions met from defined benefit assets		-	(61)
	Benefits and taxes paid		(847)	(2,251)
	Accumulation contributions paid from defined benefits assets		-	(167)
	Settlements		-	-
	Business combinations		-	-
	Exchange rate changes		-	-
	Fair value of plan assets at end of the year		**17,338**	**15,531**
d)	The amounts recognised in the income statement are as follows[1]:			
	Current service cost[2]		585	595
	Interest cost		633	629
	Expected return on plan assets (net expenses)		(934)	(989)
	Amortisation of past service cost		-	-
	Amortisation of actuarial (gain)/loss		-	-
	Movement in adjustment for limitation on net asset		-	-
	Curtailment or settlement (gain)/loss		-	-
	Contributions to accumulation section funded from defined benefit assets		-	167
	Expense/(income) recognised	5	**284**	**402**

[1] *Forming part of the personnel expenses, refer Note 5.*

[2] *Includes expected change in provision for contributions tax on plan surplus or deficit.*

e)	Amounts recognised in the statement of recognised income and expense:		
	Actuarial gains/(losses)	**1,130**	**928**
	Adjustment for limit on net asset	-	-
f)	Cumulative amount recognised in the statement of recognised income and expense		
	Cumulative amount of actuarial (gains)/losses	1,877	747
g)	Plan assets		
	The percentage invested in each asset class at the balance sheet date:		
	Australian equities	32%	33%
	Overseas equities	25%	27%
	Fixed interest securities	20%	23%
	Alternatives	16%	10%
	Property	5%	5%
	Cash	2%	2%
		100%	100%

h) Fair value of plan assets

The fair value of plan assets includes no amounts relating to:

– any of the Company's own financial instruments

– any property occupied by, or other assets used by, the Company.

i) Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax, investment fees and administration fees.

j) Actual return on plan assets

Actual return on plan assets	2,465	1,691

Note 16	**Superannuation (continued)**		***2007***	***2006***
			$'000	***$'000***
k)	Principal actuarial assumptions at the balance sheet date			
	Discount rate		5.3% pa	4.9% pa
	Salary increase rate		4.2% pa	4.5% pa
	Expected rate of return on assets*		6.2% pa	6.2% pa
	** Net of investment tax and expenses and administration expenses*			
l)	Historical information			
	Present value of defined benefit obligation at year end		14,063	13,102
	Fair value of plan assets at year end		17,338	15,531
	(Surplus)/deficit in plan		(3,275)	(2,429)
	Experience (gains)/losses adjustments – plan liabilities	16(b)	401	(226)
	Experience (gains)/losses adjustments – plan assets	16(c)	(1,531)	(702)
m)	Expected contributions			
	Expected employer contributions		-	-

n) Employer contributions

(i) Surplus/deficit

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals and the last such assessment was made as at 1 July 2005.

The following is a summary of the most recent financial position of the BSES Limited Superannuation Plan (with respect to both defined benefit and accumulation members) calculated by the actuary in accordance with AAS 25 “Financial Reporting by Superannuation Plans”:

	Last reporting date	**$'000**
Net market value of plan assets	1/07/2005	19,842
Accrued benefits	1/07/2005	17,668
Net surplus/(deficit)	1/07/2005	2,174

(ii) Contribution recommendations

BSES Limited is currently on a contribution holiday for its defined benefit members, contributions for accumulation members commenced on 1 October 2005. This is in line with the recommendation from the actuary at the previous valuation of the fund as at 1 July 2005. Contributions for defined benefit members are not expected to resume until 1 July 2009.

(iii) Funding method

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the aggregate method.

Under the aggregate method, the future contribution rates are determined, and are expected to be sufficient to fund the difference between the value of future benefits for existing defined benefit members and the value of plan assets attributable to defined benefit members, over the future working lifetime of the existing defined benefit members.

An aggregate financing method can be expected to produce a higher level of volatility in recommended employer contribution rates, particularly as the defined benefit membership ages and reduces in size. Variations between actual and expected experience have a greater financial effect on future employer contribution rates as the future working lifetime of the existing defined benefit members reduces.

(iv) Economic assumptions

The economic assumptions used by the actuary for the last review, to make the funding recommendations were an expected rate of return on plan assets of 12.0% per annum for the first year and 7.0% per annum thereafter with a salary increase of 5.0% per annum.

Note 16 Superannuation (continued)

(v) Nature of asset/liability

The BSES Limited Superannuation Plan does not impose a legal liability on BSES Limited to cover any deficit that exists in the plan. If the plan were wound up, there would be no legal obligation on BSES Limited to make good any shortfall. The trust deed of the plan states that if the plan winds up, the remaining assets are to be distributed by the trustee of the plan in an equitable manner as it sees fit.
BSES Limited may at any time by notice to the trustee terminate its contributions. BSES Limited has a liability to pay the monthly contributions due prior to the effective date of the notice, but there is no requirement for BSES Limited to pay any further contributions, irrespective of the financial condition of the plan.

BSES Limited may benefit from any surplus in the plan in the form of a contribution reduction or contribution holiday. Any reduction in contributions would normally be implemented only after advice from the plan's actuary.

Note 17	**Retained earnings and reserves**	***2007 $'000***	***2006 $'000***
a)	**Retained earnings**		
	Retained earnings at 1 July	39,105	38,453
	Total recognised income and expense	1,373	652
	Retained earnings at 30 June	40,478	39,105
b)	**Reserves**		
	Fair value reserve at 1 July	20	3
	Total recognised income and expense	21	17
	Fair value reserve at 30 June	41	20

BSES Limited is a company limited by guarantee, as such, it does not have share capital.

The fair value reserve incudes the cumulative net change in the fair value of available-for-sale financial instruments until the investment is derecognised.

Note 18 Contingent assets/liabilities

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Contractual commitments include warranties given in the normal course of commercial arrangements. Allegations of a breach of contract were made during the 2005/06 year in relation to a research project, however no further communication was received during the 2006/07 year.

The Company maintains that no contractual relationship existed and will defend any action brought vigorously. There were no other known contingent assets or liabilities of a significant nature at 30 June 2007.

In the event of BSES being wound up, each of its members (numbering 3057) has undertaken to contribute an amount not exceeding $1.00.

Note 19 Reconciliation of cash flows from operating activities

(a) Reconciliation of cash

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash at the end of the financial year as shown in statements of cash flows is reconciled to the related items in the balance sheet as follows:

	Notes	***2007 $'000***	***2006 $'000***
Cash assets	8	3,000	20,506
Financial assets: Held-to-maturity term deposits	12	18,791	-
		21,791	20,506

(b) Cash flows from operating activities		
Profit/(loss) for the year	243	(276)
Adjustments for:		
Depreciation	1,638	1,984
(Profit)/loss from sale of property, plant and equipment	4	(51)
(Increase)/decrease in defined benefit surplus	284	402
Change in working capital and provisions:		
(Increase)/decrease in trade and other receivables, and prepayments	902	(1,305)
(Increase)/decrease in inventories	(477)	236
Increase/(decrease) in payables	(87)	(1,486)
Increase/(decrease) in income tax payable	-	-
Increase/(decrease) in deferred tax liabilities	-	-
Increase/(decrease) in employee benefits	230	24
Net cash used in operating activities	**2,737**	**(472)**

Note 20 Financial instruments

(a) Interest rate risk exposures

The exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial instruments	Note	Floating interest rate		Fixed interest rate maturing in:		Non interest bearing		Total carrying amount as per Balance Sheet		Weighted average interest rates %	
				One year or less	One year or less						
		2007	*2006*	*2007*	*2006*	*2007*	*2006*	*2007*	*2006*	*2007*	*2006*
		$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*%*	*%*
Financial assets											
Cash and cash equivalents	8	2,985	20,492	-	-	15	14	3,000	20,506	6.26	5.70
Trade and other receivables	9	-	-	-	-	2,860	3,776	2,860	3,776		
Financial assets	12	-	-	18,791	-	64	43	18,855	43	6.53	-
Total financial assets		2,985	20,492	18,791	-	2,939	3,833	24,715	24,325		
Financial liabilities											
Trade and other payables	14	-	-	-	-	1,123	1,244	1,123	1,244		
Total financial liabilities		-	-	-	-	1,123	1,244	1,123	1,244		

(b) Net fair values of financial assets and liabilities
The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date approximate their carrying values.

(c) Credit risk
The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is represented by the carrying amount of those assets as indicated in the statement of financial position. There are no concentrations of credit risk.

Note 21 Commitments

	2007	***2006***
	$'000	***$'000***

Capital commitments
At balance date the Company had entered into the following contracts for capital works:

(i) project management agreement of $60,000 to facilitate the construction of a photoperiod facility at BSES Meringa. No contracts have been entered into with subcontractors for building works.

(ii) construction of a turning lane on the highway adjacent to the BSES Mackay for $225,000.

Operating commitments

(i) Lease commitments
Motor vehicle lease commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, payable:

- not later than one year	217	171
- later than one year but not later than five years	142	85
- later than five years	-	-
	359	256
Operating lease expense during the year	328	245

These leases have an average 3 year term. Increases in lease commitments may occur in line with CPI. An option exists to renew the lease at the end of the term for an additional 12 month period.

(ii) Other significant operating commitments
Total operating expenditure contracted for at balance date but not provided for in the financial statements, and payable:

(a) Co-operative Research Centre for Sugar Industry Innovation through Biotechnology (CRCSIIB) agreement

- not later than one year	488	278
- later than one year but not later than five years	720	5,072
- later than five years	-	-
	1,208	5,350

BSES Limited is a core participant in the CRCSIIB. During the year it re-negotiated its continuing participation to the CRCSIIB, resulting in a commitment of $0.72 million in-kind contributions (net of funding receipts) and $0.4 million in cash contributions over a two-year period ending 30 June 2009.

	2007 $'000	2006 $'000

Note 21 Commitments (continued)

(b) Funding Commitments

BSES Limited has signed a funding agreement with the Commonwealth of Australia as represented by the Commonwealth Department of Agriculture, Fisheries and Forestry in respect of a grant under the Regional and Community Projects program of up to $1.3m by matching expenditure and in kind contributions of the parties to a joint venture company in which BSES Limited has a one-third interest. The project involves the establishment of a micropropagation facility to propagate sugarcane varieties through tissue culture and regional distribution centres to distribute those plants to distributors appointed for that purpose.

(c) Property leases

With the exception of the 30 year lease at Ingham, property leases are non-cancellable operating leases with a three-year term, with rent payable in advance. Contingent rental provisions, within the lease agreement, require that the minimum lease payments shall be increased by the lower of CPI or 4.5% per annum. An option exists to renew the lease at the end of the three-year term for an additional year at a time.

- not later than one year	85	50
- later than one year but not later than five years	113	105
- later than five years	33	36
	231	191

(d) Other leases

A telephone operating lease exists for a two year term with the option to extend the term for an additional 12 month period.

- not later than one year	34	-
- later than one year but not later than five years	41	-
- later than five years	-	-
	75	-

Note 22 Key management personnel disclosures

Remuneration paid to Directors of BSES Limited, including the Managing Director, in the period 1 July 2006 to 30 June 2007 in connection with the management of BSES Limited includes salary, fees and commissions and contributions to members' superannuation and other benefits paid to them and on their behalf.

The key management personnel compensation included in administration expenses are as follows:

Short-term employee benefits	254	332
Post-employment benefits - salary sacrifice superannuation	181	101
Other long-term benefits - long service leave	33	14
Termination benefits	-	-
	468	447

Note 23 Related parties

The names of persons who were directors of BSES at any time during the financial period are:

Mr Paul Wright AM, Chairperson (appointed 01 December 2006)
Mr Tom Fenwick, Chairperson (retired 31 July 2006)
Mr Luigi Raiteri, Acting Chairperson (31 July 2006 - 1 December 2006)
Mr Eoin Wallis, Managing Director
Ms Mary Boydell
Mr Ross Chapman (retired 24 October 2006)
Mr Shayne Rutherford
Mr John King
Mr Joe Russo
Mr John Pollock (appointed 24 October 2006)

Three directors are directors and/or officers of milling companies and the Company has entered into agreements with these milling companies, such as cane analysis services agreements, research agreements, confidentiality agreements and BSES PBR and Services Agreements. These Directors are: SW Rutherford, CSR Limited; LJ Raiteri, Proserpine Co-operative Sugar Milling Association Limited; JH King, Tully Sugar Limited. In addition, Grower Directors LJ Raiteri and JJ Russo, or entities related to them, have entered into BSES PBR and Services Agreements with the Company. All such related transactions are on normal commercial terms and conditions occurring in a normal customer or supplier relationship at arms' length and are trivial or domestic in nature.

Note 24 Events occurring after reporting date

No events after the reporting date have material financial effects on the accounts at 30 June 2007.

Note 25 Registered office and principal place of business
50 Meiers Road
Indooroopilly
Queensland 4068

BSES LIMITED
DIRECTORS' DECLARATION

The Directors of BSES Limited declare that:

(i) in the directors' opinion, there are reasonable grounds to believe that BSES Limited will be able to pay its debts as and when they become due and payable;

(iI) in the directors' opinion, the financial statements and notes set out on pages 20 to 39 are in accordance with the *Corporations Act 2001*, including:
   (a) complying with Accounting Standards and the *Corporations Regulations 2001*; and
   (b) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date.

This declaration is made in accordance with a resolution of the Board of Directors.

PS Wright AM
Chairman

ES Wallis
Chief Executive Officer

6 September 2007

Grant Thornton

Grant Thornton Queensland Partnership
ABN 13 131 589 059
Chartered Accountants, Business Advisers and Consultants

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BSES LIMITED
ACN 103 760 005

We have audited the accompanying financial report of BSES Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense, and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The Directors of the BSES Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards, which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independence

In conducting our audit, we complied with applicable independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion, the financial report of BSES Limited is in accordance with the *Corporations Act 2001*, including:

i. Giving a true and fair view of BSES Limited's financial position as at 30 June 2007 and of its performance for the year ended on that date; and

ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

GRANT THORNTON QUEENSLAND PARTNERSHIP

Grant Thornton Queensland Partnership

Dan Carroll

D J CARROLL
Partner
Brisbane

Date: 6th September 2007

GLOSSARY OF TERMS

ACIAR	-	Australian Centre for International Agricultural Research
CAS	-	Cane Analysis Systems
CCS	-	Commercial Cane Sugar
CRC-SIIB	-	Cooperative Research Centre for sugar Industry Innovation through Biotechnology
CSIRO	-	Commonwealth Scientific and Industrial Research Organisation
CSR	-	Colonial Sugar Refinery
DNA	-	Deoxyribonucleic Acid – chemical structure that forms chromosomes
EGV	-	Economic Genetic Index
GM	-	Genetically Modified
IPM	-	Integrated Pest Management
MAS	-	Marker-Assisted Selection
NIR	-	Near Infra Red
NMG	-	Net Merit Grade
NR&W	-	Natural Resources and Water
NSW	-	New South Wales
QDPI&F	-	Queensland Department of Primary Industries and Fisheries
R&D	-	Research and Development
RD&E	-	Research, Development and Extension
SCAMP	-	Soil Constraints and Management Package
SRDC	-	Sugar Research Development Corporation

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