



Our values



Innovation

Investor satisfaction

Accountability

Teamwork



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Front cover

SRA Researcher Dr Anthony O'Connell and Technician Mr Luke Giddy conducting harvesting efficiency research at Condong, NSW, in October 2016.

Above

SRA Tully-based researcher Dr Danielle Skocaj is part of the SRA agronomy team.

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Warning: Our tests, inspections and recommendations should not be relied on without further, independent inquiries. They may not be accurate, complete or applicable for your particular needs for many reasons, including (for example) SRA being unaware of other matters relevant to individual crops, the analysis of unrepresentative samples or the influence of environmental, managerial or other factors on production.

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About SRA

Sugar Research Australia (SRA) is an Industry Owned Company (IOC) that invests in and manages a portfolio of Research, Development and Adoption (RD&A) projects that drive productivity, profitability and sustainability for the Australian sugarcane industry.

SRA technician Ms Jill Jennings working on soldier fly trials.

As the declared Industry Services Body for the Australian sugarcane industry under the *Sugar Research and Development Services Act 2013* (Cth), SRA is responsible for the direct provision of research, development and adoption activities (RD&A) as well as the ongoing management and investment of funds received from industry levy payers and government, for the benefit of the sugarcane industry and for the wider public good.

The core responsibilities of SRA are to:

- Deliver cost-effective research and development services to the Australian sugar industry to enhance its viability, competitiveness and sustainability;
- Carry-out, coordinate and provide funding for R&D activities in relation to the Australian sugar industry;
- Facilitate the dissemination, extension, adoption and commercialisation of results of R&D activities; and
- Support and develop industry research capacity.

SRA operates research farms, laboratories, and offices across the Australian sugarcane industry. SRA had 168 permanent staff as at June 30, 2017, who operate across the business in a range of roles that support and drive RD&A for the Australian sugarcane industry.

SRA has developed a targeted approach to our operational objectives to ensure that the services we deliver to the industry can be measured and are of value.

Alongside these objectives, SRA has developed a performance monitoring and evaluation program to measure and demonstrate our performance against key performance indicators in our Strategic Plan and Annual Operational Plan.

SRA locations



Strategic Plan Summary



Who we are

SRA is Australia's specialist sugarcane research organisation



Why we exist

Enabling Australia's sugarcane industry to be profitable, sustainable and resilient



What we do

We invest in evidence-based research, development and adoption activities to meet industry challenges and opportunities



Our goals

Drive profitability, improve sustainability, enhance capability and strengthen organisational excellence

Key focus areas	Outcomes	Priorities (incorporated into programs)
1. Optimally-adapted varieties, plant breeding and release	Increased sugarcane yield and commercial cane sugar (CCS)	Restructured and modernised the breeding program and broaden the genetic base
2. Soil health, nutrient management and environmental sustainability	Better soil health, reduced nutrient losses and improved water quality	Integrated and focused soil health program and enhanced SIX EASY STEPS guidelines and nitrogen management
3. Pest, disease and weed management	Reduced or avoided yield losses and/or input costs	New integrated precision technologies and activities on a cost/benefit basis
4. Farming systems and harvesting	Improved farm input-output efficiencies and profitability	Economic analyses and demonstration of new or improved technology, farm management practices and analysis tools
5. Milling efficiency and technology	Optimised production, improved capital utilisation and waste minimisation	Enhanced capability and new technology for improving processing and energy efficiency
6. Product diversification and value addition	Diversified revenue streams and product innovation	Prioritised diversification opportunities for further R&D activity or market analysis
7. Knowledge and technology transfer and adoption	Accelerated adoption of new technology and practice change	Strategy targeting industry needs, problems and solutions
8. Collaboration and capability development	Enhanced industry and research capability and capacity	Leveraged industry, government and research partnerships and enhanced human capability programs
9. Organisational effectiveness	Increased investor satisfaction and returns on investment	Embedded investor and performance-centric culture
Our enablers	Our measures of success	Our values
<ul style="list-style-type: none"> Mapping the future Innovating our science Sustaining financial viability Optimising return on investment Partnering for impact Transforming our culture 	<ul style="list-style-type: none"> Increased profitability per tonne of sugar produced Improved industry sustainability High-impact return on investment 	<ul style="list-style-type: none"> Innovation Investor satisfaction Accountability Teamwork



Message from the Chairman

It is with pleasure that I present to you Sugar Research Australia's 2016-17 Annual Report. Dr Ron Swindells, Chairman, SRA

The past 12 months have been a busy year for your industry-owned company and I look forward to detailing these achievements for you within this publication.

Our role as the Board of SRA is to set the strategic direction of SRA and to ensure that the company has systems and processes in place to be efficient and productive, that it is high-performing, that it is compliant with legal and statutory requirements, and that it fulfils the expectations and requirements of our industry and government investors.

The Board holds six meetings per year, with three of these meetings in a cane growing region to meet with investors. These meetings are valuable in ensuring we continue to be responsive to our investors' needs.

With that oversight and management, this financial year has seen a strong focus on strategy and looking to the future needs of the industry through the development of a new five-year Strategic Plan.

This involved extensive consultation with industry, including growers, millers, industry service bodies, productivity services organisations, and government investors.

Our Strategic Plan will continue to be underpinned by an Annual Operational Plan, an annual Performance Report, as well as an Independent Performance Review every three years.

You will hear more about our coming Strategic Plan in the months ahead, while this Annual Report sets out the achievements against the inaugural Strategic Plan established at SRA's inception.

As we neared the completion of our first Strategic Plan period, an independent Performance Review was completed in 2016, and it found SRA to be "a very well-run company" with "the foundations in place to be a high-performing Research and Development Corporation (RDC)".

The SRA Board has welcomed the positive findings in the Performance Review report and the strong endorsement of SRA's governance, strategic management and research investment programs.

The Board agrees with all the recommendations in the Report and we approved a response and implementation plan to enhance SRA systems and processes according to the review recommendations.

We are also ensuring that SRA is strategically placed to deliver results for the industry over the long-term.

This is via ensuring SRA has the appropriate physical and technological assets, has talented researchers and support staff, and invests in innovation.

The process has begun for developing a new site for SRA in the Southern Region following the purchase of a property at Welcome Creek, near Bundaberg.

This was a necessary step in ensuring a long term future of research in the Southern Region, particularly because the old site of SRA at Ashfield Road had been rezoned "Emerging Communities" and urban encroachment was a significant issue.

We are also making a major investment to revamp SPIDNet, which is the electronic lifeblood of research at SRA.

SPIDNet manages activities such as the crossing and selection program, three assessment trial stages, and final variety release to industry.

Trial performance data captured in SPIDNet also provides information to SRA's public variety recommendation program, QCANSelect™.



The redeveloped SPIDNet will extend its capability to support other research activities within SRA, such as entomology, weeds and agronomy, and it will allow modern mobile devices to collect and display SPIDNet data.

The Board understands that the industry requires step-change improvements in productivity and profitability.

To do this, SRA is investing in strategic basic research, which is experimental and theoretical work undertaken to acquire new knowledge ***directed into specified broad areas in the expectation of useful discoveries.***

It provides the broad base of knowledge necessary for the solution of recognised practical problems.

There is an opportunity to increase investment in strategic basic research to seek out significant improvements in productivity, profitability, and sustainability, and you will hear more about this investment in coming months and years.

As I mentioned last year, we are investing to modernise the sugarcane plant breeding program to accelerate genetic gain and deliver improvements to new varieties, through work to integrate modern breeding techniques such as

molecular markers and introgression into the core breeding program.

We have also initiated a review of SRA's role in relation to adoption, and will be enacting improvements and changes in the coming financial year.

In closing, I would like to foremost acknowledge the financial contribution made by our investors, who consist primarily of growers and millers through the statutory levy, and also the Commonwealth and Queensland Governments.

I also acknowledge:

- The Australian Sugar Industry Alliance (ASA), CANEGROWERS, the Australian Sugar Milling Council (ASMC), the Australian Cane Farmers Association, the Commonwealth Department of Agriculture and Water Resources, the Queensland Department of Agriculture and Fisheries, the Queensland Department of Environment and Heritage Protection, as well as all of the industry bodies and research and extension providers with whom we collaborate.
- My fellow Directors on the SRA Board and the members of the Research Funding Panel (RFP), who provide guidance and leadership.

- SRA Delegates and Research Advisory Committees, all of whom provide important guidance and information.

- The SRA staff, who are spread across multiple sites and divisions. No matter where they work or what their job is, they collectively show enthusiasm for the job and take great pride in their work.

- SRA's CEO, Mr Neil Fisher, for providing strategic leadership to SRA.

The work of SRA is a team effort both internally and externally across the industry. Ultimately, our core focus is that we continue to deliver valued solutions for a growing sugarcane industry.

Above: Chairman Dr Ron Swindells inspects plans for the research station at Welcome Creek, Bundaberg with fellow Directors Ms Lindy Hyam, Dr Ian Johnsson, and Dr Helen Garnett.



Message from the Chief Executive Officer

Agricultural technology and innovation continues to change and develop at a rapid pace, presenting exciting opportunities for Australian sugarcane growers and millers. Neil Fisher, CEO, SRA

At SRA, we are ensuring that your Industry-Owned Company (IOC) is positioned to help our industry investigate new innovations and turn them into practical outcomes on farm and at the mill.

We achieve this through a number of strategies, which are formed via our five-year Strategic Plan and our annual operational plans.

These plans inform and guide our research investment, which continues to seek innovative research ideas that increase productivity and profitability, reduced costs across the value chain, improve operational efficiency, increase community acceptance, and investigate value-adding business options.

SRA understands that our investors are looking for both outputs and outcomes.

Outputs are products, services or results produced as a result of research and development, while outcomes are effects or change realised from successful delivery of research outputs.

Our research portfolio has been structured with this as a foundation.

Looking ahead, there are exciting research innovations that have potential to deliver outputs and outcomes to our industry.

A recent report commissioned by AgriFutures identified research areas that have major potential for agriculture: big data analytics; robotics and automation; nutritional genomics (interactions between genes and diet); microgrids (small-scale power grids); GPS trackers; and crowdfunding.

The report also identified the potential of gene editing. Gene editing creates small and precise changes to the DNA to bring about changes in a gene or group of genes.

SRA is already directly investing or co-investing in a number of these specific research areas and we are keen to further explore emerging technologies to extract the maximum benefit for our industry from these exciting areas of innovation.

To put us in the strongest position, we are investing in bright scientific minds both within SRA and at external research providers.

Internally, there have been some important leadership changes within SRA among our scientists.

In January 2017, Dr Frikkie Botha was appointed our Executive Manager, Technology. He is well known and respected within the Australian sugarcane industry and has an extensive scientific record, nationally and internationally.

He is already putting his skills to use in driving innovation among our team of experienced and enthusiastic scientists.

We have also appointed well-known barley breeder Dr Jason Eglinton to join our team at Meringa as Key Focus Area Leader for Optimally-Adapted Varieties, Plant Breeding and Release.

He will bring his expertise in molecular genetics and trait development to add value to the Australian sugarcane industry's breeding program.

SRA is also continuing to build strategic collaborative partnerships with research organisations in Australia and around the world.

One highlight example includes a current partnership with the Sugarcane Breeding Institute in Coimbatore, India, where we are working on sugarcane variety improvement for cane yield, sugar content, drought tolerance and red rot resistance through an integrated approach of genomics and phenomics.



It is also hoped that a memorandum of understanding between our countries will further enhance our collaboration with India to deliver benefits to our industry.

We also continue to seek collaborative research income to further leverage the investment made by sugarcane growers and millers through the joint 70c per tonne levy.

SRA has won major funding to lead two large-scale, multi-year projects through the Commonwealth Government's Rural R&D for Profit Programme, which is a significant addition of research activity for the Australian sugarcane industry. These projects are looking respectively at value adding options and optimising harvest efficiency and together are worth more than \$11 million, plus in-kind.

We are partners in multiple other Rural R&D for Profit projects on research topics including biosecurity, big data, precision agriculture, and biosecurity.

In 2017, work is also beginning on a major project assessing enhanced efficiency fertilisers through a \$7.1 million grant awarded to CANEGROWERS from the State and Commonwealth. SRA will conduct more than 60 trials as part of this work.

In addition, we have an investment portfolio that included more than 130 projects as at June 30, 2017, including collaborative projects from external funding providers.

In 2016/2017, our collaborative research income was more than \$3.5 million.

I thank the Australian Sugar Industry Alliance (ASA), CANEGROWERS, the Australian Sugar Milling Council, Australian Cane Farmers Association, regional organisations, productivity services organisations, and all research collaborators including commercial entities and research institutions for their advice and support.

All our work is possible thanks to the contribution of our grower and miller investors. We work to drive productivity, profitability, and sustainability for all our investors, ranging from work that provides benefit to individual growers all the way to large-scale milling investors, who make a significant contribution to SRA.

Thank you to the Commonwealth Department of Agriculture and Water Resources, the Queensland Department of Agriculture and Fisheries, and the Queensland Department of Environment and Heritage Protection for their continued co-investments into SRA.

Thank you to the SRA staff, who continue to deliver against SRA's core values of investor satisfaction, team work, innovation, and accountability. We are a team committed to delivering value for the Australian sugarcane industry.

Finally I would like to thank the SRA Board and the Research Funding Panel for their strategic advice and support.

Above: SRA Principal Technician, Molecular Genetics, Mr Gerard Scalia discusses yellow canopy syndrome (YCS) research with Ms Courtney Wilson, ABC Landline.

SRA at work

A snapshot of activities and achievements in **2016/2017**



1. An extension focussed project demonstrated that laser levelling and improving drainage improved net return for Mulgrave grower Paul Gregory to \$3573/ha from \$1873/ha.
2. Growers participating in a research project examining automation of furrow irrigation have gained full confidence in the system and have saved time, water and energy to reduce costs. Burdekin grower Mr Denis Pozzebon checks the system on his phone.
3. SRA gained Smartcane BMP accreditation for its Meringa research station. Farm Manager, Mr Jeff Smith, helped drive the accreditation, with plans for all SRA stations to be accredited.
4. SRA produced the 2016 *Weed management in sugarcane manual*. Innisfail grower Mr Damian Wirth reads the manual.
5. The RP20 Burdekin nitrogen trials project showed that the SIX EASY STEPS guidelines for applying nitrogen maintain productivity and maximise profitability in all cases where the trial covered more than one year.
6. SRA developed and released the FertFinder tool, to assist growers to determine the right fertiliser blend for their requirements. Adoption Officer Mr Gavin Rodman with Cairns grower Mr Jeff Day.
7. Plant Health Australia produced the *Biosecurity Manual for Sugarcane Producers*. Cairns grower John Ferrando reads the manual.
8. SRA researchers have used modern DNA technology and traditional pathology to identify the organism – a type of protozoa – that causes chlorotic streak disease (CSD). SRA Researcher Dr Chuong Ngo examines samples at SRA's Indooroopilly laboratory.
9. Q240[®] continues to grow in popularity and was the fourth most widely grown variety in 2016 at 8.5 percent of the crop. Burdekin grower Mr Lawrence Dal Santo in a crop of Q240[®].
10. On-ground demonstrations with the in-field sucrose loss measurement system demonstrated the positive impact of lower ground speeds and fan speed in relation to harvest recovery and value capture. SRA Technician Mr Luke Giddy checking harvester specifications at Condong, NSW.



Driving the Australian sugar industry RD&A agenda



SRA is entering our fifth year of operations, with our first Strategic Plan completing on June 30, 2017.

This first Strategic Plan has guided SRA's RD&A program and set the medium- to long-term outcomes SRA intends to deliver for the Australian sugarcane industry.

It has also set the foundation for our second Strategic Plan that began from July 1, 2017.

This new Strategic Plan for 2017/18 – 2021/22 is also built upon the needs of our investors and key stakeholders and it has drawn on the lessons from our recent Independent Performance Review.

Our industry and government investors have been clear that they are looking to SRA to deliver a research portfolio that will have demonstrable and transformational impact on the profitability and resilience of the Australian sugarcane industry.

Our Strategic Plan is underpinned by four goals, with a focus on measures of success and outcomes. These goals are: drive profitability; improve sustainability; enhance capability; and strengthen organisational excellence.

To support the delivery of SRA's Strategic Plan, Operational Plans are developed annually.

The 2017/18 Annual Operational Plan outlines the RD&A activities and investment portfolio that SRA will undertake to meet the objectives established under the Strategic Plan.

In delivering our Strategic Plan and Annual Operational Plans, SRA will continue to collaborate with our members, Delegates, levy payers, industry representative bodies, government, productivity services, extension providers, other industry stakeholders, researchers and international peers and partners.

Our Strategic Plan and Annual Operational Plan are published on the SRA website.

Above: SRA's Meringa Sugar Experiment Station celebrated its centenary on June 14, 2017. Cutting the cake to mark the occasion at an event for industry are long-serving staff Mr Jeff Smith, Ms Vivien Dunne, and Mr David Calcino.





Independent Performance Review

SRA commissioned its first Independent Performance Review in 2016. All industry-owned organisations like SRA are required, under their statutory funding agreements with the Commonwealth Government, to commission regular independent performance reviews.

The 2016 Independent Performance Review was prepared by independent reviewers Scott Williams Consulting in association with Miracle Dog and Harrison Business Strategies, and the review team consulted extensively throughout 2016 with key stakeholders to prepare the review.

Reviewer Mr Scott Williams stated within the final Review Report that the review team found SRA to be “a very well-run company” with the “foundations in place to be a high-performing RDC”.

The findings and recommendations were provided in a report to the SRA Board in 2016. The Independent Performance Review report, along with the SRA Board’s response and implementation plan, which is being enacted, are both available on the SRA website.

RD&A Priorities

The key deliverables that underpin SRA’s research agenda respond to the priority challenges and opportunities of the sugarcane industry and, more broadly, the priorities of the agricultural sector, government and the wider Australian public.

More specifically, the KFAs and associated RD&A activities that SRA invests in respond to the issues raised during consultation with industry, government and researchers, as well as the principles, strategies and priorities set out in the following strategic documents:

- National Sugarcane Industry Research, Development and Extension (RD&E) Strategy, 2017;
- National Science and Research Priorities, Australian Government, 2015;
- Rural RD&E Priorities, Australian Government, 2015; and
- Department Strategic Objectives for funding projects for SUGARCANE, Queensland Department of Agriculture and Fisheries, 2017.

For detail on alignment of SRA’s KFAs to government priorities, see Appendix C.

For detail on expenditure against these priorities, see Appendix D.

Above: Rocky Point grower and SRA Delegate, Mr Greg Zipf, in 2016.



Research highlights

SRA's investments in 2016-17 achieved significant outcomes on the priorities identified by our members, industry representative bodies, and wider stakeholders.



The pie chart shows the 2016-17 investment of \$34.8 million across the eight RD&A Key Focus Areas defined in the SRA Strategic Plan.

KFA	Million	%
 Key Focus Area 1 Optimally adapted varieties, plant breeding & release	\$15.4	44
 Key Focus Area 2 Soil health, nutrient management & environmental sustainability	\$3.3	9
 Key Focus Area 3 Pest, disease & weed management	\$5.1	15
 Key Focus Area 4 Farming systems & harvesting	\$3.5	10
 Key Focus Area 5 Milling efficiency & technology	\$1.7	5
 Key Focus Area 6 Product diversification & value addition	\$1.5	4
 Key Focus Area 7 Knowledge & technology transfer & adoption	\$3.7	11
 Key Focus Area 8 Collaboration and capability development	\$0.6	2

Further details on our research activities are detailed in the SRA Performance Report, which is available electronically on the SRA website or in hardcopy by contacting SRA on (07) 3331 3300.

Above: Chlorotic streak disease research trials at SRA's Woodford pathology farm.

Key Focus Area 1

*Optimally adapted varieties,
plant breeding and release*

- Regional Variety Committees approved two new varieties for 2017: SRA9 in Central and SRA10 in the North.
- The industry made 55,000 tissue culture orders in Autumn, and 84,450 in Spring.
- SRA researchers demonstrated that using DNA markers could be more efficient than using phenotypic information to select sugarcane parental clones at an early selection stage. This indicates that marker assisted breeding could be an efficient tool to accelerate SRA's breeding program.
- SRA researchers developed molecular tools to reveal and identify specific *Erianthus* chromosomes and specific *S. spontaneum* chromosomes from SRA introgression populations.
- CSIRO researchers have developed markers from bacterial artificial chromosome (BAC) clones that were linked to traits of agronomic importance including sucrose accumulation. These markers have been converted to high throughput SNP and Simple Sequence Repeats (SSR) markers.
- SRA researchers identified introgression clone KQB07-23976 as a prospective high-value male parent for crossing. They also identified introgression clone KQ08-1040 as a potential commercial variety for the Herbert and Central regions.
- In a joint CSIRO-SRA project, researchers have developed new techniques for measuring root health, including a DNA-based diagnostic and root respiration assays.
- CSIRO researchers analysed stool architecture traits in 32 varieties to show differences between varieties for traits, including stalk diameter, stalk height, stalk weight, brix, stalk flexibility, number of millable stalks per plant, stool size, and the number and size of suckers.
- The Sugarcane Hub was successfully launched in May 2017 at a workshop attended by sugarcane researchers, who showed a great interest in accessing this new resource. The Hub will allow researchers access to genetic and molecular data that has been generated over the last ten years.
- CSIRO researchers have identified SNP markers for resistance to both smut and pachymetra using a combination of association analysis, genetic mapping and RNAseq.
- A gene controlling accelerated growth and development of sugarcane was identified in a SRA and University of Campinas (UNICAMP, Brazil) joint project. This discovery provides an effective tool to shorten the sugarcane crop cycle or potentially produce three crops in two years for commercial production.

Key Focus Area 2

*Soil health, nutrient management
and environmental sustainability*

- SRA's Adoption Group developed FertFinder, a tool that allows advisors and growers to quickly determine which commercially available fertiliser blend is best suited to their crop's requirements.
- Researchers determined that if soil carbon levels are increased, tillage is minimised, a trash blanket is maintained and compaction is reduced, beneficial soil organisms will begin to operate more effectively and help keep pests such as nematodes under control. These beneficial organisms include *Pasteuria*, a host-specific bacterial parasite of nematodes, and generalist predators such as nematode-trapping fungi, predatory nematodes and predacious mites.
- Researchers found that leaving legume residues on the soil surface, instead of incorporation into soil, significantly slowed the release of legume nitrogen into soil. Spraying a nitrification inhibitor onto crops residues prior to incorporation into soil increases the proportion of nitrogen in the less mobile ammonium form, and these strategies are effective and beneficial for conserving nitrogen-rich crop residues.
- Yield maps have been developed for the Herbert River district, in a project led by CSIRO. These maps showed patterns of variation that were stable across seasons and crop class, and may have implications for fertiliser management. A paper based on this work won the President's Medal for best agricultural paper at the 2017 conference of the Australian Society of Sugarcane Technologists.



Key Focus Area 3

Pest, disease and weed management



Above: Hot water treating of plant cane at in the Herbert.

- A machine-vision detection system for weed spot-spraying developed by the University of Southern Queensland was able to detect grass weeds, particularly Guinea grass, with an accuracy that was acceptable to an oversight group of spraying contractors.
- The phytotoxic impact of six commonly used herbicides has been assessed on seven new sugarcane varieties and the data included in QCANESelect™. This information will assist in weed control decision making.
- SRA researchers have developed and validated qPCR-based assays to detect three of the most important root pathogens in sugarcane soil using the South Australian Research and Development Institute's testing procedures.
- The value of lower resolution Spot-6 satellite imagery has been assessed in the Herbert and Mulgrave regions as a method of developing canegrub risk maps. The work showed similar accuracy to the more expensive Geo-Eye imagery previously used.
- The post entry quarantine facility dispatched cane to seven countries as part of our variety exchange activities. The facility received 61 clones from six countries.
- 24 varieties have been tested and released from biosecurity control but not released to industry.
- Research on an ACIAR-funded project addressing sugarcane streak mosaic virus has confirmed yield loss from the disease greater than 20%. Research into a rapid diagnostic test is continuing along two lines – an antibody-based test and a molecular test. Research in both areas has revealed some pathogen variation.
- SRA diagnosticians have addressed over 10 different commercial crops where unknown conditions have been affecting the crops. This has been in response to requests from industry stakeholders.
- Soldier fly research trials have suggested that some insecticides appear to suppress population development in plant cane crops. Three trials were established examining the impact of a range of insecticides on the establishment of soldier fly populations in the Southern and Central regions.
- Through work on understanding Ramu stunt, the genomes of five isolates have now been sequenced; three in Australia and two at Beltsville, Maryland, USA. The sequencing used the technique of Next Generation Sequencing, which in addition to providing data on Ramu stunt has also highlighted some possible new viruses in sugarcane.

Key Focus Area 4

Farming systems and harvesting



- The University of New England demonstrated that a time-series approach to yield forecasting from satellite imagery, by combining archived Landsat imagery with single-capture higher resolution SPOT imagery, improved yield prediction accuracy for the Bundaberg region compared with SPOT imagery alone.
- Economic analyses indicated that grower gross margins could potentially be improved with the inclusion of fallow cash crops in Burdekin sugarcane farming systems. A summer legume (mung bean, soybean) cash crop is more likely to be accepted and adopted at a wider scale as it allows sugarcane planting during autumn, which ensures sugarcane productivity is maintained.
- Three demonstrations sites on Burdekin properties have ground-truthed commercially available automated furrow irrigation systems.
- Researchers from the University of Southern Queensland and the CSIRO developed a suite of procedures to automate the data handling processes associated with the generation of yield maps from harvester-mounted yield monitors. These procedures have been incorporated into a software tool. Using the tool gave consistent results independent of the type of sensor across a range of operating conditions provided that erroneous data were excluded prior to processing, and simple rules were developed to detect such data.
- Harvester fan speed trials conducted by SRA during the 2016 harvest season provided further evidence that high fan speeds impact adversely on cane and sugar loss and grower return. Cane loss was also affected by other factors such as crop presentation and weather field conditions.
- Trials conducted by SRA both in-field and using a stationary harvester showed a reduction in billet damage and a reduction in sugar loss using EHS chopper drums compared with standard drums.
- Norris ECT made improvements to the harvesting decision-support tool SCHLOT (Sugarcane Harvesting and Logistics Optimisation Tool). Physical characteristics of 11 major sugarcane varieties were integrated into the SCHLOT database so the tool gives more variety-specific advice, and the user interface was upgraded based on user feedback. Monitoring equipment was installed on a John Deere 3520 harvester as a first step to developing a near real-time version of SCHLOT, SCHLOT Live.
- Sunshine Sugar have shown, through a series of trials investigating harvest best practice in New South Wales, that the use of EHS chopper drums gave a higher recovered yield than standard drums. In association with this work, Agtrix developed a mobile phone app that is able to display harvester parameters in real time.
- Burdekin Productivity Services were unable to detect a significant effect of harvest speed on subsequent ratoon yields, and it is possible that effects were masked by the impacts of other components of the farming system.

Key Focus Area 5

Milling efficiency and technology

- Turn-key, diode array benchtop NIR spectroscopy systems were successfully calibrated in a number of mills during the 2016 season. The development of these well-performing global calibration models allows real-time rapid analysis of sugar factory products, informing factory control decisions and improving mill efficiency.
- QUT researchers used computer modelling and lab scale experiments to better understand the flow processes in the centrifugal wet scrubbers widely used in the sugar industry for controlling emissions from boilers. Design modifications based on this improved understanding have been proposed.
- QUT researchers developed a technique to clad the grooves of iron mill roll shells.
- QUT researchers completed the development of CFD models to provide insights into the flow of air through the shredder and the flow of prepared cane through the grid region of the shredder.
- An investigation conducted by QUT showed that falling film tubes evaporators (FFTEs) are an attractive alternative to Robert evaporators for Australian factories, particularly for No. 1 and No. 3 evaporator stages.
- QUT research into sucrose loss measurements in 2015 and 2016 across the evaporation stations at five Australian factories showed that losses in steam-efficient factories were substantial, ranging between 0.52% and 1.08% under normal operating conditions.
- SRA worked with ASMC and the Federal Government to reinvigorate the certification of CAS for cane payment.
- New NIR spectroscopic calibration models were developed for SpectraCane to provide the Plant Breeding Team with increased information about the milling characteristics of our clones.
- Researchers developed a technique to manage the analysis of fresh raw sugar by NIR spectroscopy.

Key Focus Area 6

Product diversification and value addition

- Researchers at QUT have successfully demonstrated conversion of sugarcane bagasse into nutritious animal feed ingredients. Demonstrated technologies include increased digestibility of bagasse as a ruminant feed, production of sugar syrups for pig production, and the production of probiotic oligosaccharides from sugarcane bagasse.
- In addition, a new and unique collection of microbes isolated from Australian sugarcane bagasse has been functionally screened for feed enzyme, micronutrient and probiotic applications.
- They have also demonstrated the production of microbial oil by filamentous fungi from sugarcane by-products at a pilot scale. The conversion of these products into bio-crude oils which can be used as hydrocarbon fuels has also been demonstrated.

Key Focus Area 7

Knowledge and technology transfer and adoption



Above: Burdekin grower Mr Ian Shepherdson discusses yellow canopy syndrome with the media.

- DAF Queensland has completed three economic and life cycle analysis case studies in the Wet Tropics on Smartcane BMP. All three indicate that BMP adoption has been both profitable and environmentally beneficial with increases in operating return per hectare ranging from \$78/ha - \$160/ha.
- The RP20 nitrogen trials project in the Burdekin won the top prize at the Queensland Premier's Awards for Excellence. The project brought the science of efficient nutrient application to the field with a series of trials on the farms of grower collaborators.
- There was strong demand for Master classes in soil health/ soil biology that were held in Ingham, Mackay and northern NSW during March 2017. There were 91 participants, with 40% of total participant numbers made up of growers, with 60% coming from the advisor, reseller and extension sectors.
- The SRA Pathology team conducted a disease training workshop at the Woodford Pathology farm in February 2017 for researchers, productivity service officers, advisors, adoption officers, and new SRA staff. The training workshop provided hands-on training on identification and management of important sugarcane diseases, information on exotic pests and diseases, and information on changes to Queensland Biosecurity Arrangements.
- 70 FNQ growers, extension staff and ag-chem resellers attended an informational breakfast to give in-depth insight into how the Reef Catchment Monitoring Program works, what is being monitored, what is being found and other latest research with respect to improving water quality outcomes.
- In 2016/17, SRA produced four editions of CaneConnection, two editions of Milling Matters, four Varieties and Plant Breeding updates, and three yellow canopy syndrome newsletters, with hard copies sent to members and other industry stakeholders. 21 eNewsletters were sent to industry stakeholders during 2016/17.
- A new SRA website was launched in May 2017 to provide our investors with easier access to SRA information.
- Over 160 growers/advisors have attended seven FNQ field days showcasing research on herbicide strategies (pre-emergent, knockdown and spot spraying) and cover cropping for weed control.
- Grower groups have been established in the Mulgrave/ Babinda/Tully/Innisfail districts to engage growers in participatory on-farm evaluation of improved pesticide strategies.
- The new *Biosecurity Manual for Sugarcane Producers* was released and a hardcopy sent to all SRA members. The new Biosecurity Plan for the Sugarcane Industry was also made available on the web.
- The new Sugar Production Analysis Report has been created through work in the Ingham region collaborating between Wilmar, Ag Profit and Coscer's Accounting, to help growers improve business performance. This report is separate from the individual business financial analysis report and the business financial performance comparison report that has been developed for grower clients.
- Tully Cane Productivity Services have developed a propagation pathway for tissue culture in the region, with commercial interest engaged to reduce the time between order and delivery. The number of tissue culture seedlings ordered from Tully increased from 5000 to 17,000 and the number of growers ordering tissue culture plantlets also increased.

Key Focus Area 8

Collaboration and capability development



- SRA PhD scholarship holder, Dr Adam Frew, completed his thesis *Exploiting soil microbe associations with sugarcane roots for resistance to canegrubs* and presented his results at the 2017 ASSCT conference.

Above: Adoption Officer Mr Phil Patane during his Travel and Learning Award.

- SRA researcher in Molecular Genetics, Ms Annelie Marquardt, presented on yellow canopy syndrome (YCS) and its associations with changes in primary and secondary metabolism at the International Plant and Animal Genome Conference (PAG), made possible in part by an SRA Travel and Learning Award.
- SRA Adoption Officer Mr Phil Patane travelled to Brazil and the USA to meet with harvesting manufacturers, Case IH and John Deere, to strengthen the relationship between these manufacturers and Australian research to improve harvesting efficiency.

- SRA Principal technician, Ms Zofia Ostatek-Boczynski, attended the International Symposium of Soil and Plant Analysis (ISSPA) in China in May 2017 to present her recent findings related to the role of nutrients in YCS.
- QUT Researcher Dr Jan Zhanyang Zhang participated in an ECR/MCR Award where he investigated the use of biocontrol agents and biofertilisers for sugarcane to enhance growth.



Mr Andrew Dougall from MSF Sugar discusses collaborative work with SRA on research to improve the productivity from marginal soils.

Significant research programs

As well as structuring our research investment to match the KfAs of our Strategic Plan, SRA also undertakes targeted research programs that help deliver on priority goals for the Australian sugarcane industry.

This allows SRA to be responsive and adaptable to immediate challenges and opportunities. The following outlines major priority programs of activity over the last 12 months.

Yellow canopy syndrome (YCS)

YCS is a disorder of unknown cause that can create severe production losses for impacted growers, and in the worst cases losses of greater than 40 percent have been observed. It was first identified in 2012, and since then it has been observed in all regions north of Maryborough and Hervey Bay.

In 2017, sugarcane growers generally reported fewer incidences of severe YCS symptoms than in previous years, albeit with significant severe cases across impacted regions.

SRA made a number of modifications to the YCS research program and its management over the previous year. Notably, this included the appointment of Dr Joanne Daly to lead the Scientific Reference Panel (SRP), where she works alongside panel members Dr Andre Drenth, Dr Geoff Inman-Bamber, and Prof Roger Hellens.

This panel is an independent group of expert scientists that is responsible for providing scientific opinion to the direction of the research program.

The SRA Board has determined that projects under the YCS program will move forward with 12-month work programs. This is to ensure flexibility and efficiency in responding to the YCS dilemma.

There have been some notable observations over the last 12 months, including:

- Clean cane (from 10 years in quarantine), planted into the Burdekin became YCS affected. It made no difference whether this cane was planted into soil or a soil-less medium. Other plant sources also became YCS affected in this trial. This suggests that YCS is endemic to the Burdekin and that soil is not a factor;
- Young, rapidly growing cane became more severely YCS affected than older cane. It also suffered a large yield penalty. This suggests that late harvest crops may be particularly susceptible. There is evidence that age of plant (and growth rate) rather than severity of symptoms may be the biggest influencer of yield loss;
- As yet, no variety has been found to be YCS resistant, however some varieties become more symptomatic than others. Researchers are yet to determine if this has an impact on final yield or sugar;
- A miticidal treatment was ineffective at reducing the incidence or severity of YCS, despite frequent applications. It appears unlikely that mites are the cause or vector;
- In two separate trials, fungicidal treatments have shown no improvement in incidence or severity of YCS despite frequent re-application. It appears unlikely that YCS is caused by a fungal pathogen;
- Silica:Magnesium ratio was found to be an inconsistent trend in YCS cane and is therefore not recommended as a diagnostic; and
- There is some evidence that plants can recover from YCS within the season, suggesting that YCS may be a temporary condition and that it could be responsive to management.





Above: SRA's plant breeding collaboration with Wilmar in the Burdekin is helping to boost the sugarcane breeding program in that region, creating flow-on benefits for the broader Australian sugarcane industry. Pictured is Mr Terry Morgan, Wilmar.

Opposite page: Sugarcane with YCS symptoms collected and ready for analysis at SRA Indooroopilly.

Sugarcane plant breeding

SRA's investment in sugarcane plant breeding is the biggest focus of SRA's research investment, via both core SRA activities and contestable research investment.

SRA continues to strive for innovation in the industry's breeding program, and is in the process of streamlining SRA's core breeding operations to improve efficiency of selection and the quality of new varieties, with new molecular marker selection and targeted introgression.

Focus areas of innovation include:

- Plant genetics/selection: improve breeding systems for genetic gain and delivery of new varieties through use of new molecular marker technology and introgression pipeline;

- Physiology and trait development: improve understanding of plant physiology and improve varieties for specific traits;
- Diagnostics: improve or develop diagnostics technologies for genetic screening; and
- Fundamental research for gene characterisation and editing.

SRA has also appointed Dr Jason Eglinton as Leader of Key Focus Area 1, Optimally Adapted Varieties, Plant Breeding and Release.

He was formerly Professor of Plant Breeding at the University of Adelaide, where he led the development and commercialisation of new feed and malting barley varieties.

He has extensive experience in modern plant breeding technology and innovation including genetic tools such as genome sequencing, molecular markers, and high-throughput phenotyping.

He works with SRA's plant breeding team and research scientists, as well as external researchers, to bring innovation to the breeding program and deliver positive outcomes for Australian sugarcane growers and millers.



Harvesting efficiency

Optimising the sugarcane harvest has been identified as a priority area of investment in research and adoption for the Australian sugarcane industry, with losses from mechanical sugarcane harvesting conservatively estimated to cost the Australian sugarcane industry \$150 million per year.

SRA is leading this work for the Australian industry through a major project as part of the Rural R&D for Profit Programme through the Australian Government Department of Agriculture and Water Resources. This project is also supported by multiple industry and research partners.

This project aims to improve sugar industry performance by undertaking a value-chain approach to the issue of cane harvesting problems. The project is investing in:

- Extensive trial work to validate industry opinions;
- Value-chain modelling and economic analysis to quantify the problem and the costs and benefits of potential solutions;
- Mechanical harvesting R&D-based modifications and new technology;
- Software tools to improve farm- and block-specific harvesting practices; and
- A concerted adoption program.

A Research Management Group, consisting of industry and research representatives, has been formed to inform the activities of this investment program.

Above (left): SRA's Dr Anthony O'Connell and Mr Luke Giddy measuring sucrose loss in the field at Condong, NSW.

Extension and adoption

SRA has initiated a review of its role in relation to adoption in the broader landscape of extension and adoption in the Australian sugarcane industry. The review was led by Mr Sean Kenny from Rural Consulting Group, who reviewed extension systems in other industries and associated projects exploring adoption at a national and state level, coupled with widespread industry consultations.

Mr Kenny identified four key components of an effective system. These were:

1. An industry level extension/adoption strategy specifically targeting end-user change;

2. An investment process which links regional priorities and activities with an industry extension/adoption strategy;
3. A resourcing model which enables a) the capacity to deliver the strategy and b) ongoing capability development of extension/adoption staff; and
4. Appropriate systems for attribution, accountability and evaluation.

His report was under consideration by the SRA Board as at June 30, 2017, with a view to implementation of improvements in 2017/2018. SRA's work is delivered through the Adoption Group, and supported by SRA's Communications team.

Above (right): Growers and industry stakeholders at the SRA / Mackay Area Productivity Services field day in May 2017.

People



The SRA Board and management have worked with the industry since the creation of SRA to drive a high-performance culture at SRA where excellence is encouraged and rewarded, thus delivering optimal outcomes for the industry.

SRA has developed internal values as a collaborative process across the company. These values are: accountability, investor satisfaction, innovation, and team work.

These values are focused on the dual goals of delivering outcomes for SRA investors and ensuring that SRA is a rewarding place to work.

SRA is very proud of the achievements of our people in their service to industry. Outstanding performance in research is recognised by various national and international awards.

Major achievements in 2016/17 include:

- At the ISSCT conference in Thailand, Dr Michael O'Shea (General Manager, Research Funding Unit) and Ms Leigh Clement (Executive Manager, Investor Relations) were awarded best paper in the management section for their paper: *Sugar Research Australia - an evolution in the delivery of RD&E activities to the Australian sugar industry*;
- Also at ISSCT, Dr Kathy Braithwaite (Senior Researcher, Disease Management), Dr Chuong Ngo (Researcher, Molecular Genetics), Mr Barry Croft (retired), Dr Rob Magarey (Leader, Disease Management) and Dr Anthony Young (USQ) were awarded best paper in the biology section for their paper: *Progress in understanding and managing chlorotic streak of sugarcane*;
- Dr Priya Joyce was awarded best poster at the ASSCT conference in Cairns for her poster: *Physiological effects of YCS in sugarcane plants*;
- Associate Professor Andrew Robson (pictured above) with the University of New England, was awarded the prestigious Poggendorf Award for his research into remote sensing technology for agriculture. A/Prof Robson is leading an SRA-funded research project into remote sensing;
- Dr Kelly Hamonts, formerly with Western Sydney University, was awarded the inaugural mid-career researcher award for her presentation at the Australian Microbial Ecology Conference, for her presentation on YCS; and
- SRA Senior Technician, Ms Annelie Marquardt, was awarded the James E. Irvine Memorial Travel Grant from the International Consortium of Sugarcane Biotechnology; the QAAFI Research Higher Degree Travel Award; and an SRA Travel and Learning Award to attend the International Plant and Genome Conference, and work with researchers at the University of Missouri.



Left: General Manager of the SRA RFU, Dr Michael O'Shea, and SRA Senior Researcher, Dr Kathy Braithwaite, receiving awards for best papers at the International Society of Sugarcane Technologists Conference (ISSCT).

Research collaborations

SRA undertakes cross-sectoral collaboration and continues to invest in leveraged research activities with other Industry-Owned Companies (IOCs) and Research and Development Corporations (RDCs) to benefit both the Australian sugar industry and the broader Australian community.



Dr Geoff Kent (QUT) undertaking research into the fibre characteristics of various sugarcane varieties at the Isis Central Sugar Mill.

These collaborations, which take different forms and vary in scale, achieve greater outcomes from investments than would otherwise have been achieved alone. The improved communication and coordination within these activities helps to better disseminate R&D activities and outcomes across different industries and improves the prospects of future collaboration.

Cross-sectoral R&D

SRA currently invests in and collaborates on cross-sectoral R&D in the strategy areas outlined below within the National Primary Industries RD&E Framework. SRA participates in these strategies as an investor, participant, program manager or steering committee member.

• Biofuels and bioenergy

This strategy acts as a forum to provide opportunities for collaboration and communication, encourage knowledge sharing and resource efficiency, lead appropriate R&D activities and update the national RD&E strategy and priorities.

• Climate Change Research Strategy for Primary Industries

This strategy aims to prioritise and direct research funds on priority climate change research, identify key research organisations and research capacity, collaborate broadly to conduct R&D activities and to communicate with government and policy makers on climate change issues.

• Managing Climate Variability

This program funds research into climate forecasting tools and supports knowledge and communication activities to increase the understanding and uptake of climate-related opportunities that benefit agriculture and Australia's natural resources.

• Water use in agriculture

This strategy aims to achieve world-leading farm water productivity within Australian agriculture, while enhancing environmental and social sustainability and maximising RD&E benefits.

• Plant biosecurity

This strategy is led by Plant Health Australia with the goal of protecting Australia from the negative effects of plant pests, sustaining food supply quality and supporting long-term sustainable production practices.

• Soils

This national strategy aims to improve soil management to increase productivity and profitability, enhance soil mapping, develop better ways

to manage soils and soil constraints, and grow the understanding of the role of soils in natural ecosystems.

Other research activities that fit within the cross-sectoral investment theme include participation within:

• National Working Party for Pesticide Application

This working party is a forum to assist with understanding Australian Pesticides and Veterinary Medicines Authority (APVMA) policies, provision of practical risk management advice, and the facilitation of targeted research in areas such as managing pesticide spray drift and downwind buffers.

• Improved access to Agvet chemicals for agricultural industries

This program aims to determine priorities for chemical access and develop frameworks and specific case studies to quantify industry benefits. It also seeks to develop measures to understand industry reliance on chemicals and enable comparisons across different primary industries.

Rural R&D for Profit

This program aims to realise productivity and profitability improvements for primary producers via funding collaborations between IOCs and RDCs and other research partners. SRA is leading two major projects under this program, which are:

- A profitable future for Australian agriculture: biorefineries for higher-value animal feed, chemicals and fuel, led by SRA (total project investment \$6.09 million); and
- Enhancing the sugar industry value chain by addressing mechanical harvest losses, led by SRA (total project investment \$5.5 million).

We are also a participant in the following projects:

- Improved use of seasonal forecasting to increase farmer profitability, led by AgriFutures (total project investment \$3.8 million);
- Waste to revenue: novel fertilisers and feeds, led by Australian Pork Limited (total project investment \$2 million);
- Smarter Irrigation for Profit, led by the Cotton Research and Development Corporation (CRDC) (total project investment \$10 million);
- Stimulating private sector extension in Australian agriculture to increase returns from R&D, led by Dairy Australia (total project investment \$3.09 million);

- Consolidating targeted and practical extension services for Australian farmers and fishers, led by AgriFutures (total project investment \$1.6 million);
- More profit from Nitrogen, led by the CRDC (total project investment \$5.9 million); and
- Accelerating precision agriculture to decision agriculture, led by the CRDC (total project investment \$1.4 million).

SRA is also a partner in a major biosecurity project as part of Rural R&D for Profit, round three, titled *Improving Plant Pest Management*.

Research collaborations

University of Queensland	Queensland University of Technology
University of Southern Queensland	CSIRO
James Cook University	Western Sydney University
University of NSW	Plant Health Australia
Biological Crop Protection	Ag Profit
Ag Analytics	Agtrix
AgResearch	Productivity Services organisations
University of New England	Bio Active
Biological Crop Protection	DuPont
Queensland Department of Science, Information Technology and Innovation	Queensland Department of Agriculture and Fisheries
Norris ECT	Department of Environment and Heritage Protection
Private sector	Milling companies

International collaborations

SRA collaborates with sugar-related research institutes around the world. We have variety exchange agreements with many major sugarcane breeding countries such as Brazil, Guatemala, the United States of America, China, Japan, Sri Lanka, Mauritius, Vietnam and Reunion (via France). SRA continues to work with other countries in ways that would enhance the genetic material being used in the industry's plant breeding.

We are participating in a major collaborative project with the Sugarcane Breeding Institute in Coimbatore, India, to improve genetic control and genomic selection for important traits in sugarcane.

The SRA Travel and Learning Awards are also another means used by SRA to strengthen relationships between our industry and overseas research institutions.

Members & Delegates



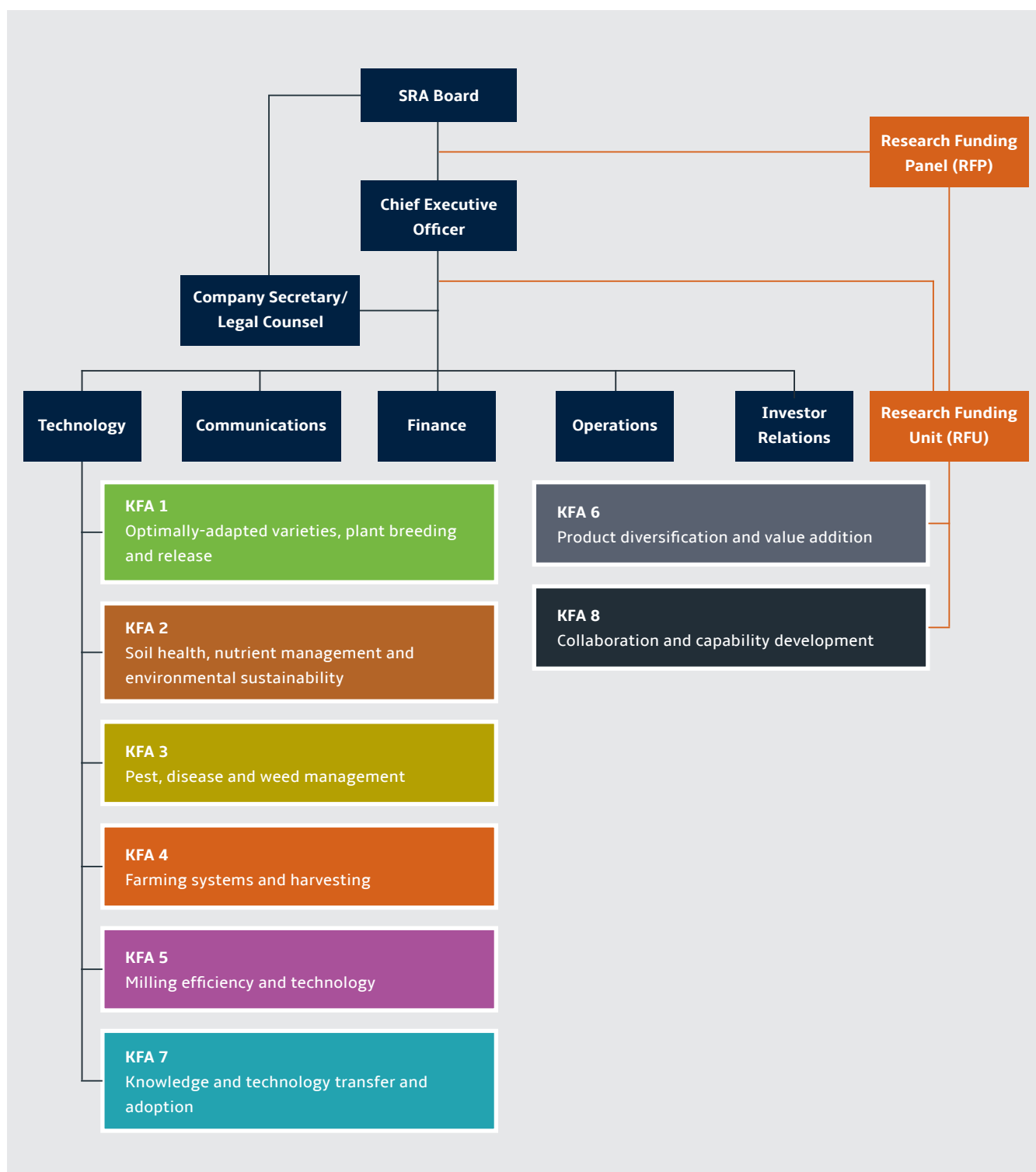
All grower and miller levy payers were invited to become members of SRA. As members they can directly engage with our company in a number of ways, including being permitted to vote at general meetings, nominating for election to the Director Selection Committee (DSC), and nominating or being nominated as a Delegate.

As at 30 June 2017, SRA had 8 Group M (miller) members and 2407 Group G (grower) members.

SRA held a meeting of its Delegates on 27 February 2017 in Brisbane, where the meeting discussed the SRA five-year Strategic Plan and the results of the 2016 Independent Performance Review. SRA is continually working to improve our communication with Delegates and ensure that they are a strong link between the entire growing and milling communities and SRA.

Above: SRA Delegates meet in Brisbane to discuss the development of SRA's 2017/18 to 2021/22 Strategic Plan.

Company structure



SRA has an Executive Team in place to define responsibility and accountability across the business. Each area of the business is led by a manager who reports to the CEO. The CEO reports to the SRA Board.

Appointed by the SRA Board, the RFP manages SRA's contestable research program. The staff of the RFU report to the RFP and they are responsible for the day-to-day management of SRA-funded research projects.

Investment overview

SRA's investment in research is supported primarily through the statutory sugarcane levy of 70c per tonne of cane, with growers and millers each contributing 35c per tonne of cane.



This is supported by funds from the Commonwealth and Queensland Governments, as well as income from other sources, such as interest and royalties from the use of intellectual property.

This revenue enabled an investment of approximately \$34.8 million in contestable research and development in the 2016/17 financial year.

In addition, SRA continues to leverage further investment opportunities through other major research programs to further drive positive outcomes for investors.

For example, SRA has partnered with CANEGROWERS to deliver a major project investigating enhanced efficiency fertilisers as part of Reef Trust 4, and we are also leading two major projects under the Rural R&D for Profit Programme.

The Commonwealth and Queensland Governments play an important role in the provision of significant funding towards RD&A.

Their investments, using public funds, help to deliver economic, social and environmental benefits to the general community.

The ongoing support of the Queensland Government recognises the vital role that the sugarcane industry plays in economic development and supporting jobs across the State and especially in regional areas.

SRA also thanks our large investors who make a considerable contribution to SRA and its investment in RD&A programs.

Contestable funding program

SRA operates a contestable funding program that encourages researchers, and research organisations from the broader sugar research community and other sectors, to bring their best ideas to the industry.

The process has been established to provide a competitive, unbiased and independent assessment of research project submissions.

The contestable funding process is managed day-to-day by the staff of the Research Funding Unit (RFU), and the research agenda is overseen by the Research Funding Panel (RFP), an independent skills-based panel appointed by the SRA Board.

The RFP ensures that, through a rigorous and robust evaluation of all applications, only those research projects that address industry issues and national priorities are funded.

The RFP also receives guidance on research proposals through research advisory committees that include grower and miller representatives.

With accountability for all SRA-funded projects, every dollar invested in research will be used wisely to produce knowledge and practices that can be adopted on-farm and at the mill.

With a number of research projects underway from previous project calls, SRA has a substantive body of work underway and significant existing research commitments under its management.

In May 2017, SRA announced 13 new research projects to commence as part of the project call initiated in 2016.

Above: SRA Researcher Ms Emilie Fillols is leading multiple projects in the Wet Tropics in relation to herbicide management and chemical use efficiency.

Corporate governance framework

Sugar Research Australia Limited ("SRA" or "Company") was incorporated on 8 May 2013 as a public company limited by guarantee. SRA is an industry-owned corporation with a membership consisting of grower and miller members.

SRA operates within a corporate governance framework consisting of the *Corporations Act 2001* (Cth) supervised by the Australian Securities & Investments Commission (ASIC), other relevant laws and its Constitution. SRA is the "industry services body" as declared for the purposes of the *Sugar Research and Development Act 2013* (Cth). SRA entered into a Statutory Funding Agreement 2013-2017 (dated 5 August 2013) with the Commonwealth of Australia acting through the Department of Agriculture and Water Resources (as it is now termed). The Statutory Funding Agreement expired on 5 August 2017 and as a result SRA is now party to a new Statutory Funding Agreement entitled "Funding Contract 2017-2021" (dated 4 August 2017) with the Commonwealth of Australia represented by the Department of Agriculture and Water Resources.

In developing and implementing SRA's corporate governance framework and practices SRA has taken into account the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (3rd edition).

Constitution

SRA's Constitution contains rules regarding, among other things:

- the objects of the Company;
- activities not permitted by the Company (including agri-political activities);
- criteria for eligibility for membership as a Group G member or Group M member;

- voting procedures and entitlements for members' meetings;
- appointment of Group G and Group M Delegates;
- requirements for strategic and annual operating plans and reviews of performance;
- composition, selection, election and rotation of the Board and various committees;
- procedures for Board and committee meetings; and
- reporting responsibilities to its members (in conjunction with the *Corporations Act 2001* (Cth)).

Statutory Funding Agreement

Under the Statutory Funding Agreement in place during the reporting period, the Commonwealth has agreed to pay the Sugarcane Levy paid by sugarcane growers and millers to SRA, together with Commonwealth matching payments. The Statutory Funding Agreement sets out how these payments are to be used and the requirements that SRA must follow in relation to:

- research, development and extension activities;
- Corporate governance and Board performance;
- Application and management of the Sugarcane Levy and matching Commonwealth funds in compliance with various Commonwealth guidelines;
- Reporting and accountability obligations of SRA including Strategic Plan, Annual Operational Plan, Risk Management Plan, Fraud Control Plan, Intellectual Property Management Plan and Asset Management Plan; and

- Procedures and requirements for consultations with the Commonwealth.

SRA membership

Under the Constitution, there are two classes of members: Group G members and Group M members. A sugarcane growing business or milling company who pays the Sugarcane Levy in the calendar year concerned (or previous calendar year) is eligible for membership of SRA. Group G members and Group M members can participate in general meetings of the Company and in the election of Directors.

As at 30 June 2017, there were 8 Group M members and 2407 Group G members.

SRA delegates

The Constitution sets out the process for the nomination, election and appointment of Group G Delegates and Group M Delegates (together 'Delegates'). The role of each Delegate is pivotal to the membership-related governance processes of SRA.

The primary role of Delegates, as prescribed under the Constitution, is to attend Delegates' meetings, as scheduled by SRA, for the purposes of:

- Considering matters relating to Performance Reviews and the Sugarcane Levy; and
- Voting to elect SRA's Director Selection Committee members (not required in 2016/17).

A list of the current Delegates and the mill areas they represent is available in Appendix B of this report and on the SRA website www.sugarresearch.com.au.

Corporate governance

The Board

The Board has adopted a Board Governance Policy which details:

- The constitutional requirements for Board composition and eligibility;
- Procedures for Board meetings and Board minutes;
- Directors' access to information, advice and staff;
- Board induction process;
- Directors' professional development;
- Board performance evaluation; and
- CEO performance evaluation.

Composition

As at 30 June 2017 and the date of this Annual Report, the Board comprised seven non-executive directors ("Directors"). Under SRA's Constitution, the Board must have a balance of appropriate and identified skills and experiences, having regard to the nature and business affairs of the Company and needs to demonstrate collective expertise against each of the following:

- Corporate governance (*incl. organisational/cultural change*);
- Chairing a board;
- Executive and strategic leadership;
- Communication skills and ability to interrelate with industry and other investors;
- Sugarcane growing;
- Sugarcane processing for any product;
- Crop-based agriculture;
- National and international Research and Development ("R&D"), technology, technology transfer, commercialisation and adoption;

- Conservation and management of natural resources;
- Administration, prioritisation, oversight, monitoring of R&D; and
- Finance and business management.

As required by the Constitution, the Board undertook an annual review (prior to 30 June 2017) of the skills required to effectively lead and manage the Company and contribute to Board processes and advised these to its investors.

Board members

The names and details of the Company's Directors in office during the reporting period and until the date of this report are listed on pages 38-40.

Role and responsibilities of the Board

The Board seeks to carry out the Company's objects set out in the Constitution and guide its strategic direction.

The role and responsibilities of the Board are set out detail in a formal Board Charter. More specifically, the Board's responsibilities include:

- ensuring the Company has an appropriate corporate governance structure;
- monitoring and assessing the Company's performance against the Strategic Plan and Annual Operational Plans;
- monitoring compliance with legal and regulatory obligations;
- monitoring SRA's risk management systems and processes;
- providing accountability to SRA members, investors, and stakeholders;

- appointment and oversight of the chief executive officer;
- ensuring adequate resourcing to meet objectives of the Company;
- monitoring and reviewing succession planning for executive management;
- establishing Board committees with roles and responsibilities, delegations and reporting frameworks;
- making sound financial decisions; and
- reviewing and approving policies, plans, performance targets and budgets.

Rotation of the Board

The SRA Constitution was amended at the SRA Annual General Meeting held on 20 October 2016. As a result of the amendments to the Constitution approved by Members, a Director must retire from office at the conclusion of the third Annual General Meeting after the Director was last elected or re-elected. The positions of the Directors retiring under this rule will be open for selection by the Director Selection Committee established in that particular year. A person may serve a maximum of 11 years as a Director of SRA.

Board meetings

The Board held six scheduled meetings during the financial year ending 30 June 2017, two of which were held in sugarcane regional locations.

Meeting agendas are formulated in preparation for each Board meeting and also include items from an annual Board reporting agenda that sets out various items to be considered and reviewed throughout the year. These items include reviews of the Company's strategic environment, KFAs, operational and industry issues and forecasts.

Regular management reports, Committee reports, WH&S reports and Risk Management reports are prepared for each Board meeting. The annual reporting agenda also sets review dates for items that must come before the Board under performance, compliance and governance. Meeting agendas are set by the Chairman in consultation with the chief executive officer and company secretary.

Where necessary, management attends and provides input into agenda items of particular Board meetings relevant to their portfolios. Directors have regular exposure to management and other employees through convening every second Board meeting at a regional location. At these regional visits the Board meets with SRA employees, industry bodies, growers and millers and attends industry forums and events.

Directors receive regular reports from the chief executive officer on the Company's activities since the last report to Directors, including information on research and other projects, variety improvement, farming and extension services, financial performance and strategic initiatives and performance against the Strategic Plan and the KFAs. Matters arising from these reports are discussed at Board meetings.

The Board regularly considers and discusses strategic issues and the KFAs set out in the Strategic Plan and matters that may assist to further promote and develop the Company's role in providing RD&A services to the Australian sugar industry.

The 2016 Independent Performance Review provided a strong endorsement of the SRA Board's approach to Corporate Governance. The reviewers stated: "the Board's initial focus on setting up strict governance and reporting structures, and senior management providing a strong direction and a focus on development and learning, has seen a reported vast improvement over the last two years".

Code of Conduct

The Constitution requires, and the Board has adopted, a Code of Conduct ("Code") for Directors, Senior Officers, Delegates, and Committee members (together "Office Holders"). The Code includes provisions, among other things, relating to:

- use and disclosure of information;

- receiving, keeping, holding and reporting gifts of any description by Directors and senior officers of the Company;
- conflicts of interest and duty; and
- ethical behaviour by the Company, Directors and its senior officers in relation to the Company's affairs.

Under the Code, all Office Holders must act in accordance with seven fundamental principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

By accepting appointment as an Office Holder, each Office Holder agrees to be bound by and comply with the Code.

During the reporting period, no material breaches of the Code were reported to the Board or came to its notice.

Conflicts of interest

Each Director provides information about their business and other interests to the Board at the time of their appointment and this information is updated following further notifications by a Director. The Board has adopted a Declaration of Interests Policy which applies to all Office Holders (as defined above in *Code of Conduct*).

Independent advice

The Constitution 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 performance

Under the Board Governance Policy, the Board must conduct an annual review to evaluate performance of the Board as a whole, the Chairman, each individual Director and committees as it considers appropriate. The Board uses independent consultants to assist in performing the annual Board performance evaluation.

Delegations to management

The Board has delegated responsibility for management of SRA's day to day operations to the chief executive officer.

SRA has a formal policy on delegations and authorities, which sets out levels of financial and contractual delegations to management and staff.

Board Committees

SRA has established four committees (each a "Committee") as follows:

- Audit and Risk Committee;
- Remuneration and Appointments Committee (renamed the People, Performance and Remuneration Committee on 9 June 2017);
- Research Funding Panel; and
- Director Selection Committee (when an election of Directors is required).

Each Committee has a charter setting out its roles and responsibilities. The Audit and Risk Committee and the People, Performance and Remuneration Committee are comprised solely of non-executive Directors, with management attending Committee meetings by invitation only. The Research Funding Panel is a Committee of the Board and was comprised of an independent Chair and four other independent people appointed by the Board plus one Director of SRA. The Director Selection Committee is to be comprised of an independent Chair appointed by the Board and two members each elected from Group G and Group M representatives by the respective Group G and Group M Delegates.

The members of each Committee, together with each member's attendance at meetings are set out in the Director's Report on pages 36-42. No Director Selection Committee was required to be formed in 2017.

Audit and Risk Management Committee

The Audit and Risk Committee (ARC) reviews, on an ongoing basis, a suite of reports that cover SRA's operational and strategic performance. The suite of performance reports that are

considered by the Committee include: SRA operational reports, such as Finance, Workplace Health and Safety and Risk Management, and Research Funding Unit reports on the investment project portfolio. Where required, the Committee provides the Board with recommendations for remedial action to be taken to ensure SRA's operational and strategic performance remains on-track.

The Committee has formal terms of reference approved by the Board as detailed in its Charter. The key functions and accountabilities of the Audit and Risk Committee and which are set out in its Charter are as follows:

- To assist the Board in ensuring that the Company understands key risks for the Company and complies with its legislative and other obligations;
- To review the internal processes for identifying, monitoring and managing key risks for the Company;
- To review and monitor any transactions with related parties or agri-political organisations;
- To review the external auditing of the Company, including making recommendations to the Board on the qualifications, appointment, remuneration and monitoring of the Company's external auditor;
- To review the internal auditing of the Company, including the systems and procedures for that auditing, and reporting results of those audits;
- To review the external reporting of significant financial information about the Company to improve its objectivity and reliability; and
- To review the Board and Company procedures and practices relating to the SRA Research Funding Panel and the overall conduct of research and research management functions.

The Audit and Risk Committee consists of Mr Ian Sampson (Chair), Dr Helen Garnett and Dr Ian Johnsson as at 30 June 2017 and the date of this Annual Report. The Committee met four times during the financial year ending 30 June 2017.

Under the Committee's Charter, the chief executive officer, chief financial officer and other members of the management team and representatives of the Company's auditors attend by invitation.

Research Funding Panel

The Research Funding Panel (RFP) has formal terms of reference approved by the Board as detailed in its Charter. The key functions and accountabilities of the RFP and which are set out in its Charter are as follows:

- To conduct a contestable research grants process to identify project applications for support from Company contestable research funding;
- To develop and promulgate processes for selection of a portfolio of projects, from applications from internal and external providers, on merit against the strategic plan, and Industry and national priorities and through a robust, transparent system timed to optimise research performance and to meet reporting requirements;
- To work with the Board to ensure separation of Company research staff and SRA RFU staff responsible for the contestable research funding process, including monitoring and evaluation management, so that internally and externally provided projects are selected and managed objectively and without bias; and
- To work with the Board to ensure systems for efficient contracting and research program and R&D project monitoring and to develop and establish a project performance evaluation system to meet Industry, government and Council of Rural RDC expectations.

During the reporting period and as at the date of this Annual Report, the RFP consisted of Mr John Pollock (Chair), Mr Gary Longden, Dr Jeremy Burdon, Dr Andrew Wood and Dr Guy Roth (SRA Board director). The Committee met three times during the financial year ending 30 June 2017.

The General Manager of the RFU and other members of the RFU attend by invitation.

The People, Performance and Remuneration (PPR) Committee

The PPR Committee (formerly named the Remuneration and Appointments

Committee) has formal terms of reference approved by the Board as detailed in its Charter. The key functions and accountabilities of the Committee and which are set out in its Charter are as follows:

- To develop and review policies on remuneration for Directors and senior officers of the Company, including terms of contracts, retention and termination;
- To review remuneration agreements for senior officers of the Company;
- To conduct assessments of key senior officers in relation to the performance objectives of the Company, and advise the Board; and
- To assist the Board in ensuring that the Company complies with all regulatory and accounting requirements for disclosure of remuneration.

The Committee is comprised of Mr Steve Guazzo (Chair), Dr Helen Garnett and Ms Lindy Hyam as at 30 June 2017 and as at the date of this Annual Report. The committee met twice during the financial year ending 30 June 2017.

Director Selection Committee

The Director Selection Committee (DSC) has formal terms of reference approved by the Board as detailed in its Charter. The key functions and accountabilities of the Committee and which are set out in its Charter are as follows:

- To identify and nominate the number of persons needed for election to the Board as Directors of the Company;
- To ensure a field of candidates and to choose from the available candidates for nomination those persons who will in its view best ensure the Board collectively has an appropriate balance of skills and experience in the areas identified under the Constitution;
- If the Chair is a retiring Director, to identify and nominate a person with appropriate skills for election to be Chair of the Company; and
- Each Director Selection Committee may take any action it thinks appropriate to advertise vacancies and using a transparent search process, to identify persons suitable for election or re-election to the office of Director.

The Constitution (as amended on 20 October 2016) and the Committee Charter set out the requirements for the proceedings of the Committee and the qualifications, skills and experience necessary for the Board and which the Committee must consider. The Board Composition matrix is available to view of SRA's website at www.sugarresearch.com.au.

A DSC was not required to be formed during 2016/17 as no current Director required re-election.

Reporting and accountability

SRA communicated regularly with its key stakeholders throughout the reporting period.

As noted above, SRA entered into a Statutory Funding Agreement 2013-2017 (dated 5 August 2013) with the Commonwealth of Australia acting through the Department of Agriculture and Water Resources (as it is now termed). The original Statutory Funding Agreement expired on 5 August 2017 and as a result SRA is now party to a new Statutory Funding Agreement (entitled "Funding Contract 2017-2021" (dated 4 August 2017) with the Commonwealth of Australia represented by the Department of Agriculture and Water Resources.

Under the Statutory Funding Agreement, a reporting framework is set out under which SRA must report to the Commonwealth. Key reporting obligations include:

- Strategic Plan;
- Annual Operational Plan;
- Risk Management Plan;
- Fraud Control Plan;
- Intellectual Property Management Plan; and
- Asset Management Plan.

After each financial year, the Company must provide the Commonwealth with a compliance audit report and a certification report in respect of compliance with the *Sugar Research and Development Act 2013* (Cth).

Risk management

SRA's risk management policies and assessments are set out in its Risk Management Plan which outlines the process followed to identify risks and categories of risks (e.g. strategic, operational). Individual risks have been identified, assessed, categorised and entered on a risk register, which forms part of the plan. The Board has delegated to the Audit and Risk Committee the responsibility to monitor and review risks via reports from management. A management risk committee meets regularly to consider the list of risks and identifies new risks for consideration by the Audit and Risk Committee.

Insurance

SRA maintains an insurance program that provides cover for identified, insurable risks. The Constitution provides for an indemnity by the Company to each of the directors and other officers of the Company for potential losses incurred as a result of a claim by reason of an act committed by them in their capacity as director or office holder, unless the liability arises from conduct involving a lack of good faith.

During the reporting period, the Company paid an insurance premium in respect of an insurance policy for the benefit of directors, company secretary and other officers of the Company and an additional premium in respect of professional indemnity insurance. The directors' and officers' liability insurance policy grants indemnification in respect of certain liabilities for which the *Corporations Act 2001* (Cth) allows indemnification.

In accordance with normal commercial practice and under the terms of the insurance policies, the nature of the liabilities insured against and the amount of premiums paid remained confidential.

Intellectual property creation and protection

SRA has developed formal processes for the protection and administration of Intellectual Property (IP) that is created and managed as a result of its research investment. An SRA IP Policy and IP Management Plan have been developed and approved by SRA. The Policy is available on the SRA website www.sugarresearch.com.au. The IP Management Plan has been submitted to the Department of Agriculture and Water Resources.

The SRA IP Policy and IP Management Plan support the objects of SRA by providing clear direction to SRA and its personnel, and also research provider personnel, in respect of the identification, protection and management of IP rights arising from SRA's RD&A investment. This is to ensure that the products and services arising from this investment are delivered to the Australian sugar industry through the most efficient and appropriate route to adoption and without excessive encumbrances.

An independent audit of SRA's IP Policy and its IP management processes and procedures was conducted during the reporting period and a report prepared in July 2016. SRA management are in the process of implementing the recommendations arising from the report. No urgent actions were identified for the management of IP.

During the reporting period, SRA also commenced using an online IP management system which records all third party IP, background IP and proposed project IP for all research projects funded by SRA. Each SRA funded research project for the reporting period was required to maintain and administer an IP Register utilising this online system.

Statutory reports:

Directors' Report for the year ended 30 June 2017

The Directors of Sugar Research Australia Limited ABN 16 163 670 068 ("**Company**" or "**SRA**") submit their report for the year ended 30 June 2017 ("**reporting period**") as follows:

Company limited by guarantee

The Company was incorporated on 8 May 2013 and is a public company limited by guarantee. The Company has Group G members and Group M members (together the "**members**"). The Constitution states that, if the Company is wound up, the liability of each member is limited as follows:

- (a) each member at the time the winding up starts; and
- (b) each person who, at any time in the 12 months before the winding up started, was a member,

undertakes to contribute to the assets of the Company up to an amount not exceeding \$2 for payment of the debts and liabilities of the Company, including the costs of winding up.

As at 30 June 2017, there were 8 Group M members and 2,407 Group G members. The total amount the members of the Company are liable to contribute if the Company is wound up for 2016/17 is \$4,830.

On any winding up of the Company, any surplus property must not be paid to members but must be paid or transferred to another corporation, fund, authority or institution with:

- (a) objects similar to the Company's objects; and
- (b) a constitution which prohibits the distribution of its income and property among its members.

Objectives

The primary long-term objective of SRA is to enable Australia's sugarcane industry to be profitable, sustainable and resilient.

In support of this objective, SRA is focused over the short to medium-term on the following goals:

- Increasing profitability across the sugarcane value chain through innovation-led productivity gains, step-change, and value-adding;
- Improving sustainability through evidence-based research and sustainable production, biosecurity and environmental management;
- Enhancing capability through strengthened research and industry partnerships, capability development programs and collaborative knowledge transfer and adoption mechanisms; and
- Strengthening organisational excellence through enhanced research, development and adoption investment management, best practice organisational governance and a positive performance-focused organisational culture.

Strategy for achieving objectives

To deliver on these strategic objectives and goals, SRA has established nine key focus areas ("**KFAs**") – each with a suite of objectives, outputs, expected outcomes and measures by which to demonstrate success. These KFAs are intended to provide focus for SRA's research, development and adoption activities to address the primary productivity, profitability and

sustainability challenges and opportunities facing industry, over the short-, medium- and long-term horizons. The KFAs are:

1. Optimally-adapted varieties, plant breeding and release;
2. Soil health, nutrient management and environmental sustainability;
3. Pest, disease and weed management;
4. Farming systems and harvesting;
5. Milling efficiency and technology;
6. Product diversification and value addition;
7. Knowledge and technology transfer and adoption;
8. Collaboration and capability development; and
9. Organisational effectiveness.

The complete strategy for delivery on SRA's objectives, goals and KFAs is detailed in SRA's new 2017/18 – 2021/22 Strategic Plan ("**Strategic Plan**") which is available on SRA's website at https://sugarresearch.com.au/wp-content/uploads/2017/03/Strategic-Plan-2017-D0.6_FINAL.pdf

Principal activities during the reporting period

The Company's principal activities during the reporting period consisted of research, development and adoption activities to contribute to the development of the Australian sugar industry. As detailed in the Constitution, the Company receives, amongst other funding, funds from the Commonwealth of Australia by way of proceeds from the sugarcane levy payable by sugarcane growers and millers under the *Primary Industries (Excise) Levies Act 1999* (Cth).

Through utilisation of the sugarcane levy (and funding from other sources) the Company carries out, co-ordinates and invests in research and development activities so as to facilitate dissemination, adoption and commercialisation of results of research and development activities in relation to the Australian sugar industry.

Financial result

The profit for the reporting period is \$2,566 thousand (2016: \$6,224 thousand), including:

- \$1,446 thousand (2016: \$5,068 thousand) from operating activities; and
- \$1,120 thousand (2016: \$1,156 thousand) of interest income.

Performance measurement

SRA operates through an annual cycle of planning and accountability at all levels in the organisation. The cycle includes interlocking processes of strategic and operational planning, budgeting, implementation, evaluation, performance review and accountability to our members, levy payers and government investors.

SRA measures its performance against the Key Performance Indicators ("KPIs") in its Strategic Plan and Annual Operational Plan, as well as taking into account:

- the meeting of project milestones;
- the performance of SRA in meeting its obligations under the Statutory Funding Agreement 2013-2017 with the Commonwealth Government ("SFA"); and
- investor satisfaction and feedback.

The primary monitoring and reporting mechanisms include:

- Regular traffic light reporting to the SRA Board on progress against the Strategic Plan, output delivery and achievement against KPIs; and
- Annual Performance Report published to demonstrate the performance of

SRA's research, development and adoption activities, and the positive impact and return on investment provided to SRA's industry and government investors.

SRA has established an impact pathway framework to support performance monitoring and evaluation across its research, development and adoption portfolio. This program logic-based model traces research inputs through to outputs, outcomes and, ultimately, industry impacts.

The Audit and Risk Committee also review, on an ongoing basis, a suite of reports that cover SRA's operational and strategic performance. These include: SRA operational reports, such as Finance, Workplace Health and Safety and Risk Management; and Research Funding Unit ("RFU") reports on the investment project portfolio. Where required, the Audit and Risk Committee provides the SRA Board with recommendations for remedial action to be taken to ensure SRA's operational and strategic performance remains on-track.

SRA also regularly communicates with its investors and other stakeholders on the Company's strategic and operational performance and use feedback on its performance to continually improve the quality of its research and investment processes, programs and activities.

As prescribed under both SRA's Constitution and the SFA, SRA is required to engage an independent organisation to undertake a comprehensive review of performance every four years. SRA's inaugural performance review ("Independent Performance Review") commenced in mid-2016/17 and focused on reviewing SRA's performance against the provisions of the SFA and the extent to which the company is delivering benefits to its investors. The review included consideration of SRA's role as both a research funder and research provider and an assessment of SRA's corporate governance; operations; planning, monitoring, evaluation and reporting; and interaction with investors and broader stakeholders.

The review was completed in October 2016 with the review findings and recommendations being published in a report. The review findings provided

a strong endorsement of SRA's governance, strategic management and research investment programs. The Report also provided recommendations for enhancing SRA's operational and strategic management in the areas of: culture; planning and reporting; RD&A management; adoption processes; and communication and reporting.

SRA has published the SRA Board's response to the review findings and an implementation plan to address the recommendations in the report. Both the report and SRA's response were presented to a meeting of SRA's Delegates on 27 February 2017 and are available for viewing on SRA's website at <https://sugarresearch.com.au/sra-information/investor-information/>.

Looking forward, SRA has developed, in collaboration with industry and government investors, a new five-year Strategic Plan that commenced in July 2017. The new plan focusses on delivery of tangible outputs and outcomes for SRA's investors and is underpinned by four impact-driven goals of profitability, improved sustainability, enhanced capability and organisational excellence. Current and future performance will be assessed against achievement of these goals.

Directors

The names and particulars and the qualifications and experience of the Directors of the Company in office during the reporting period and until the date of this report are as follows. Directors and officers were in office for this entire period unless otherwise stated.

Director	Experience, special responsibilities and independence status
Dr Ron Swindells <i>FIE Aust, FAICD B.E. (Chem) (Hons), PhD</i>	<p>Chairman – SRA Board</p> <p>Dr Swindells has been a Director of Sugar Research Limited and served as its Chairman between 1993–2003. He has also been a Director for Mackay Refined Sugars and the Australian Sugar Milling Council as well as an alternate Director of Sugar Australia Ltd and the New Zealand Sugar Company.</p> <p>Dr Swindells has operated at the senior management level in a number of companies including:</p> <ul style="list-style-type: none"> • Chief Executive Officer of Mackay Sugar for ten years • Bundaberg Sugar Company as Manager of Millaquin Mill and Bundaberg Refinery. <p>More recently he has worked on a number of sugar-related consulting projects for various clients.</p> <p>Dr Swindells is currently serving a directorship with:</p> <ul style="list-style-type: none"> • Pelala Pty Ltd
Dr Helen Garnett PSM <i>BSc (Hons), PhD, FTSE, FAICD</i>	<p>Dr Garnett is an experienced company director and Chairman, with more than 20 years' experience as a director with listed and unlisted entities in the primary industry resource, energy health and education sectors, complemented by 15 years as a chief executive of entities involved in research, technology development and transfer and education. She is a fellow of the Australian Institute of Company Directors and the Australian Academy of Technological Sciences and Engineering. Dr Garnett was previously the Chair of the Australian Biosecurity Intelligence Network, Chair of Delta Electricity, Chair of Australian Centre for Plant Functional Genomics, Director, Carbon Energy (and Chair – Audit and Risk Committee) and a director of the Grape and Wine Development Corporation.</p> <p>Dr Garnett is currently:</p> <ul style="list-style-type: none"> • Chair, Generator Property Management Ltd • Director, Grains Research and Development Corporation • Director, National Centre for Vocational Educational Research • Director, Crawford Fund • Director, Developing East Arnhem Ltd. <p>Member – Audit and Risk Committee</p> <p>Member – Remuneration and Appointments Committee (renamed the People, Performance and Remuneration Committee)</p>
Mr Steve Guazzo	<p>Mr Guazzo has extensive sugar industry experience as a sugarcane grower and harvesting contractor. He has also filled a range of industry representative positions for over 35 years.</p> <p>Mr Guazzo served as a Director of Sugar Terminals Limited for nine years and is a member of the Australian Institute of Company Directors. Mr Guazzo served as a director of Sugar Research Development Corporation.</p> <p>Mr Guazzo served directorships with:</p> <ul style="list-style-type: none"> • Queensland Canegrowers Organisation Limited (Vice-Chairman) • CANEGROWERS Queensland Policy Council (Vice-Chair) • CANEGROWERS Herbert River (Chair). <p>Mr Guazzo ceased those directorships effective as of 30 April 2015.</p> <p>Chairman – Remuneration and Appointments Committee (renamed the People, Performance and Remuneration Committee)</p>

Director	Experience, special responsibilities and independence status
<p>Ms Lindy Hyam MBA, B Ed, FAICD</p>	<p><i>Appointed 20 October 2016</i></p> <p>Ms Hyam has worked extensively in agriculture with engagement across more than 40 established, new and emerging commercial plant based and levy paying industries and their research communities, including sugar, addressing issues along the value chain ranging from grower based through to commercialisation of R&D outcomes, biosecurity and international marketing of product.</p> <p>Ms Hyam was previously a Board member for Hunter Valley Wine and Tourism Association, Director, Sugar Research and Development Corporation, Director, Plant Health Australia, Director, Rural Industries Research and Development Corporation (now known as AgriFutures), Director for Hort Research, New Zealand's Crown Research Institute for Horticulture and Food, Executive Director and Horticultural Research and Development Corporation (HRDC).</p> <p>Ms Hyam is currently:</p> <ul style="list-style-type: none"> • NSW Minister for the Environment's community representative on the Upper Hunter Air Quality Advisory Committee; • Non-Executive Director for Place Leaders Asia Pacific • Chair, Hunter Local Land Services; and • Board member of the Local Land Services Board, a NSW Government Agency for improving primary production and natural resource management. <p>Ms Hyam is a Fellow of the Australian Institute of Company Directors.</p> <p>Member – Remuneration and Appointments Committee (renamed the People, Performance and Remuneration Committee) (appointed 28 February 2017)</p>
<p>Dr Ian Johnsson B. Rural Science (Hons I), PhD GAICD</p>	<p>Dr Johnsson has worked extensively for national rural industries in the not-for-profit R&D corporation environment and reported to Rural R&D Corporation Boards since 1987.</p> <p>Dr Johnsson was the General Manager for Livestock Production Innovation with Meat & Livestock Australia until 2011 and continues to consult in rural RD&E strategy development and program evaluation.</p> <p>As the acting Managing Director of the Pig R&D Corporation, Dr Johnsson managed the wind-down and transition of research management staff into a new industry-owned company, Australian Pork Ltd. In this new organisation he served as the General Manager for Research & Innovation from 2001–2006.</p> <p>Dr Johnsson was a member of the Board of the Australian Biosecurity Cooperative Research Centre from 2004–2006 and has been a member of the Australian Institute of Company Directors since 2002.</p> <p>Dr Johnsson is currently:</p> <ul style="list-style-type: none"> • Non-Executive Director with the CRC for Sheep Industry Innovation; • Non-Executive Director with the Australian Innovation Company; • the Principal and Director of his own consulting company; and • a member of the ACT NRM Council. <p>Member – Research Funding Panel (resigned by rotation 1 August 2016)</p> <p>Member – Audit and Risk Committee (Appointed 20 October 2016)</p>
<p>Dr Guy Roth B Rural Science (Hons), Masters Applied Science, PhD</p>	<p>Dr Guy Roth has extensive experience as a director, executive, and leader in agricultural research, development, and consulting. He has particular expertise in services related to irrigation, water, soil and natural resource management for agriculture and rural communities.</p> <p>Dr Roth is the Principal and Director of his own agribusiness consultancy, providing strategic leadership services across a range of functions.</p> <p>Dr Roth is a former National Manager and Research Director with the National Program for Sustainable Irrigation, was CEO of the Cotton Catchment Communities Cooperative Research Centre and was a Research Program Manager for the Cotton Research and Development Corporation (CRDC).</p> <p>Dr Roth is currently:</p> <ul style="list-style-type: none"> • Director Northern Agriculture with The University of Sydney, Plant Breeding Institute at Narrabri in January 2017. <p>Member – Research Funding Panel (appointed 1 August 2016)</p>

Director	Experience, special responsibilities and independence status
<p>Mr Ian Sampson</p> <p><i>B. Comm, LLB, FAICD, FAIM</i></p>	<p>Mr Ian Sampson is an experienced non-executive Director and advisor for Boards and CEOs. He runs a successful business focussed in areas of non-executive Board work.</p> <p>Mr Sampson has more than 25 years' experience as an executive and non-executive director of a range of companies and organisations in the private and not-for-profit sectors.</p> <p>Mr Sampson has been a senior executive in steel manufacturing, mining, sugar production and professional services businesses. He has been an active leader and member of teams running organisations. He has had functional responsibility for managing people, stakeholder relations, safety and risk management, quality development, organisational culture and sustainability. He is a former Director of the Sugar Research and Development Corporation.</p> <p>Mr Sampson is currently serving directorships with:</p> <ul style="list-style-type: none"> • The Leadership Foundation Pty Ltd (Chairman) • 139 Club Ltd (Chairman) • Yungaburra Pty Ltd <p>Member – Audit and Risk Committee (appointed as Chairman 20 October 2016)</p>
<p>Mr Mike Gilmour</p> <p><i>Dip Acctg, MBA, GradDipACG, FCPA, FAICD, FGIA JP (Qual)</i></p>	<p><i>Director and Chair of Audit and Risk Committee (1 July 2016 – 20 October 2016)</i></p> <p><i>Resigned 20 October 2016</i></p> <p>Mr Gilmour is an experienced company director with a strong commitment to corporate governance. He is also an experienced chief financial officer and senior executive manager, with experience in the professional services, health and manufacturing sectors. Mr Gilmour consults to listed and unlisted companies and organisations on financial and business re-engineering, risk management, governance and strategic planning.</p>
Company Secretary	
<p>Mr Michael Shannon</p> <p><i>BA LLB (Hons), GradDipACG, GAICD</i></p>	<p>Company Secretary and Legal Counsel</p> <p>Mr Shannon is an experienced company secretary and lawyer specialising in corporate and commercial law having worked in private legal practices in Australia and the UK and has performed in-house company secretarial and legal roles at an ASX listed company and at a large Australian retail banking organisation.</p> <p>Mr Shannon specialises in corporations and commercial law, corporate governance, risk and compliance. He is a Solicitor of the Supreme Court of Queensland and a member of the Queensland Law Society, an Associate of the Governance Institute of Australia and a Graduate of the Australian Institute of Company Directors.</p> <p>As SRA's Company Secretary, Michael provides the company secretarial and corporate governance advice to the Chairman, the Board, the CEO and the executive management team.</p> <p>As SRA's Legal Counsel, Mr Shannon is responsible for providing legal advice on all commercial, contractual, intellectual property (IP), procurement and insurance matters and broader legal matters as required.</p>

Insurance of officers

During the reporting period, the Company paid an insurance premium in respect of an insurance policy for the benefit of directors, company secretary and other officers of the Company and an additional premium in respect of professional indemnity insurance. The directors' and officers' liability insurance policy grants indemnification in respect of certain liabilities for which the *Corporations Act 2001* (Cth) allows indemnification.

In accordance with normal commercial practice and under the terms of the insurance policies, the nature of the liabilities insured against and the amount of premiums paid remain confidential.

Meetings of Directors

The number of Directors' meetings and Board committee meetings held during the reporting period and the number of meetings attended by each Director were as follows:

SRA Board and Committee meetings 1 July 2016 to 30 JUNE 2017*						
	Full Board			Board Committees		Research Funding Panel
	Scheduled	Meetings held between scheduled Board meetings	Total	Audit & Risk	Remuneration & Appointments	
Dr Ron Swindells	6 [^] [6]	Nil	6 [6]	4 [4] ^{^^^}	-	-
Dr Helen Garnett	6 [6]	Nil	6 [6]	4 [4]	2 [2]	-
Mr Mike Gilmour**	2 [2]	Nil	2 [2]	1 [^] [1]	-	-
Mr Steve Guazzo	5 [6]	Nil	5 [6]	-	2 [^] [2]	-
Ms Lindy Hyam ^{^^}	4 [4]	Nil	4 [4]		1 [1]	
Dr Ian Johnsson~	6 [6]		6 [6]	3 [3]	-	
Dr Guy Roth~~	6 [6]	Nil	6 [6]	-	-	3 [3]
Mr Ian Sampson~~~	6 [6]	Nil	6 [6]	4 [4] [^]	-	-

Where a director did not attend all meetings of the Board or relevant committee, the number of meetings for which the director was eligible to attend is shown in brackets.

* The Company established a Director Selection Committee which does not comprise any Directors and is comprised of an independent chairman and 2 representatives from Group M members and 2 representatives from Group G members. This Committee held 3 meetings during the reporting period.

** Resigned as Chair of ARC and as a Director effective as of 20 October 2016.

[^] Indicates Chair.

^{^^} Appointed as Director effective as of 20 October 2016. Appointed as member of Remuneration and Appointments Committee effective as of 28 February 2017.

^{^^^} Dr Swindells attended ARC meetings as SRA Board chair.

~ Appointed as ARC member effective as of 20 October 2016. Resigned as RFP member effective as of 1 August 2016.

~~ Appointed as RFP member effective as of 1 August 2016.

~~~ Appointed as ARC Chair effective as of 20 October 2016.

### Company Secretary

Mr Michael Shannon was appointed Company Secretary on 13 January 2014 and continues in the role of Company Secretary as at the date of this report.

### Statement of Corporate Governance

A statement of corporate governance is set out in the section of the *Annual Report 2016/17* entitled *Corporate Governance* and these pages form part of this report.

### Rounding

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the financial report and director's report have been rounded off to the nearest thousand dollars, unless otherwise stated.

### Registered office

50 Meiers Road  
Indooroopilly  
QLD 4068

### Auditor's independence

The Auditors Independence Declaration in relation to the audit for the year ended 30 June 2017 as required under section 307C of the *Corporations Act 2001* (Cth) has been received by the Company and is included on page 62 and forms part of the Directors' report for the reporting period ended 30 June 2017.

This report is made in accordance with a resolution of the Board of Directors and is authorised for and on behalf of the Directors by:



**Ron Swindells (Chairman)**



**Ian Sampson (Director)**

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## Statement of profit or loss and other comprehensive income

### For the year ended 30 June 2017

*in thousands of dollars*

|                                          | Notes | 2017          | 2016          |
|------------------------------------------|-------|---------------|---------------|
| Revenue                                  | 4     | 40,429        | 41,113        |
| Other revenue                            | 5     | 2,247         | 358           |
|                                          |       | <b>42,676</b> | <b>41,471</b> |
| Employee benefits                        |       | 17,769        | 17,160        |
| Operating expenses                       | 6     | 22,061        | 17,930        |
| Depreciation and amortisation            | 12,13 | 1,400         | 1,313         |
|                                          |       | <b>41,230</b> | <b>36,403</b> |
| <b>Results from operating activities</b> |       | <b>1,446</b>  | <b>5,068</b>  |
| <b>Finance Income</b>                    |       | <b>1,120</b>  | <b>1,156</b>  |
| <b>Profit for the period</b>             |       | <b>2,566</b>  | <b>6,224</b>  |
| <b>Other comprehensive income</b>        |       | <b>-</b>      | <b>-</b>      |
| <b>Total comprehensive income</b>        |       | <b>2,566</b>  | <b>6,224</b>  |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

## Statement of financial position

As at 30 June 2017

*in thousands of dollars*

|                                      | Notes | 2017          | 2016          |
|--------------------------------------|-------|---------------|---------------|
| <b>Assets</b>                        |       |               |               |
| Cash and cash equivalents            | 8     | 39,840        | 38,326        |
| Trade and other receivables          | 10    | 4,863         | 5,751         |
| Prepayments                          |       | 447           | 304           |
| Assets held for sale                 | 11    | 177           | 612           |
| <b>Total current assets</b>          |       | <b>45,327</b> | <b>44,993</b> |
| Property, plant and equipment        | 12    | 26,146        | 24,172        |
| Intangible assets                    | 13    | 1,082         | 573           |
| <b>Total non current assets</b>      |       | <b>27,228</b> | <b>24,745</b> |
| <b>Total assets</b>                  |       | <b>72,555</b> | <b>69,738</b> |
| <b>Liabilities</b>                   |       |               |               |
| Trade and other payables             | 14    | 2,851         | 2,295         |
| Employee benefits                    |       | 1,907         | 2,214         |
| <b>Total current liabilities</b>     |       | <b>4,758</b>  | <b>4,509</b>  |
| Employee benefits                    |       | 566           | 564           |
| <b>Total non current liabilities</b> |       | <b>566</b>    | <b>564</b>    |
| <b>Total liabilities</b>             |       | <b>5,324</b>  | <b>5,073</b>  |
| <b>Net assets</b>                    |       | <b>67,231</b> | <b>64,665</b> |
| <b>Equity</b>                        |       |               |               |
| Retained earnings                    |       | 67,231        | 64,665        |
| <b>Total equity</b>                  |       | <b>67,231</b> | <b>64,665</b> |

*The above statement of financial position should be read in conjunction with the accompanying notes.*

## Statement of changes in equity

### For the year ended 30 June 2017

*in thousands of dollars*

|                                                  | 2017   | 2016   |
|--------------------------------------------------|--------|--------|
| <b>Opening balance</b>                           | 64,665 | 58,441 |
| <b>Total comprehensive income</b>                |        |        |
| Profit                                           | 2,566  | 6,224  |
| Other comprehensive income                       | -      | -      |
| <b>Total comprehensive income for the period</b> | 2,566  | 6,224  |
|                                                  |        |        |
| <b>Closing balance</b>                           | 67,231 | 64,665 |

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

## Statement of cash flows

### For the year ended 30 June 2017

*in thousands of dollars*

|                                                            | Notes | 2017     | 2016     |
|------------------------------------------------------------|-------|----------|----------|
| <b>Operating activities</b>                                |       |          |          |
| Receipts from Statutory Authority and industry             |       | 41,585   | 41,182   |
| Payments to suppliers and employees                        |       | (39,722) | (33,963) |
| <b>Net cash from operating activities</b>                  | 9     | 1,863    | 7,219    |
| <b>Investing activities</b>                                |       |          |          |
| Interest received                                          |       | 1,120    | 1,156    |
| Payments to acquire property, plant and equipment          | 12    | (3,514)  | (3,390)  |
| Proceeds from sale of property, plant and equipment        |       | 2,568    | 84       |
| Payments to acquire intangibles and other long term assets | 13    | (523)    | (521)    |
| <b>Net cash used in investing activities</b>               |       | (349)    | (2,671)  |
| <b>Financing activities</b>                                |       |          |          |
| <b>Net cash from financing activities</b>                  |       | -        | -        |
| <b>Net increase in cash and cash equivalents</b>           |       | 1,514    | 4,548    |
| <b>Cash and cash equivalents at beginning of period</b>    |       | 38,326   | 33,778   |
| <b>Cash and cash equivalents at end of period</b>          | 8     | 39,840   | 38,326   |

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

**For the year ended 30 June 2017****1. Reporting entity**

Sugar Research Australia Limited (the Company) is a not-for-profit company limited by guarantee, domiciled and incorporated in Australia.

The Company's registered office is at 50 Meiers Rd, Indooroopilly, Brisbane. The Company primarily invests in and manages a portfolio of research, development and extension (RD&E) projects that drive productivity, profitability and sustainability for the Australian sugarcane industry.

**2. Basis of preparation****(a) Statement of compliance**

These financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board and the Corporations Act (2001).

Tier 2 reporting, which comprises the same recognition and measurement requirements of Tier 1 (standard reporting) but with substantially reduced disclosure requirements, assists users by providing a clearer and less technical explanation of the results of the Company.

These financial statements were authorised for issue by the Board of Directors on 18 August 2017.

**(b) Basis of Measurement**

These financial statements have been prepared on the historical cost basis.

**(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 Corporations (Rounding in Financial / Director's Reports) instrument 2016/191 and in accordance with that instrument, amounts in the financial report and director's report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**(d) Use of judgements and estimates**

The preparation of financial statements in conformity with Australian Accounting Standards – Reduced Disclosure Requirements 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.

**Estimation of useful lives of assets**

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

**Employee benefits provision**

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently for the period presented in these financial statements.

#### (a) Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### (b) 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.

#### (c) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Non-reciprocal grant revenue is recognised in profit or loss when the Company obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the company and the amount of the grant can be measured reliably. If conditions are attached to the grant which must be satisfied before the Company is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the Company incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend recognised when then right to receive a dividend has been established.

Revenue from sale of goods is recognised upon delivery of goods to the customer.

All revenue is stated net of the amount of goods and services tax.

#### (d) 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 has no legal or constructive obligation to pay further amounts for example, a superannuation plan. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

##### (ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 3. Significant accounting policies (continued)

#### (d) Employee benefits (continued)

##### (iii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is 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. The discount rate is the yield at the current reporting date on corporate bonds that have maturity dates approximating the terms of the Company's obligations.

##### (iv) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

#### (e) Income Tax

The Company is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997, as amended. Under this division the Company is considered to be classified as an entity established for the purpose of promoting the development of various Australian resources, including agricultural resources and not carried on for the profit or gain of its individual members.

#### (f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits that are subject to an insignificant risk of change in fair value, and are used by the Company in the management of its short-term commitments.

#### (g) 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, which is the date that 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 in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the category of "loans and receivables".

##### Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market but excludes cash equivalents. Such assets are recognised initially at the transaction price. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses see Note 3(j)(i).

Loans and receivables comprise trade and other receivables.

### 3. Significant accounting policies (continued)

#### (g) Financial Instruments (continued)

##### (ii) Non-derivative financial liabilities

The Company initially recognises all financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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

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

Other financial liabilities comprise trade and other payables.

#### (h) 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,
- 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.

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 the 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 are expensed as incurred.

### 3. Significant accounting policies (continued)

#### (h) Property, plant and equipment (continued)

##### (iii) Depreciation

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.

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in the profit or loss, unless the amount is included in the carrying amount of another asset. Land is not depreciated.

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

|                         | 2017         | 2016         |
|-------------------------|--------------|--------------|
| • buildings             | 5 - 40 years | 5 - 40 years |
| • plant and equipment   | 3 - 40 years | 3 - 40 years |
| • fixtures and fittings | 2 - 15 years | 2 - 15 years |

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

#### (i) 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 the profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. 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, and capitalised borrowing costs. Other development expenditure is recognised in the profit or loss as incurred.

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

##### (ii) 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 the profit or loss as incurred.

##### (iii) Amortisation

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

The estimated useful lives for the current year are as follows:

|            | 2017         | 2016         |
|------------|--------------|--------------|
| • Software | 2 - 10 years | 2 - 10 years |

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

### 3. Significant accounting policies (continued)

#### (j) Impairment

##### (i) Non-derivative financial assets

A financial asset not classified at fair value through the 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 a negative effect 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, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the lack of presence of an active market.

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 financial assets) 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. 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 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 lesser than suggested by trend analysis.

##### (i) Non-financial assets

The carrying amounts of the Company's non-financial 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. An impairment loss is recognised if the carrying amount of an asset 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 impairment testing, assets 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 the profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU (or group of CGUs) on a pro rata basis.

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

#### (k) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

### 3. Significant accounting policies (continued)

#### (l) Leases

##### (i) Lease assets

Assets held under operating leases are not recognised in the Company's statement of financial position.

##### (ii) Lease payments

Payments made under an operating lease are recognised in the 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) Assets held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

## 4. Revenue from operating activities

*in thousands of dollars*

|                                           | 2017          | 2016          |
|-------------------------------------------|---------------|---------------|
| Industry contribution (i)                 | 25,546        | 24,333        |
| Commonwealth matching contribution (i)    | 7,604         | 6,635         |
| Queensland government income (iii)        | 2,964         | 4,732         |
| Commonwealth government grant income (ii) | 492           | 1,790         |
| Collaboration income (iv)                 | 3,072         | 3,056         |
| Sale of cane                              | 751           | 567           |
|                                           | <b>40,429</b> | <b>41,113</b> |

### (i) Industry contribution and Commonwealth matching contribution

A statutory funding agreement is in place between the Commonwealth Government of Australia (Commonwealth) and Sugar Research Australia Limited. This agreement establishes terms on which the Commonwealth remits industry contributions toward research and development to the Company. The agreement also establishes the terms for Commonwealth matching contributions. Commonwealth matching contribution matches industry contribution dollar for dollar to a maximum level of 0.5% of the gross annual value of production of the sugar industry, provided conditions of the agreement are met.

### (ii) Commonwealth government grant income

The Company has entered into Commonwealth Grant Agreements to fund collaborative research and development projects to support continued innovation in Australia's primary industries. The grants are provided as part of the Commonwealth government Rural R&D for Profit programme. The grants are paid in instalments by the Commonwealth upon completion of agreed milestones to the reasonable satisfaction of the Commonwealth, and compliance by the Company with its obligations under the grants. As at the reporting date, there are no unfulfilled conditions.

### (iii) Queensland government income

The company entered into grant deed agreements with Queensland government to carry out research and development project activity that aligns to objectives of the Department of Agriculture and Fisheries Strategic Plan.

The Queensland government income is \$2,965 thousand (30 June 2016: \$4,732 thousand), including:

- \$2,138 thousand (30 June 2016: \$4,150 thousand) relating to the Queensland Department of Agriculture and Fisheries grant deed; and
- \$827 thousand (30 June 2016: \$582 thousand) from other Queensland government income.

As at the reporting date, there are no unfulfilled conditions.

### (iv) Collaborative income

Collaboration income is contribution received from third parties where the Company is collaborating with them to achieve project objectives.

## 5. Other revenue

*in thousands of dollars*

|                                | 2017         | 2016       |
|--------------------------------|--------------|------------|
| Lease and rental income        | 132          | 164        |
| Sundry income                  | 136          | 177        |
| Profit (loss) on sale of asset | 1,979        | 17         |
|                                | <b>2,247</b> | <b>358</b> |

## 6. Operating expenses

*in thousands of dollars*

|                                          | 2017          | 2016          |
|------------------------------------------|---------------|---------------|
| External research providers              | 9,559         | 7,031         |
| Asset and property management            | 3,154         | 3,114         |
| Professional and consulting              | 3,771         | 2,597         |
| Research consumables                     | 1,417         | 1,061         |
| Industry consultation                    | 676           | 640           |
| Registration, subscriptions and licences | 454           | 572           |
| Telecommunications                       | 492           | 453           |
| Other operating costs                    | 2,538         | 2,462         |
|                                          | <b>22,061</b> | <b>17,930</b> |

## 7. Operating leases

At the end of the reporting period, the future minimum lease payments under non-cancellable operating lease are payable as follows.

*in thousands of dollars*

|                            | 2017       | 2016       |
|----------------------------|------------|------------|
| Less than one year         | 409        | 481        |
| Between one and five years | 293        | 336        |
| More than five years       | -          | -          |
|                            | <b>702</b> | <b>817</b> |

The Company leases comprise of property, office equipment and motor vehicles under operating leases. These leases typically run for a period of three to five years with an option to terminate, renew or extend the lease after that date.

During the year ended 30 June 2017 \$652 thousand (30 June 2016: \$612 thousand) was recognised as an expense in the profit and loss in respect of cancellable and non-cancellable operating leases.

## 8. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in on call term deposits. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the statement of financial position:

*in thousands of dollars*

|                                                          | 2017          | 2016          |
|----------------------------------------------------------|---------------|---------------|
| Bank balances                                            | 2,370         | 6,912         |
| Call deposits                                            | 37,470        | 31,414        |
| Cash and cash equivalents                                | <b>39,840</b> | <b>38,326</b> |
|                                                          |               |               |
| Cash and cash equivalents in the statement of cash flows | <b>39,840</b> | <b>38,326</b> |

Cash and cash equivalents are held with bank and financial institution counterparties, which are rated A-1 or better, based on rating agency Standard and Poor's ratings.

## 9. Cash flow reconciliation

*in thousands of dollars*

|                                                                       | 2017         | 2016         |
|-----------------------------------------------------------------------|--------------|--------------|
| Profit for the period                                                 | 2,566        | 6,224        |
| Adjustments for:                                                      |              |              |
| Depreciation and amortisation                                         | 1,400        | 1,313        |
| Interest received                                                     | (1,120)      | (1,156)      |
| Profit from sale of property, plant and equipment                     | (1,979)      | (17)         |
| Change in working capital and provisions:                             |              |              |
| Decrease / (Increase) in trade and other receivables, and prepayments | 745          | (53)         |
| Increase in payables                                                  | 556          | 659          |
| (Decrease) / Increase in provisions for employee benefits             | (305)        | 249          |
| <b>Net cash used from operating activities</b>                        | <b>1,863</b> | <b>7,219</b> |

## 10. Trade and other receivables

*in thousands of dollars*

|                         | 2017         | 2016         |
|-------------------------|--------------|--------------|
| Accrued income          | 2,639        | 2,035        |
| Other trade receivables | 2,224        | 3,716        |
|                         | <b>4,863</b> | <b>5,751</b> |
| Current                 | 4,863        | 5,751        |
| Non-current             | -            | -            |
|                         | <b>4,863</b> | <b>5,751</b> |

## 11. Assets held for sale

In November 2016, the Company sold a portion of the land and facilities owned in the Bundaberg region. During the year ended 30 June 2017, the Company decided to sell a further property in the Bundaberg region. Efforts have commenced to sell this property and a sale is expected in the following year.

At 30 June 2017, the assets held for sale comprised of the following assets.

*in thousands of dollars*

### Property, plant and equipment

|                          | Note | 2017       | 2016       |
|--------------------------|------|------------|------------|
| Cost                     | 12   | 190        | 627        |
| Accumulated Depreciation | 12   | (13)       | (15)       |
|                          |      | <b>177</b> | <b>612</b> |

There are no liabilities attached to these assets.

## 12. Property, plant and equipment

*in thousands of dollars*

### Cost

|                                          | Note | Land and buildings | Plant and equipment | Office equipment | Total  |
|------------------------------------------|------|--------------------|---------------------|------------------|--------|
| Balance at 1 July 2016                   |      | 18,963             | 8,177               | 732              | 27,872 |
| Additions                                |      | 1,677              | 1,737               | 100              | 3,514  |
| Reclassification to assets held for sale | 11   | -                  | -                   | -                | -      |
| Disposals                                |      | (128)              | (141)               | -                | (269)  |
| Balance at 30 June 2017                  |      | 20,512             | 9,773               | 832              | 31,117 |

### Accumulated depreciation and impairment losses

|                                          |    |         |         |       |         |
|------------------------------------------|----|---------|---------|-------|---------|
| Balance at 1 July 2016                   |    | (830)   | (2,427) | (443) | (3,700) |
| Depreciation for the period              |    | (330)   | (948)   | (109) | (1,387) |
| Reclassification to assets held for sale | 11 | -       | -       | -     | -       |
| Disposals                                |    | 19      | 97      | -     | 116     |
| Balance at 30 June 2017                  |    | (1,141) | (3,278) | (552) | (4,971) |

### Carrying amounts

|                 |  |        |       |     |        |
|-----------------|--|--------|-------|-----|--------|
| at 1 July 2016  |  | 18,133 | 5,750 | 289 | 24,172 |
| at 30 June 2017 |  | 19,371 | 6,495 | 280 | 26,146 |

*in thousands of dollars*

### Cost

|                                          |    | Land and buildings | Plant and equipment | Office equipment | Total  |
|------------------------------------------|----|--------------------|---------------------|------------------|--------|
| Balance at 1 July 2015                   |    | 18,027             | 6,522               | 678              | 25,227 |
| Additions                                |    | 1,563              | 1,773               | 54               | 3,390  |
| Reclassification to assets held for sale | 11 | (627)              | -                   | -                | (627)  |
| Disposals                                |    | -                  | (118)               | -                | (118)  |
| Balance at 30 June 2016                  |    | 18,963             | 8,177               | 732              | 27,872 |

### Accumulated depreciation and impairment losses

|                                          |    |       |         |       |         |
|------------------------------------------|----|-------|---------|-------|---------|
| Balance at 1 July 2015                   |    | (547) | (1,614) | (308) | (2,469) |
| Depreciation for the period              |    | (298) | (864)   | (135) | (1,297) |
| Reclassification to assets held for sale | 11 | 15    | -       | -     | 15      |
| Disposals                                |    | -     | 51      | -     | 51      |
| Balance at 30 June 2016                  |    | (830) | (2,427) | (443) | (3,700) |

### Carrying amounts

|                 |  |        |       |     |        |
|-----------------|--|--------|-------|-----|--------|
| at 1 July 2015  |  | 17,480 | 4,908 | 370 | 22,758 |
| at 30 June 2016 |  | 18,133 | 5,750 | 289 | 24,172 |

### 13. Intangible assets

*in thousands of dollars*

#### Cost

|                         | Software | Intellectual Property | Total  |
|-------------------------|----------|-----------------------|--------|
| Balance at 1 July 2016  | 717      | 8,900                 | 9,617  |
| Additions               | 523      | -                     | 523    |
| Balance at 30 June 2017 | 1,240    | 8,900                 | 10,140 |

#### Accumulated amortisation and impairment losses

|                             |       |         |         |
|-----------------------------|-------|---------|---------|
| Balance at 1 July 2016      | (145) | (8,900) | (9,045) |
| Amortisation for the period | (13)  | -       | (13)    |
| Impairment loss             | -     | -       | -       |
| Balance at 30 June 2017     | (158) | (8,900) | (9,058) |

#### Carrying amounts

|                 |       |   |       |
|-----------------|-------|---|-------|
| at 1 July 2016  | 572   | - | 572   |
| at 30 June 2017 | 1,082 | - | 1,082 |

*in thousands of dollars*

#### Cost

|                         | Software | Intellectual Property | Total |
|-------------------------|----------|-----------------------|-------|
| Balance at 1 July 2015  | 196      | 8,900                 | 9,096 |
| Additions               | 521      | -                     | 521   |
| Balance at 30 June 2016 | 717      | 8,900                 | 9,617 |

#### Accumulated amortisation and impairment losses

|                             |       |         |         |
|-----------------------------|-------|---------|---------|
| Balance at 1 July 2015      | (128) | (8,900) | (9,028) |
| Amortisation for the period | (16)  | -       | (16)    |
| Impairment loss             | -     | -       | -       |
| Balance at 30 June 2016     | (144) | (8,900) | (9,044) |

#### Carrying amounts

|                 |     |   |     |
|-----------------|-----|---|-----|
| at 1 July 2015  | 68  | - | 68  |
| at 30 June 2016 | 573 | - | 573 |

#### Impairment charge

In the year ended 30 June 2017, there was a no impairment charge.

Plant breeders' rights, with a fair value of \$8,900 thousand were acquired on 2 August 2013 as part of a business combination involving the acquisition of most activities of BSES Limited by the Company.

The Company has assessed the recoverable amount of the plant breeders' rights (PBR) on 2 August 2013 to be nil. The PBRs were acquired as part of the business combination and transfer of assets from BSES limited. The main source of funding of the Company is the receipt of a Statutory Levy and as a result there are no cash flows from PBRs in the Company and an \$8,900 thousand impairment loss has been recognised in the statement of profit or loss and other comprehensive income in the period 8 May 2013 to 30 June 2014.

## 14. Trade and other payables

*in thousands of dollars*

|                                     | 2017         | 2016         |
|-------------------------------------|--------------|--------------|
| Trade payables                      | 2,240        | 2,163        |
| Other payables and accrued expenses | 611          | 132          |
|                                     | <b>2,851</b> | <b>2,295</b> |
| Current                             | 2,851        | 2,295        |
| Non-current                         | -            | -            |
|                                     | <b>2,851</b> | <b>2,295</b> |

## 15. Employee benefits

### Defined contribution superannuation plans

The Company has paid contributions of \$1,502 thousand (30 June 2016: \$1,463 thousand) to defined contributions plans on behalf of employees for the reporting period.

## 16. Contingencies and commitments

The Company has outstanding milestone commitments of \$16,805 thousand as at 30 June 2017 (2016: \$17,285 thousand).

## 17. Capital and reserves

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

Membership is divided into grower members (group G) and miller members (group M).

At the reporting date there were 2,407 (2016: 2,390) group G members and 8 (2016: 8) group M members guaranteeing to contribute up to \$2.00 each to the property of the Company in the event of it being wound up.

## 18. Related parties

### (i) Related party transactions

During the year ended 30 June 2017, the Company entered into transactions with a member of the Research Funding Panel, for the provision of consultancy services amounting to \$2,651 (2016: \$nil). The transactions were conducted on an arm's length basis and on normal commercial terms.

### (ii) Key management personnel compensation

The key management personnel compensation was \$2,326,198 (30 June 2016: \$2,196,348) for the reporting period.

# Directors' declaration

---

In the opinion of the directors of Sugar Research Australia Limited ('the Company'):

- (a) the Company is not publicly accountable;
- (b) the financial statements and notes that are set out on pages 44 to 60 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 2017 and of its performance, for the financial period ended on that date; and
  - (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and the Corporations Regulations 2001; and
- (c) 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 day of 18 August 2017.



---

Ron Swindells

Director

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



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Australia

## DECLARATION OF INDEPENDENCE BY K L COLYER TO THE DIRECTORS OF SUGAR RESEARCH AUSTRALIA LIMITED

As lead auditor of Sugar Research Australia Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'K L Colyer', is enclosed within a thin black rectangular border.

K L Colyer  
Director

**BDO Audit Pty Ltd**

Brisbane, 18 August 2017

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

# Independent Auditor's Report to the Members of Sugar Research Australia Limited



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Australia

## INDEPENDENT AUDITOR'S REPORT

To the members of Sugar Research Australia Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Sugar Research Australia Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Sugar Research Australia 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 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the directors 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 - Reduced Disclosure Requirements 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_files/ar3.pdf](http://www.auasb.gov.au/auditors_files/ar3.pdf).

This description forms part of our auditor's report.

**BDO Audit Pty Ltd**

**K L Colyer**  
Director

Brisbane, 18 August 2017

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# Appendix A

## Annual reporting compliance checklist

The following checklist shows SRA's compliance with key annual reporting requirements completed during the 2016/2017 financial year in accordance with the Company's Constitution, the *Corporations Act 2001* (Cth), the *Sugar Research and Development Services Act 2013* (Cth) and the Statutory Funding Agreement (SFA).

| Annual reporting requirements                                                                                                                                                                                                                                                                                                                                                              | What SRA delivered 2016/2017 financial year                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Annual Report requirements – SRA Constitution (rules 22.6, 24.3)</b>                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| The Board must include in the Annual Report for each financial year:                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <ul style="list-style-type: none"> <li>a report on the operations of the Committees specified in the Constitution during the year; and</li> </ul>                                                                                                                                                                                                                                          | <i>Annual Report 2016–17 pages 33–34</i> include a report on the operations of each Committee; and                                                                                                                                                                                                                                                                                                                                |
| <ul style="list-style-type: none"> <li>a report on the operations of the code of conduct during the year including how the Board dealt with material breaches (if any).</li> </ul>                                                                                                                                                                                                         | <i>Annual Report 2016–17 page 33</i> includes a report on the operations of the SRA Code of Conduct.                                                                                                                                                                                                                                                                                                                              |
| <b>Annual reporting to members of a company limited by guarantee – <i>Corporations Act 2001</i> (Cth) (section 316A)</b>                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <p>A member of a company limited by guarantee may, by notice in writing to the company, elect to receive a hard copy or an electronic copy of the:</p> <ul style="list-style-type: none"> <li>the financial report; and</li> <li>the directors' report; and</li> <li>the auditor's report.</li> </ul>                                                                                      | <i>Annual Report 2016–17 pages 36–60</i> contains the financial report, directors' report and auditor's report.                                                                                                                                                                                                                                                                                                                   |
| <p>The company must send a copy of the above listed reports, free of charge, to each member who has made an election for that financial year, in accordance with the election, by the earlier of:</p> <ul style="list-style-type: none"> <li>21 days before the next AGM after the end of the financial year; and</li> <li>four (4) months after the end of the financial year.</li> </ul> | <p>Members have been advised in the Notice of Annual General Meeting dated on or about 25 September 2017 that they may, by notice in writing, elect to receive a hard copy or an electronic copy of the financial report, directors' report and auditor's report.</p> <p>An electronic copy was made available to the members via the SRA website:<br/><a href="http://www.sugarresearch.com.au">www.sugarresearch.com.au</a></p> |
| <b>Laying reports before AGM – <i>Corporations Act 2001</i> (Cth) (section 317)</b>                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <p>The directors of a public company must lay before the AGM:</p> <ul style="list-style-type: none"> <li>the financial report; and</li> <li>the directors' report; and</li> <li>the auditor's report,</li> </ul> <p>for the last financial year that ended before the AGM.</p>                                                                                                             | <i>Annual Report 2016–17</i> to be presented to AGM scheduled for 26 October 2017.                                                                                                                                                                                                                                                                                                                                                |
| <b>Lodging Annual Report with ASIC – <i>Corporations Act 2001</i> (Cth) (section 319)</b>                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| A company must lodge the annual report with the Australian Securities and Investments Commission (ASIC) within four months after the end of the financial year.                                                                                                                                                                                                                            | <i>Annual Report 2016–17</i> to be sent to ASIC within four months after the end of the financial year.                                                                                                                                                                                                                                                                                                                           |

| Annual reporting requirements ( <i>continued</i> )                                                                                                                                                                                                                                                                                                                                                                                                                                     | What SRA delivered 2016/2017 financial year                                                                                                                                                                                                                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Annual Report to include any direction from the Minister – <i>Sugar Research and Development Services Act 2013</i> (Cth) (section 11(4))                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                         |
| The Industry Services Body must, within 14 days of lodging a financial report (the annual report), give the Minister for Agriculture, the Hon. Barnaby Joyce MP a copy of the report.                                                                                                                                                                                                                                                                                                  | No written direction from the Deputy Prime Minister, the Hon. Barnaby Joyce MP, pursuant to section 11 of the <i>Sugar Research and Development Services Act 2013</i> (Cth), was given to SRA as Industry Services Body during the financial year.                      |
| The report must comply with section 295 of the <i>Corporations Act 2001</i> and section 11 of the <i>Sugar Research and Development Services Act 2013</i> (Cth).                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                         |
| Provision of Annual Report to the Commonwealth – Statutory Funding Agreement (clauses 33.1, 33.2 and 33.3)                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                         |
| <p>SRA to do certain things as follows:</p> <ul style="list-style-type: none"><li>• must prepare an annual report complying with the <i>Corporations Act 2001</i> (Cth) and the requirements of the Statutory Funding Agreement; and</li><li>• must provide four copies to the Commonwealth by 31 December 2017; and</li><li>• the annual report to include a reasonably comprehensive coverage of matters listed in clauses 33.2(a)–(m) of the Statutory Funding Agreement.</li></ul> | <p><i>Annual Report 2016–17</i>: four copies to be provided to the Department of Agriculture (Cth) by 31 December 2017.</p> <p><i>Annual Report 2016–17</i> addresses, where appropriate, matters listed in clauses 33.2(a)–(m) of the Statutory Funding Agreement.</p> |

# Appendix B

## List of Delegates per mill area/group

| Mill area/Mill group               | Processing Plant/Mill                     | Group G (Grower) Delegates                                      | Group M (Miller) Delegates                                   |
|------------------------------------|-------------------------------------------|-----------------------------------------------------------------|--------------------------------------------------------------|
| Mossman                            | Mossman                                   | Brett Coulthard                                                 | Peter Gill                                                   |
| Tableland                          | Tableland                                 | <i>No nominations received</i>                                  | Trevor Crook                                                 |
| Mulgrave                           | Mulgrave                                  | Jeffrey Day                                                     | Trevor Crook                                                 |
| South Johnstone                    | South Johnstone                           | Joseph Marano                                                   | Trevor Crook                                                 |
| Tully                              | Tully                                     | Thomas Harney                                                   | Barry Dun                                                    |
| Wilmar Mill Group (Herbert)        | Victoria<br>Macknade                      | Jeffrey Cantamessa<br>Christopher Bosworth                      | Paul Britton<br>Paul Britton                                 |
| Wilmar Mill Group (Burdekin)       | Invicta<br>Pioneer<br>Kalamia<br>Inkerman | Cy Kovacich<br>Steve Pilla<br>Colin Ivory<br>Laurence Dal Santo | Ian Davies<br>Ian Davies<br>Julian Venning<br>Julian Venning |
| Proserpine                         | Proserpine                                | Anthony Large                                                   | Peter Larsen                                                 |
| MSL Mill Group (Central)           | Farleigh<br>Marian<br>Racecourse          | Joseph Borg<br>Frank Perna<br>Bill MacDonald                    | Peter Gill<br>Peter Gill<br>Peter Gill                       |
| Plane Creek                        | Plane Creek                               | Malcolm Langdon                                                 | Peter Larsen                                                 |
| Bundaberg Sugar Mill Group (South) | Bingera<br>Millaquin                      | Jay Hubert<br>Kelvin Griffin                                    | Gary Nixon<br>Gary Nixon                                     |
| Isis                               | Isis                                      | Neil Kingston                                                   | John Gorringe                                                |
| Maryborough                        | Maryborough                               | Allen Birt                                                      | Trevor Crook                                                 |
| Rocky Point                        | Rocky Point                               | Greg Zipf                                                       | David Heck                                                   |
| NSW Sugar Co-op Mill Group         | Condong<br>Broadwater<br>Harwood          | David Bartlett<br>Wayne Rogers<br>Ross Farlow                   | Chris Connors<br>James Sneesby<br>Ian Causley                |

# Appendix C

## Alignment of SRA's KFAs to Industry and Government Priorities

| Stakeholder priorities                                                                     | SRA key focus area                                         |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
|--------------------------------------------------------------------------------------------|------------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------------------|---------------------------------------------------|---------------------------------------------|---------------------------------|
|                                                                                            | 1. Optimally-adapted varieties, plant breeding and release | 2. Soil health, nutrient management & environmental sustainability | 3. Pest, disease and weed management | 4. Farming systems and harvesting | 5. Milling efficiency and technology | 6. Product diversification and value addition | 7. Knowledge and technology transfer and adoption | 8. Collaboration and capability development | 9. Organisational effectiveness |
| <b>National Sugarcane Industry RD&amp;E Strategy – Themes<sup>1</sup></b>                  |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| <b>1. Products</b><br>Expanding uses for sugarcane                                         |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| <b>2. Productivity</b><br>Achieving significant productivity gains and increasing adoption |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| <b>3. Stewardship</b><br>Improving environmental performance and industry's social license |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| <b>4. People</b><br>Building the capability of industry and research                       |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| <b>National Science and Research Priorities<sup>2</sup></b>                                |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| <b>1. Food</b>                                                                             |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| <b>2. Soil and water</b>                                                                   |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| <b>3. Transport</b>                                                                        |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| <b>4. Cybersecurity</b>                                                                    |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| <b>5. Energy</b>                                                                           |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| <b>6. Resources</b>                                                                        |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| <b>7. Advanced manufacturing</b>                                                           |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| <b>8. Environmental change</b>                                                             |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| <b>9. Health</b>                                                                           |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |

<sup>1</sup> National Sugarcane Industry RD&E Strategy, 2017.

<sup>2</sup> National Science and Research Priorities, Australian Government, 2015.

| Stakeholder priorities                                                                                                | SRA key focus area                                         |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------------------|---------------------------------------------------|---------------------------------------------|---------------------------------|
|                                                                                                                       | 1. Optimally-adapted varieties, plant breeding and release | 2. Soil health, nutrient management & environmental sustainability | 3. Pest, disease and weed management | 4. Farming systems and harvesting | 5. Milling efficiency and technology | 6. Product diversification and value addition | 7. Knowledge and technology transfer and adoption | 8. Collaboration and capability development | 9. Organisational effectiveness |
| <b>Rural RD&amp;E Priorities<sup>3</sup></b>                                                                          |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| 1. Advanced technology                                                                                                |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| 2. Biosecurity                                                                                                        |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| 3. Soil, water and managing natural resources                                                                         |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| 4. Adoption of R&D                                                                                                    |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| <b>Queensland Department of Agriculture and Fisheries – Theme Areas for Sugarcane Research Investment<sup>4</sup></b> |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| 1. Sugarcane improvement – to improve productivity, quality and production efficiency                                 |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| 2. Sugarcane plant protection                                                                                         |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| 3. Farming Systems broad acre dry land and irrigated, and mixed crop farming systems in Queensland                    |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| 4. Soil health                                                                                                        |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| 5. New market opportunities and processes                                                                             |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| 6. Agri-intelligent systems                                                                                           |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |
| 7. Breaking barriers to adoption                                                                                      |                                                            |                                                                    |                                      |                                   |                                      |                                               |                                                   |                                             |                                 |

<sup>3</sup> Rural RD&E Priorities, Agricultural Competitiveness White Paper, Australian Government, 2015.

<sup>4</sup> Department Strategic Objectives for funding projects for SUGARCANE, Queensland Department of Agriculture and Fisheries, 2017.

# Appendix D

## Expenditure against national research priorities

This table details SRA's total expenditure for 2016/17 allocated against each of the National Science and Research Priorities and the Rural RD&E Priorities.

| Stakeholder priorities                                      | Total investment 2016/17 |             |               |             |
|-------------------------------------------------------------|--------------------------|-------------|---------------|-------------|
|                                                             | Forecast <sup>1</sup>    |             | Actual        |             |
|                                                             | (\$k)                    | %           | (\$k)         | %           |
| <b>National Science and Research Priorities<sup>2</sup></b> |                          |             |               |             |
| 1. Food                                                     | 23,484                   | 55%         | 22,589        | 54%         |
| 2. Soil and water                                           | 3,757                    | 9%          | 3,377         | 8%          |
| 3. Transport                                                | 652                      | 2%          | 590           | 2%          |
| 4. Cybersecurity                                            | -                        | -           | -             | -           |
| 5. Energy                                                   | 442                      | 1%          | 442           | 1%          |
| 6. Resources                                                | -                        | -           | -             | -           |
| 7. Advanced manufacturing                                   | 1,514                    | 4%          | 1,425         | 3%          |
| 8. Environmental change                                     | 2,365                    | 5%          | 2,285         | 5%          |
| 9. Health                                                   | -                        | -           | -             | -           |
| Other*                                                      | 10,837                   | 24%         | 11,167        | 27%         |
| <b>Total</b>                                                | <b>43,050</b>            | <b>100%</b> | <b>41,875</b> | <b>100%</b> |
| <b>Rural RD&amp;E Priorities<sup>3</sup></b>                |                          |             |               |             |
| 1. Advanced technology                                      | 14,642                   | 33%         | 13,694        | 33%         |
| 2. Biosecurity                                              | 8,402                    | 20%         | 8,241         | 20%         |
| 3. Soil, water and managing natural resources               | 7,645                    | 18%         | 7,162         | 17%         |
| 4. Adoption of R&D                                          | 4,567                    | 11%         | 4,282         | 10%         |
| Other*                                                      | 7,794                    | 18%         | 8,495         | 20%         |
| <b>Total</b>                                                | <b>43,050</b>            | <b>100%</b> | <b>41,875</b> | <b>100%</b> |

<sup>1</sup> As forecast in SRA Annual Operational Plan 2016/17.

<sup>2</sup> *National Science and Research Priorities*, Australian Government, 2015.

<sup>3</sup> *Rural RD&E Priorities*, Agricultural Competitiveness White Paper, Australian Government, 2015.

\* Other includes unallocated research, R&D management and corporate support.



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