



# BSES Limited

## Annual Report 2007-2008



# OUR BUSINESS

BSES Limited - essential to profitable, sustainable sugarcane production.

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 17 cane growing areas throughout Queensland, northern New South Wales and until recently in northern Western Australia.

<p><b>What future are we creating?</b> An industry-owned BSES partnering in a profitable and sustainable sugarcane industry in Australia.</p>	<p><b>What is our role in contributing to that future?</b> Delivering realised value to growers, millers and other customers from targeted research, development and extension.</p>	<p><b>How do we operate?</b></p> <ul style="list-style-type: none"> <li>• Industry leader</li> <li>• Customer focus</li> <li>• Commercial performance</li> <li>• Innovation and creativity</li> <li>• Teamwork and effective collaboration</li> <li>• Motivated and skilled staff</li> <li>• Safe workplace</li> </ul>
<p><b>Core business function</b> Deliver realised value to improve grower and miller profitability at a sugar price of \$250 per tonne</p>		

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## HIGHLIGHTS 2007-08

Smut continued to dominate the Variety Improvement and Biosecurity programs. Over 50% of crosses used smut-resistant parents, many more than in previous years. Smut ratings were obtained for about 1,600 clones at a new smut-screening facility south of Bundaberg.

In 2007, 57 varieties protected by Plant Breeders' Rights were delivered to Queensland mills, accounting for over 21.5 Mt or 67.2% of the crop.

Three varieties are being released to growers in 2008: Q235<sup>db</sup> (Southern), KQ236<sup>db</sup> (Herbert) and Q237<sup>db</sup> (Northern), and three varieties are being maximum propagated for possible release in 2009: QS96-434 (Southern), QC97-2108 (Central), and MQ93-538 (Herbert).

Stage 1 of QCANESelect, a one-stop, web-based decision support tool for varieties was released to growers in August 2008.

Field evaluation of planting material produced from micropropagated plants showed that they can be used for commercial crop production without any yield penalties, although how they are grown will need some refinement.

A licence for field evaluation of GM sugarcane has been approved and a field trial of GM sugarcane plants produced by different transgenic technologies and with modified shoot architecture has been established.

Models based on grub numbers and levels of grub damage made in the current year allow the prediction one year ahead of the risk of greyback canegrub infestations in cane-fields.

Results of insecticide trials against major canegrub species in fields planted with minimum tillage planters or in dual rows were distributed to commercial partners to claim label changes.

The SIX EASY STEPS program is accepted as the most appropriate means of facilitating the use of best-practice nutrient management across the industry, particularly with an increased focus on the environment and the increasing price of fertilisers.

BSES has increased emphasis on improving weed management by the development of an Integrated Weeds Management (IWM) project.

An adaptive on-the-go control system, designed to enable variable speed control of the crop-handling components during the harvest operation, was developed.

Cane analysis systems (CAS), using near-infra red technology, were installed at Millaquin Mill and Tate and Lyle's Nghe-An Mill in Vietnam.

BSES' Inorganic Chemistry Laboratory completed about 50,000 assays on soil, water, plant, byproduct and nutrient samples.

A system change-over kit was produced to help cane growers and extension staff with the adoption of components of the 'new' farming systems. This kit has been designed as a 'how to kit' not a 'why to kit'.

Four issues of the *BSES Bulletin* were distributed to industry, including one that focused on how to change to the 'new' farming system that created considerable interest amongst growers.

## **CHAIR OF DIRECTORS' STATEMENT**

The Australian sugar industry is currently facing a very different future. Costs of production, especially inputs such as fuel, fertilisers and herbicides, are escalating dramatically, there is increasing emphasis on reducing the industry's environmental footprint, and there is more competition for land and capital from other industries. Raw sugar prices remain relatively low and there is much discussion, but little resolution, on whether the future of the industry will remain in raw sugar or will focus on being a source of renewable energy. We have Brazil as the dominant force in both sugar and ethanol production and a reducing size of the Australian industry.

These place considerable pressure on an RD&E provider such as BSES. Our future RD&E is likely to be based on enhanced use of strategic alliances to deliver the productivity and efficiency gains needed for the industry to remain financially viable and to meet those increasing environmental pressures. Industry bodies in association with RD&E organisations are also searching for new ways of undertaking RD&E to maximise the benefits from expenditure in these areas. Our staff are dedicated to the values, strategic direction and future of BSES, but to remain viable we need to develop alternative revenue streams in a relatively short period.

The BSES Board continues to build strategies in these issues. We recognise the need to be highly responsive to a changing environment and that we will have to act differently to achieve a new focus. We must be clear about the appropriate needs to be achieved and have strong feedback mechanisms to ensure the engagement of our key stakeholders in this change. These will form the backbone of our 2009-13 strategic plan being finalised over the next year.

Late 2007 saw the retirement from the Board of Lui Raiteri and Shayne Rutherford and the appointment of Paul Sgarbossa and Ian Davies to the Board. Lui gave over 7 years of exceptional service to the statutory authority and the company – his wide experience as a grower, miller and harvester was invaluable to BSES. Shayne's 4-year service saw valuable input into corporate governance and to a more commercial focus for the company. Paul and Ian bring wide experience to the Board, from the management of in-field problems, to development of alternative revenue streams, to hands-on management of industry RD&E organisations.

BSES must engage with industry stakeholders so that we all understand the interdependency on each other. If BSES is to continue to contribute to the viability and competitiveness of sugarcane production, then BSES in turn needs to find a way to keep itself viable, strong and relevant.

# Strategic Plan

## 2006-2009

**BSES Limited**



### 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



## YEAR IN REVIEW BY THE CHIEF EXECUTIVE OFFICER

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 all canegrowing areas throughout Queensland and northern New South Wales and, until recently, in northern Western Australia.

Detailed below are some of the important achievements of BSES through 2007-08 that continue the company's policy of delivering realised value. They demonstrate vividly BSES' abilities to research, package and deliver industry improvements. Achievements such as these come about only because of the integrated nature of BSES' operations and its span of the entire R&D spectrum.



### Variety Improvement

The BSES-CSIRO conventional sugarcane breeding and selection program uses optimal genetic-evaluation systems to select parents, crosses and clones to deliver new, more productive cultivars to the Australian Sugar Industry. These cultivars also have adequate disease resistance to endemic diseases and acceptable milling characteristics and sugar quality. Variety introduction (foreign varieties) and variety exchange among 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**

- Smut continued to dominate the program.
  - Over 50% of crosses used smut-resistant parents, many more than in previous years. Less than 10% of crosses involved two smut-susceptible parents.
  - A smut-screening facility was set up south of Bundaberg on a leased farm. Excellent levels of disease were achieved in 2007 screening trials and ratings were obtained for about 1,600 clones.
  - A \$2 million SmutBuster project was approved for co-funding by SRDC over the next three years. This will enable the BSES-CSIRO program to exploit high-value but smut-susceptible parents, using seedling screening methods to recover productive, and smut-resistant clones. This will result in doubling the populations in clonal assessment trials in each region. Marker-assisted selection and NIR indirect selection methods will be used to improve the efficiency of selection, along with conventional smut-screening methods. A large research component will also form a major part of this project.

- An excellent flowering season in 2008 enabled a record 2,439 field-based crosses to be made at Meringa. This exceeded the previous record set in 1984. Crossing is still underway in the three Meringa photoperiod facilities and the Bundaberg glasshouse, and these are likely to produce about 1,200 additional crosses.
- Fifty-nine foreign clones were imported from Réunion, Argentina and China in 2007-08. Clones were exported to China (20), USA (6) and CIRAD, France (5).
- Ninety-three crosses involving clones derived from *Saccharum spontaneum* and *Erianthus arundinaceus* were made. This is part of a collaborative ACIAR project and CRCSIIB program 1c7. Exceptional advances in *in situ* hybridisation methods are making a significant contribution to this project and have resulted in successfully hybridising two bacterial artificial chromosomes (short DNA regions of the sugarcane genome) simultaneously on Q117 – a world first.
- High-speed sugar analyser systems using near-infrared spectroscopy (SpectraCane) are now in use in the Bundaberg, Mackay and Burdekin breeding programs, in addition to the Meringa unit. These are now being used routinely for all variety-improvement trials and trials from other research groups.
- A workshop for staff involved in all aspects of the Variety Improvement Program aimed “to improve the efficiency of the BSES-CSIRO selection programs through the adoption of best-practice field and laboratory methods”. It was highly successful in reinforcing accepted methods and developing new and innovative methods. These have been documented and made available to all participants, as well as on-line.

## Molecular Breeding

This program aims to apply plant biotechnology and plant functional biology strategies to develop varieties that improve the productivity, sustainability and competitiveness of the Australian sugar industry. It focuses on developing and applying useful gene and other crop improvement technologies to create sugarcane with increased CCS, early maturation, drought tolerance and water-use efficiency, nitrogen-use efficiency and altered shoot growth. Developing automated sugarcane micropropagation technologies (SmartSett<sup>®</sup>) to accelerate variety release and adoption is also a major thrust of this program. Implementing molecular markers for marker-assisted selection is another priority area. Much of this program’s research is carried out in collaboration with CSIRO Plant Industry, University of Queensland and CSIRO Sustainable Ecosystems with the partial financial support of the Co-operative Research Centre for Sugar Industry Innovation through Biotechnology, AusIndustry and SRDC.

The program was led by Dr Prakash Lakshmanan.

### Highlights

- Technologies and capacities for large-scale conventional micropropagation of varieties have been established for commercial use. New and high-demand varieties have been micropropagated and delivered to commercial growers and cane productivity services. A major outcome of this work is the provision of large quantities of KQ228<sup>(b)</sup> and Q232<sup>(b)</sup> in the Southern region produced from micropropagated planting material.
- Field evaluation of planting material produced from micropropagated plants showed that they can be used for commercial crop production without any yield penalties.
- Different methods for screening the seedling stage (about 3-months-old) have been developed for selecting high early sugar genotypes. These methods were validated with nearly 40 high early or late season clones, and will be tested further in the selection program in 2008-09.

- A licence for field evaluation of GM sugarcane has been approved. A field trial of GM sugarcane plants produced by different transgenic technologies and with modified shoot architecture has been established.
- An enriched sugarcane genetic map with more molecular markers is now available. This improved map will facilitate the practical application of markers to breeding. Considerable effort is now underway to test DArT markers in the selection program.
- Field-level evaluation showed considerable genetic diversity for drought tolerance in Australian sugarcane germplasm. Rapid drought-screening methods using physiological parameters are being developed.

## Variety Adoption

The Variety Adoption program undertakes operations that maximise adoption of the most suited varieties by clients 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 Dr George Piperidis.

### **Highlights**

- In 2007, 57 varieties with PBR were delivered to Queensland mills, accounting for over 21.5 Mt or 67.2% of the crop.
- Q183<sup>Ⓛ</sup> was the number-one cultivar in Queensland for the second year in a row, accounting for 11.5% of the crop.
- The proportion of smut-resistant cultivars increased significantly in 2007. This trend is expected to continue over the next few years as smut-resistant cultivars replace susceptible cultivars.
- Three varieties are being released to growers in 2008: Q235<sup>Ⓛ</sup> (Southern), KQ236<sup>Ⓛ</sup> (Herbert) and Q237<sup>Ⓛ</sup> (Northern), and three varieties are being maximum propagated for possible release in 2009: QS96-434 (Southern), QC97-2108 (Central), and MQ93-538 (Herbert).
- Applications have been submitted into the Plant Breeders' Rights scheme for MQ93-538, and approved for KQ236<sup>Ⓛ</sup> and Q237<sup>Ⓛ</sup>; KQ236<sup>Ⓛ</sup> is a joint application between BSES and CSR.
- Stage 1 of QCANESelect, a one-stop, web-based decision support tool for varieties was released to growers in August 2008. Stage 1 provides access to up-to-date variety information and will recommend the most productive variety for a given block from a list of grower-defined selection criteria, e.g. varieties resistant to both smut and pachymetra root rot, with high early sugar, drought tolerance and suited to poor soils. Stage 2 will be released in early 2009 and will contain regional reports on variety performance and whole-farm variety plans to maximise productivity while managing risks from pest and disease outbreaks.



## **Biosecurity**

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 commenced a cooperative project with Indonesia with funding from the Australian Centre for International Agricultural Research on biological control of exotic stem borers. The experience gained in this project will be invaluable if there is an incursion of stem borers into Australia. The project also includes research on sugarcane streak mosaic, which is widespread in India and south-east Asia.
- Extensive reviews were conducted of the emergency response to smut and the experiences gained are helping to improve planning for future pest or disease incursions.
- Smut has now been found in the Innisfail, Herbert, Proserpine, Mackay, Plane Creek, Bundaberg, Isis and Maryborough regions.
- Smut has continued to spread rapidly in the Herbert, Central and Bundaberg/Isis regions. We estimate that every farm in these three regions will have some smut infection during the 2008-09 crop. The current data supports the original predictions on the spread of this disease.
- At the request of the Herbert and Central regional advisory committees the Queensland Government removed all smut-susceptible varieties from the lists of approved varieties for these regions. A new Pest Quarantine Area was created to separate the Herbert region from the rest of far-north Queensland. BSES provided technical support for these requests.
- Extensive propagation and distribution of smut-resistant varieties has been undertaken in all regions. The majority of planting in 2007 in the Bundaberg/Isis, Central and Herbert regions was with smut-resistant varieties. The Burdekin is well prepared for a smut incursion, with less than 20% of the crop planted to susceptible varieties.
- Trapping of smut spores has been conducted in all regions. The spore trapping detected smut 3-6 months before the disease was found in the Proserpine and Maryborough districts. Smut spores have been detected in the Burdekin and New South Wales but no smut-infected plants have been found.
- Irawan, the Indonesian plant pathologist who supervised the screening of Australian varieties for resistance to smut over the last 10 years, received an SRDC Service Award for his outstanding leadership to this important project.

## **Experiment Stations**

This program was formed in mid 2007 to better coordinate the management, maintenance and allocation of BSES' considerable investment in resources and infrastructure associated with experiment stations. The seven stations provide support in the form of land, irrigation, machinery, offices, laboratories, workshops, sheds, crossing facilities, glasshouses and labour for all programs, particularly the Variety Improvement Program.

This program was led by Mr Jeff Smith.

### **Highlights**

- Cost-effective modern farming systems in line with regional best management practices are being introduced to experiment stations.
- Farm managers and field technicians have been trained in regional best management practices.
- A machinery replacement policy has been formulated and future resource requirements determined.



### **Improved Cropping Systems**

The Improved Cropping Systems Program comprises several sub-programs that collectively aim to develop on-farm packages and technologies to improve productivity, sustainability and supply security on-farm and at district and regional levels. The sub-programs focus on both a wide perspective and component parts of new farming systems, best-practice nutrient management, sustainable weed management, sustainable pest management, and harvesting best-practice and machinery optimisation.

This program was led by Dr Bernard Schroeder.

### **Highlights**

- The risk of greyback canegrub infestations in cane-fields can now be predicted one year ahead. These models are based on grub numbers and levels of grub damage made in the current year. Output from this initiative includes various types of predictive models, an economic analysis tool, and a framework for district- and farm-level monitoring of canegrubs including databases for collating the monitoring data, as well as the new GrubPlan booklet. This work is being validated and fine-tuned by two grower-groups at Mackay and Mulgrave.
- Numbers of Childers canegrubs found in canefields in autumn 2007 and in the same fields in the following spring are well correlated. This means that monitoring in autumn would help growers to make pro-active decisions on grub management later in the year, and some growers in the Bundaberg-Isis district are pursuing this process on their farms.
- Evidence is accumulating that Childers canegrubs may complete their development in one year in some fields, rather than the two years that is commonly accepted. Rapidly developing populations of Childers canegrub cause considerable damage to cane roots during their first autumn-winter of development, leading to weak ratooning after harvest that cannot be reversed by reactive insecticide treatment in spring, and this has important implications for management.
- Results of insecticide trials against major canegrub species in fields planted with minimum tillage planters or in dual rows were distributed to commercial partners for comment. It is likely that there are sufficient data to claim label changes for at least some products and canegrub species in new farming systems, including treatments to be applied at planting and into ratoons.
- Investigations aimed at further understanding the biology of *Melomys* rodents within sugarcane fields showed that *M. cervinipes* occurs in very low numbers and should not be regarded as a pest. In contrast, *M. burtoni* occurs in large numbers and feeds on cane between canopy closure and harvest, causing damage to about 5% of stalks.

The late colonisation of the cane by *M. burtoni* means that the IPM strategy developed for *Rattus sordidus* is not likely to be effective for this species.

- Zero-tillage reduced plant-cane yields by 30% (at Ingham) and 15% (at Mackay) when compared to full conventional tillage, due to compaction, even in cane grown within wider-row configurations. However, the differences in yield seen at Mackay did not carry forward to the first ratoon crop. This work highlighted the importance of using GPS-based guidance within the controlled traffic systems.
- A limited number of cultivars yielded similarly when grown on wider row-spacings compared to conventional 1.5 m spaced rows.
- Lodging of cane grown from micropropagated plants (at various sites) highlighted the need for the development of appropriate agronomic guidelines for crop establishment with micropropagated planting.
- Nutrient management across the industry continued to be emphasised with an increased focus on the environment and the increasing price of fertilisers. The SIX EASY STEPS program is accepted as the most appropriate means of facilitating the use of best-practice nutrient management across the industry. Developments within the past year have included:
  - Further presentation of nutrient management short-courses in many districts.
  - Production of soil reference booklets for the Johnstone and Bundaberg districts.
  - Continuing demonstration strip-trials comparing traditional nutrient inputs to those recommended within the SIX EASY STEPS program that indicated that yields are generally being maintained despite mostly lower N and P applications. Gross margins calculated for these trials often favour the SIX EASY STEPS approach.
  - Comparison of nitrogen rates following long-term burning and trash blanketing (15 years) showed that N requirements were similar for the two systems, and suggesting that the SIX EASY STEPS nitrogen guidelines should not be further reduced following long-term trash blanketing.
- Emissions of nitrous oxide (a greenhouse gas) from cane fields, monitored at Mackay as part of a collaborative investigation with the Department of Natural Resources and Water, showed losses (1.32%) significantly lower than losses (10%) measured by others at Murwillumbah. The Mackay data is more representative of the sugar industry at large, as the soil at the Murwillumbah site has a very high organic carbon content and acid-sulfate conditions.
- The first two booklets within the SmartCane Best Management Practice series *SmartCane Principles of Best Management Practice* and *SmartCane Plant Cane Establishment and Management* were finalised. The production of the booklet series is a joint initiative of BSES Limited and CANEGROWERS, with partial funding from the Environmental Protection Agency. The booklets bring together information on best-practice farming principles for the Queensland sugar industry and demonstrate the commitment of the industry to profitable, yet sustainable sugarcane production.
- BSES has increased emphasis on improving weed management by the development of an Integrated Weeds Management project designed around three key areas:
  - Early cost-effective weed control by reducing the weed seed-bank, developing strategic ways to reduce reliance on residual herbicides, and minimising herbicide residues leaving the farm;
  - Reducing the risk of the development of herbicide resistance;
  - Production of an 'easy steps' guide to accelerate improved weed management on-farm.
- Impacts of harvester design and operating parameters on stool damage, crop loss at harvest, subsequent ratooning rates and final yields were assessed over a crop cycle. Monitoring of stool morphology over three crop years showed no clear or consistent impact of the harvester.
- An adaptive on-the-go control system, designed to enable variable speed control of the crop-handling components during the harvest operation, was developed. This system

ensures that the cane harvester maintains a consistent feed-rate and optimum performance by enabling manual automatic crop-handling component-speed variation with ground speed to compensate for variations in the crop.

## **Technology Support**

The Technology Support program is responsible for the provision of chemistry based R&D, routine chemical analysis 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. Program activities are typically multi-disciplinary in nature and include interactions with many other research and commercial partners across areas such as non-sugar products, sugar quality, cane quality, NIR technology, chemometric data treatment, separation technologies and the application of these skills to directly benefit the industry. The multidisciplinary nature of the program is a key strength, and is critical in delivering commercial outcomes from the program research efforts.

The program was led by Dr Michael O'Shea.

### **Highlights**

- Cane analysis systems (CAS), using near-infra red technology, were installed at Millaquin Mill and Tate & Lyle's Nghe-An Mill in Vietnam. Both the CAS and the Bagasse Analysis System (BAS) will be trialled at the Costa Pinto Mill in Brazil during late 2008. Success here will be very important, as it may lead to a number of new installations.
- The first installation of a Sugar Analysis System (SAS) in Australia will be at Mossman Mill during 2008 as part of their initiative to produce low glycaemic index (GI) sugar. An initiative with Horizon Science and Mossman Mill has seen NIR predictive equations developed for a range of low-GI sugar parameters, with the factory SAS installation aiming to provide real time information for process control purposes. Additional SAS installations are envisaged as the low-GI sugar technology is commercialised both in Australia and overseas.
- Development of NIR technology to predict varietal ratings for smut and Fiji leaf gall aims to implement predictive methods for both traits by 2010. The smut predictive tool has been developed and validated in two separate blind trials. Further improvements to the method should see it ready for implementation within the BSES/CSIRO variety-improvement program during 2009.
- 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 was evaluated further at Mundubbera during 2007. Products made during the trial have been evaluated by interested commercial buyers. Work is proceeding with Sugar Cane Technologies with the aim of having a commercial cane separation installation producing value-added products in 2009.
- Research into bioactive extracts from sugarcane through the CRC-SIIB in collaboration with Southern Cross University has characterised a range of potentially useful extracts. Most efforts have been in areas of antioxidant, glycaemic index reduction and anti-cancer activities and have provided relatively well characterised extracts. Methods are also being evaluated for the production of such extracts from sugarcane for human consumption.
- BSES' Inorganic Chemistry Laboratory completed about 50,000 assays on soil, water, plant, byproduct and nutrient samples. This service supports BSES research and extension programs, but increasingly is being used by others on a fee-for-service basis.

## Technology 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 workers 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 grower 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 timely and effectively. Extension specialists also deliver tailored solutions as part of Sutech Solutions.

This program was led by Mr Robert Cairns and Mr Evan Shannon.

- Extension staff have continued assisting the industry in preparing for the spread of smut through development and implementation of regional plans that will reduce the economic impact, particularly through the replacement of susceptible varieties with resistant varieties.
- With rising fuel, fertiliser and herbicide costs and continuing unfavourable sugar prices much of the extension focus has been on helping growers to maximise production whilst reducing input costs.
- A system change-over kit was produced to help cane growers and extension staff with the adoption of components of the 'new' farming systems. This kit has been designed as a 'how to kit' not a 'why to kit'.
- Almost 2000 ha were planted to the 'new' farming system in just the Mackay region in 2007. The Mackay region now has more than 5000 ha of cane grown on controlled-traffic systems with row spacings of at least 1.8 m.
- Milestones and achievement criteria set in 2007-08 regional service level agreements have largely been met.
- Four issues of the *BSES Bulletin* were distributed to industry, including one that focused on how to change to the 'new' farming system that created considerable interest amongst growers.
- Activate breakfasts continue to be an important venue for demonstrating BSES value to stakeholders – one held at BSES Woodford showed the value of disease testing of potential new varieties.



Sugar Technologies from BSES

## Sutech Solutions

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 Ms Sandra Long.

### ***Highlights***

- BSES staff carried out consultancies in the USA, Pakistan, and Indonesia.
- CaneCheck services continued to expand and are used in a significant number of Australian mills.



## **Corporate and Commercial Services**

Corporate and Commercial Services provides the systems and processes to deliver commercial and administrative support to BSES operations. The key deliverables are:

- Financial and accounting systems that create a strong internal control environment;
- Human resource systems and support that ensure staff needs are met;
- Workplace health and safety systems that ensure a safe workplace;
- Risk management systems that identify and mitigate existing and emerging risks;
- Information technology systems, including helpdesk facilities that support the staff in delivering outcomes;
- Library and records management systems that ensure all data is appropriately recorded and accessible.

This area was led by Ms Sandra Long.

### ***Highlights***

- Recognising that recruiting and retaining high quality staff is a priority, BSES completed a staff satisfaction survey. Implementation of key strategies to improve staff engagement has commenced.
- A 5-year Information System Strategic Plan was developed and implementation has commenced, including an upgrade to the finance and project management systems.
- Revised frameworks for the management of risk and intellectual property have been developed and integrated into daily business decision-making.

# 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;
- overseeing the establishment of, and adherence to, appropriate systems to:
  - enable the company's business and financial risks to be identified and managed;
  - enable 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, financial performance and performance against strategic plan. Matters arising from 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 IR Davies (since 20 February 2008), and Mr JS Pollock. Mr JH King was a member of the committee until 20 February 2008. Under the committee's terms of reference, the company chairman is an ex officio member of the committee. The chief executive, commercial manager, 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:

- financial risk management;
- 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 Queensland and Northern Territory of Medical Benefits Fund of Australia Limited and General Manager of The Brisbane Club. Mr Wright has been a company director for more than 20 years, serving as Chairman/President of the Australian Institute of Management, the Royal Flying Doctor Service and the Queensland Institute of Medical Research Trust. He is currently the Chairman of Phoenix Eagle Company Pty Ltd and a Director of PQ Lifestyles Pty Ltd, Queensland Fruit & Vegetable Growers Limited and Australian Sugar Industry Alliance Limited.

### **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 and a Board Member of the Queensland Bulk Water Supply Authority. She is a member (Chairperson 2008) of the Queensland Regional Council of the Institute of Chartered Accountants, and a member of the Standing Committee of the Smart State Council established by the Premier of Queensland. She was formerly a Director of the Australian Trade Commission and Burnett Water Pty Ltd.

### **Ian Davies**

Director since 23 October 2007. Mr Davies has over 15 years experience in the sugar industry in commercial and managerial roles with previous experience in the cotton and finance industries. He is currently Business Improvement Manager for CSR Limited Sugar Division Mills Group. Mr Davies has experience on Industry Boards, with 3 years on the Board of Australian Molasses Trading and has previously been a Director of Mourilyan Molasses Terminal Company Pty Ltd.

### **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 Chief Executive Officer 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 an Executive Director of the Department of Primary Industries and Fisheries and has served as Deputy Commissioner for the Murray-Darling Basin Commission, a Board Member of the Queensland Fisheries Management Authority, and a Director of the Sugar Research and Development Corporation. Mr Pollock has wide research, natural resource management, primary industry and corporate management experience.

**Luigi Raiteri**

Director since 4 April 2003 (Director, Bureau of Sugar Experiment Stations from 24 September 2000) until his retirement on 23 October 2007. Mr Raiteri is a third-generation primary producer with extensive experience in canegrowing, harvesting and haulage. At the time of his retirement, he was Chairman of the Proserpine Co-operative Mill.

**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. Mr Russo has also been a Director of Bean Growers Australia Agri since 2007.

**Shayne Rutherford**

Director from 1 October 2003 until 23 October 2007. At the time of his retirement, Mr Rutherford was the General Manager, New Business Development for CSR Limited Sugar Division and served as a Director on CSR Sugar subsidiary companies.

**Paul Sgarbossa**

Director since 23 October 2007. He is currently Chairman of Burdekin Productivity Services, and has been involved in a wide range of industry representation, including Inkerman CANEGROWERS, Chairman of Burdekin Canegrub Steering Committee and Chairman of Queensland CANEGROWERS Canegrub Steering Committee. He has served on Canegrower committees and sub committees from 1991-2003 and has served on Productivity Boards since 1989. Mr. Sgarbossa has been cane farming for over 30 years and received the SRDC 2000 R&D Sugar Industry Service Award.

**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 and is a corporate governance consultant to several other organisations. 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 2007 and ending on 30 June 2008 (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 12 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 12 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 12 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 12 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 2008 and the attendance of directors at meetings of the board. There were six board meetings during the financial year.

PS Wright	6	JS Pollock	6	PM Sgarbossa <sup>1</sup>	4
MS Boydell	6	LJ Raiteri <sup>2</sup>	2	ES Wallis	6
IR Davies <sup>1</sup>	4	JJ Russo	5		
JH King	6	SW Rutherford <sup>3</sup>	1		

<sup>1</sup> attended the 4 meetings held since appointment on 23 October 2007.

<sup>2</sup> attended the 2 meetings held to retirement on 23 October 2007.

<sup>3</sup> attended 1 of the 2 meetings held to retirement on 23 October 2007.

The Audit Compliance and Risk Management Committee met on five occasions during the financial year. Committee chair Mrs M Boydell and Mr JS Pollock attended all meetings, Mr JH King attended all three meetings held while he was a member of the Committee to 20 February 2008, and Mr IR Davies attended the two meetings held after he joined the Committee on 20 February 2008, having attended one meeting as an observer prior to his appointment to the committee.

No Board Administration Committee meeting was held during the financial year.

Particulars of the qualifications and experience of each director of the company and of the company secretary are set out on pages 16 to 17.

### 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 2008 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 4 September 2008

**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

4 September 2008

**BSES Limited**  
**Income Statement**  
**For the year ended 30 June 2008**

	<i>Notes</i>	<b>2008</b> <b>\$'000</b>	<b>2007</b> <b>\$'000</b>
Revenue	2(a), 3	24,035	24,287
Research, development and extension expenses		<u>(20,917)</u>	<u>(22,088)</u>
		<b>3,118</b>	<b>2,199</b>
Other income	2(b)	191	100
Administration expenses		<u>(3,515)</u>	<u>(3,344)</u>
<b>Results from operating activities</b>		<b>(206)</b>	<b>(1,045)</b>
Financial income	6	1,626	1,288
Financial costs	6	<u>-</u>	<u>-</u>
<b>Net financing income</b>	6	<u>1,626</u>	<u>1,288</u>
<b>Profit/(loss) before income tax</b>		1,420	243
Income tax expense/(benefit)	4	<u>-</u>	<u>-</u>
<b>Profit/(loss) after income tax</b>		<u><b>1,420</b></u>	<u><b>243</b></u>

*The accompanying notes form part of these financial statements.*

**BSES Limited**  
**Statement of Recognised Income and Expense**  
**For the year ended 30 June 2008**

	<i>Notes</i>	<b>2008</b> <b>\$'000</b>	<b>2007</b> <b>\$'000</b>
Actuarial gains/(losses) on defined benefit plan	16(e)	<b>(1,933)</b>	1,130
Deferred tax benefit on actuarial gains/(losses) on defined benefit plan	4(c)	-	-
		<b>(1,933)</b>	1,130
Profit / (loss) after income tax		1,420	243
Net income recognised in accumulated funds	17(a)	<b>(513)</b>	1,373
Change in fair value of equity securities available-for-sale recognised in equity	17(b)	8	21
<b>Total recognised income and expense for the year</b>		<b>(505)</b>	<b>1,394</b>

*The accompanying notes form part of these financial statements.*



**BSES Limited**  
**Balance Sheet**  
**As at 30 June 2008**

	Notes	2008 \$'000	2007 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	3,584	3,000
Trade and other receivables	9	3,461	3,065
Financial assets	12	20,150	18,791
Inventories	10	<u>237</u>	<u>606</u>
<b>Total current assets</b>		<b><u>27,432</u></b>	<b><u>25,462</u></b>
<b>Non-current assets</b>			
Trade and other receivables	9	7	-
Property, plant and equipment	11	16,623	16,805
Financial assets	12	73	64
Deferred tax assets	13	-	-
Other assets	15	<u>1,081</u>	<u>3,275</u>
<b>Total non-current assets</b>		<b><u>17,784</u></b>	<b><u>20,144</u></b>
<b>TOTAL ASSETS</b>		<b><u>45,216</u></b>	<b><u>45,606</u></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	1,418	1,613
Short term provisions	15	<u>1,931</u>	<u>1,901</u>
<b>Total current liabilities</b>		<b><u>3,349</u></b>	<b><u>3,514</u></b>
<b>Non-current liabilities</b>			
Trade and other payables	14	33	47
Long term provisions	15	<u>1,820</u>	<u>1,526</u>
<b>Total non-current liabilities</b>		<b><u>1,853</u></b>	<b><u>1,573</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>5,202</u></b>	<b><u>5,087</u></b>
<b>NET ASSETS</b>		<b><u>40,014</u></b>	<b><u>40,519</u></b>
<b>EQUITY</b>			
Retained earnings	17(a)	39,965	40,478
Fair value reserve	17(b)	<u>49</u>	<u>41</u>
<b>TOTAL EQUITY</b>		<b><u>40,014</u></b>	<b><u>40,519</u></b>

*The accompanying notes form part of these financial statements.*

**BSES Limited**  
**Cash Flow Statement**  
**For the year ended 30 June 2008**

	Notes	2008 \$'000	2007 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		23,909	25,971
Interest received		1,626	1,288
Net GST input tax credits		1,430	1,389
Payments to suppliers and employees		(22,188)	(24,456)
GST remitted to the ATO		(1,318)	(1,455)
<b>Net cash used in operating activities</b>	19 (b)	<b><u>3,459</u></b>	<b><u>2,737</u></b>
<b>Cash flows from investing activities</b>			
Payment for property, plant & equipment		(1,637)	(1,543)
Proceeds from sale of property, plant & equipment		121	91
<b>Net cash used in investing activities</b>		<b><u>(1,516)</u></b>	<b><u>(1,452)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,943</b>	<b>1,285</b>
Cash at the beginning of the financial year		<u>21,791</u>	<u>20,506</u>
<b>Cash at the end of the financial year</b>	19(a)	<b><u><u>23,734</u></u></b>	<b><u><u>21,791</u></u></b>

*The accompanying notes form part of these financial statements.*

**BSES Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2008**

**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 4 September 2008.

**(a) Statement of compliance**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Accounting Interpretations, other authoritative pronouncements of 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, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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.

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).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply.

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**

Each class of property, plant and equipment is carried at cost or fair value as indicated, less where applicable, accumulated depreciation and impairment losses.

*(i) Property*

Freehold land and buildings are shown at cost, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same classes of assets are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

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

Freehold land and buildings that have been contributed at no cost, or for nominal cost are valued at the fair value of the asset at the date it is acquired.

**BSES Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2008**

**Note 1 Significant accounting policies (continued)**

*(ii) Plant and Equipment*

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Plant and equipment that have been contributed at no cost, or for nominal cost are valued at the fair value of the asset at the date it is acquired.

*(iii) 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).

*(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. Commencing from the time the asset is held ready for use; leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvement. Land is not depreciated.

The estimated useful lives of each class of depreciable assets are:

• 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 and adjusted if appropriate at the reporting date.

Asset classes carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 Instruments**

*Recognition and Initial Measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the company becomes a party to the contractual provisions of the instrument.

Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

*Classification and Subsequent Measurements*

*(i) Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of shorter term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

**BSES Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2008**

**Note 1 Significant accounting policies (continued)**

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

*(iv) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

*(v) Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Impairment**

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Income Statement.

**(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 of assets**

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where the future economic benefits of the asset are not primarily dependent upon the assets ability to generate net cash inflows and when the company would, if deprived of the asset, replace its remaining future economic benefits, value in use is depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an assets class, the company estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

**(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.

**BSES Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2008**

**Note 1 Significant accounting policies (continued)**

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.

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.

**BSES Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2008**

**Note 1 Significant accounting policies (continued)**

*(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**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-offs exists, the deferred tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**(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 considered 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.

**BSES Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2008**

**Note 1 Significant accounting policies (continued)**

(iii) Work in progress and revenue received in advance: Assessment is based on several assumptions, refer Note 1(g) and 1(m)(iii).

**(u) Contributions**

Contributions received are recognised at the fair value on the date of acquisition upon which time an asset is taken up in the balance sheet and revenue in the income statement.



**BSES Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2008**

	<i>2008</i>	<i>2007</i>
	<i>\$'000</i>	<i>\$'000</i>
<i>Notes</i>		
<b>Note 2 Revenue</b>		
<b>(a) Fees and service charges</b>	14,390	13,916
Research grants		
Queensland Government - Department of Primary Industries & Fisheries	4,000	3,800
Other parties (including SRDC, CRCSIIB, NR&W)	5,282	5,165
Other revenue <sup>1</sup>	363	1,406
	<u>24,035</u>	<u>24,287</u>
<sup>1</sup> Includes recovery of smut resistant cane delivered to Bundaberg and Isis.		
<b>(b) Other income</b>		
Miscellaneous income	191	100
	<u>191</u>	<u>100</u>
<b>Note 3 Significant Revenue and Expenses - Smut Incursion</b>		
Additional expenses - smut incursion	-	4,321
Less reimbursements received <sup>2</sup> :		
- Queensland Government - Department of Primary Industries & Fisheries	-	2,247
- Grower & miller reimbursement	-	949
Net expense	<u>-</u>	<u>1,125</u>
<sup>2</sup> Reimbursements received are included in Note 2(a).		
<b>Note 4 Income tax</b>		
<b>(a) The components of tax expense comprise:</b>		
<i>Current tax expense/(benefit)</i>		
Current year	-	-
Adjustments for prior years	-	-
	<u>-</u>	<u>-</u>
<i>Deferred tax expense/(benefit)</i>		
Origination and reversal of temporary differences	-	-
Benefit of tax losses recognised	-	-
	<u>-</u>	<u>-</u>
Total income tax expense/(benefit) in income statements	<u>-</u>	<u>-</u>
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	-	-
(Decrease)/increase in deferred tax liabilities	-	-
	<u>-</u>	<u>-</u>
<b>(b) Numerical reconciliation of income tax expense/(benefit) to pre-tax net profit</b>		
Profit/ (loss) for the year	1,420	243
Income tax using the corporate tax rate of 30% (2007: 30%)	426	73
Increase in income tax expense due to:		
Non-deductible expenses	3	3
Benefit of losses and deferred tax balances not brought to account	(429)	(76)
Tax losses utilised	-	-
Under/(over) provided in prior years	-	-
Income tax expense/(benefit)	<u>-</u>	<u>-</u>
Attributable to:		
Continuing operations	-	-
	<u>-</u>	<u>-</u>
<b>(c) Income tax recognised directly in equity</b>		
Relating to actuarial (gains)/ losses recognised on defined benefit plan	-	-
	<u>-</u>	<u>-</u>
<b>Note 5 (a) Personnel expenses</b>		
Wages, salaries and oncosts <sup>3</sup>	12,593	14,405
Superannuation contributions - accumulation members	936	947
Defined benefit plan expense	16(d) 261	284
	<u>13,790</u>	<u>15,636</u>
<sup>3</sup> Includes casual wages and overtime payments of 2008: Nil (2007: \$741,000) relating to the smut incursion.		
<b>(b) Other Expenses</b>		
Doubtful debts expense	36	106
Net gain/(loss) on disposal of non-current assets	65	(4)

**BSES Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2008**

	<i>Notes</i>	<b>2008</b>	<b>2007</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Note 6</b>	<b>Net financing income</b>		
	Interest income - External	1,626	1,288
	Interest expense - External	<u>-</u>	<u>-</u>
		<u>1,626</u>	<u>1,288</u>
<b>Note 7</b>	<b>Auditors' remuneration</b>		
	Audit of financial reports	<u>45</u>	<u>35</u>
<b>Note 8</b>	<b>Cash and cash equivalents</b>		
	Cash on hand	3	3
	Imprest bank accounts	11	12
	Cash at bank	238	584
	Deposits at call	<u>3,332</u>	<u>2,401</u>
		<u>3,584</u>	<u>3,000</u>
	Cash held in term deposits is disclosed in Note 12 Financial Assets.		
<b>Note 9</b>	<b>Trade and other receivables</b>		
	<i>Current:</i>		
	Trade Receivables	1,751	1,742
	Provision for impairment of trade receivables <sup>4</sup>	(56)	(106)
	Prepayments	203	205
	Accrued income	1,562	1,219
	Other receivables	<u>1</u>	<u>5</u>
		<u>3,461</u>	<u>3,065</u>
	<sup>4</sup> Typically referred to as Provision for Doubtful Debts		
	<i>Non-Current:</i>		
	Other receivables	<u>7</u>	<u>-</u>
		<u>7</u>	<u>-</u>

**(a) Provision for Impairment of Receivables**

Current trade receivables are generally on 30 day terms. These receivables are assessed for recoverability and a provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. These amounts have been included in other expense items.

Movement in the provision for impairment of receivables is as follows:

	<b>Opening Balance</b>	<b>Charge for the year</b>	<b>Amounts written off</b>	<b>Closing Balance</b>
Prov'n for Impairment of trade receivables	<u>-</u>	<u>106</u>	<u>-</u>	<u>106</u>
Balance at 30 June 2007	<u>-</u>	<u>106</u>	<u>-</u>	<u>106</u>
Prov'n for Impairment of trade receivables	<u>106</u>	<u>36</u>	<u>86</u>	<u>56</u>
Balance at 30 June 2008	<u>106</u>	<u>36</u>	<u>86</u>	<u>56</u>

**(b) Analysis of Trade Receivables**

Current trade receivables are generally on 30 day terms. At 30 June the ageing analysis of trade receivables is as follows:

	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
0-30 Days	1,586	1,206
31-60 Days	23	181
61-90 Days past due but not impaired	26	99
61-90 Days considered impaired	-	-
90+ Days past due but not impaired	60	150
90+ Days considered impaired	<u>56</u>	<u>106</u>
	<u>1,751</u>	<u>1,742</u>

Payment terms on amounts that are past due but not impaired are examined by management and follow-up action taken.

<b>Note 10</b>	<b>Inventories</b>		
	Work in progress - at cost	<u>237</u>	<u>606</u>

**BSES Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2008**

	Notes	2008 \$'000	2007 \$'000
<b>Note 11 Property, plant &amp; equipment</b>			
Land - at cost		7,911	7,911
Buildings - at cost		7,869	7,133
Less: Accumulated depreciation		<u>(2,160)</u>	<u>(1,720)</u>
		5,709	5,413
Plant and machinery - at cost		3,322	3,216
Less: Accumulated depreciation		<u>(2,161)</u>	<u>(1,877)</u>
		1,161	1,339
Laboratory equipment - at cost		3,547	3,309
Less: Accumulated depreciation		<u>(2,343)</u>	<u>(1,954)</u>
		1,204	1,355
Motor vehicles - at cost		454	744
Less: Accumulated depreciation		<u>(348)</u>	<u>(538)</u>
		106	206
Office furniture and equipment - at cost		354	296
Less: Accumulated depreciation		<u>(247)</u>	<u>(180)</u>
		107	116
Information technology equipment - at cost		2,562	2,299
Less: Accumulated depreciation		<u>(2,137)</u>	<u>(1,834)</u>
		425	465
Total property, plant and equipment		<u>16,623</u>	<u>16,805</u>

**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 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
Balance at 1 July 2007	7,911	7,133	3,216	3,309	744	296	2,299	24,908
Additions	-	736	140	247	1	59	293	1,476
Disposals	-	-	(34)	(9)	(291)	(1)	(30)	(365)
Balance at 30 June 2008	7,911	7,869	3,322	3,547	454	354	2,562	26,019

	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 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
Balance at 1 July 2007	-	1,720	1,877	1,954	538	180	1,834	8,103
Depreciation expense	-	440	297	395	70	67	332	1,601
Disposals	-	-	(13)	(6)	(260)	-	(29)	(308)
Balance at 30 June 2008	-	2,160	2,161	2,343	348	247	2,137	9,396

**Carrying amounts**

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
At 1 July 2007	7,911	5,413	1,339	1,355	206	116	465	16,805
At 30 June 2008	7,911	5,709	1,161	1,204	106	107	425	16,623

**BSES Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2008**

	<i>2008</i>	<i>2007</i>
<i>Notes</i>	<b>\$'000</b>	<b>\$'000</b>
<b>Note 12 Financial assets</b>		
<i>Current</i>		
Held-to-maturity term deposits	20,150	18,791
	<u>20,150</u>	<u>18,791</u>
<i>Non-Current</i>		
Equity instruments, available-for-sale		
Shares in Listed Corporations, at fair value	73	64
	<u>73</u>	<u>64</u>

Held-to-maturity term deposits at Commonwealth Bank of Australia \$8,172,181(2007: \$7,619,650) , National Australia Bank \$6,533,476 (2007: \$6,095,572), Westpac Banking Corporation \$5,444,678 (2007: \$5,075,624).

Available-for-sale financial assets comprise of investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

**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) 1,034	859
Tax losses	(4a) 73	568
	<u>1,107</u>	<u>1,427</u>

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 payables	737	517
Other payables	9	13
Accrued expenses	487	593
Income in advance	185	490
	<u>1,418</u>	<u>1,613</u>

*Non-current*

Income in advance	33	47
	<u>33</u>	<u>47</u>

**Note 15 Provisions**

**Assets**

*Non-current*

Defined benefit plan surplus	16(a) 1,081	3,275
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**Liabilities**

*Current*

Salaries and wages accrued	277	362
Liability for annual leave	1,427	1,321
Liability for long-service leave	227	218
	<u>1,931</u>	<u>1,901</u>

*Non-Current*

Liability for long-service leave	1,820	1,526
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A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

**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 2008. Contributions for the accumulation members were paid throughout the 2007/08 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). The next planned actuarial assessment will be effective as at 1 July 2008 and completed by 1 July 2009.

**BSES Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2008**

Note 16 Superannuation (continued)	2008	2007
	\$'000	\$'000
<b>(a) The amounts recognised in the balance sheet are as follows:</b>		
Present value of funded defined benefit obligations at end of year	16(b) 14,197	14,063
Fair value of Plan assets at end of year	16(c) <u>15,278</u>	<u>17,338</u>
	(1,081)	(3,275)
Unrecognised past service cost	-	-
Unrecognised gain/(loss)	-	-
Adjustment for limitation on net asset	-	-
<b>Net liability/(asset) recognised in balance sheet at year end</b>	15 <u>(1,081)</u>	<u>(3,275)</u>
<b>(b) Reconciliation of the present value of the defined benefit obligation:</b>		
Present value of defined benefit obligations <sup>1</sup> at beginning of the year	14,063	13,102
Current service cost	561	585
Interest cost	726	633
Contributions by plan participants	173	189
Defined benefit salary sacrifice contributions met from defined benefit assets	-	-
Actuarial (gains)/losses	(245)	401
Benefits and taxes paid	(1,081)	(847)
Accumulation contributions met from defined benefit assets	-	-
Past service cost	-	-
Curtailments	-	-
Settlements	-	-
Exchange rate changes	-	-
<b>Present value of defined benefit obligations <sup>1</sup> at end of the year</b>	<u>14,197</u>	<u>14,063</u>
<sup>1</sup> Includes contributions tax provision on plan surplus or deficit		
<b>(c) Reconciliation of movement in the fair value of plan assets is as follows:</b>		
Fair value of plan assets at beginning of the year	17,338	15,531
Expected return on plan assets	1,026	934
Actuarial gains/(losses)	(2,178)	1,531
Employer contributions	-	-
Contributions by plan participants	173	189
Defined benefit salary sacrifice contributions met from defined benefit assets	-	-
Benefits and taxes paid	(1,081)	(847)
Accumulation contributions paid from defined benefits assets	-	-
Settlements	-	-
Business combinations	-	-
Exchange rate changes	-	-
<b>Fair value of plan assets at end of the year</b>	<u>15,278</u>	<u>17,338</u>
<b>(d) The amounts recognised in the income statement are as follows <sup>1</sup>:</b>		
Current service cost <sup>2</sup>	561	585
Interest cost	726	633
Expected return on plan assets (net expenses)	(1,026)	(934)
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	-	-
<b>Expense/(income) recognised</b>	5 (a) <u>261</u>	<u>284</u>
<sup>1</sup> Forming part of the personnel expenses, refer Note 5.		
<sup>2</sup> Includes expected change in provision for contributions tax on plan surplus or deficit.		
<b>(e) Amounts recognised in the statement of recognised income and expense:</b>		
Actuarial gains/(losses)	(1,933)	1,130
Adjustment for limit on net asset	-	-
<b>(f) Cumulative amount recognised in the statement of recognised income and expense</b>		
Cumulative amount of actuarial gains/(losses)	(56)	1,877

**BSES Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2008**

Note 16 Superannuation (continued)

2008  
\$'000

2007  
\$'000

**(g) Plan assets**

The percentage invested in each asset class at the balance sheet date:

Australian equities	30%	32%
Overseas equities	24%	25%
Fixed interest securities	17%	20%
Alternatives	22%	16%
Property	5%	5%
Cash	2%	2%
	<u>100%</u>	<u>100%</u>

**(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	<u>(1,152)</u>	<u>2,465</u>
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**(k) Principal actuarial assumptions at the balance sheet date**

Discount rate	5.4% pa	5.3% pa
Salary increase rate first 3 years	4.5% pa	4.2% pa
Salary increase rate thereafter	4.0% pa	4.0% pa
Expected rate of return on assets*	6.5% pa	6.2% pa

\* Net of investment tax and expenses and administration expenses

**(l) Historical information**

	2008 \$'000	2007 \$'000	2006 \$'000
Present value of defined benefit obligation at year end	14,197	14,063	13,102
Fair value of plan assets at year end	15,278	17,338	15,531
(Surplus)/deficit in plan	<u>(1,081)</u>	<u>(3,275)</u>	<u>(2,429)</u>
Experience (gains)/losses adjustments – plan liabilities	16(b) (245)	401	(226)
Experience (gains)/losses adjustments – plan assets	16(c) 2,178	(1,531)	(702)

**(m) Expected contributions**

Expected employer contributions	-	-
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**(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	<u>2,174</u>

(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 conducted in 2005, 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.

**BSES Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2008**

**Note 16 Superannuation (continued)**

**2008**                      **2007**  
**\$'000**                              **\$'000**

(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**

**(a) Retained earnings**

Retained earnings at 1 July	40,478	39,105
Total recognised income and expense	<u>(513)</u>	<u>1,373</u>
Retained earnings at 30 June	<u>39,965</u>	<u>40,478</u>

**(b) Reserves**

Fair value reserve at 1 July	41	20
Total recognised income and expense	<u>8</u>	<u>21</u>
Fair value reserve at 30 June	<u>49</u>	<u>41</u>

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

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

**(c) Capital Management**

Management controls BSES' capital to ensure that adequate cash flows are generated to fund its research programs and that returns from investments are maximised in accordance with policies approved by the Board of directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

BSES' capital consists of financial assets and retained surpluses.

Management effectively manage BSES' capital by assessing its financial risk and responding to changes in these risks and in the market.

**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 2007/08 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 2008.

In the event of BSES being wound up, each of its initial members (numbering 2538) has undertaken to contribute an amount not exceeding \$1.00, if required, with any surplus being given back to these members based on a pre-determined format.

**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:

	<i>Notes</i>	<b>2008</b>	<b>2007</b>
		<b>\$'000</b>	<b>\$'000</b>
Cash assets	8	3,584	3,000
Financial assets: Held-to-maturity term deposits	12	<u>20,150</u>	<u>18,791</u>
		<u>23,734</u>	<u>21,791</u>

**(b) Cash flows from operating activities**

Profit/(loss) for the year		1,420	243
<i>Adjustments for:</i>			
Depreciation		1,601	1,638
(Profit)/loss from sale of property, plant and equipment		(65)	4
(Increase)/decrease in defined benefit surplus		261	284
<i>Change in working capital and provisions:</i>			
(Increase)/decrease in trade and other receivables, and prepayments		(716)	902
(Increase)/decrease in inventories		369	(477)
Increase/(decrease) in payables		266	(87)
Increase/(decrease) in income tax payable		-	-
Increase/(decrease) in deferred tax liabilities		-	-
Increase/(decrease) in employee benefits		323	230
<b>Net cash used in operating activities</b>		<u>3,459</u>	<u>2,737</u>

# BSES Limited

## Notes to the Financial Statements

### For the year ended 30 June 2008

#### 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 %	
		2008	2007	One year or less	One year or less	2008	2007	2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
<i>Financial assets</i>											
Cash and cash equivalents	8	3,570	2,985	-	-	14	15	3,584	3,000	6.22	6.26
Trade and other receivables	9	-	-	-	-	3,258	2,860	3,258	2,860	-	-
Financial assets	12	-	-	20,150	18,791	73	64	20,223	18,855	7.06	6.53
<b>Total financial assets</b>		<b>3,570</b>	<b>2,985</b>	<b>20,150</b>	<b>18,791</b>	<b>3,345</b>	<b>2,939</b>	<b>27,065</b>	<b>24,715</b>		
<i>Financial liabilities</i>											
Trade and other payables	14	-	-	-	-	1,233	1,123	1,233	1,123	-	-
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,233</b>	<b>1,123</b>	<b>1,233</b>	<b>1,123</b>		

Trade and other payables are expected to be paid as follows:

	2008	2007
	\$'000	\$'000
Less than 6 months	746	530
	<b>746</b>	<b>530</b>

##### (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 balance sheet. There are no concentrations of credit risk.

Credit risk is managed and reviewed regularly by the company. It arises from exposures to customers as well as through deposits with financial institutions.

The company monitors the credit risk by actively assessing the rating quality and liquidity of counterparties:

- \* Only banks and financial institutions with a rating of 'AA-' or better are utilised.
- \* Only Hybrid Investment Grade Rated Securities with a rating of 'A' or better are used.
- \* Only accredited Managed Funds with a rating of 'AAA' are used.
- \* The credit standing of counterparties is reviewed regularly for liquidity and credit risk.

Trade receivables balances at 30 June 2008 and 30 June 2007 do not include any counterparties with external credit ratings, with the exception of CSR Limited which is rated BBB+.

##### (d) Price risk

BSES is not exposed to any material commodity price risk.

##### (e) Liquidity risk

BSES manages liquidity risk by monitoring forecast cash flows and ensuring adequate cash reserves are available.

##### (f) Foreign currency risk

The company is not exposed to any foreign currency risk.



# BSES Limited

## Notes to the Financial Statements

### For the year ended 30 June 2008

#### Note 20 Financial instruments (continued)

##### (g) Sensitivity Analysis

###### Interest rate risk

BSES has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on current year results and equity which could result from a change in this risk.

As at 30 June 2008, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	2008	2007
	\$'000	\$'000
<b>Change in profit</b>		
- Increase in interest rate by 1%	236	201
- Decrease in interest rate by 1%	(236)	(201)
<b>Change in equity</b>		
- Increase in interest rate by 1%	236	201
- Decrease in interest rate by 1%	(236)	(201)

This sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

#### Note 21 Commitments

##### Capital commitments

There were no capital expenditure commitments at as 30 June 2008.

##### Operating commitments

##### (i) Lease commitments

###### (a) Motor vehicles

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	434	217
- later than one year but not later than five years	346	142
- later than five years	-	-
	<u>780</u>	<u>359</u>

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.

###### (b) Property leases

Property lease commitments are non-cancellable operating leases contracted for but not capitalised in the financial statements. No capital commitments exist in regards to the operating lease commitments at year-end. Increase in lease commitment may occur in line with CPI.

- not later than one year	70	85
- later than one year but not later than five years	59	113
- later than five years	31	33
	<u>160</u>	<u>231</u>

###### (c) 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	35	34
- later than one year but not later than five years	-	41
- later than five years	-	-
	<u>35</u>	<u>75</u>

Operating lease expense during the year	<u>467</u>	<u>328</u>
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##### (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	636	488
- later than one year but not later than five years	653	720
- later than five years	-	-
	<u>1,289</u>	<u>1,208</u>

BSES Limited is a core participant in the CRCSIIB. The contractual commitment to the CRCSIIB is \$0.89 million in-kind contributions (net of funding receipts) and \$0.4 million in cash contributions over a two-year period 1 July 2008 to 30 June 2010.

As a result of cumulative contributions to CRCSIIB, BSES Limited has been allocated 7,154,407 units (21.66%) in the associated IP Trust which are currently valued at \$0.

# BSES Limited

## Notes to the Financial Statements

### For the year ended 30 June 2008

#### Note 22 Key management personnel disclosures

Remuneration paid to Directors of BSES Limited, including the Managing Director, in the period 1 July 2007 to 30 June 2008 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:

	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Short-term employee benefits	322	254
Post-employment benefits - including salary sacrifice superannuation	156	181
Other long-term benefits - long service leave	11	33
Termination benefits	-	-
	<u>489</u>	<u>468</u>

#### Note 23 Related parties

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

Mr PS Wright AM, Chairperson  
 Mr LJ Raiteri (retired 23 October 2007)  
 Mr ES Wallis, Managing Director  
 Ms MS Boydell  
 Mr SW Rutherford (retired 23 October 2007)  
 Mr JH King  
 Mr JJ Russo  
 Mr JS Pollock  
 Mr PM Sgarbossa (appointed 23 October 2007)  
 Mr IR Davies (appointed 23 October 2007)

During the reporting period, there were four directors that were directors and/or officers of milling companies (SW Rutherford, CSR Limited; LJ Raiteri, Proserpine Co-operative Sugar Milling Association Limited; JH King, Tully Sugar Limited; IR Davies, CSR Limited) and the Company has agreements with these milling companies, such as cane analysis services agreements, research agreements, confidentiality agreements and BSES PBR and Services Agreements. In addition, directors who were Grower Directors during the reporting period (LJ Raiteri, JJ Russo, PM Sgarbossa or entities related to them) have, as growers, standard 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 financial statements at 30 June 2008.

#### Note 25 Accounting Policies

The following Accounting Standards issued or amended and are applicable to the company but not yet effective and have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected		Outline of Amendment	Application Date of Standard	Application Date for Entity
AASB 2007-6 Amendments to Australian Accounting Standards	AASB 1	First time adoption of AIFRS	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the entity's financials as the company already capitalises borrowing costs related to qualifying assets.	1.1.2009	1.7.2009
	AASB 101	Presentation of Financial Statements			
	AASB 107	Cash Flow Statements			
	AASB 111	Construction Contracts			
	AASB 116	Property, Plant & Equipment			
AASB 138	Intangible Assets				
AASB 123 Borrowing Costs	AASB 123	Borrowing Costs	As above	1.1.2009	1.7.2009
AASB 2007-8 Amendments to Australian Accounting Standards	AASB 101	Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income and makes changes to the statement of recognised income and expenditure.	1.1.2009	1.7.2009
AASB 101	AASB 101	Presentation of Financial Statements	As above	1.1.2009	1.7.2009

**BSES Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2008**

**Note 25** Accounting policies (continued)

AASB Amendment	Standards Affected		Outline of Amendment	Application Date of Standard	Application Date for Entity
AASB 104	AASB 104	Contributions	The revised AASB 1004: Contributions has been based on the review of the requirements of AAS 27: Financial Reporting by Local Governments, AAS 29: Financial Reporting by Government Departments and AAS 31: Financial Reporting by Governments. Specific considerations have been made in relation to Contributions, Liabilities Assumed by Other Entities, Government Department Disclosures Relating to Revenue, Restructures of Administrative Arrangements and Compliance with Parliamentary Appropriations and Other Externally-Imposed Requirements by Government Departments, to ensure that these are appropriately addressed in AASB 1004. It is not expected that the revisions to AASB 1004 will result in a material change to the recognition and measurement policies of the entity.	1.7.2008	1.7.2008

**Note 26** 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 21 to 43 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 2008 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

4 September 2008



# Grant Thornton

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF BSES LIMITED  
ACN 103 760 005**

Grant Thornton Queensland Partnership  
ABN 13 131 589 059

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We have audited the accompanying financial report of BSES Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of recognised income and expenditure and cash flow statement for the year ended on that date, notes to the financial statements and the directors' declaration.

**Directors' responsibility for the financial report**

The directors of the company 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 controls 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.

## **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 the company's financial position as at 30 June 2008 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

*Grant Thornton*  
*Dan Carroll*

Daniel J Carroll  
Partner

Brisbane, 4 September 2008



