



Annual Report 2008-2009

BSES Limited



Sugar Technologies from BSES

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 sugarcane 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, and northern New South Wales.

<p>What future are we creating? An industry-owned BSES partnering in a profitable and sustainable sugarcane industry in Australia.</p>	<p>What is our role in contributing to that future? Delivering realised value to growers, millers and other customers from targeted research, development and extension.</p>	<p>How do we operate?</p> <ul style="list-style-type: none">• Industry leader• Customer focus• Commercial performance• Innovation and creativity• Teamwork and effective collaboration• Motivated and skilled staff• Safe workplace
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CHAIR OF DIRECTORS' STATEMENT

For 108 years BSES has helped the Australian sugarcane industry sustain its competitiveness in the world market through technological innovation. Our research has focused on better varieties and better and more profitable ways of growing, harvesting and processing those varieties. It is such productivity and profitability gains that have enabled all industry sectors to remain viable in the face of a range of market, regulatory, environmental and climatic forces.

Across the world, the opportunities and the pressures for technological advance are increasing. Our key competitors have been expanding and developing new technologies that will deliver them step-changes in productivity, cost efficiency, sustainability and profitability. We need to maintain and, indeed, increase our R&D efforts if the Industry in Australia is to remain competitive.

Australian growers, millers and harvesters need more than just incremental gains. The time has come for the adoption of new genetic, production and management technologies. Failure to be at the forefront of technological advances will surely see the slow demise of our Industry.

There are clear signs that this risk is significant. Firstly, RD&E investment is linked to crop size, and this is declining. Secondly, RD&E costs rise with inflation, and scientific advances drive the need for sophisticated equipment and more extensive collaboration. Thirdly, the human resource base for RD&E is at risk as experienced researchers and extension specialists retire or move to other industries and are replaced by less experienced people, if at all. Fourthly, many of the technological advances are owned and patented by multinational companies and the Australian market is too small to interest these companies in Australian-specific investment.

The BSES Board has been exploring how these necessary advances can be developed and delivered to the Australian Industry. We have approached a panel of specialists to analyse trends and advise on the issues and decisions that the industry must make if we are to capitalise on this innovation.

If the industry is to remain competitive, then it will need to develop and adopt these new genetic, production and management technologies. It will not be able to do this alone - international commercial collaboration and investment will be essential together with appropriate funding for us to move forward. The recommendations of the panel will be important for shaping the future of the industry and that of BSES.

My Board has requested management to prepare for industry an investment strategy to enable industry to fund and participate in future technology developments. Developing the linkages and ensuring the necessary investment will be the challenge for our Board for the next 12 months and this is likely to be the greatest challenge in our 108-year history.

Late 2008 saw the retirement from the Board of Mary Boydell and the appointment as an independent Director of Ian Sharpe, an accountant by profession with considerable agribusiness experience. Mary gave eight years of exceptional service to the statutory authority and to the company as an independent director and as chair of the Audit Compliance and Risk Management Committee.

STRATEGIC OVERVIEW 2008-2013

FOCUS



1. PURPOSE	2. CRITICAL SUCCESS FACTORS	3. VALUES	4. COMPETITIVE ADVANTAGES
<ul style="list-style-type: none"> ■ To deliver realised value to the Australian sugar industry through targeted R,D&E 	<ul style="list-style-type: none"> ■ Increasing, more reliable cane supply for sugar and alternative uses ■ Input costs and environmental footprint minimised 	<ul style="list-style-type: none"> ■ Customer focus ■ Industry leader ■ Commercial performance ■ Innovation and creativity ■ Teamwork/collaboration ■ Motivated skilled staff ■ Safe workplace 	<ul style="list-style-type: none"> ■ Monopoly on elite varieties ■ IP and quality staff ■ Regional networks ■ Brand history

DIRECTION



5. STRATEGIC OPERATION	6. STRATEGIC PRIORITIES
<ul style="list-style-type: none"> ■ Innovative and effective R,D&E ■ Delivery of benefits of R,D&E to customers ■ Creation of a global brand and identity for BSES ■ Development of appropriate partnerships 	<ul style="list-style-type: none"> ■ Develop and get adoption of improved conventional varieties ■ Develop and commercialise GM varieties ■ Support an effective biosecurity capability for the Australian sugar industry ■ Deliver R&D-based tailored solutions that improve the sustainability of our customers' businesses ■ Develop farming systems that improve the sustainability and supply security to our customers ■ Develop systems for sugarcane-based biorefineries ■ Develop and deliver techniques that improve sugar factory performance ■ Maximise profit from BSES intellectual property, products and services

RESULTS



7. KEY PERFORMANCE INDICATORS	8. OUTCOMES AND MILESTONES
<ul style="list-style-type: none"> ■ Achievement of targets outlined in Strategic Plan ■ Sustainable financial position ■ Staff satisfaction ■ Workplace health and safety performance recognised as exceptional 	<ul style="list-style-type: none"> ■ Increasing (t/ha) and more reliable cane supply ■ Hewitt Best Employer ■ Safe workplace ■ Value proposition accepted by stakeholders

YEAR IN REVIEW BY THE CHIEF EXECUTIVE OFFICER

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.

Detailed below are some of the important achievements of BSES through 2008-09 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.

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. Their contributions are summarised below, but one indicator of their wide industry involvement was that 22 of the 35 agricultural papers presented at the 2009 conference of the Australian Society of Sugar Cane Technologists were co-authored by BSES staff.

Industry recognised the major contributions of BSES pathologist Dr Robert Magarey awarding him the SRDC Research and Development award and the ASSCT President's medal. Dr Magarey has made a major contribution to the understanding of soil biology, including understanding pachymetra disease, as part of the Yield Decline Joint Venture leading to the adoption of new farming systems. He has also contributed to increasing the industry preparedness for exotic disease and pest threats through quarantine surveys and collaboration with the Northern Australian Quarantine Strategy and with Ramu Sugar.

The preparedness of the industry for the potentially disastrous incursion of sugarcane smut in Queensland greatly alleviated the economic loss that could have occurred. The credit for the industry being so well prepared depended on a BSES-CSIRO multi-disciplinary team of pathologists and plant breeders, and industry recognised them as runners-up for the SRDC Innovation Award for 2009.

Highlights below are reported against the objectives in BSES' Strategic Plan 2008-2013.



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

- ***Develop and deliver BSES-branded packages to progress the adoption of best-management practices on-farm***
 - The Farm Economic Analysis Tool (FEAT) was used to evaluate the economics of the changing sugarcane farming system from the traditional to the current system, one that is characterised by economic, social and environmental awareness. BSES RD&E has contributed to the overall shift in on-farm management by the ongoing provision of better sugarcane varieties and the development and evaluation of improved and sustainable farming practices. Such advances have had a positive effect on the viability of sugarcane growing enterprises and the value-chain as a whole.
 - The Improved Cropping Systems Program developed a series of four SmartCane Best Management Practice booklets in conjunction with CANEGROWERS and Queensland Department of Environment and Resource Management. These enabled growers to have access to best-practice guidelines covering the entire sugarcane production system (principles, fallow cropping, land preparation, plant crop management, harvesting and ratoon management). The booklets also illustrate the sugar industry's commitment to sustainable yet environmentally responsible sugarcane production.

- ***Greyback and Childers canegrub decision-support packages in use by 2011 and developed into on-line systems by 2013***
 - Improved monitoring and predictive capacity has shown that numbers of greyback canegrubs in the Mackay and Gordonvale districts were generally in agreement with numbers predicted from the previous year, though accuracy could be improved. However, the numbers of southern 1-year and Childers canegrubs found during the current crop in the Isis and Bundaberg districts were very consistent with predictions from monitoring in the autumn to spring last year.
 - A pilot fee-for service monitoring service was found to be successful in ensuring that infestations were appropriately treated or unnecessary treatments were avoided. Plans exist for further development of this scheme.

- ***Grub-management package for new farming systems developed by 2010***
 - Data to support changes to existing insecticide registrations to cover new farming systems (dual rows and/or minimum tillage) were compiled as reports for the relevant insecticide companies for submission to the Australian Pesticides and Veterinary Medicines Authority. An outline of a proposed booklet on grub management in new farming systems is being developed and will be published in early 2009-10.

- ***New insecticide for canegrubs evaluated and decision made on commercialisation by 2013***
 - Improved protection of crops from canegrub damage with controlled-release insecticides has been demonstrated with variations to the current formulation of a one insecticide. Data is being gathered to support registration of one product for protection of ratoons against a wider range of canegrub species, and in plant cane – this will provide an alternative to other products.
 - Encouraging trial data has resulted in one agri-business company producing a further prototype controlled-release granule with a new insecticide and engaging BSES to conduct further field trials with this product.

- ***New insecticide for soldier fly evaluated and decision made on commercialisation by 2010***
 - One new insecticide has shown inconsistent responses and a relatively low efficacy against soldier fly in field trials. This insecticide will not effectively control soldier flies and no further work is planned.
- ***Integrated management package for climbing rats developed by 2012***
 - Population size of climbing rat is similar to that of ground rat. Climbing rat has different diet requirements and moves into sugarcane at a much later stage. The management package developed specifically for ground rats is unlikely to manage climbing rats effectively. Studies are aimed at identifying critical factors that drive the migration of climbing rats into sugarcane, and how the production system can be manipulated to minimise this movement and the resultant crop damage.
- ***Easy Steps' guide for integrated weed management released by 2013***
 - A workshop course, 'Integrated Weed Management – the Three Ps', has been developed and delivered in the Wet Tropics. The 'Three Ps' (Plan, Prepare and Plant) form the basis of the integrated weed-management message. This short-course will also be rolled-out to other districts in coming years.
 - Trash-blankets in excess of 6 t/ha provide a significant weed control mechanism, but species respond differently to amounts of trash on the ground. No differences in efficacy of pre-emergence herbicides were indicated when applied to trash versus bare soil.
- ***Integrated on-line nutrient management support system released by 2011***
 - BSES and partners are developing a web-based application of NutriCalc (a user-friendly nutrient requirement calculator based on the SIX EASY STEPS approach) to enable growers and their advisors to develop nutrient management plans, record details and identify trends for each block of cane on their farms.
 - A field-based trial program is continuing to ensure that aspects of nutrient management not fully understood are investigated, with results feeding into the SIX EASY STEPS program and the NutriCalc software package.
- ***SIX EASY STEPS nutrient management workbooks and workshops developed for all regions by 2012***
 - SIX EASY STEPS workbooks are available and workshops are being delivered in Bundaberg/Isis, Mackay, Plane Creek, Proserpine, Burdekin, Herbert, Tully, Innisfail/Babinda, Mulgrave and Mossman
 - Soil-specific, nutrient management booklets are now available for the Herbert, Bundaberg, Johnstone and Proserpine districts. Draft booklets have been produced for the Plane Creek and Mackay districts and work has started on producing booklets for the Burdekin, Tully and Isis districts and New South Wales.
- ***Harvest best-practice manual updated by 2010***
 - Harvesting trials to quantify linkages between harvester operation, in-field sugar losses, CCS, bin weights and overall farm profitability are underway following preliminary trials in the Herbert district. These results will contribute to the updated harvest best-practice manual.
- ***In-field sucrose loss system developed by 2012***
 - In-field sampling methodologies and processing equipment were trialled in the Herbert and Burdekin districts. Intensive field sampling throughout the 2009 season will be followed by laboratory analysis to ground-truth the sucrose loss measurement techniques being developed.
- ***Yield monitors validated for accuracy for yield mapping by 2012***

- Three commercially available yield monitors were tested in a large-scale field trial. This process will be repeated in late 2009 to further test the accuracy of these systems. Preliminary results show that one system is less likely to be a viable option.
- ***Nutrient and water strategies optimised to make best use of inputs with minimal off-site effects by 2013***
 - A Mackay trial showed that, although there are presumably soil-health benefits from long-term trash blanketing, there is no yield response and to there is still no evidence that N rates can be reduced due to green-cane trash blanketing.
 - Participative replicated demonstration strip trials in the Innisfail, Mackay and Bundaberg districts over 3-4 consecutive years have shown that there is no significant yield loss when using the recommended SIX EASY STEPS inputs (compared to traditional grower strategies). Partial net returns were usually in favour of the SIX EASY STEPS approach that advocates balanced and sustainable nutrient management.
 - Replicated demonstration strip trials and a small-plot experiment in Tully indicate that the SIX EASY STEPS N guidelines are robust and in line with the concept of sustainability (profitable cane production with maintenance of on-site resources and minimal off-site effects). This is in contrast to other strategies that are aimed at either maximum productivity (e.g. traditional grower developed N input strategies) or being overly environmentally focused (e.g. the N-replacement strategy).
 - Trials show that modified nitrogen management strategies will need to be investigated for some low-lying clay and higher organic matter soils that are prone to water-logging and possible denitrification losses.
- ***Appropriate varieties defined for use within new farming systems by 2011***
 - Variety by row configuration interaction were insignificant when compared to the variety term alone in a 48 clone trial at Meringa. This indicates that selection would be largely unaffected if it was conducted on any of the three row configurations tested.

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. BSES' Inorganic Chemistry Laboratory completed over 50,000 assays on soil, water, plant, byproduct and nutrient samples. This laboratory provides data, advice and support for BSES research and extension programs, as well as having a significant external fee-for-service component. 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

- **Factory measurement and process control solutions implemented for low glycaemic-index (GI) sugar production by 2009**
 - The first Australian installation of a Sugar Analysis System (SAS) was completed at Mossman Mill towards the end of the 2008 crushing season. This instrumentation is a key component in the monitoring and process control of LoGiCane™ low GI sugar production. The SAS installation provides real time analytical data which is capable of use for process control purposes, as well as providing traditional sugar data such as pol, moisture and colour. A patent has been written in conjunction with Horizon Science to protect this intellectual property for low GI sugar applications.

- **NIR selection methods evaluated for implementation in the breeding program by 2011**
 - A laboratory NIR-based technology to predict varietal ratings for smut and Fiji leaf gall has now been subjected to three separate blind validation trials. The model has undergone refinement after each evaluation and it is now at a state for implementation for its use within the BSES/CSIRO variety-improvement program. An analogous tool has been evaluated for FLG and will undergo blind testing during 2010 for subsequent implementation.

- **Strategy developed for participation in production of biofuels, speciality chemicals and cogeneration of electricity**
 - Initiatives in biomass utilization research have been successfully funded by significant research grants from the Commonwealth Government Second Generation Biofuels Research and Development Grant Program and SRDC. This work will focus on efforts to define an optimised and sustainable sugarcane biomass input system for the production of second generation biofuels, and develop breeding strategies to produce specific high biomass varieties.
 - A CRC-SIIB project examining bioactive extracts from sugarcane in collaboration with Southern Cross University has characterised compounds with bioactivities with antioxidant, glycaemic index reduction and anti-cancer potential. A provisional patent is under preparation to protect some of the IP generated.

- **High quality service provided to factory-installed cane, sugar and bagasse analysis systems and provide support to achieve key commercial targets**
 - Two online NIR instruments were installed at Costa Pinto Mill in Brazil during 2008 to undergo evaluation. Both instruments will remain at Costa Pinto during the 2009 crushing season in order to complete trial activities. We are confident that this trial will provide an entry point into the Brazilian sugar industry for online NIR systems, and will lead to a considerable business opportunity in the years to come.
 - NIR research activities have focused on the development of standardization procedures that will significantly improve instrument performance and streamline networked support procedures. Further developmental work has examined the development of laboratory benchtop NIR instruments for the analysis of sugar and other factory process streams, and these systems will be available for demonstration during 2010.

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.

This program was led by Mr Robert Cairns (southern) and Mr Evan Shannon and Mr Greg Shannon (northern).

- ***Innovative extension delivery models developed to optimise industry-wide adoption of best management practices***
 - BSES extension officers had considerable input into the delivery of the Australian Government's Reef Rescue package in Northern, Burdekin and Southern districts.
 - BSES developed Nutrient-Management workshop manuals for both the Herbert area and the Wet Tropics and delivered 14 workshops that 167 growers and 18 industry advisors and resellers attended. Each workshop was rated very highly by attendees. The farms represented covered over 20% of the area harvested in 2008. Nutrient management plans were commenced with 115 growers from 155 farms targeting 365 blocks in total and 200 blocks to be planted in 2009.
 - BSES developed an Integrated Weed Management course to provide training in and application of herbicide technology to improve productivity, reduce chemical loss and minimise adverse impacts on downstream aquatic ecosystems. Seven workshops in the Northern district saw 80 growers and 6 industry advisors and resellers attending. The farms represented covered 8% of the area harvested in 2008. Again, the course was rated very highly by attendees.
 - Streamlined versions of BSES' Farm Productivity Assessment were developed for Northern, Burdekin and Southern districts and formed part of growers' application processes for Reef Rescue funding. BSES staff developed 61 assessments and associated action plans for Northern growers and 29 for Burdekin growers. Staff in all regions assisted growers in the application process and participated in local review processes.
 - Extension staff have continued assisting the industry in preparing for the spread smut through development and implementation of regional plans that have reduced the economic impact, particularly through the replacement of susceptible varieties with resistant varieties.
 - Four issues of the *BSES Bulletin* were distributed to industry, including one that focused on biosecurity issues.
 - Activate breakfasts continue to be an important venue for demonstrating BSES value to stakeholders – one demonstrated the increased profitability of the improved sugarcane farming system over past systems.
- ***Contracted Service Level Agreement targets met***
 - Milestones and achievement criteria set in 2008-09 regional service level agreements have largely been met.

Variety Improvement and Variety Adoption

The BSES-CSIRO conventional sugarcane breeding and selection program uses optimal genetic evaluation systems to select parents, crosses and clones, with the ultimate objective of delivering new, more productive varieties to the Australian Sugarcane Industry. Testing regimes are in place to ensure that these new varieties have adequate disease resistance to endemic diseases and acceptable milling and sugar quality characteristics. Variety introduction (foreign varieties) and variety exchange between regional programs enhance the germplasm used, both for breeding and varietal development. All varieties produced within the BSES-CSIRO Plant Improvement Program are protected by Plant Breeders' Rights.

The Variety Improvement and Variety Adoption programs were led by Dr Michael Cox and Dr George Piperidis, respectively.

Highlights

- **2-3 high-yielding smut-resistant varieties released each year**
 - Three new varieties were given Q status – Q238[Ⓛ] (Central region), MQ239[Ⓛ] (Herbert) and Q240[Ⓛ] (Southern region). Q238[Ⓛ] and Q240[Ⓛ] have been approved for planting in Plant Quarantine Areas 4, 5 and 6; MQ239[Ⓛ] has been approved for planting in PQA2a.
 - Approval from QPIF has also been granted for two varieties already released in other regions: Q183[Ⓛ] in the Southern region (PQA5 & PQA6); Q237[Ⓛ] in the Central region (PQA4).
 - Q232[Ⓛ] is already approved in PQA4 and this variety will be distributed in the Central region in 2009. Q200[Ⓛ] is approved in all PQAs and will be distributed in the Burdekin in 2009.
 - An average flowering season in 2009 enabled 1,275 field-based crosses to be made at Meringa. Crossing is still underway in the three Meringa photoperiod facilities, but already almost 1,000 crosses have been made. The Bundaberg photoperiod glasshouse produced 185 crosses.
 - Two new projects have been partially funded by SRDC to complement plant breeding activities:
 - Maximising the rate of parental improvement in the Australian sugarcane breeding program (\$1.155 m), commenced 1 July 2008.
 - Developing sugarcane for production systems utilising total biomass (\$1.26 m), commencing on 1 July 2009.
- **On-line decision-support tool for varieties released for grower use by 2010**
 - In May 2009, QCANESelect™ the new web-based tool for variety information and management, was launched in the Burdekin. QCANESelect™ allows growers to obtain up-to-date information and to develop a plan for varieties for their farm that will maximize productivity while managing risks. Growers from many areas are using QCANESelect™.

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 crop improvement technologies to create sugarcane plants with traits such as increased CCS, early maturation, drought tolerance, water-use efficiency, nitrogen use efficiency and altered shoot growth characteristics. Developing automated sugarcane micropropagation technologies (SmartSett[®]) to accelerate variety release and adoption is also a major thrust of this program. Implementing molecular markers for marker-assisted selection strategies is another priority area. Much of this program's research is carried out in collaboration with CSIRO Plant Industry and the University of Queensland with the financial support of Co-operative Research Centre for Sugar Industry Innovation through Biotechnology (CRCSIIB), AusIndustry and the SRDC.

The program was led by Dr Prakash Lakshmanan.

Highlights

- **Commercially relevant GM traits identified and tested by 2013**
 - In collaboration with agribusiness partners, BSES is developing strategies and technology platforms to develop and deliver transgenic sugarcane for the Australian sugar industry. Initial efforts will address economically important pests and boosting plant growth and architecture.
 - The BSES-CSIRO Plant Improvement Program has obtained licences for field evaluation of transgenic lines in different regions. New trials involving a large number of transgenic lines will commence in April 2010.
- **Crosses made with GM varieties by 2013**
 - The BSES-CSIRO Plant Improvement Program has received a licence to develop transgenic clones for commercial release through transgene breeding. This will be the first attempt to produce transgenic sugarcane via breeding in Australia, with the first transgene crossing event to begin in the 2010 crossing season.
- **SmartSett[®] technology**
 - Automation of SmartSett[®] technology continues to progress. Evaluation of SmartSett[®] and conventional sugarcane crops in the Burdekin and Mackay regions showed comparable yields for these crops.
 - The demand for micropropagated plants in the Australian industry is growing. Micropropagated plants of new varieties are now supplied to growers for commercial planting.
- **Development of improved varieties**
 - Considerable progress has been made in developing new tools and technologies for identifying high early CCS varieties. New methodologies developed allow the identification of high early CCS clones as early as three months after germination.
 - Significant progress has been made to understand and develop clones that are water-efficient and drought tolerant. A number of clones examined showed little variation in CCS or cane yield, suggesting that the potential for genetic improvement of varieties for drought tolerance is significant.
 - A new collaborative project with the University of Queensland has been funded to develop nitrogen use efficient sugarcane. This will combine the skills and expertise of physiologists, plant breeders and agronomists and will be the first major integrated research effort in this area.

Biosecurity

Diseases and pests represent a significant threat to the continued security of cane supply for the Australian sugarcane 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

- ***Varieties imported from overseas each year and released after ensuring freedom from exotic pests and diseases***
 - Forty-three foreign varieties were imported from five countries (Colombia, Guatemala, Mauritius, Philippines, and South Africa) in 2008-09. Varieties were exported to Colombia (8), Mauritius (9) and Philippines (5).
 - Tissue culture methods are now being used to generate large quantities of foreign clones that enter BSES quarantine facilities. This will facilitate the rapid evaluation of foreign clones.
- ***Clones exchanged among regions within Australia each year without spreading pests and diseases***
 - The SmutBuster program shipped the first batch of over 2000 varieties to Bundaberg, Mackay and Charters Towers for propagation. These varieties are smut resistant but come from high value smut susceptible crosses. The varieties have been planted into clonal assessment trials in Bundaberg, Mackay, Burdekin and Meringa. The SmutBuster program aims to recover high yielding smut resistant varieties for the industry and for use as parents for the future.
- ***High-yielding, smut-resistant varieties available for all major soil types by 2011***
 - Sugarcane smut has now been found in all of the major cane growing regions in Queensland. The only areas where the disease has not been reported are Rocky Point and New South Wales, although spore trapping has repeatedly found smut spores in Condong and found spores in Rocky Point in July 2009.
 - In addition to the SmutBuster program, BSES has screened 2500 clones from the core breeding program for smut resistance in 2008 and a further 2500 clones have been planted into trials in 2009.
 - The SmutBuster program and the BSES variety improvement response to the smut incursion were reviewed by an external panel including Hon Prof Bob McIntosh AO, leading Australian wheat breeder, Prof Jeff Hoy, plant pathologist Louisiana State University Sugarcane, and Dr Mac Hogarth AO, retired BSES breeder, in February 2009. The panel made the following comments on the response to the smut incursion and the SmutBuster program:
 - The impact of the smut incursion on the sugarcane improvement program was reduced substantially by the outstanding pre-emptive work that had been done between 1998 and 2006 in Indonesia and the Ord.
 - The response by the sugarcane variety improvement program to the incursion has been rapid, comprehensive and, in our opinion, entirely appropriate.
 - We believe the SmutBuster program has a high probability of achieving significant progress in producing elite, smut-resistant varieties.

- Smut resistant varieties are rapidly replacing susceptible varieties in all regions and susceptible varieties will contribute less than 50% of the crop in 2009 down from 80% in 2006 when smut was first detected.
- ***Contingency plans updated and new plans developed for significant threats to incorporate new research results by 2011***
 - BSES recently commenced research at Ramu in Papua New Guinea to screen Australian varieties for resistance to sesamia borers, Ramu stunt and downy mildew with funding from SRDC.
 - In preparation for possible future incursions of borers, BSES is also conducting surveys of borers and their parasites in Indonesia. BSES entomologists have travelled to Indonesia to gain experience with these serious cane pests. This research is funded by the Australian Centre for International Agricultural Research (ACIAR).

Experiment Stations

This program coordinates 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 in particular.

This program was led by Mr Jeff Smith.

Highlights

- The program has provided ongoing support for core breeding activities and all other research programs conducted on the BSES experiment stations through resource provision and management across all regions.
- BSES has introduced procedures to ensure that regionally appropriate new farming systems are used on BSES experiment stations and where possible, in trials managed by BSES outside our own stations.
- Additional land has been leased and managed in order to accommodate the increased quantities of selection material required within the SmutBuster project. This will assist in achieving project outcomes on time.
- Procedures have been developed to more efficiently and economically resource the Bundaberg smut farm by transferring machinery resources and facilitating the purchase of a new tractor in the Bundaberg region.
- An additional farm area of 90 ha has been leased in the Burdekin to accommodate and more efficiently manage future new farming systems research, biotechnology and other research trials in the region.

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 Mr IJ Sharpe (committee chair since 21 October 2008), Mr IR Davies, and Mr JS Pollock. Mrs MS Boydell was committee chair until 21 October 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. Paul has combined banking, health, hospitality and consulting in a career that has encompassed over 25 years in senior executive management with a variety of leadership roles. He has held the position of General Manager for Queensland and the Northern Territory of the Medical Benefits Fund of Australia Limited and has provided executive services as General Manager of The Brisbane Club. Paul has been a company director for more than twenty four years and has served as Chairman of The Australian Institute of Management, The Royal Flying Doctor Service, and The Queensland Institute of Medical Research (QIMR) Trust, as well as having served as Deputy Chairman of the QIMR Council. He is currently the Chairman PQ Lifestyles Pty Ltd and Phoenix Eagle Company Pty Ltd. He is also a director of the Australian Sugar Industry Alliance Ltd and idec Solutions Pty Ltd. In 2006, Paul was appointed a Member of the Order of Australia for his service to medical administration and to business and commerce.

Ian Davies

Director since 23 October 2007. Ian 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. Ian has experience on industry boards, with three 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. John 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. John has experience on industry boards, with six years on the Sugar Experiment Stations Board during 1988-1994 and eight years on the board of Australian Molasses Trading during 1994-2002 including Chairman for the last six years of this period. 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. John is also a director of Far North Queensland Natural Resource Management Ltd, SkyView Solutions 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 John has wide research, natural resource management, primary industry and corporate management experience.

Joe Russo

Director since 25 October 2005. Joe 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. Joe has also been a director of BGA AgriServices since 2007. In 2003, Joe was the Australian Institute of Management's (Sunshine Coast Region) Rural Remote Manager of the Year.

Paul Sgarbossa

Director since 23 October 2007. Paul 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 CANEGROWERS committees and sub committees from 1991-2003 and has served on Productivity Boards since 1989. Paul has been cane farming for over 30 years and received the SRDC 2000 R&D Sugar Industry Service Award.

Ian Sharpe

Director since 23 October 2008. Ian is also a director of Bean Growers Australia and BGA Agriservices and Russell Pastoral Company and Executive Committee member of Dingo Australia Pty Ltd. He is managing director of a private accounting practice in Dalby which he established in 2003. Ian's previous experience includes Regional Manager for Queensland Cotton Corporation, General Manager of Queensland Graingrowers Association and he has held senior positions with the State Wheat Board and Bulk Grains Queensland. He is a fellow of the Australian Society of CPAs and a graduate of the Australian Institute of Company Directors.

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, Eoin 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. He 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. Eoin is a Fellow of the Australian Institute of Agricultural Science and Technology and was awarded the industry's R&D Management Award in 2006. He is also a Graduate of the Australian Institute of Company Directors.

COMPANY SECRETARY**David Munro**

David 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. David is a Fellow of the Chartered Secretaries Australia Limited.

Mary Boydell

Director from 4 April 2003 (director, Bureau of Sugar Experiment Stations from 24 September 2000) until 23 October 2008. During Mary's office as a director of the company, her professional interests included: a Fellow of the Institute of Chartered Accountants in Australia, with significant experience in business, finance and corporate administration; Chairperson of the Gladstone Area Water Board and the Rural Industries Research & Development Corporation; director of Energex Limited and a board member of the Queensland Bulk Water Supply Authority; a member (Chairperson 2008) of the Queensland Regional Council of the Institute of Chartered Accountants; a member of the Standing Committee of the Smart State Council established by the Premier of Queensland. Mary was formerly a director of the Australian Trade Commission and Burnett Water Pty Ltd.

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 2008 and ending on 30 June 2009 (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 name and particulars of the qualifications and experience of each director of the company and of the company secretary are set out on pages 15 to 16.

There were seven board meetings during the financial year. Messrs PS Wright (Chairman), IR Davies, JH King, JS Pollock, JJ Russo, PM Sgarbossa and ES Wallis (Managing Director) attended all seven meetings. Mr IJ Sharpe attended the four meetings held since his appointment on 21 October 2008, and attended one meeting as an observer prior to appointment. Mrs MS Boydell attended the three meetings held prior to her retirement on 21 October 2008

The Audit Compliance and Risk Management Committee met on six occasions during the financial year. Mr IR Davies attended all six meetings; Mr JS Pollock attended five meetings; Mrs Boydell was the Committee chair until retirement as a director on 21 October 2008, attending the two meetings held to that date; and Mr IJ Sharpe was appointed as Committee Chair on 21 October 2008 and attended all four meetings after that date.

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

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 Members of BSES Limited:

"In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of BSES Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have 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
Chartered Accountants

Daniel J Carroll
Partner
Brisbane 3 September 2009"

Rounding

BSES Limited is a company of a kind referred to in Class Order 98/100, 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

3 September 2009

BSES Limited
Income Statement
For the year ended 30 June 2009

	<i>Notes</i>	<i>2009</i>	<i>2008</i>
		<i>\$'000</i>	<i>\$'000</i>
Revenue	2(a)	23,371	24,035
Research, development and extension expenses		(21,632)	(20,917)
		1,739	3,118
Other Income	2(b)	208	191
Administration expenses		(3,863)	(3,515)
Results from operating activities		(1,916)	(206)
Financial income	5	1,326	1,626
Financial costs	5	-	-
Net financing income	5	1,326	1,626
Profit/(loss) before income tax		(590)	1,420
Income tax (expense)/benefit	3	(100)	-
Profit/(loss) after income tax		(690)	1,420

BSES Limited
Statement of Recognised Income and Expense
For the year ended 30 June 2009

	<i>Notes</i>	2009	2008
		\$'000	\$'000
Actuarial gains/(losses) on defined benefit plan	15(e)	(2,669)	(1,933)
Deferred tax benefit on actuarial gains/(losses) on defined benefit plan	3	-	-
		<hr/>	<hr/>
		(2,669)	(1,933)
Profit/(loss) after income tax		(690)	1,420
		<hr/>	<hr/>
Total recognised income and expense	16(a)	(3,359)	(513)
Change in fair value of equity securities available-for-sale recognised in equity	16(b)	(20)	8
		<hr/>	<hr/>
Total recognised income and expense for the year		(3,379)	(505)
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form part of these financial statements.

BSES Limited
Balance Sheet
As at 30 June 2009

	Notes	2009 \$'000	2008 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	2,908	3,584
Trade and other receivables	8	3,959	3,461
Financial assets	11	20,500	20,150
Inventories	9	452	237
Total current assets		27,819	27,432
Non-current assets			
Trade and other receivables	8	5	7
Property, plant and equipment	10	16,736	16,623
Financial assets	11	52	73
Deferred tax assets	12	-	-
Other assets	14	-	1,081
Total non-current assets		16,793	17,784
TOTAL ASSETS		44,612	45,216
LIABILITIES			
Current liabilities			
Trade and other payables	13	2,000	1,418
Short term provisions	14	2,218	1,931
Total current liabilities		4,218	3,349
Non-current liabilities			
Trade and other payables	13	19	33
Long term provisions	14	1,831	1,820
Other Liabilities	14	1,909	-
Total non-current liabilities		3,759	1,853
TOTAL LIABILITIES		7,977	5,202
NET ASSETS		36,635	40,014
EQUITY			
Retained earnings	16(a)	36,606	39,965
Fair value reserve	16(b)	29	49
TOTAL EQUITY		36,635	40,014

The accompanying notes form part of these financial statements.

BSES Limited
Cash Flow Statement
For the year ended 30 June 2009

	<i>Notes</i>	<i>2009</i>	<i>2008</i>
		<i>\$'000</i>	<i>\$'000</i>
Cash flows from operating activities			
Cash receipts from customers		22,349	23,909
Interest received		1,322	1,626
Net GST input tax credits		1,355	1,430
Payments to suppliers and employees		(22,493)	(22,188)
GST remitted to the ATO		(1,234)	(1,318)
Net cash used in operating activities	18(b)	1,299	3,459
Cash flows from investing activities			
Payment for property, plant & equipment		(1,647)	(1,637)
Proceeds from sale of property, plant & equipment		22	121
Net cash used in investing activities		(1,625)	(1,516)
Net increase/(decrease) in cash and cash equivalents		(326)	1,943
Cash at the beginning of the financial year		23,734	21,791
Cash at the end of the financial year	18(a)	23,408	23,734

The accompanying notes form part of these financial statements.

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2009

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 3 September 2009.

(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(u).

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 (Australian dollar) 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) Investments

Investments are carried at cost or fair value as indicated, less where applicable, any impairment losses. Investments in Associated entities, over which BSES Limited has significant influence, are equity accounted, as required by the adoption of AASB128. In accordance with this standard, this investment is adjusted by the share of accumulated profits or losses.

Fair value of investments 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.

(e) 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.

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2009

Note 1 Significant accounting policies (continued)

(i) Property

Freehold land and buildings are shown at their 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 class of assets are charged against fair value reserves directly in equity; all other decreases are charged to the income statement.

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.

Property Leases:

Operating Lease payments are recognised as an expense in the period, with separate amounts recognised for minimum lease payments, and contingent rents. Contingent rents are those related to rental contracts for farming properties, where the quantum is dependent on the total tonnes of cane harvested.

(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 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(j).

(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	20 -30 years
• Laboratory Equipment	3-14 years
• Plant and Machinery	5-18 years
• Motor Vehicles	5-7 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.

Gains and losses on disposal of assets are not recognised until date of cash settlement.

(f) 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.

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2009

Note 1 Significant accounting policies (continued)

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 expired. 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.

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.

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) Receivables

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.

(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.

(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.

(g) Trade and other receivables

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

(h) 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. 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.

(i) Cash and cash equivalents

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

(j) 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 asset class, the company estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2009

Note 1 Significant accounting policies (continued)

(k) Employee benefits

(i) Defined contribution superannuation funds

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

(ii) Defined benefit superannuation funds

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

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

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

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

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

(iii) Long-term service benefits

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

(iv) Short-term benefits

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

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.

(l) 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.

(m) Trade and other payables

Trade and other payables are stated at cost.

(n) 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. Income received for services not yet rendered is recognised in the Balance Sheet as revenue received in advance. The revenue is recognised in the Profit or Loss once the service has been rendered or the agreed milestones have been completed. 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.

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2009

Note 1 Significant accounting policies (continued)

(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.

(o) Financial income and expenses

Financial 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.

Financial expenses comprise 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.

(p) Expenses

(i) Operating lease payments

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

(ii) Finance lease payments

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

(q) Income tax

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

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

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. Accordingly, no deferred tax asset or liability was recognised at balance date, in relation to temporary differences and unused tax losses

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.

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.

(r) Segment reporting

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

(s) 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. No discontinued operation was in existence at balance date.

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2009

Note 1 Significant accounting policies (continued)

(t) 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 Cash Flow Statement 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.

(u) Critical accounting estimates and judgements

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

- (i) Actuarial assumptions: The Company accepted the actuarial assumptions in the determination of its net asset or liability related to the defined benefit superannuation fund as set out in Note 16.
- (ii) Long service leave provisions: Estimates and judgements used to determine the likelihood of staff qualifying for long service leave in future accounting periods are based on historical trends within the Company. Historical data was used to determine when existing entitlements would be taken, and redundancies were excluded.
- (iii) Work in progress and revenue received in advance: Assessment is based on review of individual projects, refer Note 1(h) and 1(n)(iii).

(v) 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 2009

	2009	2008
	\$'000	\$'000
Note 2		
Revenue		
(a) Fees and service charges	13,595	14,390
Research grants		
Queensland Government – Department of Primary Industries & Fisheries	4,000	4,000
Other parties (including SRDC, CRCSIIIB)	4,513	5,282
Other Revenue	1,263	363
	<u>23,371</u>	<u>24,035</u>
(b) Other income		
Miscellaneous income	208	191
	<u>208</u>	<u>191</u>
Note 3		
Income Tax		
(a) The components of tax expense comprise:		
<i>Current tax expense/(benefit)</i>		
Current year	100	-
Adjustments for prior years	-	-
	<u>100</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>100</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) Numerical reconciliation of income tax expense/(benefit) to pre-tax net profit		
Profit/(loss) for the year	<u>(590)</u>	<u>1,420</u>
Income tax using the corporate tax rate of 30% (2008: 30%)	(177)	426
Increase in income tax expense due to;		
Non-deductible expenses	65	3
Benefit of losses and deferred tax balances not brought to account	238	(429)
Tax losses utilised	(26)	-
Under/(over) provided in prior years	-	-
Income tax expense/(benefit)	<u>100</u>	<u>-</u>
Attributable to:		
Continuing operations	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
(c) Income tax recognised directly in equity		
Relating to actuarial (gains)/losses recognised on defined benefit plan	<u>-</u>	<u>-</u>
Note 4		
(a) Personnel expenses		
Wages, salaries and on-costs	12,857	12,593
Superannuation contributions – accumulation members	1,015	936
Defined benefit plan expense	15(d) 321	261
	<u>14,193</u>	<u>13,790</u>
(b) Other Expenses		
Doubtful debts expense	138	36
Net gain/(loss) on disposal of non-current assets	21	65
Note 5		
Net financing income		
Interest income – External	1,326	1,626
Interest expense - External	-	-
	<u>1,326</u>	<u>1,626</u>

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Note 6		
Auditors' remuneration		
Audit of financial reports	<u>38</u>	<u>45</u>
Note 7		
Cash and cash equivalents		
Cash on hand	3	3
Imprest bank accounts	11	11
Cash at bank	1,382	238
Deposits at call	<u>1,512</u>	<u>3,332</u>
	<u>2,908</u>	<u>3,584</u>
Cash held in term deposits is disclosed in Note 11 Financial Assets		
Note 8		
Trade and other receivables		
<i>Current:</i>		
Trade Receivables	2,334	1,751
Provision for impairment of trade receivables	(70)	(56)
Prepayments	200	203
Accrued income	1,494	1,562
Other receivables	<u>1</u>	<u>1</u>
	<u>3,959</u>	<u>3,461</u>
<i>Non-Current:</i>		
Other Receivables	<u>5</u>	<u>7</u>
	<u>5</u>	<u>7</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:

	Opening Balance	Charge for the year	Amounts written off	Closing Balance
Prov'n for Impairment of trade receivables	106	36	86	56
Balance at 30 June 2008	<u>106</u>	<u>36</u>	<u>86</u>	<u>56</u>
Prov'n for Impairment of trade receivables	56	91	77	70
Balance at 30 June 2009	<u>56</u>	<u>91</u>	<u>77</u>	<u>70</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:

	2009	2008
	\$'000	\$'000
0-30 Days past due not impaired	2,157	1,586
0-30 Days considered impaired	3	-
31-60 Days past due not impaired	5	23
31-60 Days considered impaired	25	-
61-90 Days past due but not impaired	87	26
61-90 Days considered impaired	22	-
90+ Days past due but not impaired	15	60
90+ Days considered impaired	<u>20</u>	<u>56</u>
	<u>2,334</u>	<u>1,751</u>

Note 9		
Inventories		
Work in progress – at cost	<u>452</u>	<u>237</u>

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2009

	2009 \$'000	2008 \$'000
Note 10 Property, plant & equipment		
Land - at cost	7,911	7,911
Buildings – at cost	7,961	7,869
Less: Accumulated depreciation	<u>(2,596)</u>	<u>(2,160)</u>
	5,365	5,709
Plant and machinery – at cost	3,558	3,322
Less: Accumulated depreciation	<u>(2,455)</u>	<u>(2,161)</u>
	1,103	1,161
Laboratory equipment – at cost	3,843	3,547
Less: Accumulated depreciation	<u>(2,755)</u>	<u>(2,343)</u>
	1,088	1,204
Motor vehicles – at cost	418	454
Less: Accumulated depreciation	<u>(360)</u>	<u>(348)</u>
	58	106
Office furniture and equipment – at cost	412	354
Less: Accumulated depreciation	<u>(315)</u>	<u>(247)</u>
	97	107
Information technology equipment – at cost	2,710	2,551
Less: Accumulated depreciation	<u>(2,363)</u>	<u>(2,137)</u>
	347	414
Assets Under Construction	<u>767</u>	<u>11</u>
Total property, plant and equipment	<u>16,736</u>	<u>16,623</u>

Movements during the reporting period

Cost	Land \$'000	Buildings \$'000	Plant and machinery \$'000	Laboratory Equipment \$'000	Motor Vehicles \$'000	Office Furniture and Equipment \$'000	Information Technology Equipment \$'000	Total \$'000
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
Balance at 1 July 2008	7,911	7,869	3,322	3,547	454	354	2,562	26,019
Additions		92	247	300		70	297	1,006
Disposals			(11)	(4)	(36)	(12)	(148)	(211)
Balance at 30 June 2009	7,911	7,961	3,558	3,843	418	412	2,711	26,814

Accumulated depreciation and Impairment losses	Land \$'000	Buildings \$'000	Plant and machinery \$'000	Laboratory Equipment \$'000	Motor Vehicles \$'000	Office Furniture and Equipment \$'000	Information Technology Equipment \$'000	Total \$'000
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
Balance at 1 July 2008	-	2,160	2,161	2,343	348	247	2,137	9,396
Depreciation expense	-	436	306	411	47	68	244	1,512
Disposals	-	-	(11)	-	(35)	-	(17)	(63)
Balance at 30 June 2009	-	2,596	2,456	2,754	360	315	2,364	10,845

Carrying amounts

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
At July 2008	7,911	5,709	1,161	1,204	106	107	425	16,623
At 30 June 2009	7,911	5,365	1,102	1,089	58	97	347	15,969
Assets under Construction (AUC)	-	-	9	-	-	-	758	767
Carrying amount including AUC	7,911	5,365	1,111	1,089	58	97	1,105	16,736

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Note 11 Financial assets		
<i>Current</i>		
Held-to-maturity term deposits	20,500	20,150
	<u>20,500</u>	<u>20,150</u>
<i>Non-Current</i>		
Equity instruments, available-for-sale		
Shares in Listed Corporations, at fair value	52	73
	<u>52</u>	<u>73</u>

Held-to-maturity term deposits at Commonwealth Bank of Australia \$496,507 (2008: \$8,172,181), National Australia Bank \$2,003,113 (2008: \$6,533,476), Westpac Banking Corporation \$5,000,000 (2008: \$5,444,678), Bank of Western Australia \$7,000,000 (2008: \$Nil), Australia and New Zealand Banking Group \$6,000,000 (2008: \$Nil).

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

Note 12 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	3	1,245	1,034
Tax & capital losses	3	5	73
		<u>1,250</u>	<u>1,107</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 13 Trade and other payables

Current

Trade payables	935	737
Other payables	17	9
Accrued expenses	499	487
Income in advance	549	185
	<u>2,000</u>	<u>1,418</u>

Non-current

Income in advance	19	33
	<u>19</u>	<u>33</u>

Note 14 Provisions

Assets

Non-current

Defined benefit plan surplus	15(a)	-	1,081
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Liabilities

Current

Salaries and wages accrued	495	277
Liability for annual leave	1,401	1,427
Liability for long service leave	227	227
Income Tax	95	-
	<u>2,218</u>	<u>1,931</u>

Non-Current

Liability for long service leave	1,831	1,820	
Defined benefit plan shortfall	15(a)	1,909	-
	<u>3,740</u>	<u>1,820</u>	

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.

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2009

	2009 \$'000	2008 \$'000
Note 15 Superannuation		
Plan information		
<p>BSES Limited is the sponsor of the BSES Limited Superannuation Plan. During the 2008/09 year, BSES has been on a contribution holiday and due to the projection results of the Plan as at 30 June 2008, it is recommended that BSES contributes at a rate of 28% of salaries from 1 July 2009. Contributions for the accumulation members were paid throughout the 2008/09 year.</p> <p>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.</p> <p>The last actuarial assessment of the fund was made at 30 June 2008 and is detailed in Note 15(n). The next required actuarial assessment will be effective as at 30 June 2011 and completed by 1 July 2012.</p>		
(a) The amounts recognised in the balance sheet are as follows:		
Present value of funded defined benefit obligations at end of year	15(b) 13,050	14,197
Fair value of Plan assets at end of year	15(c) 11,141	15,278
	<u>1,909</u>	<u>(1,081)</u>
Unrecognised past service cost	-	-
Unrecognised gain/(loss)	-	-
Adjustment for limitation on net asset	-	-
Net liability/(asset) recognised in balance sheet at year end	14 1,909	(1,081)
(b) Reconciliation of the present value of the defined benefit obligation:		
Present value of defined benefit obligations ¹ at beginning of the year,	14,197	14,063
Current service cost	529	561
Interest cost	710	726
Contributions by plan participants	169	173
Defined benefit salary sacrifice contributions met from defined benefit assets	-	-
Actuarial (gains)/losses	27	(245)
Benefits and taxes paid	(2,582)	(1,081)
Accumulation contributions met from defined benefit assets	-	-
Past service cost	-	-
Curtailments	-	-
Settlements	-	-
Exchange rate changes	-	-
Present value of defined benefit obligations¹ at end of the year	<u>13,050</u>	<u>14,197</u>
¹ Includes contributions tax provision on plan surplus or deficit		
(c) Reconciliation of movement in the fair value of plan assets is as follows:		
Fair value of plan assets at beginning of the year	15,278	17,338
Expected return on plan assets	918	1,026
Actuarial gains/(losses)	(2,642)	(2,178)
Employer contributions	-	-
Contributions by plan participants	169	173
Defined benefit salary sacrifice contributions met from defined benefit assets	-	-
Benefits and taxes paid	(2,582)	(1,081)
Accumulation contributions paid from defined benefits assets	-	-
Settlements	-	-
Business combinations	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of the year	<u>11,141</u>	<u>15,278</u>
(d) The amounts recognised in the income statement are as follows¹:		
Current service cost ²	529	561
Interest cost	710	726
Expected return on plan assets (net expenses)	(918)	(1,026)
Amortisation of past service cost	-	-
Amortisation of actuarial (gain)/loss	-	-
Movement in adjustment for limitation on net asset	-	-
Curtailement or settlement (gain)/loss	-	-
Contributions to accumulation section funded from defined benefit assets	-	-
Expense/(income) recognised	4 321	261
¹ Forming part of the personnel expenses, refer Note 4.		
² Includes expected change in provision for contributions tax on plan surplus or deficit.		
(e) Amounts recognised in the statement of recognised income and expense:		
Actuarial gains/(losses)	(2,669)	(1,933)
Adjustment for limit on net asset	-	-

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Note 15 Superannuation (continued)		
(f) Cumulative amount recognised in the statement of recognised income and expense:		
Cumulative amount of actuarial gains/(losses)	(2,725)	(56)
(g) Plan assets		
The percentage invested in each asset class at the balance sheet date:		
Australian equities	29%	30%
Overseas equities	25%	24%
Fixed interest securities	13%	17%
Alternatives	24%	22%
Property	7%	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>(1,724)</u>	<u>(1,152)</u>
(k) Principal actuarial assumptions at the balance sheet date		
Discount rate	4.7%	5.4% pa
Salary increase rate 1 st year	0.0%	4.5% pa
Salary increase rate 2 nd year	4.0%	4.5% pa
Salary increase rate 3 rd year	4.0%	4.5% pa
Salary increase thereafter	4.0%	4.0% pa
Expected rate of return on assets	6.0%	6.5% pa
* Net of investment tax and expenses and administration expenses		

	<i>Notes</i>	2009	2008	2007	2006
		\$'000	\$'000	\$'000	\$'000
(l) Historical information					
Present value of defined benefit obligation at year end		13,050	14,197	14,063	13,102
Fair value of plan assets at year end		11,141	15,278	17,338	15,531
(Surplus)/deficit in plan		1,909	(1,081)	(3,275)	(2,429)
Experience (gains)/losses adjustments – plan liabilities	15(b)	27	(245)	401	(226)
Experience (gains)/losses adjustments – plan assets	15(c)	2,642	2,178	(1,531)	(702)
			2009		2008
			\$'000		\$'000

(m) Expected contributions			
Expected employer contributions		-	-

(n) Employer contributions

(i) Surplus/deficit

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan actuary. Actuarial assessments are made at no more than three yearly intervals and the last such assessment was made as at 30 June 2008.

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	30/06/2008	20,911
Accrued benefits	30/06/2008	22,058
Net surplus/(deficit)	30/06/2008	<u>(1,147)</u>

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2009

Note 15 Superannuation (continued)

(ii) Contribution recommendations

BSES Limited is the sponsor of the BSES Limited Superannuation Plan. The last actuarial valuation of the plan was conducted as at 30 June 2008. Accordingly the Actuary determined that due to low returns in 2008/09 the plan may experience a shortfall with respect to funding the benefits over the remaining lifetime of defined benefit members. Accordingly the BSES Limited Board accepted the actuary's recommendation to increase the contribution rate to 28% of salaries from 1 July 2009, to remove the shortfall, and bring the plan into a balanced position. This will be revised at the next required actuarial assessment effective 30 June 2011.

(iii) Funding method

The objective of funding is to ensure 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 2008, to make the funding recommendations were an expected rate of return on plan assets of -13.0% per annum for the first year and 7.0% per annum thereafter with a salary increase of 5.0% per annum.

(v) Nature of asset/liability

The Plan agreement states that if the Plan winds up, after the payment of all costs, the remaining assets are to be distributed by the Trustee of the Plan, acting on the advice of the actuary, to the members.

BSES Limited may at any time by notice to the Trustee terminate its participation in the Plan. BSES Limited has a liability to pay any contributions in arrears at the termination date, 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 16 Retained earnings and reserves

	2009	2008
	\$'000	\$'000
(a) Retained earnings		
Retained earnings at 1 July	39,965	40,478
Total recognised income and expense	<u>(3,359)</u>	<u>(513)</u>
Retained earnings at 30 June	<u>36,606</u>	<u>39,965</u>
(b) Reserves		
Fair value reserve at 1 July	49	41
Total recognised income and expense	<u>(20)</u>	<u>8</u>
Fair value reserve at 30 June	<u>29</u>	<u>49</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 earnings.

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

Note 17 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.

There were no known contingent assets or liabilities of a significant nature at 30 June 2009.

In the event of BSES being wound up, each of its initial members (numbering 2,538) 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.

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2009

Note 18 Reconciliation of cash flows from operating activities

(a) Reconciliation of cash

For the purposes of the Cash Flow Statement, 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 statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Notes	2009 \$'000	2008 \$'000
Cash assets	7	2,908	3,584
Financial assets: Held-to-maturity term deposits	11	20,500	20,150
		<u>23,408</u>	<u>23,734</u>

(b) Cash flows from operating activities

Profit/(loss) for the year	(690)	1,420
<i>Adjustments for:</i>		
Depreciation	1,511	1,601
(Profit)/loss from sale of property, plant and equipment	(21)	(65)
(Increase)/decrease in defined benefit surplus	321	261
<i>Change in working capital and provisions:</i>		
(Increase)/decrease in trade and other receivables, and prepayments	(143)	(716)
(Increase)/decrease in inventories	(215)	369
Increase/(decrease) in payables	238	266
Increase/(decrease) in income tax payable	95	-
Increase/(decrease) in deferred tax liabilities	-	-
Increase/(decrease) in employee benefits	203	323
Net cash used in operating activities	<u>1,299</u>	<u>3,459</u>

Note 19 Financial Instruments

(a) Interest rate risk exposures

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

Financial instruments	Note	Floating interest rate		Fixed interest rate maturing in:		Non interest bearing		Total carrying amount as per Balance Sheet		Weighted average interest rates %	
				One year or less	One year or less						
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 %	2008 %
<i>Financial assets</i>											
Cash and cash equivalents	7	2,894	3,570	-	-	14	14	2,908	3,584	5.48	6.22
Trade and other receivables	8	-	-	-	-	3,759	3,258	3,759	3,258	-	-
Financial assets	11	-	-	20,500	20,150	52	73	20,552	20,223	4.88	7.06
Total financial assets		<u>2,894</u>	<u>3,570</u>	<u>20,500</u>	<u>20,150</u>	<u>3,825</u>	<u>3,345</u>	<u>27,219</u>	<u>27,065</u>		
<i>Financial liabilities</i>											
Trade and other payables	13	-	-	-	-	1,451	1,233	1,451	1,233	-	-
Total financial liabilities		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,451</u>	<u>1,233</u>	<u>1,451</u>	<u>1,233</u>		

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

	2009 \$'000	2008 \$'000
Less than 6 months	<u>1,451</u>	<u>1,233</u>
	<u>1,451</u>	<u>1,233</u>

(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 deposit taking institutions with a rating of 'AA-' or better and supported by Federal Government guarantee are utilised.

* Deposits with any one counterparty can not exceed 40% of total funds on deposit.

* The credit standing of counterparties is reviewed regularly for liquidity and credit risk.

Trade receivables balances at 30 June 2009 and 30 June 2008 do not include any counterparties with external credit ratings, with the exception of CSR Limited which is rated BBB+.

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Note 19 Financial Instruments (continued)		
(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 significant foreign currency risk.		
(g) Sensitivity Analysis		
<i>Interest rate risk</i>		
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 2009, 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:		
Change in profit		
- Increase in interest rate by 1%	234	236
- Decrease in interest rate by 1%	(234)	(236)
Change in equity		
- Increase in interest rate by 1%	234	236
- Decrease in interest rate by 1%	(234)	(236)
This sensitivity analysis has been performed on the assumption that all other variables remain unchanged.		
Note 20 Commitments		
Capital commitments		
There were no capital expenditure commitments as at 30 June 2009.		
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	169	434
- later than one year but not later than five years	178	346
- later than five years	-	-
	<u>347</u>	<u>780</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	147	70
- later than one year but not later than five years	330	59
- later than five years	28	31
	<u>505</u>	<u>160</u>
(c) Other leases		
This represents a telephone operating lease that expired during 2008/09		
- not later than one year	-	35
- later than one year but not later than five years	-	-
- later than five years	-	-
	<u>-</u>	<u>35</u>
Operating lease expense during the year	504	467

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2009

	2009	2008
	\$'000	\$'000
Note 20 Commitments (continued)		
(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	1,194	636
- later than one year but not later than five years	-	653
- later than five years	-	-
	1,194	1,289

The CRCSIIB Centre Agreement obligates BSES to make an in-kind contribution of \$0.994 million in 2009/10 plus a cash contribution of \$200,000. As a result of cumulative contributions to CRCSIIB, BSES Limited has been allocated 8,748,519 units (21.24%) in the associated IP Trust which are currently valued at \$0.

Note 21 Key management personnel disclosures

Remuneration paid to Directors of BSES Limited (including the Managing Director), and key executives in the period 1 July 2008 to 30 June 2009 in connection with the management of BSES Limited includes salary, fees and commissions and contributions to members' superannuation and other benefits paid to them and on their behalf.

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

Short-term employee benefits	740	682
Post-employment benefits – including salary sacrifice superannuation	264	211
Other long-term benefits – long service leave	13	11
Termination benefits	-	-
	1,017	904

Note 22 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 ES Wallis, Managing Director
Ms MS Boydell (retired 21 October 2008)
Mr JH King
Mr JJ Russo
Mr JS Pollock
Mr PM Sgarbossa
Mr IR Davies
Mr IJ Sharpe (appointed 21 October 2008)

During the reporting period, there were two directors that were directors and/or officers of milling companies (JH King, Tully Sugar; IR Davies, CSR Limited) and the Company has agreements with these milling companies, such as cane analysis services agreements, research agreements, confidentiality agreements and Service Level Agreements. In addition, directors who were Grower Directors during the reporting period (JJ Russo, PM Sgarbossa or entities related to them) have as growers, standard BSES Plant Breeders Rights 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.

Note 23 Events occurring after reporting date

No events after the reporting date have material financial effects on the financial statements at 30 June 2009.

Note 24 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 2008-5 Amendments to Australian Accounting Standards (July 2008)	AASB 7	Financial Instruments: Disclosures	Presentation of finance costs	1.1.2009	1.7.2009
	AASB 108	Status of Implementation Guidance	Status of implementation guidance		
	AASB 116	Property, Plant & Equipment	Recoverable amount; Sale of assets held for rental.		
	AASB 119	Employee Benefits	Curtailments and negative past service costs; Plan administration costs; Replacement of term 'fall due'; Guidance on contingent liabilities.		
	AASB 136	Impairment of Assets	Disclosure of estimates used to determine recoverable amount		
AASB 2009-2 Amendments to Australian Accounting Standards (April 2009)	AASB 7	Financial Instruments: Disclosures	Disclosures require enhanced disclosures about fair value measurements and liquidity risk.	1.1.2009	1.7.2009
AASB 1039 – Concise Financial Reports	AASB 1039	Financial Instruments: Disclosures	Specification of the minimum content of a concise financial report.	1.1.2009	1.7.2009

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2009

Note 25 Registered office and principal place of business

50 Meiers Road
Indooroopilly
Queensland 4068

**BSES LIMITED
DIRECTORS' DECLARATION**

The directors of BSES Limited declare that:

- (i) in the directors' opinion, there are reasonable grounds to believe that BSES Limited will be able to pay its debts as and when they become due and payable;
- (ii) in the directors' opinion, the financial statements and notes set out on pages aa to bb 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 2009 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

3 September 2009

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

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ABN 13 131 589 059

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Report on the financial report

We have audited the accompanying financial report of BSES Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the 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

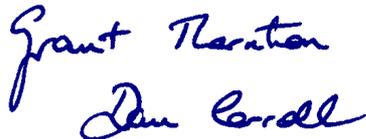
In conducting our audit, we complied with applicable independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- 1 the financial report of BSES Limited is in accordance with the Corporations Act 2001, including:
 - a giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
 - b complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

GRANT THORNTON QUEENSLAND PARTNERSHIP
Chartered Accountants



Daniel J Carroll
Partner

Brisbane

Dated 3 September 2009

BSES Limited

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