



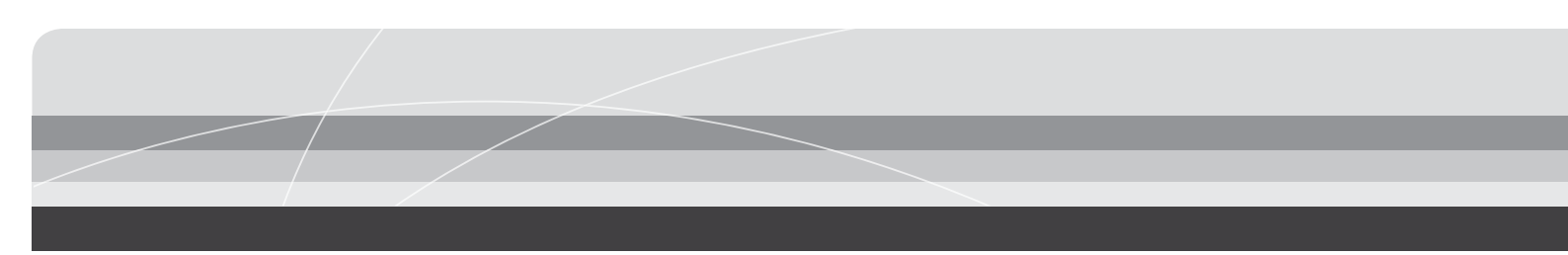
Sugarcane for the future

Annual Report

2009 - 2010



BSES Limited



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 two major programs of work, QCANES, and QCROPS, and conducts these through its stations, centres and laboratories that are located in 17 sugarcane growing areas throughout Queensland, and northern New South Wales.

What future are we creating? An industry-owned BSES partnering in a profitable and sustainable sugarcane industry in Australia.	What is our role in contributing to that future? Delivering realised value to growers, millers and other customers from targeted research, development and extension.	How do we operate? <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

Australian sugarcane growers produce one of Australia's most important export crops, sugar, worth over \$2 billion to the economy and is one of the most important crops in Queensland. The Australian sugarcane industry is not just one of the world's most efficient and innovative producers and exporters of sugar – it is also the leader in the adoption of sustainable farming practices. Australia has maintained its competitiveness in the world by adopting innovative practices – particularly through mechanisation, new farming systems and diversification. This has been achieved through long term industry investment in underpinning research, development and extension.

BSES Limited is recognised as the principal provider of R,D&E to the Australian sugarcane industry. For more than 109 years it and its predecessors have worked with sugarcane growers, millers, harvester contractors and governments to find ways to make sugarcane and sugar production more profitable and environmentally sustainable.

In the last year, we have worked hard to strengthen the foundations for the long-term sustainability of BSES, and to add value to the Australian sugarcane industry by breeding better varieties and developing cost-efficient sugarcane growing processes.

In 2009, BSES and DuPont (an international agribusiness) signed a Strategic Alliance to develop Genetically Modified (GM) sugarcane varieties and improved planting technologies. This Alliance aims to provide the Australian industry with access and commercialisation capacity for these technologies. It is not expected that GM varieties will be available until late this decade. The breeding program of BSES will continue to release conventional varieties and individual growers will be able to choose if they grow GM varieties based on both the benefits that may be available and market acceptance issues.

Biotechnology is the next major science-based advance for the sugarcane industry, and together BSES and DuPont will deliver its benefits to the advantage of BSES members and stakeholders.

Our key competitors around the world have been expanding and developing new technologies that will increase productivity, decrease production costs, and provide them with sustainability and profitability. R&D in Australia needs to increase if we are to meet these challenges. BSES Limited has a strong history of achievements, employs skilled staff, encourages innovative thinking, rewards achievements, and has a strong commercial services team supporting its strategic direction. We are equipped to meet the challenges ahead.

BSES is acutely aware of the importance of measuring performance. Components of the R,D&E program are regularly reviewed by external peers and the most recent review of BSES as a whole occurred in 2006. The Sugar Industry has recently announced a further review of R,D&E of which BSES will be an integral part.

The Board reviews the key performance indicators outlined in the Strategic Plan at regular intervals and modifies targets annually as the annual budget is approved.

In October 2009 Mr Ian McBean was elected by mill owner members and replaced Mr John King, who was director on the Sugar Experiment Stations Board from 1988 to 1994, and then again from 2005 to 2009. Ian is the Company Secretary of Proserpine Co-operative Sugar Milling Association Limited.



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 Limited is the principal provider of research, development and extension to the Australian sugarcane industry. From its predecessor formed in 1900, BSES has a long history of applying good science to problems facing sugarcane production, and developing effective solutions that benefit the whole industry.

During 2009-2010 BSES has worked closely with Australian sugarcane growers, millers, harvest contractors and government to find ways to make sugarcane production more profitable and environmentally sustainable. The industry faced many challenges during this time in particular the legislation introduced in late 2009 to reduce discharge of pesticides and nutrients into the Great Barrier Reef lagoon.

With the new legislation in mind, BSES's initiative in developing the Weed Management Manual in early 2010 ensured growers would have access to information on a range of cost-effective management techniques to control weeds effectively.

Through its QCANES program, BSES released three new varieties, Q238[®], Q239[®], and Q240[®] in 2009. Significant milestones were achieved by the QCROPS program with the delivery of the Six Easy Steps and Integrated Weed Management workshops throughout the industry. The program also made further refinements to the New Farming Systems concepts.

The QCANES and QCROPS programs are supported by experts in finance, human resources, safety and risk, IT governance, project management, intellectual property management, commercialisation, business analysis, communications and marketing and administration.

BSES contributions to the industry were recognised with a number of staff receiving SRDC innovation awards earlier this year. The BSES Smut Buster team comprising Dr Mike Cox, Dr Nils Berding, Dr Shamsul Bhuiyan and Mr Barry Croft received the Team Innovation Award. The SRDC Service Award was received by Dr Nils Berding and Keith Chandler. Dr Bernard Schroeder was one of the Six Easy Steps team members who won the ASSCT President's Medal. It is pleasing to see that these achievements are recognised by industry for the dedication and contribution BSES staff inject to BSES as an organisation and to the Australian sugarcane industry.

The following are some further important QCANES, QCROPS, and BSES corporate services team achievements during 2009-2010.



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 Sugar Industry. These varieties will also have adequate disease resistance to endemic diseases and acceptable milling and sugar quality. Variety introduction (foreign varieties) and variety exchange between regional programs enhance the germplasm used, both for breeding and varietal development. Varieties from this program are protected by Plant Breeders' Rights (PBR). QCANESelect™, a web-based decision support system launched in May 2009, is being widely used to better target varieties to individual blocks as well as develop whole-farm plans to optimise variety performance and minimise risk.

The programs are led by Drs Michael Cox (Variety Improvement) and George Piperidis (Variety Adoption).

Highlights

- A poor flowering season in 2010 resulted in only 731 field-based crosses being made at Meringa. Crossing has yet to commence in the photoperiod facilities at Meringa or Bundaberg. In 2009, 1,490 crosses were made in the three Meringa photoperiod facilities and 185 crosses in the Bundaberg photoperiod facility.
- Three new varieties were given Q status in 2010 – Q241[Ⓛ] (northern region, PQA 2), Q242 (southern regions, PQAs 5 and 6) and Q243 (New South Wales). Applications for PBR will be submitted by September 2010.
- The SmutBuster breeding program is designed to exploit crosses involving high breeding value but smut-susceptible parents and recover smut-resistant clones. About 156,000 original seedlings (inoculated with smut) from these crosses have been planted over the 5 years since 2006 and a large number of clones are at various stages of selection. Almost 2,000 clones have progressed to clonal assessment trials in four regions of Queensland. This program, along with the core breeding and selection program, will ensure continued genetic gain for productivity, despite the impact of smut.
- BSES staff were involved in organising two major conferences in 2010. These were the 14th Australasian Plant Breeding Conference/11th SABRAO (Cairns, 10-14 August) and the 9th ISSCT Sugarcane Breeding and Germplasm Workshop (Palm Cove, 17-21 August). Both were widely acknowledged as well-organised, excellent meetings and much of the credit goes to Dr Berding for his leadership of both organising committees.
- In Queensland, the rapid adoption of Q208[Ⓛ] since smut arrived in 2006 continued during the harvest season, maintaining its number one position, accounting for 18.9% of production (more than 5.3 Mt), up from 13.0% in 2008. KQ228[Ⓛ] was the other big mover, going from 28th position in 2008 to 4th position in 2009, with more than 1.5 Mt delivered to Queensland mills. In the Burdekin region, where it was first released, KQ228[Ⓛ] increased from 2.5% in 2008 to 17.8% during the harvest season. Significant quantities of this variety (more than 100,000 t) were also delivered to the Herbert and Central region mills in 2009. Q200[Ⓛ] is another smut-resistant variety that continued to increase during the harvest season, reaching 12.8% of the crop, maintaining its number two position. In 2009, 64 varieties with PBR were delivered to Queensland mills, accounting for 82.3% of production.
- In New South Wales, BN81-1394 retained its number one ranking, increasing slightly over the previous years level to 19.6% of the crop. Q203[Ⓛ] moved up one place to second, increasing from 9.5% in 2008 to 12.4% in 2009. Other varieties to increase were Empire, Q193[Ⓛ] and Q155. RB72-454 decreased in popularity (5.9% to 2.9%) and was ranked only 9th during the year, while BN83-3120, Esk and Q136, also declined. Q124 also continued to decline, dropping out of the top 10 varieties for the first time. In 2009, 19 varieties with PBR were delivered to NSW mills, accounting for 33.2% of the crop.
- The percentage of smut-susceptible varieties in Queensland has fallen from 66.9% in 2006 to 41.1% in 2009 and this is likely to decline to almost zero over the next three years as losses from smut are now beginning to escalate in susceptible varieties. Although smut has only recently been found in New South Wales, they are in a similar position to Queensland, having just over 40% of highly susceptible varieties.

Molecular Breeding

This program applies plant biotechnology and plant functional biology strategies to develop varieties that improve productivity, sustainability and competitiveness of the Australian sugar industry. It focuses on creating sugarcane with new and improved commercially important traits. These include i) herbicide tolerance, ii) drought tolerance and efficient use of water and nitrogen, and iii) management of soil pests. Developing automated sugarcane micropropagation technologies (SmartSett[®]) to accelerate variety release and adoption is a major thrust of this program. Implementing molecular markers for marker-assisted selection is also a priority area. This program collaborates with DuPont, CSIRO and the University of Queensland with the support from the Australian sugarcane industry and SRDC.

This program is led by Dr Prakash Lakshmanan.

Highlights

- In collaboration with DuPont, BSES is developing herbicide tolerant transgenic sugarcane for the Australian sugar industry. Considerable progress has been made in the past and BSES is currently conducting preliminary evaluation of herbicide tolerance of some of the transgenic lines.
- As a part of a CRC Sugar project, BSES and Dow AgriBusiness investigated the use of transgenic technologies for controlling sugarcane soil pests. The data collected are being analysed.

- The BSES-CSIRO Joint Venture has received a licence to develop transgenic clones for commercial release through transgene breeding. This will be the first attempt to produce commercial transgenic sugarcane through breeding in Australia and the first transgene crossing is planned for 2011.
- Automation of SmartSett® technology is progressing. Evaluation of SmartSett® and conventional crops in Burdekin and Mackay showed comparable yield. Demand for micropropagated plants in the industry is growing. Depending on the demand micropropagated plants of new releases and popular varieties are now supplied to growers.
- Molecular markers explaining significant variation in important traits including CCS and smut resistance have been identified. Currently the molecular marker research is focusing on how best to apply the markers in the breeding program.
- Significant progress has been made in understanding and developing clones that are water-efficient and drought tolerant. A number of clones showed very low impact on sugarcane yield or CCS under water stress condition. Significant clone by treatment interaction was evident in plant and ratoon crops, suggesting potential for genetic improvement of varieties for drought tolerance through breeding. The second phase of this project, beginning from 2010-2011, will validate the results in different production conditions and in the final assessment stage of breeding program.
- A UQ-BSES collaborative project to identify traits that help sugarcane an efficient nitrogen user is underway. The first field trial will be planted in Burdekin in July 2010. This will bring together the skills and expertise of physiologists, breeders and agronomist and will be the first significant research effort to address this issue.
- Tissue culture is now being used for propagating foreign clones coming to BSES quarantine. This will facilitate rapid evaluation of foreign clones in the Australian industry.

Biosecurity

Exotic 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 to prepare for possible incursions is a high priority for this program. Working with the Variety Improvement Program to breed disease and pest resistant varieties and conducting quarantine and disease-free seedcane programs to prevent the spread of pests and diseases within Australia are also high priorities.

This program is led by Mr Barry Croft.

Highlights

Preparing for possible incursions of exotic pests and diseases

- Contingency plans were completed for Ramu stunt, downy mildew and three stalk borers from Asia.
- A review of Ramu stunt and downy mildew resistance trials conducted at Ramu in Papua New Guinea over the last 10 years was completed. This review showed that a high percentage of Australian varieties are susceptible to downy mildew and that there is considerable scope to improve the methods for screening for resistance to these diseases.
- Nineteen smut resistant varieties were sent to Ramu for inclusion in experiments to screen for resistance to borers, Ramu stunt and downy mildew.
- An extensive survey was conducted of the insect borers that affect sugarcane in Indonesia as part of an Australian Centre for Agricultural Research (ACIAR) funded cooperative project between BSES and Indonesia. The most serious borers were found to be *Scirpophaga excerptalis*, *Chilo auricilius* and *Chilo sacchariphagus*. Studies into biological control of these borers are in progress.
- Over 90% of 230 suspect mosaic infected samples collected in Indonesia were found to be infected with sugarcane streak mosaic. This virus is also widespread in the sub-continent and south-east Asia and represents a major threat to Australia.
- BSES pathologist Rob Magarey assisted with ACIAR programs in Vietnam and Laos to respond to severe epidemics of phytoplasma diseases in sugarcane.
- Fifty-two staff from BSES, Productivity Service companies, DEEDI, Fiji Sugar and AQIS attended a training course on the identification and control of sugarcane diseases held at BSES Woodford Pathology Farm in November 2009.

Varieties imported from overseas each year and released after ensuring freedom from exotic pests and diseases

- Sixty seven foreign varieties were imported in 2009-2010 from United States of America (9), South Africa (3), CIRAD, France (37, originally from Dominican Republic, Guadeloupe, Barbados, Reunion and Papua New Guinea), Fiji (7), Argentina (6) and Ecuador (5). Varieties were exported to Ecuador (5), France (4), Democratic Republic of Congo (6)

and Papua New Guinea (19). Foreign varieties were released from quarantine and sent for propagation and disease testing using tissue culture for the first time in 2010. There were a total of 38 varieties imported from Argentina (2), Brazil (5), China (1), France (3), Guatemala (6), Mauritius (7) and Philippine (14).

Clones exchanged among regions within Australia each year without spreading pests and diseases

- One hundred and twenty five clones from Central, southern and NSW were planted in quarantine in preparation for dispatch to northern centres. All clones have been screened for Fiji leaf gall and found free of this disease.
- A quarantine plot with 2500 SmutBuster clones was planted at Charters Towers. Unfortunately, the plot failed due to flood damage to the irrigation pump, locusts and kangaroo damage. A new site is being investigated for this quarantine plot.

High-yielding smut-resistant varieties available for all major soil types by 2011

- Sugarcane smut was found for the first time in Rocky Point, Condong and Broadwater mill areas in late 2009 and early 2010. Smut is now present in all regions.
- In addition to the SmutBuster project, BSES conducted seven smut resistance screening trials which included 2500 clones from the routine Variety Improvement Program. All trials were successful and ratings have been entered into the BSES SPIDNet database to assist breeders in selecting high-yielding smut-resistant varieties.
- Three natural spread smut trials (two in Bundaberg and one in Mackay) have shown that the routine dip inoculation method is good at predicting field resistance to smut.
- Research has shown that resistance to smut in most varieties, including Q200^{db}, Q208^{db} and KQ228^{db}, is expressed in the bud scales and if the bud scales are damaged these varieties will appear susceptible. The variety Q171^{db} appears to have internal resistance to smut.
- BSES SmutBuster research team was awarded the 2010 SRDC Innovation Award for their innovative approach to breeding for smut resistance.

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, labour and provide a secure platform for the management of trials for all programs. In particular, early selection stages and cross pollination variety collection associated with The Variety Improvement Program are accommodated on experiment stations. Stations utilise, and farm, both BSES owned and leased land as well as conducting trials planted and harvested by BSES on co-operators properties. Currently 350 ha of owned and leased land are farmed by BSES.

This program is 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.
- The increased adoption of regionally appropriate new farming systems on BSES experiment stations and where possible, in trials managed by BSES outside our own stations, has been ongoing.
- Additional land has been leased and managed in order to accommodate the increased quantities of selection material required within the Smut Buster project. This will assist in achieving project outcomes on time.
- Several mini field days and farm walks have taken place in 2009-10 including one to demonstrate the wavy disc cultivator which was on loan from Mackay.
- In the 2009 harvest BSES staff and equipment, harvested trials and propagations amounting to 13500 t on stations and a further 9000 t in off-station trials.
- A new seed storage facility was built at Meringa.
- New irrigation lines were connected to the re-furbished bore on Mackay station to increase irrigation capacity.



Improved Cropping Systems

Cropping systems that improve the profitability, sustainability and supply security are vital for the future of the industry. The Improved Cropping Systems Program comprises three sub-programs:

- Sustainable sugarcane production.
- Future sugarcane production systems.
- Innovative ways of facilitating adoption of technologies on-farm.

These collectively strive to develop technologies to improve productivity, sustainability and supply security on-farm and at district/regional levels, as well as providing tools for industry to meet government and community expectations and changing environments. The sub-programs focus on both a wide perspective and component parts of new farming systems, best-practice nutrient management; irrigation and water-use efficiency, pest management, weed management, and harvesting operations and developments. Many activities are undertaken under contract to, or in collaboration or in communication with other organisations, including industry stakeholders involving individual growers or groups of growers; CANEGROWERS; productivity services; millers (Sucrogen, Bundaberg Sugar, Mackay Sugar, Tully Sugar, Maryborough Sugar Factory and Sunshine Sugar); harvesting contractors and manufacturers; National Centre for Engineering in Agriculture (NCEA); Queensland DEEDI; Queensland DERM; CSIRO Sustainable Ecosystems (CSE); and various Natural Resource Management groups.

This program is led by Dr Bernard Schroeder.

Highlights

Develop and deliver BSES-branded packages to progress the adoption of best-management practices on-farm

- Outputs from the Improved Cropping Systems program are usually in the form of guidelines that are based on principles of best-practice management that are derived from scientifically-based investigations. These guidelines are not intended to be recipes for use across the industry, but rather the basis for cyclical and self-empowering learning experiences on-farm.

Greyback and Childers canegrub decision-support packages in use by 2011 and developed into on-line systems by 2013

- Monitoring of canegrubs in southern Queensland during autumn has been shown to provide data that allows growers to make timely decisions on canegrub management. Monitoring results in autumn are a good predictor of subsequent grub infestations in summer. The monitoring program has indicated that some populations of Childers canegrub develop more rapidly than others and causing significant damage during their first winter, with implications for management.

Grub-management package for new farming systems developed by 2010

- Following introduction of legume rotations, controlled traffic and reduced tillage into the best-practice sugarcane cropping system, it was considered critical to ensure that compatible canegrub control measures were in place to adequately deal with changes occurring on-farm. A booklet has been developed on canegrub management and the new farming system. It outlines what is currently known of the effect of changing farming practices on canegrub populations and on their management. It brings together results of research as well as field observations from growers. It also outlines systems for improved targeting of canegrub control.

New insecticide for canegrubs evaluated and decision made on commercialisation by 2013

- Insecticide recommendations have been developed for management of greyback, Childers and southern one-year canegrubs in new farming systems.
 - Numbers of greyback canegrubs in a second ratoon crop in dual rows were reduced by suSCon® Blue applied which had been applied at planting using a disc-opener planter and by Confidor® Guard applied using coulters soon after the first ratoon harvest.

- Numbers of greyback canegrubs in a first ratoon crop in dual rows were not significantly reduced by suSCon® granules applied at planting using a disc-opener planter, although grub numbers seemed lower where suSCon® Maxi was used; disappointing results using suSCon® Blue may have been due to high soil pH.
- Second-ratoon cane yields in a trial against Childers canegrubs in dual rows were significantly increased by suSCon® Maxi, suSCon® Plus and Confidor® Guard that had been applied in the plant crop, reflecting good grub control that had been measured earlier in the crop year. Numbers of Childers canegrubs did not differ significantly among treatments in the young third ratoon, but this does not conflict with the current label claim in conventional planting systems.

Integrated management package for climbing rats developed by 2012

- Recent BSES research has shown that *Melomys burtoni* (climbing rat), particularly in north Queensland, can reach population levels similar to that of ground rats, but colonisation of the crop occurs much later to that of ground rats. Although population size of climbing rat is similar to that of ground rat, the rate of breeding is approximately 25% of that of ground rats. 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

- Six trials were implemented to investigate yield effect, weed control efficacy and environmental impact of applying pre-emergent or knockdown herbicides on green cane trash blanketed (GCTB) ratoon cane. GCTB did not impede the efficacy of the pre-emergent herbicides but the use of pre-emergent herbicides on trash did not generally produce a yield increase, especially where the trash layer was thick enough (>7 t /ha DM). The trials were carried out on late-harvested ratoons.
- In early 2010, BSES released a revised version of the Weed Management manual that covers many areas relating to herbicides used in the sugarcane industry. It contains the principles behind an Integrated Weed Management (IWM) strategy, including reducing the weed seedbank, practicing good farm hygiene, the use of appropriate cultural practices, applying suitable herbicides and utilizing mechanical controls of weeds. The manual also discusses herbicide resistance management and environmental considerations relating to herbicide application in cane lands. The manual gives growers options for weed control and assisting them in moving away from the use of atrazine and diuron that are under increased restrictions under Reef Regulation.
- As a part of the Integrated Weed Management package, BSES has developed a range of publications, including the information sheets on Integrated Weeds Management: WeedPlan: Plan, Prepare and Proceed, which discusses the principle of IWM in sugarcane starting with the development of a strategy then onto the application considerations. An information sheet titled Managing nutgrass in sugarcane contains information on the benefits of nutgrass control, different control measures, as a part of an IWM strategy, including chemical, mechanical and cultural practices.

Integrated on-line nutrient management support system released by 2011

- BSES and the National Centre for Engineering in Agriculture have worked together to develop an on-line web-based nutrient management and recording tool for use by sugarcane growers and their advisors. NutriCalc is based on the SIX EASY STEPS nutrient management program and has resulted from a project partially funded SRDC and DEEDI. NutriCalc is in an advanced stage of development. It will shortly be made available to selected extension officers and growers for road testing with general availability to growers via the BSES website planned for January 2011. NutriCalc enables individual growers (or their advisors) to enter, access and evaluate the nutrient management data for their individual farms (within an access restricted environment to ensure confidentiality). It provides an interpretation of soil test values and the ability to record nutrient requirements, actual fertiliser inputs and subsequent productivity data.
- 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. A particular example is the adjustment of phosphorus guidelines for high P-sorbing soils in area from the Herbert district northwards. Phosphorus fertiliser is now recommended for soils with very high PBI values (>420) and BSES P soil test values in the range 50–120 mg/kg.

SIX EASY STEPS nutrient management workbooks and workshops developed for all regions by 2012

- SIX EASY STEPS workbooks have been updated for various districts. Courses continue to be delivered in most areas. In particular, there has been a concerted effort to present short courses in areas affected by the Queensland Government's Reef Regulations (especially from the Herbert district northwards).
- Soil-specific nutrient management booklets are now available for the Herbert, Bundaberg, Johnstone and Proserpine districts. Funding for printing booklets for the Plane Creek, Mackay and Tully districts has been secured from DERM. Work has continued on producing booklets for the Isis district and New South Wales.

Harvest best-practice guidelines updated by 2010

- Data was compiled from harvester trials to provide information to allow harvester contractors to minimise cane loss from current model harvesters. Workshops were held in the Burdekin, Tully and Herbert districts to promote best-practice harvesting. In particular information on fan speed versus cane loss was distributed with several cane-growing districts.

In-field sucrose loss system developed by 2012

- An understanding of the relationship between Brix analysis of juice extract from field residue and corresponding sugar content using high performance liquid chromatography (HPLC) has been obtained. Based on these results, the necessary methodology to measure in-field sugar loss by a hand-held refractometer has been established. As a total of 286 in-field residue samples were processed and analysed, the information obtained will serve as a reference data bank for future work on in-field sugar loss. The highest losses recorded were in the vicinity of 2.5 t sugar/ha which is in excess of \$1000/ha.

Yield monitors validated for accuracy for yield mapping by 2012

- Work was undertaken by the NCEA, (within a project involving CSE, NCEA and BSES) to assess various available yield monitoring concepts. The different units varied considerably in their ability to perform as appropriate yield monitors for sugarcane. Two units were not considered useful in agronomic terms for precision agriculture because they did not reliably determine/predict yield differences within-field. A third unit has the potential to be a viable yield monitor. However, it was found that it only performed well when the harvester ground speed was constant and pour rates were low (which are not always characteristic of commercial harvesting operations). Further work is being undertaken to further assess this particular yield monitoring concept. Other options using sensors that are strategically placed within a commercial harvester will be undertaken during the 2010/2011 season.

Nutrient and water strategies optimised to make best use of inputs with minimal off-site effects by 2013

- WaterSense is a web-based sugarcane irrigation scheduling and planning tool that allows the user to optimise irrigation inputs over multiple fields and enhance potential yields while limiting offsite impacts. A project furthered the development of WaterSense by working with growers, CSIRO, CRC for Irrigation Futures, BSES, SRDC, Bundaberg Sugar Services and other industry service organisations. Working groups were set up in the major irrigation areas Burdekin, Bundaberg, Maryborough and Atherton Tablelands to introduce WaterSense to growers and compare it to other irrigation scheduling tools over a three-year period. User groups indicated that the number of individuals wanting to use WaterSense directly is limited, but all areas are keen to have district irrigation advice, produced from WaterSense, made available. Customers who have indicated they would want direct access are mostly larger corporate farms.

Appropriate varieties defined for use within new farming systems by 2011

- First-ratoon crops were harvested at trials at Meringa, Burdekin and Bundaberg. At Meringa the clone by row configuration effect was very small when compared to the clone effect alone, whilst at Bundaberg and Burdekin the clone by row configuration effect was not significant. These results indicate that variety selection can take place on any row configuration (of those tested in these trials), clones that perform well at a site do so on all row configurations.

Technology Support

The Technology Support program is responsible for the successful delivery of three R&D initiatives within the BSES Strategic Plan:

- Develop and deliver NIR based technologies that improve sugar factory performance.
- Develop systems for sugarcane-based biorefineries.
- Develop and deliver alternative processing methods and other products derived from sugarcane.

In addition to these large initiatives, the program also provides chemistry, biochemistry and chemical engineering expertise across BSES, while R&D activities concentrate primarily on practical, usable outcomes that can be adopted by the industry, but also include 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. 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 is led by Dr Michael O'Shea.

Highlights

NIR selection methods evaluated for implementation in the breeding program

- Final validation work is underway for the prediction of varietal smut ratings using NIR laboratory methods. Successful implementation within the BSES-CSIRO Variety Improvement Program is on schedule for 2011.
- Proof of concept work has been completed for the prediction of Fiji leaf gall resistance using similar NIR methods. Further work will validate field performance and will permit an objective assessment whether to proceed with implementation.

Strategy developed for participation in production of biofuels, speciality chemicals and cogeneration of electricity

- Considerable external funding has been obtained to pursue biomass utilisation and biorefinery research through the SRDC and the Australian Government Department of Resources, Energy and Tourism.
- Validation of US National Renewable Energy Laboratory analytical methods for biomass characterisation has been successfully completed, along with proof of concept work to develop NIR calibrations for all of these parameters.
- Research interactions have been developed with the University of Limerick biofuels group, as well as with commercially sensitive third parties already involved in large scale programs to commercialise second generation ethanol production in the USA.
- Strategies are being developed for the production of high biomass sugarcane varieties suitable for future sugarcane based biorefineries.
- An assessment of sugarcane diversity has commenced with respect to biomass utilisation parameters, and upon completion, knowledge will be applied towards future biorefinery applications.

High quality service provided to factory-installed cane, sugar and bagasse analysis NIR systems and provide support to achieve key commercial targets

- The Program currently supports a network of 21 instruments spread throughout Australia, Vietnam, Philippines, Fiji and Brazil.
- Assistance is provided to FOSS in regard to system marketing and commercial strategies to enhance system sales.
- Further research activities continue to address the streamlining of online support tasks, database management, error analysis and the development of strategies to address the compliance of NIR online systems within the Trade Measurement legislative framework.

Other significant achievements

- The BSES Inorganic Chemistry Laboratory completed over 55,000 assays on soil, water, plant, byproduct and nutrient samples in the previous year, while also conducting sample exchange programs, maintaining laboratory accreditation and research work in areas such as silicon analysis and the use of the Mehlich-3 universal extractant.

- Early research to develop a laboratory NIR instrument for the routine analysis of biomass, mill/refinery process products (eg. sugar, molasses, mud, ash and others), soil and leaf samples has been promising. Factory trials will be conducted during 2010 to extend the mill product work with the aim to develop a commercially available instrument during 2011.

Technology Transfer and Extension

Extension specialists work with researchers and industry stakeholders to facilitate and increase the adoption of R&D by different customers in all regions where sugarcane is produced. Extension specialists have a sound working knowledge of all aspects of sugarcane production and use a variety of channels such as one-on-one contact, grower discussion groups, field days /farm walks, SMS, internet and media, (both electronic and printed) to facilitate change in practice for sugarcane growers and other industry clients. Extension is an embedded part of BSES QCANES and QCROPS and ensures that research is packaged appropriately so that outputs are responsive to industry needs and are communicated timely and effectively. Extension specialists also deliver tailored solutions as part of district Service Level Agreements.

This program is led by Mr Greg Shannon for northern Queensland (Burdekin north) and Trevor Willcox for southern Queensland (Proserpine south) and New South Wales.

Highlights

Innovative extension delivery models developed to optimise industry-wide adoption of best management practices

- The project 'An Integrated Approach to Nutgrass Control' strongly suggests that grower awareness of nutgrass effects on cane and soybean yield has increased markedly since the project began in 2007 at Harwood. Survey results also suggest changes in the methodology used to control nutgrass and that these have generally resulted in a reduction in nutgrass levels. The project used a participative, capacity building approach with members of the NSW Farming Systems Group. Outputs include a decision support package for nutgrass control.
- An Integrated Weed Management course was modified for the Central Region so that it could be presented to large numbers of growers and delivers the three competencies required under Reef Regulations. This large undertaking involved all of the AgriServ/Plane Creek extension staff, four technicians and two weed agronomists participating as presenters or tutors. The Australian Agricultural College Corporation collaborated by approving the course and as the RTO issuing the competencies. Six hundred growers attended the workshops.
- In the Wet Tropics, the Integrated Weed Management workshop was developed in 2008-09 through BSES to address the growing need for packaging of relevant information relating to the correct application of chemicals, and stewardship of chemicals for an integrated weed management approach. Topics covered include nozzle selection, boom and chemical type, chemical activity, options for weed control and environmental management issues. The course was first delivered late in 2008 and continued throughout 2009-10. Cooperation with Terrain NRM has allowed for a new funding stream to be accessed in helping both develop and roll out this course in a very efficient way, covering the large areas required. Two BSES extension staff dedicated to deliver the course in cooperation from local staff and other industry bodies and by June 2010 close to 400 growers have completed this course.
- ChemCert training in the northern regions has continued with BSES trainers based in the Burdekin and Innisfail regions and a Herbert based trainer working through BSES in the Herbert delivers the competencies in the Herbert-Tully regions. The ChemCert course now covers the three required competencies and this has meant a large number of growers having to refresh their qualifications. BSES has put in a massive effort to achieve this on behalf of the industry.
- At the request of the Herbert sugar industry a new extension position was created for the Herbert in 2009 to roll out the Reef Rescue on farm projects application process. This has been achieved by having an extension officer dedicated to the project with funding coming directly through Terrain NRM. A northern sugar working group helps oversee this project across the north with BSES input and in other northern areas BSES cooperates with industry bodies to deliver this project as well.
- Likewise in the Burdekin the NQ Dry Tropics NRM group is extremely cooperative and effectively funds 1.5 extension staff in assisting the roll out and assessment of on farm projects and grower farm productivity assessments (which for the Burdekin are used in the application process).

- An innovative approach to hasten the adoption of new farming systems in the Central district has been to loan equipment to growers to conduct their own trials. This action learning approach saw the BSES Bed Renovator and Wavy Disc Cultivator used extensively by growers to establish demonstrations. An article “Zonal tillage reduces farm input cost” was published in the October BSES Bulletin. This program has been supported with funding from SRDC, DEEDI and Reef Rescue.
- In Bundaberg, a Precision Agriculture Users Group has been formed with several innovative growers from Bundaberg and Isis areas interested in progressing PA in the district. The group intends to become affiliated with Southern Precision Agriculture Association (SPAA).
- In the Herbert, an innovative approach to encourage adoption of a whole farm system approach to farming system improvement and soil health has been achieved by setting up the ‘Sustainable Farming Systems’ group. This group, led by BSES, includes researchers, extension officers and growers and brings together farming systems, soil health, precision agriculture, drainage and nutrition research and trial work. Membership was increased in 2009-10 to include Tully, Mulgrave and Burdekin representatives. One of the highlights of this group’s work was the staging of the 2009 Herbert GIVE day as well as engaging outside consultants to look at areas like soils mapping and precision agriculture.
- A grower group innovation project has commenced in the Herbert to investigate EM soils mapping. This involves working with an external consultant.
- A grower group innovation project has commenced in the Herbert on canegrub management and monitoring. This group is modeled on a similar one that has operated in the Mulgrave region.

Contracted Service Level Agreement targets met

- Milestones and achievement criteria set in 2009-2010 regional service level agreements have largely been met.

Corporate Services

Corporate Services facilitates the transition to quality business practices that support BSES’s scientific innovation. The Corporate Services Management Team comprises experts in finance, human resources, safety and risk, IT governance, project management, intellectual property management, commercialisation, business analysis, communications and marketing and administration. The intention is for BSES to operate in a more commercial manner whilst still maintaining a focus on delivery of outcomes that benefits the Australian sugarcane industry.

This activity is led by Ms Sandra Long.

Objectives

- Ensure the financial and accounting systems create a strong internal control environment and adequate reporting, to aid in decision making, in relation to the financial sustainability of BSES.
- Develop and implement comprehensive Human Resource people strategies to improve business performance, knowledge retention and industry service delivery.
- Have in place a workplace health and safety systems that ensure a safe workplace.
- Identify and manage strategic and operational risks throughout BSES.
- Ensure information and communication technology systems, including helpdesk facilities are secure, stable and responsive and support staff in delivering their outcomes.
- Develop and implement project management systems and processes that enhance delivery of BSES’ project activities by reducing risks and improving financial accountability.
- Establish intellectual property and technology transfer management processes that identify, protect and deliver the outcomes of BSES’ activities.
- Maintain records management systems that ensure all business transactions are appropriately recorded and accessible.
- Maintain library services that support the research needs of BSES staff, and continue to grow our specialist library collection.
- Ensure all marketing and communication material is high quality supporting business objectives.

Highlights

- A robust and flexible long term financial model (20 years) that evaluates various business scenarios
- Improved level of internal controls and corporate governance for financial transactions including purchasing and contract management
- Highly engaged staff demonstrated by:
 - Accepted framework for salary setting and review linked to individual performance management.
 - Integrated performance management system supporting capacity building linked to the BSES Strategic Plan.
 - Increased Hewitt Best Employer engagement score.
- Reduced business costs through increased safety performance, and environmental impact across the business.
- Emerging risks and opportunities are identified and appropriate risk treatments put in place to reduce potential impacts.
- Improved intellectual property management processes.

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 IC McBean, and Mr JS Pollock. Mr IR Davis was a member of the committee until 16 December 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 26 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 25 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 16 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 Sucrogen - Cane Products. Ian has experience on industry boards, with 4 years on the Board of Australian Molasses Trading and has previously been a director of Mourilyan Molasses Terminal Company Pty Ltd.

Ian McBean

Director since 22 October 2009. Ian is also the Company Secretary with Proserpine Co-operative Sugar Milling Association Limited. Ian has broad expertise in both the growing and milling sectors of the Australian sugar industry.

Ian Sharpe

Director since 21 October 2008. Ian is also a director of Russell Pastoral Company and Independent Chairman of the Executive Committee (in the absence of a board of directors) of Dingo Australia. He is sole 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 Grain Growers 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.

Joe Russo

Director since 25 October 2005. Joe is a third-generation Isis-district sugarcane 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.

John Pollock

Director since 24 October 2006. John is also a director of 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.

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.

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 was a director of the CRC for Sugar Industry Innovation through Paul has been sugarcane farming for over 30 years and received the SRDC 2000 R&D Sugar Industry Service Award. Biotechnology until 30 June 2010. 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 been the company secretary since January 2004. David has 35 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. David is a Fellow of the Chartered Secretaries Australia Limited.

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 2009 and ending on 30 June 2010 (the Reporting Period). The Directors' Report and the Annual Report also relate to this Reporting Period.

Short and long term objectives of the company

The short and long term objectives of the company are set out on pages 1 to 13 of this annual report and these pages form part of this report.

Strategy for achieving short and long term objectives of the company

The strategy for achieving the short and long term objectives of the Company are set out on pages 1 to 13 of this annual report and these pages form part of this report

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 sugarcane industry. There have been no significant changes in the nature of those activities during the year. The review of the company's activities on pages 1 to 13 provides an overview on how the company's activities assist in achieving the company's objectives.

Measurement of performance

The manner in which the company measures its performance is set out on pages 1 to 13 of this annual report and these pages form part of this report.

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.

The following table shows the persons who were directors during the financial year ended 30 June 2010 and the attendance of directors at the nine meetings of the board.

PS Wright	9	IC McBean ²	4	PM Sgarbossa	9
IR Davies	9	JS Pollock	8	IJ Sharpe	9
JH King ¹	4	JJ Russo	8	ES Wallis	9

¹ attended the 4 meetings held to retirement on 20 October 2009.

² attended 4 of the 5 meetings held since appointment on 20 October 2009, and attended 1 meeting as an observer prior to appointment.

The Audit Compliance and Risk Management Committee met on six occasions during the financial year. MR IJ Sharpe, Committee Chair, and Mr JS Pollock attended all six meetings. Mr IR Davies attended the three meetings held prior to his retirement from the Committee on 16 December 2009, and Mr IC McBean attended two of the three meetings held following his appointment on 16 December 2009 and one meeting as an observer prior to his appointment.

A Board Administration Committee met on one occasion during the year. Messrs PS Wright and ES Wallis participated in that meeting.

Member's Guarantee

The company is a company limited by guarantee. The company has Mill Owner Members and Grower Members who together are referred to as Members. The company's constitution provides that each Member undertakes to contribute to the property of the company, if the company is wound up while they are a Member or within 1 year after they cease to be a Member, for payment of the company's debts and liabilities contacted before they cease to be a Member and of the costs, charges and expenses of winding up and for the adjustment of the rights of contributories amongst themselves, such amount as may be required, but not exceeding \$1. At 30 June 2010, there were 2724 Members (2009: 2702 Members).

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 2010, I declare that, to the best of my knowledge and belief, there have been:

- 1 no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- 2 no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON QUEENSLAND PARTNERSHIP
Chartered Accountants

DJ Carroll
Partner

Brisbane, Dated 2 September 2010

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
Managing Director and Chief Executive Officer

2 September 2010

BSES Limited
Statement of Comprehensive Income
For the year ended 30 June 2010

	<i>Notes</i>	2010 \$'000	2009 \$'000
Revenue	2	21,895	23,371
Research, development and extension expenses		<u>(22,062)</u>	<u>(21,632)</u>
		(167)	1,739
Other income	2	398	208
Administration expenses		<u>(4,251)</u>	<u>(3,863)</u>
Results from operating activities		<u>(4,020)</u>	<u>(1,916)</u>
Financial income	5	1,113	1,326
Financial costs	5	-	-
Net financing income		<u>1,113</u>	<u>1,326</u>
Profit / (loss) before income tax		(2,907)	(590)
Income tax (expense) / benefit	3	<u>(414)</u>	<u>(100)</u>
Profit / (loss) after income tax		<u>(3,321)</u>	<u>(690)</u>
Profit attributable to members		<u>(3,321)</u>	<u>(690)</u>
Other comprehensive income:			
Actuarial gains / (losses) on defined benefit plan		(349)	(2,669)
Deferred tax benefit on actuarial gains / (losses) on defined benefit plan		-	-
Change in fair value of equity securities available-for-sale recognised in equity.		6	(20)
Other comprehensive income for the year, net of income tax		<u>(343)</u>	<u>(2,689)</u>
Total comprehensive income for the year		<u>(3,664)</u>	<u>(3,379)</u>

The accompanying notes form part of these financial statements.

BSES Limited
Statement of Financial Position
As at 30 June 2010

	<i>Notes</i>	2010 \$'000	2009 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	1,728	2,908
Trade and other receivables	8	3,275	3,959
Inventories	9	316	452
Financial assets	11	19,325	20,500
Total current assets		<u>24,644</u>	<u>27,819</u>
Non-current assets			
Trade and other receivables	8	10	5
Property, plant & equipment	10	16,021	16,736
Financial assets	11	55	52
Investment in Associates	15	170	-
Total non-current assets		<u>16,256</u>	<u>16,793</u>
TOTAL ASSETS		<u>40,900</u>	<u>44,612</u>
LIABILITIES			
Current liabilities			
Trade and other payables	13	2,098	2,000
Short term provisions	14	2,082	2,218
Total current liabilities		<u>4,180</u>	<u>4,218</u>
Non-Current Liabilities			
Trade and other payables	13	6	19
Long term provisions	14	1,891	1,831
Other liabilities	14	1,852	1,909
Total non-current liabilities		<u>3,749</u>	<u>3,759</u>
TOTAL LIABILITIES		<u>7,929</u>	<u>7,977</u>
NET ASSETS		<u>32,971</u>	<u>36,635</u>
EQUITY			
Retained earnings		32,936	36,606
Fair value reserve		35	29
TOTAL EQUITY		<u>32,971</u>	<u>36,635</u>

The accompanying notes form part of these financial statements.

BSES Limited
Statement of Changes in Equity
For the year ended 30 June 2010

	<i>Retained Earnings</i>	<i>Fair Value Reserve</i>	<i>Total</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Balance at 1 July 2008	39,965	49	40,014
Total comprehensive income for the year	(3,359)	(20)	(3,379)
Balance at 30 June 2009	<u>36,606</u>	<u>29</u>	<u>36,635</u>
Total comprehensive income for the year	(3,670)	6	(3,664)
Balance at 30 June 2010	<u><u>32,936</u></u>	<u><u>35</u></u>	<u><u>32,971</u></u>

The accompanying notes form part of these financial statements.

BSES Limited
Statement of Cash Flows
For the year ended 30 June 2010

	<i>Notes</i>	2010 \$'000	2009 \$'000
Cash flows from operating activities			
Cash receipts from customers		22,700	23,704
Interest received		1,079	1,322
Payments to suppliers and employees		(25,091)	(23,727)
Income Tax Paid		(504)	-
Net cash used in operating activities	<i>19(b)</i>	<u>(1,816)</u>	<u>1,299</u>
Cash flow from investing activities			
Payment for property, plant & equipment		(933)	(1,647)
Proceeds from sale of property, plant & equipment		394	22
Net cash used in investing activities		<u>(539)</u>	<u>(1,625)</u>
Net increase / (decrease) in cash and cash equivalents		(2,355)	(326)
Cash at the beginning of the financial year		23,408	23,734
Cash at the end of the financial year	<i>19(a)</i>	<u>21,053</u>	<u>23,408</u>

The accompanying notes form part of these financial statements.

BSES Limited

Notes to the Financial Statements

For the year ended 30 June 2010

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 2nd September 2010.

(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.

BSES Limited

Notes to the Financial Statements

For the year ended 30 June 2010

Note 1 Significant accounting policies (continued)

(c) Foreign currency

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

(d) 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 AASB 128. 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 options 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.

(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 classes of assets are charged against fair value reserves directly in equity; all other decreases are charged to the Statement of Comprehensive Income.

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.

BSES Limited

Notes to the Financial Statements

For the year ended 30 June 2010

Note 1 Significant accounting policies (continued)

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 Statement of Comprehensive Income. Gains or 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 2010

Note 1 Significant accounting policies (continued)

De-recognition

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 Statement of Comprehensive Income.

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).

BSES Limited

Notes to the Financial Statements

For the year ended 30 June 2010

Note 1 Significant accounting policies (continued)

(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 Statement of Comprehensive Income.

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

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

(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 Statement of Financial Position 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income.

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).

BSES Limited

Notes to the Financial Statements

For the year ended 30 June 2010

Note 1 Significant accounting policies (continued)

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

(ii) Grants

Grants that compensate the Company for expenses incurred are recognised as revenue in the Statement of Comprehensive Income 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 Statement of Comprehensive Income 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 2010

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.

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

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

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

BSES Limited

Notes to the Financial Statements

For the year ended 30 June 2010

Note 1 Significant accounting policies (continued)

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

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

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

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

(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 Statement of Comprehensive Income is restated as if the operation had been discontinued from the start of the comparative period. No discontinued operations was in existence at balance date.

(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 Statement of Financial Position.

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

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 1 Significant accounting policies (continued)

(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 Statement of Financial Position and revenue in the Statement of Comprehensive Income.

Note 2 Revenue

	2010	2009
	\$'000	\$'000
(a) Fees and service charges	13,027	13,595
Research grants		
Department of Employment, Economic Development & Innovation (Queensland Primary Industries & Fisheries)	3,850	4,000
Other parties (including SRDC, CRCSIIB, NR&W)	3,484	4,513
Other revenue	1,534	1,263
	<u>21,895</u>	<u>23,371</u>
 (b) Other income		
Miscellaneous income	398	208
	<u>398</u>	<u>208</u>

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 3 Income tax

<i>Notes</i>	2010 \$'000	2009 \$'000
(a) The components of tax expense comprise:		
Current tax expense/(benefit)		
Current year	-	100
Adjustments for prior years	414	-
	<u>414</u>	<u>100</u>
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	-	-
Recognition of previously unrecognised tax losses	-	-
	<u>-</u>	<u>-</u>
Total income tax expense/(benefit)	<u>414</u>	<u>100</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>(2,907)</u>	<u>(590)</u>
Income tax using the corporate tax rate of 30% (2009: 30%)	(872)	(177)
Increase in income tax expense due to:		
Non-deductible expenses	12	65
Benefit of losses and deferred tax balances not brought to account	860	238
Tax losses utilised	-	(26)
Under/(over) provided in prior years	414	-
Income tax expense/(benefit)	<u>414</u>	<u>100</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>

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 4 Personnel and other expenses	Notes	2010 \$'000	2009 \$'000
(a) Personnel expenses			
Wages, salaries and oncosts		13,936	12,857
Superannuation contributions - accumulation members		1,007	1,015
Defined benefit plan expenses	<i>16(d)</i>	442	321
		<u>15,385</u>	<u>14,193</u>
(b) Other expenses			
Doubtful debts expense		19	138
Net (gain) / loss on disposal of non-current assets		(252)	(21)
Note 5 Net financing income			
Interest income - External		1,113	1,326
Interest expense - External		-	-
		<u>1,113</u>	<u>1,326</u>
Note 6 Auditors' remuneration			
Audit of financial reports		<u>47</u>	<u>38</u>
Note 7 Cash and cash equivalents			
Cash on hand		3	3
Imprest bank accounts		11	11
Cash at bank		320	1,382
Deposits at call		1,394	1,512
		<u>1,728</u>	<u>2,908</u>

Cash held in term deposits is disclosed in Note 11 Financial assets.

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 8 Trade and other receivables		2010 \$'000	2009 \$'000
	<i>Notes</i>		
Trade and other receivables			
<i>Current:</i>			
Trade receivables		1,660	2,334
Provision for impairment of trade receivables	8(a)	(37)	(70)
Prepayments		283	200
Accrued income		1,381	1,494
Other receivables		(12)	1
		<u>3,275</u>	<u>3,959</u>
<i>Non-Current:</i>			
Other receivables		<u>10</u>	<u>5</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 \$'000	Charge for the year \$'000	Amounts Written Off \$'000	Closing Balance \$'000
Provision for impairment of trade receivables	56	91	77	70
Balance as at 30 June 2009	<u>56</u>	<u>91</u>	<u>77</u>	<u>70</u>
Provision for impairment of trade receivables	70	33	66	37
Balance as at 30 June 2010	<u>70</u>	<u>33</u>	<u>66</u>	<u>37</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:

	2010 \$'000	2009 \$'000
0-30 Days	1,583	2,157
0-30 Days considered impaired	-	3
31-60 Days past due but not impaired	1	5
31-60 Days considered impaired	-	25
61-90 Days past due but not impaired	1	87
61-90 Days considered impaired	-	22
90+ Days past due but not impaired	38	15
90+ Days considered impaired	37	20
	<u>1,660</u>	<u>2,334</u>

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 9 Inventories	2010 \$'000	2009 \$'000
Work in progress - at cost	<u>316</u>	<u>452</u>
 Note 10 Property, plant & equipment		
Land - at cost	7,861	7,911
Buildings - at cost	7,828	7,961
Less: Accumulated depreciation	<u>(2,943)</u>	<u>(2,596)</u>
	<u>4,885</u>	<u>5,365</u>
Plant and machinery - at cost	3,510	3,558
Less: Accumulated depreciation	<u>(2,563)</u>	<u>(2,455)</u>
	<u>947</u>	<u>1,103</u>
Laboratory equipment - at cost	3,789	3,843
Less: Accumulated depreciation	<u>(2,963)</u>	<u>(2,755)</u>
	<u>826</u>	<u>1,088</u>
Motor vehicles - at cost	417	418
Less: Accumulated depreciation	<u>(395)</u>	<u>(360)</u>
	<u>22</u>	<u>58</u>
Office furniture and equipment - at cost	431	412
Less: Accumulated depreciation	<u>(352)</u>	<u>(315)</u>
	<u>79</u>	<u>97</u>
Information technology equipment - at cost	3,734	2,710
Less: Accumulated depreciation	<u>(2,430)</u>	<u>(2,363)</u>
	<u>1,304</u>	<u>347</u>
Assets under construction	97	767
Total property, plant and equipment	<u><u>16,021</u></u>	<u><u>16,736</u></u>

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 10 Property, plant & equipment (Continued)

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

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

Carrying Amount	Balance as at 1 July 2008 \$'000	Balance as at 30 June 2009 \$'000
Land	7,911	7,911
Buildings	5,709	5,365
Plant & machinery	1,161	1,102
Laboratory equipment	1,204	1,089
Motor vehicles	106	58
Office furniture & equipment	107	97
Information technology equipment	425	347
Total	16,623	15,969

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 10 Property, plant & equipment (Continued)

COST	Balance as at 1 July 2009 \$'000	Additions \$'000	Disposals \$'000	Balance as at 30 June 2010 \$'000
Land	7,911	-	(50)	7,861
Buildings	7,961	26	(159)	7,828
Plant & machinery	3,558	139	(187)	3,510
Laboratory equipment	3,843	109	(163)	3,789
Motor vehicles	418	-	(1)	417
Office furniture & equipment	412	36	(17)	431
Information technology equipment	2,711	1,068	(45)	3,734
Total	26,814	1,378	(622)	27,570

Accumulated depreciation and impairment losses	Balance as at 1 July 2009 \$'000	Depreciation expense \$'000	Disposals \$'000	Balance as at 30 June 2010 \$'000
Land	-	-	-	-
Buildings	(2,596)	(420)	73	(2,943)
Plant & machinery	(2,456)	(296)	189	(2,563)
Laboratory equipment	(2,754)	(370)	161	(2,963)
Motor vehicles	(360)	(35)	-	(395)
Office furniture & equipment	(315)	(56)	19	(352)
Information technology equipment	(2,364)	(241)	175	(2,430)
Total	(10,845)	(1,418)	617	(11,646)

Carrying Amount	Balance as at 1 July 2009 \$'000	Balance as at 30 June 2010 \$'000
Land	7,911	7,861
Buildings	5,365	4,885
Plant & machinery	1,102	947
Laboratory equipment	1,089	826
Motor vehicles	58	22
Office furniture & equipment	97	79
Information technology equipment	347	1,304
Total	15,969	15,924

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 10 Property, plant & equipment (Continued)

	Assets under construction	Carrying amount (incl AUC)
	as at 30 June 2010	as at 30 June 2010
	\$'000	\$'000
Land	-	7,861
Buildings	97	4,982
Plant & machinery	-	947
Laboratory equipment	-	826
Motor vehicles	-	22
Office furniture & equipment	-	79
Information technology equipment	-	1,304
Total	<u>97</u>	<u>16,021</u>

Note 11 Financial assets

	2010	2009
	\$'000	\$'000
Current		
Held-to-maturity term deposits	<u>19,325</u>	<u>20,500</u>
Non-Current		
Equity instruments, available-for-sale		
Shares in Listed Corporations, at fair value	<u>55</u>	<u>52</u>

Held to maturity term deposits at the following financial institutions (rounded to the nearest dollar)

Commonwealth Bank of Australia	-	496,507
National Australia Bank	5,035,106	2,003,113
Westpac Banking Corporation	5,067,172	5,000,000
Australian and New Zealand Banking Group	3,122,620	6,000,000
Bank of Western Australia	6,100,193	7,000,000
	<u>\$ 19,325,091</u>	<u>\$ 20,499,620</u>

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

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 12 Deferred tax assets and liabilities

	<i>Notes</i>	2010 \$'000	2009 \$'000
Unrecognised deferred tax assets			
Deferred tax assets have not been recognised in respect of the following items:			
Assessable temporary differences		1,782	1,245
Tax & capital losses		770	5
		<u>2,552</u>	<u>1,250</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

Trade and other payables

Current:

Trade payables		749	935
Other payables		5	17
Accrued expenses		479	499
Income in advance		865	549
		<u>2,098</u>	<u>2,000</u>

Non-Current:

Income in advance		<u>6</u>	<u>19</u>
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Note 14 Employment related assets & provisions

Assets

Non-current

Defined benefit plan surplus	<i>16(b)</i>	<u>-</u>	<u>-</u>
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Provisions

Short Term

Salaries and wages accrued		601	495
Liability for annual leave		1,191	1,401
Liability for long-service leave		290	227
Income tax		-	95
		<u>2,082</u>	<u>2,218</u>

Long Term

Liability for long-service leave		<u>1,891</u>	<u>1,831</u>
		<u>1,891</u>	<u>1,831</u>

Other Liabilities

Defined benefit plan deficit	<i>16(l)</i>	<u>1,852</u>	<u>1,909</u>
		<u>1,852</u>	<u>1,909</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 2010

Note 15 Investment In Associates

Interests are held in the following associated companies		2010	2009
Name	Share	Ownership Interest	
Sacron Innovations Pty Ltd	Ord	21.29%	0%

Sacron Innovations Pty Ltd was incorporated to take up the residual assets from CRCSIIB which was wound up on 30 June 2010. BSES Ltd's share of CRCSIIB on the date of the windup was 21.29%. The investment in Sacron Innovations Pty Ltd has been equity accounted.

Summary of financial information for investments in associates, not adjusted for the percentage ownership held by BSES Limited.

	\$'000	\$'000
Statement of Financial Position		
Assets	796	-
Liabilities	-	-
Equity	<u>796</u>	<u>-</u>
Statement of Comprehensive Income		
Revenue	-	-
Expense	-	-
Profit / (Loss)	<u>-</u>	<u>-</u>
Share of associates profit / (loss) after income tax	<u>-</u>	<u>-</u>
Dividends received	<u>-</u>	<u>-</u>
Carrying amount of investment in associates	<u>170</u>	<u>-</u>

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 16 Superannuation

BSES Limited is the sponsor of the BSES Limited Superannuation Plan. Due to the projection results of the Plan, BSES Limited recommenced contributions at the rate of 28% of salaries from 1 July 2009 and then 23% of salaries from 1 January 2010. Contributions for the accumulation members were paid throughout the 2009/2010 year.

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

The last actuarial assessment of the fund was made at 30 June 2008 and is detailed in note 16(n). The next required actuarial assessment will be effective as at 30 June 2011 and completed by 1 July 2012.

	<i>Notes</i>	2010 \$'000	2009 \$'000
(a) The amounts recognised in the Statement of Financial Position sheet are as follows:			
Present value of funded defined benefit obligations at end of year	<i>16(b)</i>	14,568	13,050
<i>less</i> Fair value of Plan assets at end of year	<i>16(c)</i>	<u>12,716</u>	<u>11,141</u>
		1,852	1,909
Unrecognised past service cost		-	-
Unrecognised gain/(loss)		-	-
Adjustment for limitation on net asset		-	-
Net liability/(asset) recognised in Statement of Financial Position at year end	<i>14</i>	<u><u>1,852</u></u>	<u><u>1,909</u></u>
(b) Reconciliation of the present value of the defined benefit obligation:			
Present value of defined benefit obligations ¹ at beginning of the year		13,050	14,197
Current service cost		528	529
Interest cost		573	710
Contributions by plan participants		163	169
Defined benefit salary sacrifice contributions met from defined benefit assets		-	-
Actuarial (gains)/losses		407	27
Benefits and taxes paid		(153)	(2,582)
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><u>14,568</u></u>	<u><u>13,050</u></u>

¹ Includes contributions tax provision on plan surplus or deficit

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 16 Superannuation (Continued)	2010 \$'000	2009 \$'000
(c) Reconciliation of movement in the fair value of plan assets is as follows:		
Fair value of plan assets at beginning of the year	11,141	15,278
Expected return on plan assets	659	918
Actuarial gains/(losses)	58	(2,642)
Employer contributions	848	-
Contributions by plan participants	163	169
Defined benefit salary sacrifice contributions met from defined benefit assets	-	-
Benefits and taxes paid	(153)	(2,582)
Accumulation contributions paid from defined benefits assets	-	-
Settlements	-	-
Business combinations	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of the year	<u><u>12,716</u></u>	<u><u>11,141</u></u>
(d) The amounts recognised in the Statement of Comprehensive Income are as follows¹:		
Current service cost ²	528	529
Interest cost	573	710
Expected return on plan assets (net expenses)	(659)	(918)
Amortisation of past service cost	-	-
Amortisation of actuarial (gain)/loss	-	-
Movement in adjustment for limitation on net	-	-
Curtailment or settlement (gain)/loss	-	-
Contributions to accumulation section funded from defined benefit assets	-	-
Expense/(income) recognised	<u><u>442</u></u>	<u><u>321</u></u>
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 Comprehensive Income:		
Actuarial gains/(losses)	(349)	(2,669)
Adjustment for limit on net asset	-	-
(f) Cumulative amount recognised in the Statement of Comprehensive Income		
Cumulative amount of actuarial gains/(losses)	(3,074)	(2,725)

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 16 Superannuation (Continued)

2010
\$'000

2009
\$'000

(g) Plan assets

The percentage invested in each asset class at year end date:

Australian equities	29%	29%
Overseas equities	25%	25%
Fixed interest securities	13%	13%
Alternatives	23%	24%
Property	7%	7%
Cash	3%	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>717</u>	<u>(1,724)</u>
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(k) Principal actuarial assumptions at the year end date

Discount rate	4.30% pa	4.70% pa
Salary increase rate 1 st year	6.25% pa	0.00% pa
Salary increase rate 2 nd year	4.50% pa	4.00% pa
Salary increase rate 3 rd year	4.50% pa	4.00% pa
Salary increase rate thereafter	4.00% pa	4.00% pa
Expected rate of return on assets*	6.00% pa	6.00% pa

* Net of investment tax and expenses and administration expenses

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 16 Superannuation (Continued)	2010	2009	2008	2007
	\$'000	\$'000	\$'000	\$'000
(l) Historical information				
Present value of defined benefit obligation at year end	14,568	13,050	14,197	14,063
Fair value of plan assets at year end	(12,716)	(11,141)	(15,278)	(17,338)
(Surplus)/deficit in plan	1,852	1,909	(1,081)	(3,275)
Experience (gains)/losses adjustments – plan liabilities	16(b) 407	27	(245)	401
Experience (gains)/losses adjustments – plan assets	16(c) (58)	2,642	2,178	(1,531)
		2010		2009
		\$'000		\$'000
(m) Expected contributions				
Expected employer contributions		848		-
(n) Employer contributions				
(i) Surplus/deficit				

Employer contributions to the defined benefit section of the Plan are based on recommendations by the Plan's actuary. Actuarial assessments are made at no more than three yearly intervals and the last such assessment was made as at 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	(1,147)

(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. For a number of years, due to investment returns, BSES Limited has been on a contribution holiday. With the economic down turn, the contribution holiday has ended and on the actuary's recommendation a contribution rate of 28% of salaries was required from 1 July 2009 to remove any shortfall. This rate has been revised downwards to 23% as from 1 January 2010

BSES Limited

Notes to the Financial Statements

For the year ended 30 June 2010

Note 16 Superannuation (Continued)

(iii) Funding method

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

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

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

(iv) Economic assumptions

The economic assumptions used by the actuary for the last review conducted in 2008, to make the funding recommendations were an expected rate of return on plan assets of negative (13%) 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.

BSES Limited

Notes to the Financial Statements

For the year ended 30 June 2010

Note 17 Retained earnings and reserves

- (a) 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.

(b) **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 18 Contingent assets / liabilities

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

There were no known contingent assets or liabilities of a significant nature at 30 June 2010.

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. 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 2010

Note 19 Reconciliation for cash flows from operating activities

(a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

		2010	2009
		\$'000	\$'000
Cash assets	7	1,728	2,908
Financial assets: Held-to-maturity term deposit:	11	19,325	20,500
		<u>21,053</u>	<u>23,408</u>

(b) Cash flows from operating activities

Profit/(loss) for the year (after income tax)		(3,321)	(690)
<i>Adjustments for:</i>			
Depreciation		1,418	1,511
(Profit)/loss from sale of property, plant and equipment		(252)	(21)
(Increase)/decrease in defined benefit surplus		442	321
(Increase)/decrease in equity accounted investments		(170)	-
<i>Change in working capital and provisions:</i>			
(Increase)/decrease in trade and other receivables, and prepayments		985	(143)
(Increase)/decrease in inventories		136	(215)
Increase/(decrease) in payables		(184)	238
Increase/(decrease) in income tax payable		(95)	95
Increase/(decrease) in deferred tax liabilities		54	-
Increase/(decrease) in employee benefits		19	203
Provision for Defined Benefit Fund Obligation		(848)	-
Net cash used in operating activities		<u>(1,816)</u>	<u>1,299</u>

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 20 Financial instruments

(a) Interest rate risk exposure

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

		Floating Interest Rate		Fixed Interest Rate Maturing in: One year or less	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>					
Cash & cash equivalents	7	1,714	2,894	-	-
Trade & other receivables	8	-	-	-	-
Financial assets	11	-	-	19,325	20,500
Total financial assets		1,714	2,894	19,325	20,500
<i>Financial liabilities</i>					
Trade & other payables	13	-	-	-	-
Total financial liabilities		-	-	-	-
		Non Interest Bearing		Total carrying amount as per Statement of Financial Position	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>					
Cash & cash equivalents	7	14	14	1,728	2,908
Trade & other receivables	8	2,991	3,759	2,991	3,759
Financial assets	11	55	52	19,380	20,552
Total financial assets		3,060	3,825	24,099	27,219
<i>Financial liabilities</i>					
Trade & other payables	13	1,233	1,451	1,233	1,451
Total financial liabilities		1,233	1,451	1,233	1,451
				Weighted Average Interest Rate	
				2010	2009
				%	%
<i>Financial Assets</i>					
Cash & cash equivalents	7			4.38	5.48
Trade & other receivables	8			-	-
Financial assets	11			3.51	4.88
<i>Financial liabilities</i>					
Trade & other payables	13			-	-

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 20 Financial instruments (continued)

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

	2010 \$'000	2009 \$'000
Less than 6 months	<u>1,233</u>	<u>1,451</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 the Statement of Financial Position date approximate their carrying values.

(c) Credit risk

The maximum exposure to credit risk at Statement of Financial Position date in relation to each class of recognised financial asset is represented by the carrying amount of those assets as indicated in the Statement of Financial Position. There are no concentrations of credit risk.

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 the 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 balance at 30 June 2010 and 30 June 2009 do not include any counterparties with external credit ratings, with the exception of CSR Limited which is rated BBB+.

(d) Price risk

BSES is not exposed to any material commodity price risk.

(e) Liquidity risk

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

(f) Foreign currency risk

The company is not exposed to any significant foreign currency risk.

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 20 Financial instruments (continued)

(g) Sensitivity analysis

Interest rate risk

BSES has performed a sensitivity analysis relating to its exposure to interest rate risk at the Statement of Financial Position 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 2010, 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:

	2010	2009
	\$'000	\$'000
Change in profit		
- Increase in interest rates by 1%	247	234
- Decrease in interest rates by 1%	(247)	(234)
Change in equity		
- Increase in interest rates by 1%	247	234
- Decrease in interest rates by 1%	(247)	(234)

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

Note 21 Commitments

Capital commitments

There were no capital expenditure commitments at as at 30 June 2010.

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	489	169
- later than one year but not later than five years	450	178
- later than five years	-	-
	<u>939</u>	<u>347</u>

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

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 21 Commitments (Continued)	2010 \$'000	2009 \$'000
(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	116	147
- later than one year but not later than five years	282	330
- later than five years	28	28
	<u>426</u>	<u>505</u>
(c) Other leases		
- not later than one year	-	-
- later than one year but not later than five years	-	-
- later than five years	-	-
	<u>-</u>	<u>-</u>
Operating lease expensed during the year	<u>638</u>	<u>504</u>
(ii) Other significant operating commitments		
Total operating expenditure contracted for at the Statement of Financial Position 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
- later than one year but not later than five years	-	-
- later than five years	-	-
	<u>-</u>	<u>1,194</u>

The CRCSIIB Centre Agreement was terminated with effect from 30 June 2010. There were no significant operating commitments or obligations as at 30 June 2010.

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 22 Key management personnel disclosure

Remuneration paid to Directors of BSES Limited (including the Managing Director), and the key executives in the period 1 July 2009 to 30 June 2010 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:

	2010	2009
	\$'000	\$'000
Short-term employee benefits	796	740
Post-employment benefits - including salary sacrifice superannuation	224	264
Other long-term benefits - long service leave	24	13
Termination benefits	-	-
	<u>1,044</u>	<u>1,017</u>

Note 23 Related parties

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

Mr PS Wright AM, Chairperson
 Mr ES Wallis, Managing Director
 Mr JH King (to 20 October 2009)
 Mr JJ Russo
 Mr JS Pollock
 Mr PM Sgarbossa
 Mr IR Davies
 Mr IJ Sharpe
 Mr IC McBean (from 20 October 2009)

During the reporting period, there were three directors that were directors and/or officers of milling companies (JH King, Tully Sugar Limited; IR Davies, CSR Limited; IC McBean, Proserpine Cooperative Sugar Milling Association Limited) and the Company has agreements with these milling companies, such as cane analysis services agreements, research agreements, confidentiality agreements and BSES PBR and Services Agreements. In addition, directors who were Grower Directors during the reporting period (JJ Russo, PM Sgarbossa or entities related to them) have, as growers, standard BSES PBR and Services Agreements with the Company. All such related transactions are on normal commercial terms and conditions occurring in a normal customer or supplier relationship at arms' length and are trivial or domestic in nature.

Note 24 Events occurring after reporting date

No events after the reporting date have material financial effects on the financial statements as at 30 June 2010

BSES Limited
Notes to the Financial Statements
For the year ended 30 June 2010

Note 25 Accounting policies

The company has considered all new Australian accounting standards that have been issued but are not yet effective. The following Accounting Standards issued or amended 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 2009-7 Amendments to Australian Accounting Standards (June 2009)	AASB 107	Statement of Cash Flows	Removes cashflows of non-controlling interests from the calculation of net cash flows for operating activities	1/07/2009	1/07/2009
AASB 2009-14 Amendments to Australian Accounting Standards (Dec 2009)	AASB 119	Employee Entitlement	To remove an unintended consequence arising from the treatment of prepayments of future contributions in some circumstances when there is a minimum funding requirement.	1/01/2011	1/07/2011

Note 26 Registered office and principal place of business

50 Meiers Road
Indooroopilly
Queensland 4068

BSES LIMITED
DIRECTOR'S 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 18 to 52 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 2010 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
Managing Director and Chief Executive Officer

2 September 2010

INDEPENDENT AUDITOR'S REPORT**TO THE MEMBERS OF BSES LIMITED**

Grant Thornton Queensland Partnership
ABN 13 131 589 059

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We have audited the accompanying financial report of BSES Limited (the "Company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

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 are 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 whether the financial report is free from 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 circumstances, 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.

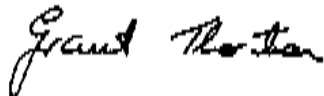
Independence

In conducting our audit, we have complied with the 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 and consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- 2 Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.



GRANT THORNTON QUEENSLAND PARTNERSHIP
Chartered Accountants



D J Carroll
Partner

Brisbane, Dated 2 September 2010

GLOSSARY OF TERMS

ACIAR	Australian Centre for International Agricultural Research
AQIS	Australian Quarantine and Inspection Service
CCS	Commercial Cane Sugar
CRC	Cooperative Research Centre
CSE	CSIRO Sustainable Ecosystems
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DEEDI	Department of Employment, Economic Development and Innovation
DERM	Department of Environment and Resource Management
EM	Extraneous Matter
GCTB	Green Cane Trash Blanket
GIVE	Grower Innovation Virtual Expo
GM	Genetically Modified
HPLC	High Performance Liquid Chromatography
ISSCT	International Society for Sugar Cane Technologists
IWM	Integrated Weed Management
NCEA	National Centre for engineering in Agriculture
NIR	Near Infra-Red
NQ	North Queensland
NR&W	Natural Resources and Water
NRM	Natural Resource Management
NSW	New South Wales
PBR	Plant Breeder's Rights
PQA	Pest Quarantine Area
R&D	Research and Development
RD&E	Research, Development and Extension
RTO	Registered Training Organisation
SABRAO	Society for the Advancement of Breeding Research in Asia and Oceania
SMS	Short Message Service
SPAA	Southern Precision Agriculture Association
SRDC	Sugar Research Development Corporation



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