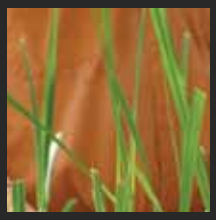
BSES

Sugarcane for the future



BSES Limited Annual Report 2011-12

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Chairman's Statement

The 2011-12 year has been a year of great change. There have been significant achievements aimed at revitalising, strengthening and streamlining research, development and extension to ensure the Australian sugar industry's continued viability and providing secure funding for these activities.

In my statement in the 2010-11 Annual Report, I referred to the challenges facing BSES having been underfunded for a number of years and at a time when the Company (along with all businesses) was experiencing escalating input costs, but being unable to increase its revenue because of poor world sugar prices and thus the ability of the industry to provide further funding. In that report I outlined the strategies that BSES had employed to cope with the situation, but stated that critical decisions had to be made before 31 December 2011. These critical decisions were made, providing a way forward.

Back in October 2011 the BSES Board considered and agreed to support the principles of the Sugar RD&E Reform package endorsed by the Australian Sugar Industry Alliance. The major benefit from the reform will be a secure level of funding backed by a statutory levy. This funding mechanism will provide a more secure platform on which to plan and deliver on Industry priorities. The reform will also achieve efficiencies. It will establish an 'Industry Owned Company' streamlining the sugarcane industry's R&D functions under one umbrella – strategically rolling-in the programs of BSES Limited, Sugar Research and Development Corporation and Sugar Research Limited.

This amalgamation will reduce operational costs and streamline project selection processes. Although major change is often difficult, it is critical for this industry if Australia is to retain its status as a world-class leader in the production of sugar on an increasingly competitive world stage. The implementation of these reforms provides security of revenue for research and development and for our people who undertake these activities on behalf of the industry.

BSES has worked co-operatively with industry in preparing for the implementation of the reform package. Activities have been streamlined and significant savings of approximately 20% have been identified and achieved. The reorganised plant breeding program will maintain the delivery of world class varieties. A single R&D plan will also support more focused on-farm and milling research and development. The most significant change has been the establishment of a new Professional Extension and Communications (PEC) unit within BSES. The PEC unit will use a variety of knowledge transfer tools to ensure research results reach a larger number of growers. Better access to R&D knowledge, know-how, group extension activities and events across the industry will be part of an important new way of extension delivery and knowledge sharing.

On 16 July 2012 the Directors of BSES issued a media release supporting a YES vote in the Sugar Poll being undertaken for the establishment of Sugar Research Australia (SRA). The Directors gave their support, believing this offers the industry the potential for a strong, creative, properly funded RD&E aligned with industry priorities as well as stability for ongoing operational variety development and biosecurity activities. However, should there be a delay in the formation of SRA, BSES will continue to provide the activities and services it currently provides but with more security of future funding and confident in the knowledge that through the reform program process that has been undertaken there is a greater understanding and support for its role and that there is an increased level of co-operation within the industry to ensure that the industry remains a world-class leader in the production of sugar.

In July 2012, Eoin Wallis retired as Managing Director and Chief Executive Officer after holding that position since March 2001. Eoin held various roles in the sugar industry for 23 years. While at BSES, Eoin's extensive industry knowledge and leadership skills enabled him to ably lead BSES through many challenges including its corporatisation and more recently the reform package. We look forward to welcoming Neil Fisher as the new CEO who will join BSES in the coming months. Neil is currently the Executive Director and a Board member of the Grape and Wine Research and Development Corporation.

I would like to thank my fellow Directors for their input into Board discussions and deliberations and the dedication they have shown during this interesting but challenging time. I would also like to thank all our dedicated staff. Our people are the driving force behind our successes and achievements. Our people inject their talents into exploring new initiatives and, with industry partners, strive towards building a stronger industry. This drive will ensure sugarcane production is more profitable and environmentally sustainable into the future.

Paul Wright AM

Chairman

Strategic Overview 2008-13

Focus >

1. Purpose

- To deliver realised value to the Australian sugarcane industry through targeted R,D&E

2. Critical success factors

- Increasing, more reliable cane supply for sugar and alternative uses
- Input costs and environmental footprint minimised

3. Values

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

4. Competitive advantages

- Monopoly on elite varieties
- IP and quality staff
- Regional networks
- Brand history

Direction >

5. Strategic operation

- 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

6. Strategic priorities

- Develop and get adoption of improved conventional varieties
- Develop and commercialise GM varieties
- Support an effective biosecurity capability for the Australian sugarcane 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

- Achievement of targets outlined in Strategic Plan
- Sustainable financial position
- Staff satisfaction
- Workplace health and safety performance recognised as exceptional

8. Outcomes and milestones

- Increasing (t/ha) and more reliable cane supply
- Hewitt Best Employer
- Safe workplace
- Value proposition accepted by stakeholders

Year in Review

BSES Limited is the principal provider of research, development and extension to the Australian sugarcane industry.

The BSES Research, Development and Extension operations structure consists of:

- **Variety Improvement**
- **Biosecurity**
- **Improved Cropping Systems**
- **Technology Support**
- **Professional Extension and Communication (PEC) Unit**

Variety Improvement and Variety Adoption

The BSES-CSIRO conventional sugarcane breeding and selection program uses optimal genetic evaluation systems to select parents, crosses and clones, with the ultimate objective of delivering new, more productive varieties to the Australian sugarcane industry. 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 Breeder's 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 were led by Dr Michael Cox (Variety Improvement) and Dr George Piperidis (Variety Adoption).

Achievements

- Foreign varieties are an important source of new germplasm for the parent collection used in crossing. In 2011-12, 56 varieties were imported into the BSES quarantine facility at Indooroopilly. These originated from Colombia, Dominican Republic, Ecuador, Fiji, Guadeloupe, Reunion Island, and South Africa. Also in 2012, 54 foreign varieties were released from quarantine and sent to the regions for disease and yield testing. These originated from Argentina, Colombia, Dominican Republic, Fiji, Guadeloupe, Mauritius, Reunion Island, South Africa, USA, and West Indies.

- Four new varieties were released in 2012 – Q248$^{\Phi}$ (Maryborough/Rocky Point mill areas), Q249$^{\Phi}$ (Central region), Q250$^{\Phi}$ and Q251$^{\Phi}$ (Northern region).

- Five varieties already approved were released in other regions in 2012 – Q183$^{\Phi}$ (New South Wales), Q238$^{\Phi}$ (Northern region), Q240$^{\Phi}$ and Q242$^{\Phi}$ (Central region) and Q247$^{\Phi}$ (Herbert region).

- The following varieties are being maximum propagated by BSES in 2012 for possible release in 2013:

  > QS97-2040 and QS97-2290 in New South Wales.

  > Q240$^{\Phi}$ and Q242$^{\Phi}$ in central region.

  > QN02-893 in northern region

- The SmutBuster breeding program is designed to exploit crosses involving high breeding value but smut-susceptible parents and recover smut-resistant clones. This program received a further 4 years' funding support from SRDC (2012-16). The first clones from this program are being planted in Final Assessment Trials in 2012 along with clones from the core program.

- BSES was also successful in obtaining SRDC support for the new project 'Improving the accuracy of selection in sugarcane breeding trials through accounting for site variability'.

- In Queensland, the top 4 varieties accounted for almost 70% of the total tonnes harvested in the 2011 season. These were Q208$^{\Phi}$, KQ228$^{\Phi}$, Q200$^{\Phi}$ and Q183$^{\Phi}$, the same top varieties as last season. A number of new varieties have increased their contribution this season, such as Q226$^{\Phi}$ (from 10th to 7th) and Q232$^{\Phi}$ (from 16th to 8th) and this, along with 10 new varieties released between 2009 and 2011, will help spread the mix of varieties over the coming years.

- Q203$^{\Phi}$ was the major variety grown in NSW in 2011 at 17.6% of production. Other major varieties include BN81-1394 (12.6%), Empire (9.4%), BN83-3120 (7.1%)

and BN88-3347 (5.5%). A high flyer in the 2011 season was Q211$^{\phi}$ (3.7%), which climbed into the top 10 from ranking 25 in 2010.

- The percentage of smut-susceptible varieties in Queensland has fallen from 67% in 2006 to 18% in 2011, a further 11% decrease since 2010.

- Plant Breeder's Rights: Part 2 applications for the varieties Q245$^{\phi}$, Q246$^{\phi}$, Q247$^{\phi}$ and Q248$^{\phi}$ were submitted to the Plant Breeder's Rights Office using the online Interactive Variety Description System. Part 1 applications for the varieties Q249$^{\phi}$, Q250$^{\phi}$ and Q251$^{\phi}$ have been 'Accepted' into the PBR scheme. BSES Limited is currently the title holder (or joint title holder with Sucrogen) for 81 varieties, with an additional 3 varieties under provisional protection.

- QCANESelect™ is a web-based, decision-support tool that provides up-to-date variety information and specific variety recommendations. It is used by growers, advisory staff and industry groups. On-going promotion has led to further adoption and usage of QCANESelect™. Grower usage and logins over the period July 2011 to June 2012 follows closely to a typical planting and harvesting regime – ie. growers use QCANESelect™ more often during the period leading up to their planting. Variety information was by far the most sought after information, accounting for 58% of the pages viewed. More than 4000 log-ins were recorded and almost 20,000 pages viewed.

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 the BSES Biosecurity program. Working with the Variety Improvement Program to breed disease and pest resistant varieties, operating a high security post-entry and inter-regional quarantine facility and disease-free seed cane programs to prevent the spread of pests and diseases within Australia are also high priorities.

The program is led by Mr Barry Croft.

Achievements

- Australian varieties were screened for resistance to four different types of borers, downy mildew and Ramu stunt at Ramu in Papua New Guinea. Some varieties were tolerant to Sesamia borers but were susceptible to the borer, Scirpophaga.

- Symptoms of Ramu stunt disease are often difficult to see and a new PCR assay developed by BSES was tested in Papua New Guinea to confirm its accuracy under field conditions. This study has given us confidence that the assay will reliably detect the disease and has improved our understanding of the visual symptoms.

- A project funded by the Australian Centre for International Agricultural Research has trained BSES entomologists in biological control programs for exotic borers in Indonesia. The optimum rate and time for release of parasitic wasps was determined. The potential of an Australian native parasitic wasp for control of exotic borers was tested. This wasp will attack Sesamia borers, the main pest of sugarcane in Papua New Guinea.

- Rice thrips which is endemic to Australia was found in sugarcane seedlings at BSES Meringa and in commercial crops. This was the first record of this pest on sugarcane in Australia and further research is underway to determine why it is now attacking sugarcane.

- A field guide for pests and disease in Indonesia was published in both Bahasa Indonesian and English. These field guides will be a valuable resource for sugarcane field workers and quarantine staff to help identify exotic pests and diseases.

- Training was provided for a group of young cane growers from the Herbert and Tully regions at the BSES Pathology Farm at Woodford. The training course covered the identification and control of the major sugarcane diseases.

- Nicole Thompson, spent time at the French CIRAD sugarcane quarantine facility in Montpellier. As a result we now have a new technique for testing for sugarcane yellow leaf virus in varieties in the BSES quarantine.

- A new rapid and secure quarantine procedure has been trialled for speeding up the movement of clones from southern districts to the main breeding station at Meringa (Gordonvale). This new method reduces costs and allows varieties to be sent to the northern regions for use as parents and for assessment as commercial varieties, 1-2 years earlier than past methods.

- A new statistical method was developed to improve the accuracy of advice given to industry and the breeding program. This work led by Jo Stringer was awarded the President's medal at the ASSCT.

- The smut variety resistance screening program has moved from Bundaberg to Woodford and the 2012-13 smut screening trials have commenced at the new site. Clones coming through the BSES Variety Improvement Program have been screened for resistance to Pacymetra root rot, Fiji leaf gall, leaf scald, mosaic and red rot.

- BSES and CSIRO have screened clones from crosses between wild canes, Erianthus and Saccharum spontaneum, and commercial sugarcane for lesion nematode, pachymetra root rot and smut resistance. None of the clones was highly resistant to lesion nematode but there were a number of clones with good resistance to pachymetra root rot and smut.

Improved Cropping Systems

The overall objective of the Improved Cropping Systems Program is to deliver realised value to the Australian sugar industry (growers, millers and other customers) by means of targeted research and development and addressing two of the BSES High Priority Actions:

- Develop farming systems that improve the sustainability and supply security of our customers.
- Deliver R&D-based tailored solutions that improve the sustainability of our customers' businesses.

We conduct R&D within several specific issue-based sub-programs involving the disciplines of agronomy, entomology and engineering. The aim is to investigate innovative technologies and practices for use on-farm; develop and deliver BSES-branded packages to progress the adoption of best-management practices on-farm; contribute to the optimal use of available sugarcane varieties; and promote technologies inputs and/or combinations of crops/uses to improve farm profitability and sustainability.

This program is led by Dr Bernard Schroeder.

Achievements

- The effect of seasonal variability on sugarcane crops was assessed in the Mackay region. This was initiated because the average crop yield was 73 t/ha in recent seasons, compared to 99 t/ha during the 1990s. Data analysis showed a significant correlation between seasonal weather parameters and crop variability over the past two decades. It was found that as management practices and varieties improved, seasonal weather conditions have become more important drivers of variability in crop production. Industry expansion onto poorer soils and soil health following long-term monoculture also appear to have been potential contributory factors.

- Within block spatial variability in commercial cane sugar (CCS) was considered within a current Precision Agriculture (PA) project involving CSIRO, NCEA and BSES. During the 2011 harvest, cane stalk samples were collected from about 200 geo-referenced locations at the trial site in the Bundaberg district. It was found that CCS varied from 13.3 to 16.8. The CCS variation was found to be spatially structured across the site. This work suggests that adopters of PA should be aware of and consider this spatial variation in CCS, as they would with the spatial variation in yield and soil properties.

- One of the most successful current projects involves the measurement of in-field sucrose loss by mobile refractometry. The prototype sucrose loss system was successfully demonstrated in a number of districts between Far North Queensland and New South Wales during the 2011 harvest season. Good correlation was found between in-field brix measurements and laboratory determined HPLC total sugars. The acceptable speed and accuracy of this sugar loss measurement tool has resulted in widespread acceptance by industry participants. It is envisaged that industry gains will increase as the tool is used to promote harvesting best practice (HBP) principles.

- Nitrous oxide (N2O) emissions from soil were studied during a fallow period and a subsequent sugarcane crop at Mackay. This collaborative project involving BSES and DERM showed that incorporation of soybean biomass, applications of urea fertiliser (150 kg N/ha) to the sugarcane crop and a reduced N application rate (75 kg N/ha) applied to sugarcane following the soybean fallow all increased N2O emissions compared to the losses associated with the bare fallow and zero N treatments. These results have highlighted the need to develop on-farm management strategies for minimising denitrification losses, improving N use efficiencies, and the role of nitrification inhibitors within the sugarcane production system.

- The SIX EASY STEPS N guidelines for the Wet Tropics were validated by means of a series of replicated demonstration strip trials conducted over several crops grown on typical soils in the Tully district. Both yields and profitability were maintained when the SIX EASY STEPS rates were used, despite N inputs being lower than traditional grower inputs. The alternative 'N Replacement' strategy, although arguably more environmentally conscious than the SIX EASY STEPS or grower-devised N rates, resulted in generally lower cumulative cane yields, sugar yields and industry net returns.

- A field experiment at the Tully Experiment Station was used to assess whether modelling studies (previously conducted within the CRC for Sustainable Sugar Production) had correctly predicted that N inputs could be reduced following long-term use of Green Cane Trash Blanketing (GCTB). It was found that although soil carbon (C) and N increased following GCTB for 15 years, responses to fertiliser N were similar to those in a long-term burnt system. This suggests that growers should, at least at this stage, not consider reducing N application rates following long-term GCTB.

- Twenty growers in the Mulgrave district in Far North Queensland participated in a 'GrubPlan' Integrated Pest Management (IPM) program where the risk of potential Greyback infestations was assessed. Data showed significantly reduced grub numbers where growers applied recommended chemical treatments. Although grub numbers increased in fields that were not treated, grub numbers were well below economic levels where growers were advised not to add control treatments. The study demonstrated that growers should best take a proactive approach in managing canegrubs on-farm.

- Trials conducted in the Mackay district assessed the impact of different levels of GCTB on weed populations. Although the efficacies of some pre-emergent

herbicides when applied with GCTB were established, their effects on cane yield and profitability still need verification. The management of broadleaf weeds and grasses improved with increasing levels of trash. Growth of vines was slowed by the thickest trash layers. In sugarcane ratoons, slightly improved cane yields occurred when strategies included early pre-emergence herbicides.

- Substantial progress has been made within a collaborative project involving BSES and NCEA that aims to develop precision spray technologies for the Australian sugar industry. BSES researchers are specifically involved in implementing existing technologies for recognising 'green from brown' (ie. weeds for a trash layer or bare soil), fine-tuning and assessing equipment settings for applying targeted sprays of herbicide.

Technology Support

The primary focus of the Technology Support Program is to apply our collective R&D expertise to produce practical, usable outcomes that can be readily adopted within the Australian sugar industry. The Program has specific expertise in sugar quality, cane quality, near infrared (NIR) spectroscopy and applications, chemometric data treatment, biomass utilisation, non-sugar products, separation technologies, chemical engineering and the development and optimisation of analytical measurement methods. The Program staff work within small teams across many different multi-disciplinary activities and collaborative projects to successfully deliver the Program's outcomes.

The program is led by Dr Michael O'Shea.

Achievements

Development of laboratory NIR systems for a wide range of industry applications

NIR systems provide a relatively inexpensive and high throughput means to derive analytical data on different types of samples in situations where traditional analytical chemistry methods cannot be applied. As applications for laboratory and mill/refinery implementation become mature, uptake of laboratory NIR systems will become commonplace within sugar mills, refineries, research providers and other industry bodies. Recent developments in this area include:

- Proof-of-concept work has developed successful NIR calibrations for nutrients in mill mud and boiler ash. An SRDC-funded project will develop robust calibrations for nitrogen, carbon, potassium, phosphorous and silicon in these materials to allow nutrient monitoring applications.

- Calibration suites have been developed for parameters within raw sugar. Developmental work continues to produce calibrations suited for the analysis of products within a sugar mill, distillery and/or refinery, including substrates such as juice, syrups and other process streams. BSES is assisting recent laboratory NIR system installations at Millaquin Mill and Sucrogen Bioethanol to help users gain maximum benefit from the adopted technology.

- Existing online NIR system calibration suites for cane and bagasse have been adapted for use within a laboratory instrument system. These calibrations can be used on a smaller scale in a laboratory scenario to provide data on fibre, sucrose content, ash and other quality parameters.

BSES NIR Support Services are provided to factory-installed cane, sugar and bagasse analysis NIR systems and laboratory NIR systems to help clients enhance their measurement capabilities

- The Program supports a network of 19 factory instruments spread throughout Australia, Vietnam, Philippines and Fiji, as well as 2 laboratory systems in Australia.

- We work with NIR instrument providers to broaden the uptake of NIR technology through the industry. These activities will increase the prospects of commercial sales of NIR systems using BSES calibrations and utilising BSES Support Services both in Australia and in other countries.

- Development activities include the redesign and rewriting of the control software used to integrate online NIR systems into mill systems. The new software system will provide improved functionality, better client support and seamless data control.

Biomass research developing sugarcane derived biomass as a potential lignocellulosic platform for the production of biofuels, speciality chemicals and electricity

Biomass utilisation research has been conducted within projects supported by funds from the SRDC and the Second Generation Biofuels Research and Development (Gen 2) Program run by the Australian Renewable Energy Agency (ARENA). The large ARENA funded Cane2Fuel project has now concluded after 3 years of research. Highlights from these projects include:

- Analytical methods for the determination of biomass parameters such as lignin, hemicellulose and cellulose have been implemented. Many samples have been processed and this has led to the development of associated NIR methods for these parameters. NIR techniques have been adopted as the standard method of deriving biomass data from sugarcane biomass samples.

- The diversity of sugarcane biomass composition has been mapped using NIR methods. Information has been gained from plant-breeding trials using SpectraCane systems, and on commercial bagasse composition using an online Bagasse Analysis System (BAS) at Mulgrave Mill. This data gives a detailed picture of sugarcane diversity with respect to biomass traits and composition and has confirmed the large potential of sugarcane as lignocellulosic feedstock. Generic NIR tools for biomass analysis, which can be utilised in any future sugarcane biomass business opportunity, have been developed.

- Field work has been undertaken to help understand biomass production in the field using existing commercial sugarcane varieties, but also to define plant breeding strategies and options to produce more suitable biomass producing sugarcane varieties in the future.

Improving analytical capability for nutrient measurement

- The Program is actively developing new generation laboratory methods for the analysis of soil and plant samples. Research on the application of microwave methods for the more rapid, efficient and less hazardous extraction of samples prior to analytical determination will modernise and adapt existing BSES derived analytical methods and increase laboratory throughput, while providing the additional benefit of reduced chemical exposure risks.

- Over 60,000 assays on soil, water, plant, by-product and nutrient samples were completed, while sample exchange programs were conducted to maintain the Australasian Soil and Plant Analysis Council (ASPAC) laboratory accreditation and research work in areas such as silicon analysis and the provision of data to develop NIR methods for mill mud and boiler ash nutrients.

Professional Extension and Communications (PEC) unit

On the recommendation of the Welsman Report the Professional Extension and Communication (PEC) Unit was formed in Early 2012. The group consists of 13 FTEs including nine disciplinary focused development officers. The development officers, who are regionally based, provide specialist extension services in specific disciplines across the entire industry. This approach is quite different to the traditional BSES Limited extension model with the focus being on the advisor community servicing the sugar industry as opposed to the more traditional one on one extension approach that has been commonly used.

Following the appointment of the PEC Unit Manager (Andrew Ward) in June 2012 the group has spent time developing a strategic plan to take the new group forward.

Within the plan there is a strong focus on the use of sales and marketing principles as means of promoting practice change across the industry. To further facilitate and enhance this approach recruitment is underway seeking dedicated resources in the areas of communications and marketing. The addition of this specialist capacity will greatly enhance the group's ability to develop a variety of new products and services tailored to the specific needs of industry.

Moving into the 2012-2013 financial year a number of major projects are planned including the redevelopment of the BSES Limited website as an information portal and first point of contact for those seeking technical information specific to the sugar industry as well as the development of a variety of innovative extension products targeting the grower and advisor communities.

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.
- Over viewing the establishment of, and adherence to, appropriate systems to:
  - > Enable the Company's business and financial risks to be identified and managed.
  - > Enable the Company's assets to be safeguarded.
  - > Enable business to be conducted in compliance with laws and regulations.
  - > Meet ethical and corporate governance standards.

Composition of the board

The board comprises seven non-executive directors, together with the chief executive who, under the Company's constitution, is the managing director. Under the Company's constitution, two directors are elected by the grower members, and two directors by the mill-owner members. Three directors, other than the chief executive, are selected by the grower directors and the mill-owner directors. These three must have expertise in an area considered by the grower directors and the mill owner directors as appropriate, including business, commercial, marketing, finance, research, development or extension experience, and not be a mill owner or a grower or a director or employee of a mill owner or a grower, and not be a current director or employee of a sugar-industry representative body. Non-executive directors act as independent officers of the Company, rather than representing their own interests or those of their organisations. If a potential conflict of interest does arise, the director concerned does not receive the relevant board papers and leaves the meeting room while the matter is discussed and any vote is taken.

The work of the board

Directors receive regular reports from the chief executive and senior management on the Company's activities since the last report to directors, including information on strategic initiatives, 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), Mr IC McBean, and Mr JS Pollock. Under the committee's terms of reference, the Company chairman is an ex officio member of the committee. The chief executive, 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 experience in a career that has encompassed over 25 years in senior executive management with a variety of leadership roles. He has held the position of General Manager for Queensland and the Northern Territory of the Medical Benefits Fund of Australia Limited and has provided executive services as General Manager of The Brisbane Club. Paul has been a company director for more than 27 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 also currently the Chairman of Phoenix Eagle Company Pty Ltd (a medical biotech company). Additionally he is a director of the Australian Sugar Industry Alliance Ltd and Idec Solutions Pty Ltd (a steel fabrication, design, construction and project management company). 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 18 years experience in the sugar industry in commercial and managerial roles with previous experience in the cotton and finance industries. He is currently General Manager Agriculture for Sucrogen – Cane Products. Ian is currently a Director on other industry boards – Herbert River Productivity Services Ltd, Burdekin Productivity Services, Herbert River Information Centre, six 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 the General Manager – Corporate Services with New South Wales Sugar Milling Co-operative. Ian has broad expertise in both the growing and milling sectors of the Australian sugarcane industry.

Ian Sharpe

Director since 23 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 cane grower and Managing Partner of Russo Brothers. He is Chairman of CANEGROWERS Isis Limited, Senior Vice President of Queensland Cane Growers Organisation Limited, and a director of Queensland Farmers Federation, Canegrowers Superannuation Pty Ltd and Canegrowers Financial Services Pty Ltd. In 2003, 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. John has wide research, natural resource management, primary industry and corporate management experience.

Paul Sgarbossa

Director since 23 October 2007. Paul is currently Chairperson of Burdekin Productivity Services, and has been involved in a wide range of industry representation. He has served on CANEGROWERS committees and sub committees from 1991-2003 and has serviced on Productivity Boards since 1989. Paul has been sugarcane farming for over 30 years and received the SRDC 2000 R&D Sugar Industry Service Award.

Eoin Wallis

On 6 July 2012, Eoin retired as Managing director and chief executive officer after holding that position 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 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 Fellow of the Australian Institute of Company Directors.

COMPANY SECRETARY

David Munro

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 2011 and ending on 30 June 2012 (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 7 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 7 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 sugar 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 7 provides an overview on how the Company's activities assist in achieving the entity's objectives.

Measurement of performance

The manner in which the Company measures its performance is set out on pages 1 to 7 of this annual report and these pages form part of this report.

Information Relating to Directors

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 10. The following table shows the persons who were directors during the financial year ended 30 June 2012 and the attendance of directors at the eight meetings of the board.

PS Wright	8	JS Pollock	8	IJ Sharpe	7
IR Davies	8	JJ Russo	7	ES Wallis (retired 6 July 2012)	8
IC McBean	6	PM Sgarbossa	7		

The Audit Compliance and Risk Management Committee met on six occasions during the financial year. Mr IJ Sharpe, Committee Chair, and Mr J Pollock attended all six meetings and Mr IC McBean attended four meetings.

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 2012, there were 2709 Members (2011: 2722 Members).

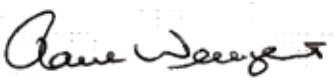
Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

The Lead auditor's independence declaration is set out on page 45 and forms part of the Director's report for the financial year ended 30 June 2012.

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

3 September 2012

BSES Limited

Statement of comprehensive income

For the year ended 30 June 2012

in thousands of dollars	***Notes***	**2012**	**2011**
Revenue	*6*	27,373	23,854
Research, development and extension expenses		(22,831)	(22,390)
		4,542	1,464
Other income	*7*	226	150
Administration expenses		(6,010)	(4,685)
Impairment loss		-	(170)
Results from operating activities		(1,242)	(3,242)
Financial income		1,181	1,093
Financial costs		(41)	(221)
Net financing income	*10*	1,140	872
Loss before income tax		(102)	(2,369)
Income tax benefit	*14*	498	-
Profit / (loss) after income tax		396	(2,369)
Profit / (loss) attributable to members		396	(2,369)
Other comprehensive income:			
Actuarial gains / (losses) on defined benefit plan	*20*	(2,650)	402
Change in fair value of equity securities available-for-sale recognised in equity	*10*	(41)	6
Other comprehensive income for the year, net of income tax		(2,691)	408
Total comprehensive income for the year		(2,295)	(1,961)

The accompanying notes form part of these financial statements.

BSES Limited

Statement of financial position

As at 30 June 2012

in thousands of dollars	***Notes***	**2012**	**2011**
ASSETS			
Current assets			
Cash and cash equivalents	*16*	11,376	14,843
Trade and other receivables	*15*	3,655	4,016
Other investments	*19*	5,642	2,754
Assets held for sale	*5*	475	-
Total current assets		21,148	21,613
Non-current assets			
Trade and other receivables	*15*	-	11
Intangible assets	*12*	565	758
Property, plant & equipment	*11*	14,416	14,947
Other investments	*19*	-	60
Investment in equity-accounted investees	*13*	-	-
Total non-current assets		14,981	15,776
TOTAL ASSETS		36,129	37,389
LIABILITIES			
Current liabilities			
Trade and other payables	*22*	2,022	1,957
Employee benefits	*20*	1,511	1,909
Total current liabilities		3,533	3,866
Non-Current Liabilities			
Employee benefits	*20*	3,881	2,513
Total non-current liabilities		3,881	2,513
TOTAL LIABILITIES		7,414	6,379
NET ASSETS		28,715	31,010
EQUITY			
Retained earnings		28,715	30,969
Fair value reserve		-	41
TOTAL EQUITY		28,715	31,010

The accompanying notes form part of these financial statements.

BSES Limited

Statement of changes in equity

For the year ended 30 June 2012

in thousands of dollars	***Retained Earnings***	***Fair Value Reserve***	***Total***
Balance at 1 July 2010	32,936	35	32,971
Loss	(2,369)	-	(2,369)
Total other comprehensive income	402	6	408
Total comprehensive income / (loss) for the year	(1,967)	6	(1,961)
Balance at 30 June 2011	30,969	41	31,010
Profit	396	-	396
Total other comprehensive income	(2,650)	(41)	(2,691)
Total comprehensive income / (loss) for the year	(2,254)	(41)	(2,295)
Balance at 30 June 2012	28,715	-	28,715

The accompanying notes form part of these financial statements.

BSES Limited

Statement of cash flows

For the year ended 30 June 2012

in thousands of dollars	***Notes***	**2012**	**2011**
Cash flows from operating activities			
Cash receipts from customers		30,618	25,257
Interest received		1,181	1,145
Payments to suppliers and employees		(31,725)	(28,630)
Income tax received		498	-
Net cash from / (used in) operating activities	*17*	572	(2,228)
Cash flow from investing activities			
Proceeds from / (applied to) maturing investments		(2,888)	8,503
Proceeds from sale of investments		54	-
Payment for property, plant & equipment		(1,254)	(1,251)
Proceeds from sale of property, plant & equipment		49	23
Net cash from / (used in) investing activities		(4,039)	7,275
Net increase / (decrease) in cash and cash equivalents		(3,467)	5,047
Cash & cash equivalents at the beginning of the financial year		14,843	9,796
Cash & cash equivalents at the end of the financial year	*16*	11,376	14,843

The accompanying notes form part of these financial statements.

Index to notes to the financial statements

1. Reporting entity

BSES Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 50 Meiers Road, Indooroopilly, Queensland, 4068. The Company is an unlisted public company, limited by guarantee and is involved in research, development and extension for the Australian sugar industry.

2. Basis of preparation

(a) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial statements were authorised for issue by the Board of Directors on September 3, 2012.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- the defined benefit asset or liability is measured as plan assets, plus unrecognised past service, less the present value of the defined benefit obligation, and is limited as explained in note 3(h)(ii).

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- note 20 – measurement of defined benefit obligations

3. Significant accounting policies

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

3. Significant accounting policies (continued)

(a) Basis of consolidation

(i) Investments in equity-accounted investees

Investments in associates are accounted for using the equity method (equity-accounted investees) and are initially recognised at cost.

The financial statements include the Company's share of the profit and loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

When the Company's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at 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 exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between 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 year.

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. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(c) Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company has the following non-derivative financial assets: held-to-maturity financial assets, loans and receivables, cash and cash equivalents and available-for-sale financial assets.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses (see note 3(g)(i)).

Held-to-maturity financial assets comprise term deposits.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see note 3(g)(i)).

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of change in their fair value, and are used by the Company in the management of its short-term commitments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see policy note 3(g)(i)) are recognised in other comprehensive income and presented within equity in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

Other financial liabilities comprise loans and borrowings, trade and other payables.

(d) Investments

Investments are carried at cost or fair value as indicated, less where applicable, any impairment losses. Investments in associated entities, over which the Company 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 company's share of profits or losses, reduced by any dividends received from the associated entities.

Fair value of investments is determined based on current bid price 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.

3. Significant accounting policies (continued)

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour,
- any other costs directly attributable to bringing the assets to a working condition for their intended use,
- when the Company has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gains and losses on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- buildings 40 years
- plant and equipment 3 - 18 years
- fixtures and fittings 3 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3. Significant accounting policies (continued)

(f) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products, processes and software. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives for the current and comparative years are as follows:

- Software 5 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(g) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

3. Significant accounting policies (continued)

(g) Impairment (continued)

(i) Non-derivative financial assets

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss.

Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant accounting policies (continued)

(h) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plan is calculated separately 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. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss 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 profit or loss.

The Company recognises all actuarial gains and losses arising from defined benefit plan in other comprehensive income and all expenses related to the defined benefit plan in personnel expenses in the profit or loss.

The Company recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

(iii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than defined benefit plan is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

(v) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3. Significant accounting policies (continued)

(i) 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. The unwinding of the discount is recognised as finance cost.

(j) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable. Revenue is recognised when significant risks and rewards of ownership have been transferred to the buyer and recovery of the consideration is probable. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the relevant project manager's assessment of progress against agreed project 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.

(iii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(k) Government grants

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

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant, and are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

(l) Leases

(i) 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 as an integral part of the total lease expense, over the term of the lease.

(m) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, and reclassifications of amounts previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss 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.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3. Significant accounting policies (continued)

(n) Tax

Tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- temporary differences related to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) 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, the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expenses.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, 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.

(p) Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal operating activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

3. Significant accounting policies (continued)

(p) Going concern (continued)

During the reporting period Australian Sugarcane Industry Alliance, the peak body for the sugar industry, recommended the creation of an industry owned corporation (IOC). If the IOC is created, BSES Limited is likely to wind down operations following the transfer of its assets and liabilities to the IOC, otherwise BSES Limited continues normal operations into the foreseeable future.

The Directors consider the going concern basis is appropriate for the preparation of these financial statements as the creation of the IOC, and the curtailment of BSES Limited's operations, is dependent upon successful completion of the following enabling actions that the Directors believe contain material uncertainties in respect of whether the actions will be undertaken and, if so, the timing thereof:

- Industry endorsement of the creation of the IOC via an all of industry vote
- Federal Agriculture Minister approval
- Requisite legislation passing through Federal Parliament
- Matters required of BSES Limited to the transfer of assets and liabilities to the IOC.

In the event that the Company does not continue as a going concern it may not realise it's assets and discharge it's liabilities in the normal course of business, but through their transfer to the proposed IOC. The amounts realised in relation to the transfer of assets and liabilities may differ to the amounts stated in the financial statements.

4. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

5. Asset held for sale

During the year ended 30 June 2012, the company decided to sell a portion of the land and all facilities owned in the Bundaberg region. Efforts have commenced to sell these assets and a sale is expected in the following year.

At 30 June 2012, the assets held for sale comprised of the following assets.

Assets classified as held for sale

in thousands of dollars	*Note*	2012	2011
Property, plant and equipment			
Cost	*11*	929	-
Accumulated Depreciation	*11*	(454)	-
		475	-

There are no liabilities attached to these assets.

6. Revenue

in thousands of dollars	2012	2011
Fees and service charges	19,171	14,443
Research grants	7,094	8,368
Other revenue	1,108	1,043
	27,373	23,854

7. Other income

in thousands of dollars	2012	2011
Net gain on sale of property, plant and equipment	70	12
Rental income from property subleases	116	106
Other income	40	32
	226	150

8. Other expenses

in thousands of dollars	2012	2011
Doubtful debts expense	-	14

9. Personnel expenses

in thousands of dollars	Note	2012	2011
Wages, salaries and on-costs		16,501	15,486
Termination benefits		1,084	-
Increase / (decrease) in liability for long-service leave	20	(454)	(333)
Increase / (decrease) in liability for annual leave	20	(326)	(118)
		16,805	15,035

10. Finance income and finance costs

Recognised in profit or loss

in thousands of dollars	2012	2011
Interest income on unimpaired held-to-maturity investments	1,181	1,093
Finance income	1,181	1,093
Net foreign exchange loss	(41)	(221)
Finance costs	(41)	(221)
Net finance costs recognised in profit or loss	1,140	872

Recognised in other comprehensive income

in thousands of dollars	2012	2011
Net change in fair value of available-for-sale financial assets	(41)	6
Finance income recognised in other comprehensive income, net of tax	(41)	6

11. Property, plant and equipment

in thousands of dollars	*Note*	Land and buildings	Plant and equipment	Fixtures and fittings	Total
Cost					
Balance at 1 July 2010		15,786	7,716	3,194	26,696
Additions		72	874	306	1,252
Disposals		(13)	(973)	(1,588)	(2,574)
Balance at 30 June 2011		15,845	7,617	1,912	25,374
Balance at 1 July 2011		15,845	7,617	1,912	25,374
Additions		153	846	255	1,254
Reclassification to assets held for sale	5	(929)	-	-	(929)
Disposals		-	(290)	(23)	(313)
Balance at 30 June 2012		15,069	8,173	2,144	25,386
Depreciation and impairment losses					
Balance at 1 July 2010		(2,943)	(5,921)	(2,764)	(11,628)
Depreciation for the year		(422)	(665)	(274)	(1,361)
Disposals		11	963	1,588	2,562
Balance at 30 June 2011		(3,354)	(5,623)	(1,450)	(10,427)
Balance at 1 July 2011		(3,354)	(5,623)	(1,450)	(10,427)
Depreciation for the year		(384)	(652)	(261)	(1,297)
Reclassification to assets held for sale	5	454	-	-	454
Disposals		-	278	22	300
Balance at 30 June 2012		(3,284)	(5,997)	(1,689)	(10,970)
Carrying amounts					
at 1 July 2010		12,843	1,795	430	15,068
at 30 June 2011		12,491	1,994	462	14,947
at 30 June 2012		11,785	2,176	455	14,416

12. Intangible assets

in thousands of dollars	**Software**
Cost	
Balance at 1 July 2010	971
Balance at 30 June 2011	971
Balance at 1 July 2011	971
Balance at 30 June 2012	971
Amortisation and impairment losses	
Balance at 1 July 2010	(18)
Amortisation for the year	(195)
Balance at 30 June 2011	(213)
Balance at 1 July 2011	(213)
Amortisation for the year	(193)
Balance at 30 June 2012	(406)
Carrying amounts	
at 1 July 2010	953
at 30 June 2011	758
at 30 June 2012	565

13. Equity-accounted investees

During the year ended 30 June 2012 the Company did not receive dividends from its investments in equity-accounted investees.

The Company's sole equity-accounted investee is Sacron Innovations Pty Ltd.

Summary financial information for equity-accounted investees is as follows:

in thousands of dollars	2012	2011
Carrying amount of investments in equity-accounted investee	-	-
Carrying amount at beginning of reporting period	-	170
Additions	-	-
Impairment	-	(170)
Carrying amount at end of reporting period	-	-

The impairment loss for Sacron Innovations Pty Ltd continues as BSES management believes that there is still a risk with regard to Sacron Innovations Pty Ltd as a going concern.

14. Taxes

Current tax expense / (benefit)

in thousands of dollars	2012	2011
Tax recognised in profit or loss		
Current tax expense		
Current year	-	-
Adjustment for prior years	(498)	-
Income tax expense / (benefit)	(498)	-

Numerical reconciliation of income tax benefit to pre-tax loss		
in thousands of dollars		
Profit/(loss) for the year	396	(2,369)
Total income tax benefit	(498)	-
Loss excluding income tax	(102)	(2,369)
Income tax benefit using the corporate tax rate of 30% (2011: 30%)	(31)	(711)
Decrease in income tax expense due to:		
Non-deductible expenses	12	11
Benefits of losses and deferred tax balances not brought to account	19	700
Decrease due to amendment of prior year tax return	(498)	-
Income tax expense / (benefit)	(498)	-

Income tax benefit of $498 thousand represents a refund of prior year's tax paid. The refund arose due to consideration of research and development deductions not previously claimed.

15. Trade and other receivables

in thousands of dollars	*Note*	2012	2011
Trade receivables due from related parties	*27*	153	144
Other trade receivables		1,619	2,188
Accrued income		902	1,255
		2,674	3,587
Work in progress		981	440
		3,655	4,027
Current		3,655	4,016
Non-current		-	11
		3,655	4,027

The Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables, excluding work in progress, is disclosed in note 23.

16. Cash and cash equivalents

Current	2012	2011
in thousands of dollars		
Cash on hand	2	3
Imprest bank accounts	12	11
Cash at bank	1,726	2,387
Short-term call deposits	9,636	12,442
Cash and cash equivalents in the statement of cash flows	11,376	14,843
Held to maturity term deposits at the following financial institutions		
Australia and New Zealand Banking Group	-	3,908
Bank of Western Australia	5,990	3,149
National Australia Bank	3,088	4,267
Suncorp	2,008	-
Westpac Banking Corporation	4,192	3,872
	15,278	15,196
Recognised as:		
Cash and cash equivalents	9,636	12,442
Other investments, current	5,642	2,754
	15,278	15,196

17. Reconciliation of cash flows from operating activities

in thousands of dollars	*Note*	2012	2011
Cash flows from operating activities			
Profit / (loss) for the period		396	(2,369)
Adjustments for:			
Depreciation	*11*	1,297	1,361
Amortisation of intangible assets	*12*	193	195
Change in fair value of equity-accounted investees		-	170
Share of profit of listed corporations		(33)	-
Gain on sale of property, plant and equipment		(35)	(12)
Defined benfit plan expenses	*20*	359	422
Tax benefit	*14*	498	-
		2,675	(233)
Change in trade and other receivables		360	(1,236)
Change in trade and other payables		66	664
Change in provisions and employee benefits		(677)	(657)
Provision for Defined Benefit Fund obligation		(1,354)	(766)
Cash generated from operating activities		1,070	(2,228)
Taxes received	*14*	(498)	-
Net cash from operating activities		572	(2,228)

18. Deferred tax assets and liabilities

in thousands of dollars	2012	2011
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Assessable temporary differences	518	1,136
Tax & capital losses	3,285	2,642
	3,803	3,778

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 profits will be available against which the Company can utilise the benefits.

19. Other investments

in thousands of dollars	*Note*	2012	2011
Current			
Term deposits	16	5,642	2,754
Non-current			
Equity instruments, available for sale			
Shares in listed corporations, at fair value		-	60

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

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 23.

20. Employee benefits

in thousands of dollars	2012	2011
Fair value of plan assets	(11,758)	(13,048)
Present value of obligations	14,511	14,154
(Surplus) deficit in the plan	2,753	1,106
Accrued Salaries	75	(27)
Liability for long-service leave	1,476	1,930
Liability for annual leave	1,088	1,413
Total employee benefit liabilities	5,392	4,422
Current	1,511	1,909
Non Current	3,881	2,513
	5,392	4,422

The Company participates in the BSES Limited Superannuation Plan, a sub-plan of the Sunsuper Superannuation Fund. The sub-plan is a defined benefit plan, with both defined benefit and defined contribution members. The defined benefit section is closed to new members. The plan provides a lump sum payment on retirement, death, total permanent disablement and withdrawal.

Plan assets comprise:

in thousands of dollars	2012	2011
Equity securities	11,758	13,048
	11,758	13,048

Plan assets

in thousands of dollars	2012	2011
Actual gain / (loss) return on plan assets	(175)	918

Movement in the present value of the defined benefit obligations

in thousands of dollars	2012	2011
Defined benefit obligations at 1 July	14,154	14,568
Benefits paid by the plan	(2,632)	(1,526)
Current service costs and interest (see below)	1,097	1,157
Contributions by plan participants	153	174
Actuarial (gains) losses in other comprehensive income (see below)	1,739	(219)
Defined benefit obligations at 30 June	14,511	14,154

20. Employee benefits (continued)

Movement in the fair value of plan assets

in thousands of dollars	2012	2011
Fair value of plan assets at 1 July	13,048	12,716
Contributions paid into the plan	1,517	940
Benefits paid by the plan	(2,632)	(1,526)
Expected return on plan assets	738	735
Actuarial (losses) gains recognised in other comprehensive income (see below)	(913)	183
Fair value of plan assets at 30 June	11,758	13,048

Expense recognised in profit or loss

in thousands of dollars	2012	2011
Current service costs	529	578
Interest on obligation	568	579
Expected return on plan assets	(738)	(735)
Expense of defined benefit plan	359	422

The expense of the defined benefit plan is recognized in the Administration expenses in the statement of comprehensive income.

Actuarial gains and losses recognised in other comprehensive income

in thousands of dollars	2012	2011
Cumulative amount at 1 July	(2,672)	(3,074)
Recognised during the period	(2,650)	402
Cumulative amount at 30 June	(5,322)	(2,672)

Plan assets

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

Australian equities	16%	28%
Overseas equities	16%	26%
Fixed interest securities	5%	13%
Alternatives	11%	21%
Property	7%	8%
Cash	45%	4%
	100%	100%

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2012	2011
Discount rate at 30 June	2.60%	4.40%
Expected return on plan assets at 1 July	6.00%	6.00%
Future salary increases - first year	3.50%	4.50%
Future salary increases - second year	3.00%	4.50%
Future salary increases - third year	3.00%	4.00%
Future salary increases - thereafter	4.00%	4.00%

20. Employee benefits (continued)

Actuarial assumptions (continued)

Liabilities have been computed using the Projected Unit Credit method. The objective under this method is to expense each defined benefit member's benefit in the Plan as they would accrue, taking into consideration future salary increases and the benefit allocation formula.

Historical information

In thousands of dollars	2012	2011	2010	2009	2008
Present value of the defined benefit obligation	14,511	14,154	14,568	13,050	14,197
Fair value of plan assets	(11,758)	(13,048)	(12,716)	(11,141)	(15,278)
(Surplus) deficit in the plan	2,753	1,106	1,852	1,909	(1,081)
Experience adjustments arising on plan liabilities	1,739	(219)	407	27	(245)
Experience adjustments arising on plan assets	913	(183)	(58)	2,642	2,178

The Company expects $736 thousand in contributions to be paid to its defined benefit plan in the financial year end 30 June 2013.

21. Capital and reserves

Share capital

The Company is a company limited by guarantee, as such, does not have share capital. The Company's capital consists of financial assets and retained earnings.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Capital management

Management control's the Company's 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.

Management effectively manages the Company's capital by assessing its financial risk and responding to changes in these risks and in the market.

22. Trade and other payables

Trade payables

In thousands of dollars	2012	2011
Trade and other payables	1,299	1,408
Accrued expenses	723	549
	2,022	1,957

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

23. Financial instruments

Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk Management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit, Compliance and Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

		Carrying amount	
In thousands of dollars	**Note**	**2012**	**2011**
Trade and other receivables	*15*	2,674	3,587
Cash and cash equivalents	*16*	11,376	14,843
Other investments	*19*	5,642	2,814
		19,692	21,244

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. As at 30 June 2012, there was a significant concentration of credit risk in receivables from one customer of $860 thousand (2011: $902 thousand).

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main component of this allowance is a specific loss component that relates to individually significant exposures.

23. Financial instruments (continued)

Credit risk (continued)

Trade and other receivables (continued)

Impairment losses

The aging of the trade and other receivables at the reporting date that were not impaired was as follows:

In thousands of dollars	**2012**	**2011**
Neither past due nor impaired	2,632	3,305
Past due 1 - 30 days	33	6
Past due 31 - 90 days	-	-
Past due 91 - 120 days	9	276
Trade and other receivables	2,674	3,587

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

In thousands of dollars	**Individual impairments**
Balance at 1 July 2010	37
Impairment loss recognised	14
Amounts written off	(51)
Balance at 30 June 2011	-
Impairment loss recognised	-
Amounts written off	-
Balance at 30 June 2012	-

The Company believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviour and extensive analysis of customer credit risk, including the underlying customers' credit ratings, when available.

Based on the Company's monitoring of customer credit risk, the Company believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

Cash and cash equivalents

The Company held cash and cash equivalents of $11,376 thousand at 30 June 2012 (2011: $14,843 thousand), which represents its maximum credit exposure on these assets. Cash and cash equivalents are held with Australian bank and financial institution counterparties that have a minimum 'A' rating. The Company further reduces the risk by limiting deposits held with any individual financial institution to a maximum of 50% of the portfolio.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

23. Financial instruments (continued)

Liquidity Risk (continued)

The Company manages liquidity by continuously monitoring forecast and actual cash-flows using existing cash reserves and takes into account:

- Projected returns on investment;
- Industry service fee;
- Contractual commitments for projects, investment and capital; and
- Commitments to stakeholders.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

In thousands of	Note	Carrying Amount	Contractual cash flows	6 mths or less	More than 6 months
30 June 2012					
Non-derivative financial liabilities					
Trade and other payables	22	2,022	(2,022)	(2,022)	-
30 June 2011					
Non-derivative financial liabilities					
Trade and other payables	22	1,957	(1,957)	(1,957)	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency, primarily the Australian dollar (AUD).

In respect of other monetary assets denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The summary of quantitative data about the Company's exposure to foreign currency risk provided to management of the Company based on its risk management policy was as follows:

In thousands of	AUD	USD	AUD	USD
	30 June 2012		30 June 2011	
Cash & cash equivalents	699	712	993	1,067
Other payables	(325)	(331)	(293)	(315)
Net exposure	374	381	700	752

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD	**2012**	**2011**	**2012**	**2011**
USD 1	1.0632	1.0159	1.0191	1.0739

23. Financial instruments (continued)

Market Risk (continued)

Sensitivity analysis

A strengthening (weakening) of the AUD, as indicated below, against the USD at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2011, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

	Strenghtening		Weakening	
Effect in thousands of dollars	**Equity**	**Profit or loss**	**Equity**	**Profit or loss**
30 June 2012				
USD (10 percent movement)	34	34	(42)	(42)
30 June 2011				
USD (10 percent movement)	64	64	(78)	(78)

Interest rate risk

Interest-rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This includes opportunity losses that may arise if the Company was to fix the interest rate on investments in a rising interest-rate environment.

The Company is exposed to interest rate risk via the cash at bank and term deposits (recognised as Cash and cash equivalents and Other Investments). Refer to note 16 for a list of cash and cash equivalent assets and for a list of financial institutions with which the Company has term deposits.

The primary objective of interest-rate risk management is to ensure that the Company earns a level of return on assets that preserves capital in real terms. The Company manages the interest rate / return on capital exposure to ensure a reasonable return on its investments whilst maintaining a tolerable level of risk. The reasonableness of the interest rate returns are measured and reported against the Reserve Bank of Australia's cash interest rate.

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	Carrying amount	
In thousands of dollars	**2012**	**2011**
Fixed rate instruments		
Financial assets	15,278	15,196
Variable rate instruments		
Financial assets	1,738	2,398

23. Financial instruments (continued)

Market Risk (continued)

Interest rate risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
Effect in thousands of dollars	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
30 June 2012				
Variable rate instruments	196	(196)	196	(196)
Cash flow sensitivity (net)	196	(196)	196	(196)
30 June 2011				
Variable rate instruments	194	(194)	194	(194)
Cash flow sensitivity (net)	194	(194)	194	(194)

Accounting classifications and fair values

Fair values versus carrying amounts

There is no difference between the accounting value and fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position.

Discount rate

The discount rate applied to the cash flows of Company's operations is based on the risk-free rate for the 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in equities, and the systematic risk of the Company's and entity specific risk to the extent not already reflected in the cash flows.

24. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

in thousands of dollars	2012	2011
Less than one year	576	782
Between one and five years	185	618
More than five years	42	21
	803	1,421

The Company leases a number of vehicles under operating leases. The leases typically run for a period of three years, with an option to renew the lease after that date.

During the year $715 thousand was recognised as an expense in profit or loss in respect of operating leases (2011: $636 thousand).

25. Capital commitments

The Company has committed itself to incur capital expenditure of $25 thousand (2011: nil). These commitments are expected to be settled in the following financial year.

26. Contingent assets and liabilities

There were no known contingent assets or liabilities of a significant nature at 30 June 2012.

In the event of the Company being wound up, each of its' initial members (numbering 2,147) 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.

27. Related parties

Transactions with key management personnel

In addition to their salaries, the Company also contributes to a post-employment superannuation fund on their behalf. The Company contributes to the superannuation fund at the statutory rate.

Other than listed below, the Company does not have any other transactions with key management personnel.

Key management personnel compensation

Remuneration paid to the directors of the Company (including the Managing Director), and the key executives in the period 1 July 2011 to 30 June 2012 in connection with the management of the Company includes salary, fees and commission and contributions to members' superannuation and other benefits paid to them and on their behalf.

27. Related parties (continued)

Key management personnel compensation (continued)

The key management personnel compensation comprised:

in dollars	2012	2011
Short-term employee benefits	845,093	823,970
Other long term benefits	19,356	65,604
Post-employment benefits	274,477	293,481
Termination benefits	-	-
	1,138,926	1,183,055

During the reporting period, there were two directors who were directors and/or officers of milling companies (IR Davies, Sucrogen Limited; IC McBean, New South Wales Cooperative Sugar Milling Association Limited) and the Company has agreements with these milling companies, including cane analysis services agreements, research agreements, confidentiality agreements and BSES PBR and Services Agreements.

IC McBean was the acting CEO of Proserpine Cooperative Sugar Milling Association Limited at the start of the year. During the year he moved to become General Manager – Corporate Services of the New South Wales Cooperative Sugar Milling Association Limited.

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 arm's length.

	Transaction value year ended 30 June		Balance outstanding as at 30 June	
In dollars	2012	2011	2012	2011
Sucrogen Limited	3,145,038	2,367,473	153,010	144,379
Proserpine Cooperative Sugar Milling Association Limited	-	399,633	-	-

(i) BSES receives fees and service charges from Sucrogen Limited in accordance with agreements for milling cane and carrying out cane analysis. Amounts were billed based on normal market rates for such services and payable under normal payment terms.

(ii) BSES receives fees and service charges from Proserpine Cooperative Sugar Milling Association Limited in accordance with agreements for milling cane and carrying out cane analysis. Amounts were billed based on normal market rates for such services and payable under normal payment terms.

(iii) During the period ended 30 June 2012, Sucrogen Limited acquired Proserpine Cooperative Sugar Milling Association Limited.

All outstanding balances with associates are priced on an arm's length basis and are to be settled in cash within six months of the reporting date. None of the balances are secured.

28. Auditors' remuneration

In dollars	2012	2011
Audit and review services		
Auditors of the Company		
KPMG		
Audit and review of financial statements	46,275	16,000
Grant Thornton		
Audit and review of financial statements	-	29,195
	46,275	45,195

Directors' declaration

In the opinion of the directors of BSES Ltd ('the Company'):

(a) the financial statements and notes that are set out on pages 12 to 43 in the Directors' report, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Dated at Brisbane QLD 3rd day of September 2012.

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PS Wright AM

Director

Lead Auditor's independence declaration under section 307C of the Corporations Act 2001

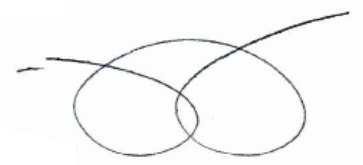
To: the directors of BSES Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG



M L Gray
Partner

Brisbane
3 September 2012

Independent auditor's report to the members of BSES Limited

We have audited the accompanying financial report of BSES Limited (the Company), which comprises the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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. These Auditing Standards require that we 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 of the financial report that gives a true and fair view 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

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

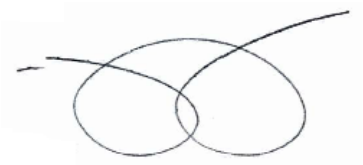
(i) giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3(p) in the financial statements, which outlines the proposed restructure of research, development and extension services to the sugar industry which could result in the transfer of the Company's operations into a newly-created, industry owned corporation. These conditions, along with other matters as set forth in Note 3(p), indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and, therefore, the Company may not realise its assets and discharge its liabilities in the normal course of business, but through their transfer to the proposed industry-owned corporation. The amounts realised in relation to the transfer of assets and liabilities may differ to the amounts stated in the financial statements.

KPMG



M L Gray
Partner

Brisbane
3 September 2012

BSES Limited

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