SUGAR RESEARCH AUSTRALIA LIMITED

ANNUAL REPORT 18-19

Sugar Research Australia

(Cover image) *Sugarcane roots washed and ready for analysis as part of SRA investment into a CSIRO research project. Picture by Dr Annelie Marquardt, CSIRO.*
(This page) *A harvest best practice demonstration trial underway in the Cairns Northern Beaches area.*

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Our Values

INNOVATION
INVESTOR SATISFACTION
ACCOUNTABILITY
TEAMWORK

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MESSAGE FROM THE CHAIRMAN

Dr Ron Swindells

Welcome to Sugar Research Australia's 2018/19 Annual Report.

SRA is very cognisant of the challenging circumstances faced by the industry due to the depressed sugar price and challenging weather conditions. These difficult circumstances amplify the importance of SRA delivering value for our investors. We continue to be flexible with our portfolio to ensure that SRA is investing for the long term and that we are delivering outcomes that improve productivity, profitability and sustainability for our investors.

SRA has a five-year Strategic Plan that has been developed following extensive consultation with our stakeholders. This document, together with our Annual Operational Plan sets out in more detail the activities to occur within each Key Focus Area of the strategic plan, and serves to ensure that the Board and Executive Team concentrate investment on long-term industry research priorities whilst also responding to immediate needs and changing circumstances.

This year we welcomed two new Directors to our Board: Mr Sam Bonanno and Mr Peter Russo. Both Sam and Peter bring considerable and diverse skills to the Board table and have already made a strong contribution to SRA.

I would also like to thank outgoing Directors Dr Ian Johnsson and Mr Ian Sampson.

Dr Johnsson had been on the SRA Board since the formation of the company and brought considerable expertise in research management to the Board, which helped SRA successfully establish during our formation in 2013. He was a member of the SRA Research Funding Panel (RFP) and provided a valuable role in helping SRA invest in high impact activities for the industry. Ian also served on the SRA Audit and Risk Committee.

Mr Sampson had been on the Board since 2015 and made an important contribution to SRA, particularly around strategic planning and driving safety culture. He also chaired the SRA Audit and Risk Committee.

The 2018 Annual General Meeting saw Members support several enhancements to the SRA Constitution to help make SRA a more agile company that is responsive to the needs of the industry and the environment in which we operate. These enhancements will enable SRA to be more responsive to the needs of investors and Members, and provide more targeted benefits to our investors and Members. Members also supported the change to formally remove reference to the Delegates from the Constitution. This follows an improvement in regional engagement with industry through the industry's adoption strategy.

In this financial year we welcomed Mr Gary Longden as Chair of the SRA

We continue to be flexible with our investments and approach each year to ensure SRA is investing for the long term and that we are delivering activities that improve productivity, profitability and sustainability for our investors. The challenging circumstances magnify the importance of SRA continuing to deliver value for our Investors.

***(Above)** Chairman, Dr Ron Swindells. **(Over page)** Innisfail CANEGROWERS Director Mr Wayne Gattera and SRA Director Dr Helen Garnett (front) in the field during the SRA Board's regional visit to Far North Queensland in August 2018.*

Research Funding Panel (RFP). Dr Phillip Jackson and Mr Jeffrey Snoad joined as new members of the RFP. Previous RFP members Mr John Pollock and Dr Andrew Wood retired from their positions. SRA congratulates John on his deserved recognition as a Member of the Order of Australia for his significant services to primary industry in Queensland.

This year saw SRA invest in several new initiatives for the industry, and the continuation of a suite of major activities. Our enhancements to plant breeding and adoption are gaining momentum, and we completed our first year of the Small Milling Research Program (SMRP). The yellow canopy syndrome (YCS) research program is making important discoveries, and our Soil Health Program is also working collaboratively to deliver practical on-ground outcomes for growers and millers. In addition, as a follow-up of the 2018 Futures Forum, the Board commissioned a review into industry diversification and this has recently been published. The Board also has in place an asset management plan to help ensure that SRA has the right physical and scientific infrastructure to deliver outcomes for industry.

This is just a snapshot of our activity, and you can read more about this work in this Annual Report as well as its sister publication, the 2018/19 Performance Report.

I also take this opportunity to acknowledge and thank:

- *Growers and millers who provide guidance and information through a range of activities, and who are the primary investors in SRA through the joint 70c per tonne levy.*
- *The Commonwealth Government who provided co-investment of approximately $6.6 million in 2018/19.*
- *The Queensland Government Department of Agriculture and Fisheries, who co-invested $2.85 million in 2018/19.*
- *External research providers and investors including the Queensland Department of Environment and Science, the Department of Agriculture (Rural R&D for Profit), the Department of Environment and Energy (Reef Trust), the Great Barrier Reef Foundation, and the Australian Centre for International Agricultural Research (ACIAR).*
- *The Australian Sugar Industry Alliance (ASA), CANEGROWERS, the Australian Sugar Milling Council (ASMC), the Australian Cane Farmers Association (ACFA), 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 RFP, who provide guidance and leadership.*
- *The SRA staff, who are spread across multiple sites and divisions, and deliver upon our values of teamwork, investor satisfaction, accountability, and innovation*
- *SRA's CEO, Mr Neil Fisher, for providing leadership to SRA.*

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Mr Neil Fisher

The Australian sugar industry has always had a strong thirst for innovation. This innovation continues to display itself in diverse ways across our industry, ranging from improvements in the farming system on individual farms, to large-scale investments in the milling sector, and everything in-between.

The industry also has a fantastic reputation for embracing innovation to navigate challenging circumstances.

Over the last year, there is no disputing that the circumstances facing the industry have been especially challenging, particularly around weather and the sugar price. Despite these challenges, the industry has continued to embrace innovation and demonstrate its resilience.

The need for innovative research, development and adoption (RD&A) is stronger than ever because of our current circumstances.

I am proud that Sugar Research Australia (SRA) has a strong track record in providing the industry with innovative solutions that help our growers and millers improve productivity, profitability, and sustainability. The sugar price and the weather are beyond our control, but investing in the future through RD&A is another way in which we can forge a bright future and continue to enhance industry resilience, which is a key theme within this Annual Report.

At the same time, SRA is not immune from the challenges faced by our Members and investors and, as such, our income will be reduced as a result of poor seasonal conditions and a lower sugar price.

As a result, the Board has reviewed our current research investment portfolio and our internal research capability and will deliver a research portfolio structured to meet our investors' priorities and expectations. We will utilise a small proportion of our accumulated cash reserves to maintain our RD&A investment portfolio and support activities.

Over the last 12 months, we have delivered specific initiatives focussed on tangible outcomes for growers and millers as captured in our Performance Report to investors.

We have made significant progress with the industry-led adoption strategy and we now have a full complement of staff within SRA to assist all sectors of the industry and government to deliver the strategy. We are continuing our enhancements to the breeding program with the ambitious goal of achieving two percent annual genetic gain.

We are continuing our investment into soil health through a coordinated Soil Health Program of research, which includes innovative approaches to extension and communication.

In the same theme, we also developed new tools and products for the industry,

The sugar price and the weather are outside of our control, but investing in the future through RD&A is another way in which we can forge a bright future and continue to enhance industry resilience, which is a key theme within this Annual Report.

***(Above)** CEO, Mr Neil Fisher. **(Below)** Herbert growers talking sugarcane soil health at one a of a series of Kicking the Dirt meetings held in collaboration with Herbert Cane Productivity Services Limited.*

including major initiatives such as the Australian Sugarcane Nutrition Manual and the Cog Calibrator.

We are continuing to invest in finding the cause of yellow canopy syndrome, via an integrated program spanning projects at SRA and the University of Queensland (UQ) and involving numerous other collaborators nationally and internationally.

We also launched the Next Crop program, which is taking an innovative approach to developing leadership capability within the industry. We are also partnering with QUT and the Sugar Research Institute to build milling research capability.

To help build a more resilient future, SRA is also specifically focusing on transformational research, milling efficiency and technology, and specific areas of plant breeding for our 2019/20 new research investment.

It is also important to note that in the last financial year SRA has ceased our investment in the genetic modification space in response to a range of dynamic factors, and this decision has been communicated to the industry.

Importantly, SRA is also continuing to leverage the investment from our grower and miller investors into even greater investment in RD&A for the Australian industry. In the last year this has seen a continuation of major programs through Rural R&D for Profit and Reef Trust 4, and a major new project called Cane to Creek 2.0, via the Great Barrier Reef Foundation.

This investment, along with all our activity, is guided by our five-year Strategic Plan and Annual Operational Plan to ensure that SRA continues to deliver against industry priorities.

You can read more about these investments and activities within the pages of this Annual Report.

In presenting this Annual Report, I thank the Australian Sugar Industry Alliance (ASA), CANEGROWERS, the Australian Sugar Milling Council, Australian Cane Farmers Association, Regional Industry Organisations, Productivity Services Organisations, and all our research collaborators including commercial entities and research institutions.

Thank you to the Commonwealth Department of Agriculture, the Queensland Department of Agriculture and Fisheries, the Queensland Department of Environment and Science and the Great Barrier Reef Foundation for their co-investments into SRA.

All our work is possible thanks to the contribution and support of our grower and miller investors. They are the focus of all that we do at SRA. In addition to this investment, many growers and millers contribute significant time and energy into SRA activities, such as participation in meetings and advisory groups or assisting with on-farm trials.

I thank the SRA team, who bring diverse skills to the table across the industry and are dedicated to SRA's values of investor satisfaction, teamwork, innovation, and accountability.

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

Thank you for taking the time to read this Annual Report, and I look forward to SRA continuing to assist the industry in its ongoing quest for further innovation and building industry resilience.

BUILDING A MORE RESILIENT CANE INDUSTRY THROUGH PRODUCTIVITY, PROFITABILITY AND SUSTAINABILITY

KFA1 / OPTIMALLY-ADAPTED VARIETIES, PLANT BREEDING AND RELEASE

13 new varieties were approved for release across the industry, delivering productivity improvement, resistance to disease and ability to be processed through the mill.

A record of 102,505 tissue culture plantlets were ordered for Spring 2019, up 7 percent on Spring 2018 orders.

New sugarcane progeny has been bred from genetically diverse Indonesian-Erianthus and Chinese-derived hybrids for new sources of Pachymetra root rot resistance. Two populations have been generated through this work, and in these populations 83% and 57% of the progeny were resistant to Pachymetra.

KFA2 / SOIL HEALTH, NUTRIENT MANAGEMENT & ENVIRONMENTAL SUSTAINABILITY

SRA research has helped refine and calibrate a root DNA health assay for improved assessment of root system health. A calibration equation for the root DNA diagnostic assay was developed, which adds functional information by allowing prediction of the mass of fine roots.

A new soil health toolbox was developed and launched, bringing together comprehensive information on SRA's Soil Health Program and key information for investors on soil health.

SRA developed key products for industry including the Australian Sugarcane Nutrition Manual and the CogCalibrator tool, complementing the existing suite of nutrient management tools.

KFA3 / PEST, DISEASE & WEED MANAGEMENT

SRA has developed a new prototype in-field diagnostic kit for yellow canopy syndrome, which is an important precursor to potential management of the syndrome.

Molecular pathogen diagnostic assays were developed for key soil-borne pathogens. These DNA assays were developed for major root pathogens / parasites in the Australian sugarcane industry. A framework for commercial delivery of the test in the industry was implemented and training of productivity services commenced.

SRA research has helped develop a reliable moth borer diagnostic protocol. Moth borers have been identified as an important potential biosecurity risk for our industry. This would provide rapid diagnosis and a clear path to refining and extending borer diagnostics in the future.

KFA4 / FARMING SYSTEMS & HARVESTING

SRA has worked across the industry to demonstrate the productivity and economic benefits of harvest best practice (HBP), with 43 replicated trials and workshops in 2017 and 52 in 2018. HBP on average reduced cane loss and increased harvest yield and grower return, but increased contractor costs.

The real-time harvest decision making tool, SCHLOT Live, was further refined and is being delivered to the industry to assist in improving harvesting outcomes.

Seven irrigation hubs have been established across the industry, building industry capability and delivering upon local requirements in relation to irrigation.

This is a headline summary of some key achievements from SRA during 2018/19. For a comprehensive list, we recommend reading the SRA 2018/19 Performance Report available via www.sugarresearch.com.au.

KFA5 / MILLING EFFICIENCY & TECHNOLOGY

QUT researchers have identified coatings for resistance to erosion and corrosion in boiler tubes in laboratory experiments, with these coatings being tested within mills in 2019.

New and emerging near infra-red technology for use by the sugar industry was evaluated by SRA. A trial of MicroNIR was successfully conducted with Tully Sugar Ltd to monitor bagasse moisture at its number five mill.

A Small Milling Research Project has improved understanding of the causes of high colour sugar. Extraneous matter (EM) in the cane supply appears to be a major factor contributing to the highly coloured raw and refined sugars at times through the season and signals the need to encourage reduction in extraneous matter.

KFA6 / PRODUCT DIVERSIFICATION & VALUE ADDITION

New feed, chemical and fuel product diversification opportunities for sugar, cotton, forest and wood products and pork industries have progressed through research at QUT. The project has developed several new processes and technologies that, if implemented, will deliver new revenue streams for producers and processors within the agricultural sector.

A new report by Lazuli Consulting has highlighted industry priorities for value add and diversification opportunities in the sugar industry, marking a key output following the April 2018 industry Futures Forum.

KFA7 / KNOWLEDGE & TECHNOLOGY TRANSFER & ADOPTION

SRA has secured investment through the Great Barrier Reef Foundation to work locally with growers and the community in several priority catchments to improve farming systems and water quality through Cane to Creek 2.0.

SRA is participating in a graduate development program for extension officers, with three graduate officers employed at SRA and enhancing capability for the industry.

SRA conducted sugarcane disease and identification training at the Woodford research station, building capability in the industry services sector and enhancing industry's ability to manage existing diseases and identify potential exotic incursions.

KFA8 / COLLABORATION & CAPABILITY DEVELOPMENT

SRA has partnered with the Sugar Research Institute and the Queensland University of Technology to ensure that the milling research sector of the industry has sufficient capability to continue to deliver over the long-term.

SRA continues to invest in industry development through programs such as the Travel and Learning Awards, Researcher Awards, Post-Graduate Research Scholarships, and the Next Crop program.

A learning management system (LMS) continues to be developed for the milling sector, with modules covering different stages of mill operations.

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.

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 RD&A activities 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 investment 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. The SRA research effort extends across the industry and occurs for all growers and millers. SRA had 164 (full-time equivalent) staff as at June 30, 2019, who operate across the business in a range of roles that support and drive RD&A for the Australian sugarcane industry.

SRA strives to build an investor-centric and performance-driven culture, empower staff and equip them for success and optimise SRA's organisational facilities, systems and processes to support delivery of the RD&A investment portfolio.

This includes continual improvement in our safety culture, as demonstrated by a significant increase in SRA's conformance rate following recent safety audits.

SRA's independent safety auditor, Marius van der Plas from Australian Risk Services, said that over the last three years there has been a notable, positive shift in understanding safety and regulatory requirements in relation to safety across SRA's stations and farms.

PERFORMANCE FRAMEWORK

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.

The 2017/18 – 2021/22 Strategic Plan was developed with extensive investor and industry consultation. The plan is built upon the needs of our investors and key stakeholders and it has drawn on the lessons from our 2016 Independent Performance Review.

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.

In delivering our Strategic Plan and Annual Operational Plans, SRA will continue to collaborate with our members, 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. SRA also publishes an annual Performance Report, which provides information on a selection of SRA's research highlights and performance.

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 invest in respond to the issues raised during consultation with industry, government and researchers, as well as the principles, strategies and priorities set out in industry and government strategy documents.

For full detail see Appendix B.

***(Right)** SRA Technician (Crossing and Selection) Ms Mikayla Bowman part of the team harvesting a variety Final Assessment Trial in the Central Region.*

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 / Strengthen organisational excellence

OUR KEY FOCUS AREAS	OUTCOMES	PRIORITIES (INCORPORATED INTO PROGRAMS)
KFA1 / OPTIMALLY-ADAPTED VARIETIES, PLANT BREEDING AND RELEASE	Increased sugarcane yield and commercial cane sugar (CCS)	Restructure and modernise the breeding program and broaden the genetic base
KFA2 / SOIL HEALTH, NUTRIENT MANAGEMENT AND ENVIRONMENTAL SUSTAINABILITY	Better soil health, reduced nutrient losses and improved water quality	Integrated and focused soil health program and enhance SIX EASY STEPS® guidelines and nitrogen management
KFA3 / PEST, DISEASE AND WEED MANAGEMENT	Reduced or avoided yield losses and/or added input costs	Integrated new precision technologies and activities on a cost/benefit basis
KFA4 / 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
KFA5 / MILLING EFFICIENCY AND TECHNOLOGY	Optimised production, improved capital utilisation and waste minimisation	Enhanced capability and new technology for improving processing and energy efficiency
KFA6 / PRODUCT DIVERSIFICATION AND VALUE ADDITION	Diversified revenue streams and product innovation	Prioritised diversification opportunities for further R&D activity or market analysis
KFA7 / KNOWLEDGE AND TECHNOLOGY TRANSFER AND ADOPTION	Accelerated adoption of new technology and practice change	New strategy targeting industry needs, problems and solutions
KFA8 / COLLABORATION AND CAPABILITY DEVELOPMENT	Enhanced industry and research capability and capacity	Leveraged industry, government and research partnerships and enhanced human capability programs
KFA9 / ORGANISATIONAL EFFECTIVENESS	Increased investor satisfaction and returns on investment	Embedded investor and perfomance-centric culture

OUR ENABLERS	OUR MEASURES OF SUCCESS	OUR VALUES
Mapping the future	Increased profitability per tonne of sugarcane produced or processed	Innovation
Innovating our science	Improved industry sustainability	Investor satisfaction
Sustaining financial viability	High-impact return on investment	Accountability
Optimising return on investment		Teamwork
Partnering for impact		
Transforming our business and culture		

RESEARCH HIGHLIGHTS

Where we invested in 2018/19

The graph shows the 2018-19 investment of $45.4 million across the eight RD&A Key Focus Areas defined in the SRA Strategic Plan.

SRA Investment allocation 2018/19

KFA	MILLION	%
KFA1	$14.2	31%
KFA2	$4.9	11%
KFA3	$5.5	12%
KFA4	$3.8	8%
KFA5	$1.7	4%
KFA6	$1.7	4%
KFA7	$4.7	10%
KFA8	$1.6	4%
KFA9	$7.3	16%
Expenditure	**$45.4**	**100%**

Numbers are rounded.

***(Right)** Planting a variety trial at Welcome Creek in the Southern Region.*

SIGNIFICANT INITIATIVES

Yellow canopy syndrome (YCS)

SRA is building industry resilience by tackling the major research questions associated with yellow canopy syndrome (YCS). This syndrome was first observed in Far North Queensland in 2012, and it has been confirmed in all growing regions from Bundaberg to Far North Queensland.

The syndrome has appeared in blocks and regions in unpredictable patterns and its impacts can be severe.

Given its significance to the industry, the syndrome has been the focus of a major research investment at SRA, via projects led by SRA and University of Queensland, with support from Western Sydney University and CSIRO.

This integrated research program is making important discoveries associated with YCS, including the assessment of a small number of possible causes and potential management options.

Across last year, and continuing this year, insects are an important focus via field trials in multiple regions, insect exclusion tests, and chemical treatment trials.

Experimental work does not support a single cause for YCS. It is still unknown if an insect could be linked to YCS, but researchers have prevented YCS symptom development and the yield losses associated with YCS by controlling insects.

SRA researchers have also been developing a prototype in-field test for diagnosing YCS. It is hoped that this test will be a useful tool for researchers and productivity services organisations to better understand YCS.

This prototype diagnostic is possible thanks to years of research that has improved the understanding of the internal workings of the sugarcane plant.

SRA is also working on more accurate identification methods, including the development of a biomarker that is unique to YCS, by looking within the DNA and RNA of the plant.

SRA is also continuing to investigate variety responses to YCS. Growers have observed a range of variety responses to YCS, but there is a need to validate and understand these observations.

SRA Researchers Dr Jaya Basnayake and Dr Sijesh Natarajan are using drones equipped with hyperspectral cameras to look more closely at YCS response for more than 30 different varieties.

This could lead to information on different varieties' yield response to YCS, and the severity of impact for different varieties.

SRA is uniquely placed to deliver these outcomes, with continued collaboration with leading research institutions. We have a strong team with expertise in pest management including insect vectors, as well as molecular biology and agronomy.

SRA acknowledges the investment from the Queensland Department of Agriculture and Fisheries towards this research activity.

Adoption

SRA is building industry resilience by improving technology transfer and adoption in the industry, ensuring that growers and millers have the information they need to adopt new practices and technology. SRA's Strategic Plan has identified Knowledge and Technology Transfer and Adoption as a Key Focus Area and the *Strategy for Industry Led Adoption Activities in the Sugar Industry (the Adoption Strategy)* was developed to support the profitable and sustainable growth of the Australian sugar industry through accelerated application of technologies and practices which lead to targeted and measurable practice change.

There is a broad range of activity being delivered by various service providers in the regions and SRA recognises the need to work collaboratively with other organisations and providers to ensure the effective and efficient delivery of the Strategic Plan and adoption services in general.

During the last year considerable progress has been made in implementation of the Adoption Strategy including:

- Engagement with a broad range of stakeholders at a national, state, regional and mill area level;
- Formation of regional and national structures; and
- Development of Regional Strategic Priorities and Annual Operating Plans.

An Industry Strategic Action Plan has been developed that captures the key elements for the six Regional Strategic Action Plans which were developed through a collaborative process involving a broad range of stakeholders. These plans seek to deliver targeted and measurable practice change.

Critical to successful implementation is the development of capability and capacity in the SRA Adoption Team.

This has involved the recruitment of suitably qualified and experienced staff and providing them with training in the application of contemporary design and evaluation techniques for extension projects.

SRA has secured investment via the Queensland Farmers' Federation (QFF) for three graduate trainees who will participate in a structured training and development program during their 12 months of employment, with a focus on extension.

Investment has also been secured for projects intended to support the implementation of the Adoption Strategy in the early stages. These include $2.2 million from Great Barrier Reef Foundation for the expansion of the Cane to Creek project into five high priority Great Barrier Reef catchments and $174,000 from Department of Agriculture and Fisheries (DAF) to support the development of a Burdekin Irrigation Extension Plan.

***(Over page)** Bundaberg Sugar Services Limited Field Officer Mr Michael Turner with SRA Adoption Officer Dr Veronica Chapman using the prototype diagnosis kit for yellow canopy syndrome (YCS) in the field. **(Below)** SRA Adoption Officer Mr Gavin Rodman installing water quality monitoring equipment as part of the Cane to Creek project, which has now been expanded from Far North Queensland to several other regions of the sugar industry. Pictured also are Ms Belinda Billing and Mr Chris Sterling.*

NextCrop

SRA is helping build industry resilience by developing the leaders of tomorrow. In 2018, SRA launched a new leadership development program called NextCrop. Developing future industry leadership has been identified as a priority through SRA's five-year strategic plan and via ongoing engagement between SRA and the industry.

The first round of this program has been running throughout 2019 and is helping emerging leaders build their skills and contribute to future leadership roles, delivering a benefit for the whole industry.

The future of our industry relies on ensuring we continue to develop and encourage new leaders to participate, collaborate, and have their voices heard. Next Crop is increasing the pool of people who can contribute to our industry through leadership roles in industry representative bodies, productivity service boards, NRM groups, local government, and SRA.

The 2019 participants were Mr Aaron Moore (Atherton Tableland), Mr Tony Bartolo (Mackay), Mr Chris Lyne (Burdekin), Mr Ben Spann (Rocky Point), Mr Kevin Stevens (Brisbane), Mr Michael Giudice (Mossman), Mr Leyton Peterson (Hervey Bay), Ms Rhonda Pirrone (Burdekin) and Mr Michael Cavallaro (Bundaberg).

Burdekin grower Mr Chris Lyne said it was a valuable program.

"The future of the sugar industry depends on strong leadership at a range of levels, and this program is an opportunity to develop these critical skills," Mr Lyne said. "It is a chance to learn with other growers from across the industry and bring our new skills back to our respective regions."

***(Below)** The participants in the 2019 NextCrop program. **(Over page)** A new report has outlined that while the Australian sugar industry is heavily reliant on sugar production, there are other opportunities available for the industry. Picture by Dr Stephen Mudge.*

Diversification review

SRA is building industry resilience by working with industry to better understand the opportunities and challenges for diversifying revenue streams for the Australian sugarcane industry.

In 2019, Lazuli Consulting prepared a report commissioned by SRA on the topic of diversification, working extensively with SRA Members and industry stakeholders to gain a more detailed appreciation around value-adding and diversification within the sugar industry value chain. They also analysed the technological and market landscape in Australia and overseas.

The report was an initiative of the SRA Board and had also been identified as an industry need at a Futures Forum convened by SRA and industry in April 2018.

Managing Director of Lazuli Consulting, Mr Eris O'Brien, said that the report identified the primary opportunities as electricity cogeneration, ethanol, food products and densified biomass, and a secondary list of opportunities as specialty chemicals.

Mr O'Brien said that the report reinforced the view that Australia was heavily reliant on raw sugar production when compared with major competitors such as Thailand and Brazil.

"Construction costs in Australia are high compared to other sugar-producing countries, and financing projects is difficult without long-term, commercially priced off-take agreements," he said.

Despite these and other challenges, the report identified the importance of the Australian industry continuing to investigate new technologies and opportunities.

SRA currently invests in this research area through Key Focus Area six of its Strategic Plan: *Product Diversification and Value Addition.*

This includes a major research project supported by SRA through investment from the Australian Government Department of Agriculture as part of the Rural R&D for Profit program and by the Queensland Government Department of Agriculture and Fisheries.

This research project, led by QUT, is developing technologies to convert Australian agricultural feedstocks, including from sugarcane, into new value-added animal feeds, chemicals, and advanced fuels.

SRA acknowledges the investment contribution from the Queensland Department of Agriculture and Fisheries towards this research activity.

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.

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. SRA also participates in a range of cross-sectoral activities within the National Primary Industries RD&E Framework as an investor, participant, program manager or steering committee member.

RURAL R&D FOR PROFIT

This program aims to realise productivity and profitability improvements for primary producers via investment collaborations between rural IOCs and RDCs and other research partners. During the reporting period, SRA led two major projects under this program:

- *A profitable future for Australian agriculture: biorefineries for higher-value animal feed, chemicals and fuel*, led by SRA (total project investment $6.09 million).
- *Enhancing the sugar industry value chain by addressing mechanical harvest losses*, led by SRA (total project investment $8.1 million, including in-kind).

SRA is also a participant in the following projects, some of which concluded during the reporting period:

- *Improved use of seasonal forecasting to increase farmer profitability*, led by AgriFutures Australia (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 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 Australia (total project investment $1.6 million).
- *More profit from Nitrogen*, led by the CRDC (total project investment $5.9 million).
- *Accelerating precision agriculture to decision agriculture*, led by the CRDC (total project investment $1.4 million).
- *iMapPESTS*, led by Horticulture Innovation Australia Ltd (total project investment $6.8 million).

RESEARCH COLLABORATIONS

SRA has strong research partnerships with many leading universities and research institutions. SRA partners with other organisations to leverage valuable resources to deliver optimum outcomes for the Australian sugarcane industry.

We have working research relationships with the following institutions:

AgEcon	Norris ECT
AgResearch	Pragmatic Thinking
Agtrix	Private sector
Australian Centre for International Agricultural Research	Productivity services organisations
Australian Research Council	Queensland Department of Agriculture and Fisheries
Bio Active	Queensland Department of Science, Information Technology and Innovation
CSIRO	Queensland University of Technology
Department of Environment and Science	Southern Cross University
Farmacist	University of New England
Great Barrier Reef Foundation	University of NSW
James Cook University	University of Queensland
Lazuli Consulting	University of Southern Queensland
Milling companies	

These collaborations, which take different forms and vary in scale, achieve greater outcomes from investments than would otherwise have been achieved alone.

EXTERNAL GRANTS PROGRAMS

SRA has also successfully secured additional research investment for the industry through external funding providers. This includes current projects underway through the Department of Environment and Science, the Australian Centre for International Agricultural Research (ACIAR), and the Australian Research Council (ARC). Cane to Creek 2.0 is funded by a partnership between the Australian Government's Reef Trust, the Great Barrier Reef Foundation with support from SRA. This is in addition to co-investment into SRA through the Commonwealth Department of Agriculture and Queensland Department of Agriculture and Fisheries.

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).

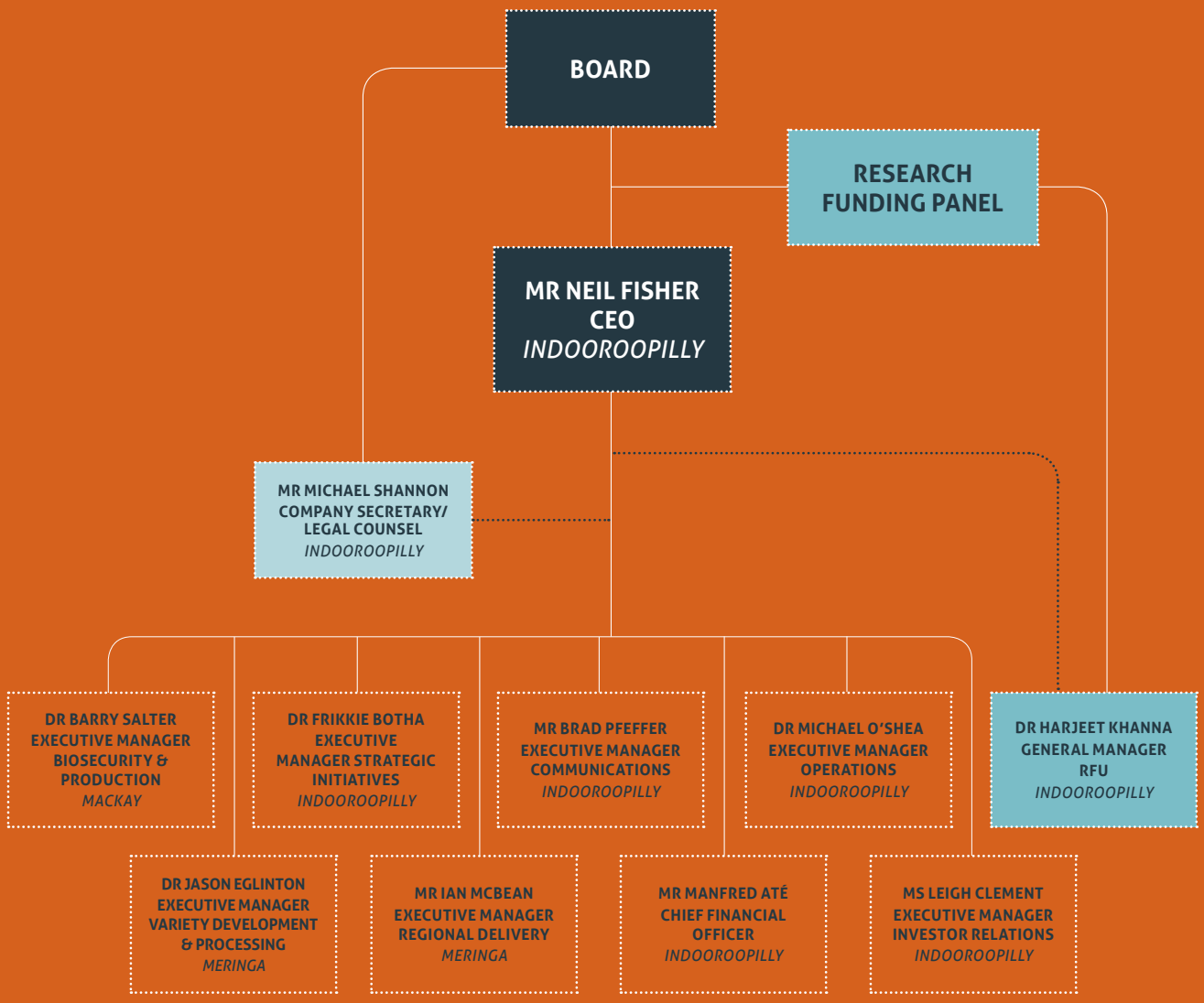
SRA continues to negotiate with other countries in ways that would enhance the genetic material being used in the industry's plant breeding. We are participating in a major collaborative project with the Sugarcane Breeding Institute in Coimbatore, India, to improve genetic control and genomic selection 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.

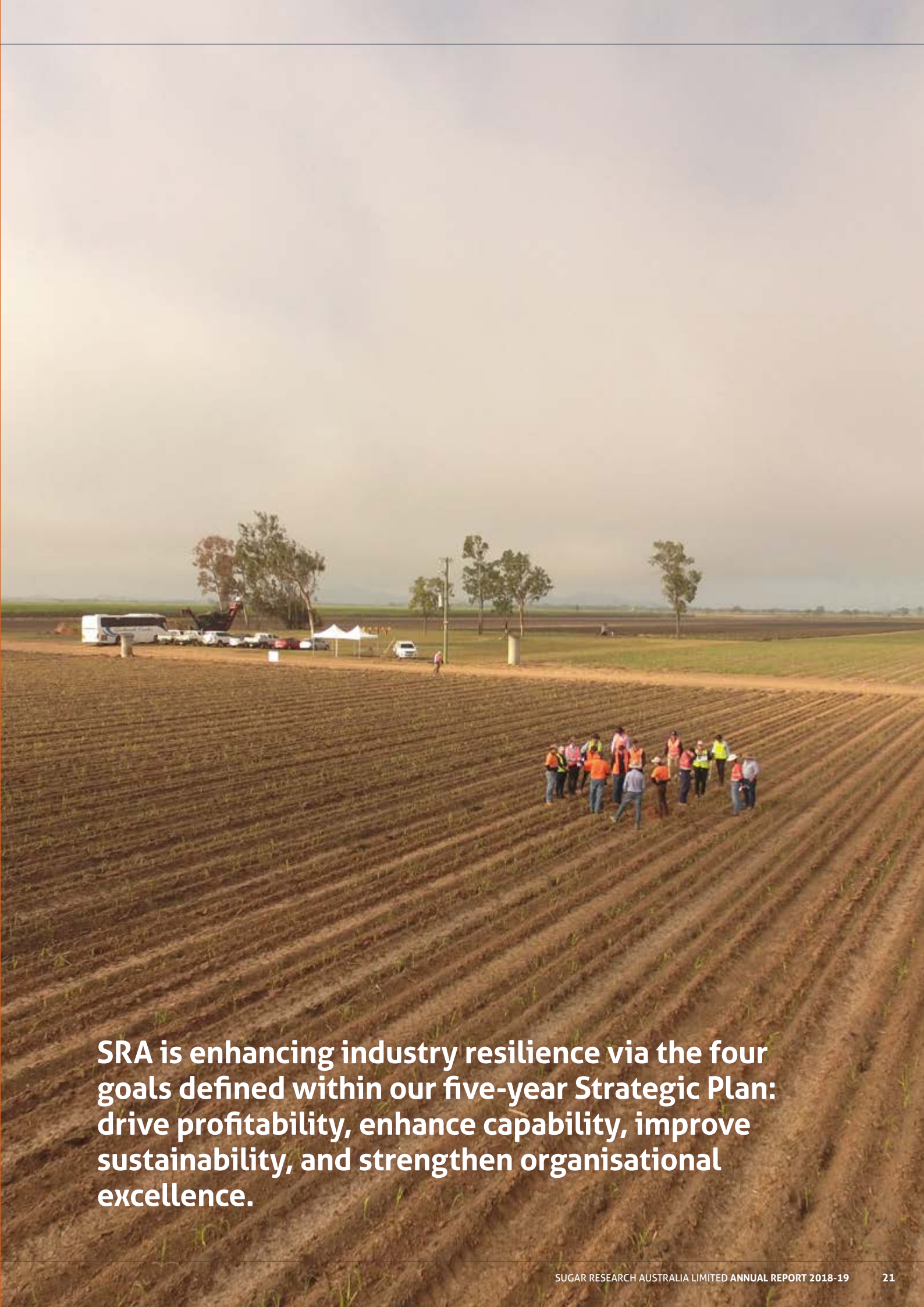
(Overpage) *Herbert Region growers and millers visiting the Southern Region as part of an SRA Travel and Learning Award.*

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 whom reports to the CEO. The CEO reports to the SRA Board.

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





SRA is enhancing industry resilience via the four goals defined within our five-year Strategic Plan: drive profitability, enhance capability, improve sustainability, and strengthen organisational excellence.

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 minor income from other sources, such as collaboration and interest.

This revenue enabled an investment of approximately $45.4 million in the 2018/19 financial year across the KFAs. In addition, SRA continues to leverage further investment opportunities through other major research programs to further drive positive outcomes for investors through programs such as Reef Trust, Rural R&D for Profit, and funders such as the Australian Centre for International Agricultural Research and the Department of Environment and Science. SRA undertakes these activities where they align with our strategic objectives and deliver value for our investors.

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

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

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

INVESTMENT PROGRAM

SRA operates a rigorous investment 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 investment 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 rigorous and robust evaluation of all applications, only those research projects that address industry issues and national priorities become part of SRA's investment portfolio. The RFP also receive guidance on research proposals through research advisory committees that include grower and miller representatives.

In addition, SRA has also created the Small Milling Research Projects (SMRP) investment scheme, to target immediate research priorities for the milling sector.

CORE FUNDING

SRA also undertakes core activities outside of contestable research, which are necessary activities as part of SRA's service provision for the industry and to ensure efficient operation of the organisation. This includes a large portion of the organisation's work in relation to plant breeding, biosecurity, and adoption, as well as functions of ensuring organisational efficiency through best-practice corporate services and support.

PEOPLE AND CAPABILITY

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 teamwork.

These values are focused on the dual outcomes of delivering results 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.

SRA congratulates Dr Danielle Skocaj and Mr Phil Patane being awarded joint winners of the President's medal at the Australian Society of Sugarcane Technologists (ASSCT) conference in May 2019 for their work respectively on nutrient management and harvesting efficiency. Also at the conference, Ms Amanda Johnson was awarded best poster for her poster entitled *Stalk Stamp – a simple, yet effective, new diagnostic test for detection of ratoon stunting disease in sugarcane.*

SRA Senior Technician, Ms Jill Jennings, received the Bundaberg Sugar "contribution to Productivity" award for the region in recognition of her outstanding work over the past 11 years on improving canegrub management, working towards reducing yield losses from soldier fly and investigating the cause of YCS.

SRA also make significant investments in capability through programs such as post-graduate scholarships, early- and mid-career researcher awards, and Travel and Learning Awards. These programs build the skills of industry participants, encourage innovative thinking, and deliver benefits for the greater industry.

We are also investing in the future of the industry through sponsorship of the NextGen program.

ENVIRONMENTAL SUSTAINABILITY

As the lead research agency for the Australian sugarcane industry, SRA plays a pivotal role investing in and researching activities related to nitrogen use and other issues concerning nitrogen use and the interaction between farming systems and water quality impacting the Great Barrier Reef.

SRA provides robust and independent research in this field and assists our industry investors to optimise productivity and profitability while also moving towards meeting water quality targets.

SRA investment ensures logical, scientific research in this area. SRA will continue to leverage its research funds to maximise research impact.

To achieve these objectives, SRA partners with a range of credible research agencies and co-investors.

SRA continues to leverage further investment opportunities to further drive positive outcomes for investors through programs such as Reef Trust, Rural R&D for Profit, and funders such as the Australian Centre for International Agricultural Research and the Department of Environment and Science.

(Below) *SRA Adoption Officer Mr Will Higham talks Pachymetra and varieties with growers at the Meringa water quality field day in 2019.*

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 (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 Contract (entitled "*Funding Contract 2017-2021*" (dated 4 August 2017) with the Commonwealth of Australia represented by the Department of Agriculture.

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 (4th edition).*

The Constitution, the Statutory Funding Contract and other documents and policies relevant to SRA's corporate governance framework (including a Governance Policy) are available on SRA's website at **sugarresearch.com.au**.

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 members of the Director Selection Committee;
- 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).

At the Annual General Meeting of SRA held on 25 October 2018, the amendments to the Constitution were as follows:

- Changes to allow SRA Directors to serve a term less than three years to enable better rotation of Directors;
- Removal of Rule 6(c) regarding the prohibition on SRA undertaking certain commercial activities;
- Removal of Delegates; and
- Some minor technical adjustments to certain rules regarding timing Performance Reviews and Director Selection Committee membership.

STATUTORY FUNDING CONTRACT

Under the Statutory Funding Contract 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 Contract 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 2019, there were 8 Group M members and 2390 Group G members.

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 2019 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, legal and compliance)*);
- 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 (including an understanding of benefits of economic analysis in relation to R&D projects); and
- Finance and business management.

As required by the Constitution, the Board undertook an annual review (prior to 30 June 2019) 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 31-34.

ROLE AND RESPONSIBILITIES OF THE BOARD

SRA's purpose is to undertake targeted RD&A programs for the Australian sugar industry. 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 in 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 25 October 2018. 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 2019, 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 regular Board meetings at a regional location. At these regional visits the Board meets with SRA staff, 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 SRA's Strategic and Operational Plans and 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.

CODE OF CONDUCT

The Constitution requires, and the Board has adopted, a Code of Conduct ("Code") for Directors, Senior Officers, 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.

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;
- People, Performance and Remuneration Committee;
- 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 nominated and appointed by the industry peak organisation.

The members of each Committee, together with each member's attendance at meetings are set out in the Director's Report on pages 29-37.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee 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 Dr Ron Swindells, Dr Helen Garnett (chair) and Mr Sam Bonanno as at 30 June 2019 and the date of this Annual Report. The Committee met four times during the financial year ending 30 June 2019.

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 investment;
- 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, the RFP consisted of Mr Gary Longden (Chair), Dr Jeremy Burdon, Dr Phillip Jackson, Mr Jeffrey Snoad, and Dr Guy Roth (SRA Board Director). The Committee met four times during the financial year ending 30 June 2019. The manager of the RFU and other members of the RFU attend by invitation.

THE PEOPLE, PERFORMANCE AND REMUNERATION (PPR) COMMITTEE

The PPR 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;
- To assist the Board in ensuring that the Company complies with all regulatory and accounting requirements for disclosure of remuneration; and
- To deal with policy development that focuses on the quality of the workplace such as staff policies, diversity, professional development, and indigenous issues.

The Committee is comprised of Mr Steve Guazzo (Chair), Ms Lindy Hyam and Mr Peter Russo as at 30 June 2019 and as at the date of this Annual Report. The committee met four times during the financial year ending 30 June 2019.

DIRECTOR SELECTION COMMITTEE

The Director Selection 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 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 25 October 2018) 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 on SRA's website at **sugarresearch.com.au.**

During the reporting period, the Committee comprised of Ms Kathryn Adams (Chair), Mr Paul Schembri (Group G Member representative), Mr Allan Dingle (Group G Member representative), Mr Shunjie Guo (Group M Member Representative), and Mr Stewart Norton (Group M Member Representative) (resigned 15 July 2019). The Industry Peak Organisation nominated and appointed Mr Andrew Capello as Group M Member Representative on 18 July 2019 to replace Mr Shunjie Guo.

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 (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 Contract (entitled "*Funding Contract 2017-2021*" (dated 4 August 2017) with the Commonwealth of Australia represented by the Department of Agriculture.

Under the Statutory Funding Contract, 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. SRA management is in the process of developing and enhancing the way SRA considers and identifies risks, and also how the Executive Team subsequently reports on these risks to the Audit and Risk Committee. This will include establishing a management risk committee which will meet to consider the list of risks and identification of new and emerging risks that may affect SRA.

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 IP SRA Policy and IP Management Plan has been developed and approved by SRA. The Policy is available on the SRA website **sugarresearch.com.au**. The IP Management Plan (as amended) has been submitted to the Department of Agriculture.

The SRA IP Policy and IP Management Plan supports 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.

SRA operates 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 2019

The Directors of Sugar Research Australia Limited ABN 16 163 670 068 ("Company" or "SRA") submit their report for the year ended 30 June 2019 ("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 2019, there were 8 Group M members and 2,390 Group G members. The total amount the members of the Company are liable to contribute if the Company is wound up for 2018/19 is $4,796.

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 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 financial result for the reporting period is $5,495 thousand loss (2018: $3,155 thousand loss), including:

- $6,377 thousand loss (2018: $4,159 thousand loss) from operating activities; and
- $882 thousand (2018: $1,004 thousand) of interest income.

PERFORMANCE MEASUREMENT

SRA's five-year Strategic Plan and Annual Operational Plans set out SRA's strategic and operational agenda, along with the Key Performance Indicators ("KPIs") by which delivery against this agenda is measured. The 2017/18 – 2021/22 Strategic Plan was developed in collaboration with SRA's industry and government investors and is underpinned by four impact-driven goals of profitability, improved sustainability, enhanced capability and organisational excellence.

SRA's Monitoring and Evaluation (M&E) Framework employs an impact pathway logic-based model to guide the assessment of SRA's performance against delivery of its Strategic and Annual Operational Plans. The primary mechanisms within SRA's M&E Framework include:

- Project milestone and output monitoring and reporting;
- Operational and strategic reporting to the Audit and Risk Committee;
- Six-monthly impact-pathway reporting, including traffic light reporting on output delivery;
- Six-monthly reporting on performance to the Commonwealth Department of Agriculture, as required under SRA's Statutory Funding Contract 2017-2021 with the Commonwealth Government ("**SFC**");
- Project and program impact assessments;
- Annual grower and miller surveys on practice change and investor satisfaction;
- Annual performance reports, including traffic light reporting against the KPIs in SRA's Strategic Plan and Annual Operational Plan;
- Independent Performance Reviews; and
- Cross Research and Development Corporations Impact Assessment Program.

The Audit and Risk Committee reviews, 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 uses feedback on its performance to continually improve the quality of its research and investment processes, programs and activities.

DIRECTORS

The names, particulars, 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 *FIE Aust, FAICD B.E. (Chem) (Hons), PhD*	Chairman – SRA Board 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. Dr Swindells has operated at the senior management level in a number of companies including: • Chief executive officer of Mackay Sugar for ten years • Bundaberg Sugar Company as Manager of Millaquin Mill and Bundaberg Refinery. More recently he has worked on a number of sugar-related consulting projects for various clients. Member - Audit and Risk Committee *(appointed 25 October 2018)*
Dr Helen Garnett PSM *BSc (Hons), PhD, FTSE, FAICD*	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. Dr Garnett is currently: • Chair, Generator Property Management Ltd • Director, Grains Research and Development Corporation • Director, Crawford Fund • Director, Developing East Arnhem Ltd. Member – Audit and Risk Committee *(appointed Chair – 25 October 2018)* Member – People, Performance and Remuneration Committee *(resigned 25 October 2018)*
Mr Steve Guazzo	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. 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. Mr Guazzo served directorships with: • Queensland Canegrowers Organisation Limited (Vice-Chairman) • CANEGROWERS Queensland Policy Council (Vice-Chair) • CANEGROWERS Herbert River (Chair). Mr Guazzo ceased those directorships effective as of 30 April 2015. Chairman – People, Performance and Remuneration Committee

DIRECTOR	EXPERIENCE, SPECIAL RESPONSIBILITIES AND INDEPENDENCE STATUS
Ms Lindy Hyam *B.Ed, Dip Teach, MBA, FAICD*	Ms Hyam has worked extensively in agriculture with engagement across more than 40 established, new and emerging commercial plant based and animal levy paying industries and their research communities. This includes sugar, addressing issues along the value chain ranging from grower based through to commercialisation of R&D outcomes, biosecurity and international marketing of product. Ms Hyam was previously a Director, Sugar Research and Development Corporation, Director, Plant Health Australia, Director, Rural Industries Research and Development Corporation, Director for Hort Research, New Zealand's Crown Research Institute for Horticulture and Food and Executive Director, Horticultural Research and Development Corporation (HRDC). Ms Hyam has over 20 years of leadership experience at board and CEO levels in the private and public sectors across urban and regional Australia and internationally with a diverse range of organisations of all sizes and governance structures. Ms Hyam is currently: • Board member of the State Local Land Services Board, a NSW Government Agency for improving primary production and natural resource management; and Chair of the Hunter region Local Land Services Board; • Chair, Hunter Valley Wine and Tourism Association (commenced November 2017); • Member, Tocal Agricultural College Advisory Council (commenced January 2018); and • Director, Hyam Consulting Pty Ltd. Ms Hyam is a Fellow of the Australian Institute of Company Directors. Member – People, Performance and Remuneration Committee
Dr Guy Roth *B Rural Science (Hons), Masters Applied Science, PhD*	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, farming systems and natural resource management for agriculture and rural communities. Dr Roth was formerly the Chief Executive Officer of the Cotton Catchment Communities Cooperative Research Centre and Program Manager for the National Program for Sustainable Irrigation. In 2016 Dr Roth was awarded the Cotton Industry's Researcher of the Year Award. Dr Roth is currently: • Director Northern Agriculture with The University of Sydney, Plant Breeding • Institute at Narrabri • Chair National Water Use in Agriculture RD&E strategy • Director – Roth Rural and Regional Pty Ltd Member – Research Funding Panel

DIRECTOR	EXPERIENCE, SPECIAL RESPONSIBILITIES AND INDEPENDENCE STATUS
Mr Sam (Salvatore) Bonanno *B.E. (Mechanical), Adv Dip Business Management, GAICD*	*Appointed 25 October 2018* Mr Sam Bonanno is an independent management consultant, a director and executive with more than 35 years' experience in mining/resources and agriculture, particularly infrastructure and logistics operations, in Australia and overseas. Mr Bonanno has experience in strategic planning and implementation, commercial negotiations, business planning, operations management, asset management, project management, materials processing and bulk supply chain management. Mr Bonanno has held four non-executive board positions in Australia—with three key industry-wide service providers and a government corporation for regional economic development—as well as being a director and chair of a global industry association for bulk export coal ports and terminals. Mr Bonanno is currently serving directorships with: • STL - Sugar Terminals Limited • CQU - Central Queensland University: Member of the Strategic Planning and Projects Committee, University Council Member – Audit and Risk Committee *(appointed 25 October 2018)*
Mr Peter Russo *MAICD*	*Appointed 25 October 2018* Mr Peter Russo has over 40 years of experience in sugarcane growing and milling. Working in a farming partnership with his two sons in the Childers region, Mr Russo is knowledgeable in all aspects of sugarcane farming and is particularly passionate about the adoption of innovative practices ranging from irrigation to land management to harvesting. Mr Russo is Chairman of the Board of the Isis Central Sugar Mill and has served on the Board since 1990. Mr Russo has served on various committees while on the Isis Central Sugar Mil Board and has also previously been a Board member of St Luke's Anglican School, Bundaberg. Mr Russo is currently serving directorships with: • Isis Central Sugar Mill Co Ltd • PNR Nuts Pty Ltd Member – People, Performance and Remuneration Committee *(appointed 25 October 2018)*

DIRECTOR	EXPERIENCE, SPECIAL RESPONSIBILITIES AND INDEPENDENCE STATUS
Dr Ian Johnsson *B. Rural Science (Hons), PhD, GAICD*	*Director (1 July 2018 – 25 October 2018)* *Resigned (25 October 2018)* 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. 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. 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. 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. Dr Johnsson is currently: • 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. Member – Audit and Risk Committee *(Resigned 25 October 2018)*
Mr Ian Sampson *B. Comm, LLB, FAICD*	*Director (1 July 2018 – 25 October 2018)* *Resigned (25 October 2018)* 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. 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. 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. Mr Sampson is currently serving directorships with: • The Leadership Foundation Pty Ltd; • 139 Club Ltd; • Relationships Australia Queensland Ltd (commenced May 2018); and • Multinail Australia Pty Ltd (resigned October 2018). Chairman – Audit and Risk Committee *(Resigned 25 October 2018)*

COMPANY SECRETARY	
Mr Michael Shannon *BA LLB (Hons), GradDipACG, GAICD*	Company Secretary and Legal Counsel 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. 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. 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. 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.

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 & COMMITTEE MEETINGS 1 JULY 2018 TO 30 JUNE 2019*						
	Full Board			Board Committees		
	Scheduled	Meetings held between scheduled Board meetings	Total	Audit & Risk	People, Performance & Remuneration	Research Funding Panel
Dr Ron Swindells	6^ [6]	Nil	6 [6]	2 [3]^^	1 [2]	-
Dr Helen Garnett	6 [6]	Nil	6 [6]	4^ [4]	-	-
Mr Steve Guazzo	6 [6]	Nil	6 [6]	-	2^ [2]	-
Ms Lindy Hyam	6 [6]	Nil	6 [6]	-	2 [2]	-
Dr Ian Johnsson**	2 [2]	Nil	6 [6]	1 [1]	-	-
Dr Guy Roth	6 [6]	Nil	6 [6]	-	-	4 [4]
Mr Ian Sampson**	2 [2]	Nil	6 [6]	1^ [1]	-	-
Mr Salvatore Bonanno***	3 [4]	Nil	3 [4]	3 [3]~	-	-
Mr Peter Russo***	4 [4]	Nil	4 [4]	-	2 [2]~	-

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 also 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 4 meetings during the reporting period.*

*** Resigned as Director and committee member – effective as of 25 October 2018*
**** Appointed as Director – effective as of 25 October 2018*

^ Indicates Chair. (Mr Sampson chaired 1 ARC meeting before resigning on 25 October 2018 and Dr Garnett was appointed ARC Chair effective 25 October 2018.)

^^ Dr Swindells attended meetings as SRA Board chair prior to appointment as ARC member – 25 October 2018

~ Appointed as committee member – effective as of 25 October 2018

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 2018/19* 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.

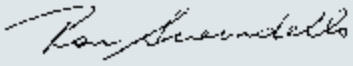
REGISTERED OFFICE

50 Meiers Road
Indooroopilly
Qld 4068

AUDITOR'S INDEPENDENCE

The Auditors Independence Declaration in relation to the audit for the year ended 30 June 2019 as required under section 307C of the *Corporations Act* 2001 (Cth) has been received by the Company and is included on page 56-57 and forms part of the Directors' report for the reporting period ended 30 June 2019.

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



Ron Swindells (Chairman)

Sam Bonanno (Director)

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Statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

in thousands of dollars	Notes	Year ended 30 June 2019	Year ended to 30 June 2018
Revenue	*4*	38,554	40,695
Other revenue	*5*	468	344
		39,022	41,039
Employee benefits		20,112	19,709
Operating expenses	*6*	23,486	24,091
Depreciation and amortisation	*12,13*	1,801	1,398
		45,399	45,198
Results from operating activities		(6,377)	(4,159)
Finance Income		882	1,004
Profit (Loss) for the period		(5,495)	(3,155)
Other comprehensive income		-	-
Total comprehensive income		(5,495)	(3,155)

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 2019

in thousands of dollars	Notes	2019	2018
Assets			
Cash and cash equivalents	*8*	29,541	37,228
Trade and other receivables	*10*	3,283	3,009
Prepayments		446	565
Assets held for sale	*11*	-	74
Total current assets		33,270	40,876
Property, plant and equipment	*12*	30,822	28,095
Intangible assets	*13*	1,760	1,456
Total non current assets		32,582	29,551
Total assets		65,852	70,427
Liabilities			
Trade and other payables	*14*	4,713	3,788
Employee benefits		2,152	2,044
Total current liabilities		6,865	5,832
Employee benefits		406	519
Total non current liabilities		406	519
Total liabilities		7,271	6,351
Net assets		58,581	64,076
Equity			
Retained earnings		58,581	64,076
Total equity		58,581	64,076

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 2019

in thousands of dollars	2019	2018
Opening balance	64,076	67,231
Total comprehensive income		
Profit / (Loss)	(5,495)	(3,155)
Other comprehensive income	-	-
Total comprehensive income for the period	(5,495)	(3,155)
Closing balance	58,581	64,076

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 2019

in thousands of dollars	Notes	2019	2018
Operating activities			
Receipts from Statutory Authority and industry		38,635	42,782
Payments to suppliers and employees		(42,560)	(42,892)
Net cash used in operating activities	9	(3,925)	(110)
Investing activities			
Interest received		882	1,004
Payments to acquire property, plant and equipment	12	(4,430)	(3,335)
Proceeds from sale of property, plant and equipment		116	226
Payments to acquire intangibles and other long term assets	13	(330)	(397)
Net cash used in investing activities		(3,762)	(2,502)
Financing activities			
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		(7,687)	(2,612)
Cash and cash equivalents at beginning of period		37,228	39,840
Cash and cash equivalents at end of period	8	29,541	37,228

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

Notes to the financial statements

For the year ended 30 June 2019

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 30 August 2019.

(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

AASB 9 replaces the provision of AASB 139 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Investment and other financial assets

Classification

From 1 July 2018, the Company classifies its financial assets in the following measurement categories:

- Those measured subsequently at fair value (either through Other Comprehensive Income, or through profit or loss), and
- Those measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or Other Comprehensive Income.

The Company reclassifies debt investment when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments: Subsequent measurement of debt instruments are done under the amortised cost method. This is based on the Company's business model for managing asset and cash flow characteristics of the asset.

Assets that are held for collection on contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets in included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Impairment losses are presented as separate line items in the statement of profit or loss.

3. Significant accounting policies (continued)

(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.

(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:

	2019	2018
• 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.

3. Significant accounting policies (continued)

(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:

	2019	2018
• 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.

(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.

3. Significant accounting policies (continued)

(j) Impairment (continued)

(i) Non-derivative financial assets (continued)

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.

(ii) 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.

(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	2019	2018
Industry contribution (i)	22,401	23,674
Commonwealth matching contribution (i)	6,599	6,738
Queensland government income (iii)	3,475	4,031
Commonwealth government grant income (ii)	636	1,149
Collaboration income (iv)	4,913	4,439
Sale of cane	530	664
	38,554	40,695

(i) Industry contribution and Commonwealth matching contribution

A statutory funding contract 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.

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	2019	2018
Lease and rental income	155	130
Sundry income	200	102
Profit (loss) on sale of asset	113	112
	468	344

6. Operating expenses

in thousands of dollars	2019	2018
External research providers	10,017	10,280
Asset and property management	3,347	3,360
Professional and consulting	4,109	4,294
Research consumables	1,384	1,705
Industry consultation	597	694
Registration, subscriptions and licences	711	602
Telecommunications	485	496
Other operating costs	2,836	2,660
	23,486	24,091

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	2019	2018
Less than one year	524	602
Between one and five years	574	524
More than five years	120	121
	1,218	1,247

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.

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	2019	2018
Bank balances	6,404	2,559
Call deposits	23,137	34,669
Cash and cash equivalents	29,541	37,228
Cash and cash equivalents in the statement of cash flows	29,541	37,228

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	2019	2018
Profit (Loss) for the period	(5,495)	(3,155)
Adjustments for:		
Depreciation and amortisation	1,801	1,398
Interest received	(882)	(1,004)
Profit from sale of property, plant and equipment	(113)	(113)
Change in working capital and provisions:		
Decrease / (Increase) in trade and other receivables, and prepayments	(155)	1,737
Increase in payables	923	938
(Decrease) / Increase in provisions for employee benefits	(4)	89
Net cash used from operating activities	(3,925)	(110)

10. Trade and other receivables

in thousands of dollars	2019	2018
Accrued income	1,316	1,322
Other trade receivables	1,967	1,687
	3,283	3,009
Current	3,283	3,009
Non-current	-	-
	3,283	3,009

11. Assets held for sale

At 30 June 2019, the assets held for sale comprised of the following assets.

in thousands of dollars	*Note*	2019	2018
Property, plant and equipment			
Cost	*12*	-	79
Accumulated Depreciation	*12*	-	(5)
		-	74

There are no liabilities attached to these assets.

12. Property, plant and equipment

in thousands of dollars	*Note*	Land and buildings	Plant and equipment	Office equipment	Total
Cost					
Balance at 1 July 2018		21,768	11,881	855	34,504
Additions		3,437	907	86	4,430
Reclassification from assets held for sale	*11*	-	-	-	-
Disposals		-	(65)	-	(65)
Balance at 30 June 2019		25,205	12,723	941	38,869
Accumulated depreciation and impairment losses					
Balance at 1 July 2018		(1,461)	(4,225)	(649)	(6,335)
Depreciation for the period		(378)	(1,305)	(92)	(1,775)
Reclassification from assets held for sale	*11*	-	-	-	-
Disposals		-	63	-	63
Balance at 30 June 2019		(1,839)	(5,467)	(741)	(8,047)
Carrying amounts					
at 1 July 2018		20,307	7,656	206	28,169
at 30 June 2019		23,366	7,256	200	30,822

in thousands of dollars		Land and buildings	Plant and equipment	Office equipment	Total
Cost					
Balance at 1 July 2017		20,512	9,773	832	31,117
Additions		1,178	2,134	23	3,335
Reclassification to assets held for sale	*11*	79	-	-	79
Disposals		(1)	(26)	-	(27)
Balance at 30 June 2018		21,768	11,881	855	34,504
Accumulated depreciation and impairment losses					
Balance at 1 July 2017		(1,141)	(3,278)	(552)	(4,971)
Depreciation for the period		(315)	(963)	(97)	(1,375)
Reclassification to assets held for sale	*11*	(5)	-	-	(5)
Disposals		-	16	-	16
Balance at 30 June 2018		(1,461)	(4,225)	(649)	(6,335)
Carrying amounts					
at 1 July 2017		19,371	6,495	280	26,145
at 30 June 2018		20,307	7,656	206	28,169

As at 30 June 2019, $235 thousand (2018: $1,410 thousand) of acquired assets were under construction.

13. Intangible assets

in thousands of dollars	Software	Intellectual Property	Total
Cost			
Balance at 1 July 2018	1,637	8,900	10,537
Additions	330	-	330
Balance at 30 June 2019	1,967	8,900	10,867
Accumulated amortisation and impairment losses			
Balance at 1 July 2018	(181)	(8,900)	(9,081)
Amortisation for the period	(26)	-	(26)
Impairment loss	-	-	-
Balance at 30 June 2019	(207)	(8,900)	(9,107)
Carrying amounts			
at 1 July 2018	1,456	-	1,456
at 30 June 2019	1,760	-	1,760

in thousands of dollars	Software	Intellectual Property	Total
Cost			
Balance at 1 July 2017	1,240	8,900	10,140
Additions	397	-	397
Balance at 30 June 2018	1,637	8,900	10,537
Accumulated amortisation and impairment losses			
Balance at 1 July 2017	(158)	(8,900)	(9,058)
Amortisation for the period	(23)	-	(23)
Impairment loss	-	-	-
Balance at 30 June 2018	(181)	(8,900)	(9,081)
Carrying amounts			
at 1 July 2017	1,082	-	1,082
at 30 June 2018	1,456	-	1,456

As at 30 June 2019, $1,696 thousand (2018: $1,405 thousand) of acquired intangible assets were under construction.

Impairment charge

In the year ended 30 June 2019, there was 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	2019	2018
Trade payables	2,971	3,340
Other payables and accrued expenses	1,742	448
	4,713	3,788
Current	4,713	3,788
Non-current	-	-
	4,713	3,788

15. Employee benefits

Defined contribution superannuation plans

The Company has paid contributions of $1,693 thousand (30 June 2018: $1,724 thousand) to defined contributions plans on behalf of employees for the reporting period.

16. Contingencies and commitments

The Company has outstanding milestone commitments of $14,730 thousand as at 30 June 2019 (2018: $17,429 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 2,390 (2018: 2,404) group G members and 8 (2018: 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 2019, the Company did enter into transactions with related parties totalling $4,847 (2018: $ nil).

These transactions related to the rendering of professional services to various workshops ($4,407) and the supply of cane for chopper rig trials ($440).

These transactions were conducted on an arm's length basis and on normal commercial terms.

No amounts remain outstanding or commitments as at 30 June 2019.

(ii) Key management personnel compensation

The key management personnel compensation was $3,062,592 (2018: $2,265,536) for the reporting period.

The increase in key management personnel compensation reflects succession planning and timing/overlap of transitioning senior personnel.

19. Events occurring after the reporting date

The financial report was authorised for issue on 30 August 2019 by the Board of Directors.

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

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 38 to 55 are in accordance with the Corporations Act 2001, including:

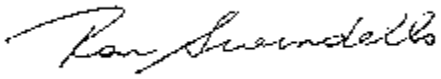
(i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance, for the financial period ended on that date; and

(iii) 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 30 August 2019.



Ron Swindells

Director

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

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

As lead auditor of Sugar Research Australia Limited for the year ended 30 June 2019, 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.

K L Colyer
Director

BDO Audit Pty Ltd

Brisbane, 30 August 2019

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

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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 2019, 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 2019 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 directors' report, but does not include the financial report and our auditor's report thereon.

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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_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

K L Colyer
Director

Brisbane, 30 August 2019

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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 2018–19 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 Contract (SFC) 2017-2021.

ANNUAL REPORTING REQUIREMENTS	WHAT SRA DELIVERED 2018–2019 FINANCIAL YEAR
Annual Report requirements — SRA Constitution (rules 22.6, 24.3)	
The Board must include in the Annual Report for each financial year: • a report on the operations of the Committees specified in the Constitution during the year; and • a report on the operations of the code of conduct during the year including how the Board dealt with material breaches (if any).	*Annual Report 2018–19 pp 25-28* includes a report on the operations of each Committee; and *Annual Report 2018–19 pp 26* includes a report on the operations of the SRA Code of Conduct.
Annual reporting to members of a company limited by guarantee — *Corporations Act 2001* (Cth) (section 316A)	
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: • the financial report; and • the directors' report; and • the auditor's report. 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: • 21 days before the next AGM after the end of the financial year; and • four (4) months after the end of the financial year.	*Annual Report 2018–19 pp 29-58* contains the financial report, directors' report and auditor's report. Members have been advised in the Notice of Annual General Meeting dated on or about 20 September 2019 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. An electronic copy was made available to the members via the SRA website at www.sugarresearch.com.au.
Laying reports before AGM — *Corporations Act 2001* (Cth) (section 317)	
The directors of a public company must lay before the AGM: • the financial report; and • the directors' report; and • the auditor's report, for the last financial year that ended before the AGM.	*Annual Report 2018–19* to be presented to AGM scheduled for 24 October 2019.

ANNUAL REPORTING REQUIREMENTS	WHAT SRA DELIVERED 2018–19 FINANCIAL YEAR
Lodging Annual Report with ASIC — *Corporations Act 2001* (Cth) (section 319)	*Annual Report 2018–19* to be sent to ASIC within four months after the end of the financial year.
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.	
Annual Report to include any direction from the Minister — *Sugar Research and Development Services Act 2013* (Cth) (section 11(4))	No written direction from the Minister for Agriculture pursuant to section 11 of the *Sugar Research and Development Services Act 2013* (Cth), was given to SRA as Industry Services Body during the financial year.
The Industry Services Body must, within 14 days of lodging a financial report (the annual report), give the Minister for Agriculture, Senator the Hon. Bridget McKenzie, a copy of the report. The report must comply with section 295 of the *Corporations Act 2001* (Cth) and section 11 of the *Sugar Research and Development Services Act 2013* (Cth).	
Provision of Annual Report to the Commonwealth – Statutory Funding Contract (Section 33)	*Annual Report 2018–19:* four copies to be provided to the Department of Agriculture (Cth) by 31 December 2019. *Annual Report 2018–19 pp 24* includes coverage of matters listed in clauses 33.2(a)–(m) of the Statutory Funding Contract.
SRA to do certain things as follows: • must prepare an annual report complying with the *Corporations Act 2001* (Cth) and the requirements of the Statutory Funding Contract; and • must provide four copies to the Commonwealth by 31 December 2019 and • the annual report to include a reasonably comprehensive coverage of matters listed in clauses 33.2(a)–(m) of the Statutory Funding Contract.	

Appendix B

ALIGNMENT TO INDUSTRY AND GOVERNMENT PRIORITIES

STAKEHOLDER PRIORITIES	SRA KEY FOCUS AREAS								
	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	9. ORGANISATIONAL EFFECTIVENESS
National Sugarcane Industry RD&E Strategy – Themes [15]									
1. Products: Expanding uses for sugarcane	■			■	■	■	■	■	
2. Productivity: Achieving significant productivity gains and increasing adoption	■	■	■	■	■	■	■	■	■
3. Stewardship: Improving environmental performance and industry's social licence		■	■	■	■	■	■	■	■
4. People: Building the capability of industry and research							■	■	■
National Science and Research Priorities [16]									
1. Food	■		■	■	■	■	■	■	■
2. Soil and water	■	■	■	■	■		■	■	■
3. Transport					■	■		■	
4. Cybersecurity									
5. Energy							■	■	
6. Resources									
7. Advanced manufacturing	■		■	■	■	■	■	■	■
8. Environmental change	■	■	■	■	■		■	■	■
9. Health									
Rural RD&E Priorities [17]									
1. Advanced technology	■		■	■	■	■	■	■	■
2. Biosecurity	■		■				■	■	■
3. Soil, water and managing natural resources	■	■	■	■	■		■	■	■
4. Adoption of R&D	■	■	■	■	■		■	■	■
Queensland Department of Agriculture and Fisheries – Theme Areas for Sugarcane Research Investment [18]									
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							■		

[15] *National Sugarcane Industry RD&E Strategy*, 2017.
[16] *National Science and Research Priorities*, Australian Government, 2015.
[17] *Rural RD&E Priorities*, Agricultural Competitiveness White Paper, Australian Government, 2015.
[18] *Department Strategic Objectives for funding projects for SUGARCANE*, Queensland Department of Agriculture and Fisheries, 2018.

Appendix C

EXPENDITURE AGAINST NATIONAL RESEARCH PRIORITIES

The table details SRA's total expenditure for 2018/19 allocated against each of the National Science and Research Priorities and the Rural RD&E Priorities.

STAKEHOLDER PRIORITIES	TOTAL INVESTMENT 2018–19			
	FORECAST[1]		ACTUAL	
	($K)	%	($K)	%
National Science and Research Priorities[2]				
1. Food	22,855	46%	21,479	47%
2. Soil and water	7,581	15%	6,734	15%
3. Transport	490	1%	644	1%
4. Cybersecurity	-	-	-	-
5. Energy	517	1%	669	1%
6. Resources	-	-	-	-
7. Advanced manufacturing	1,812	4%	1,838	4%
8. Environmental change	4,352	9%	3,476	8%
9. Health	-	-	-	-
*Other**	**11,995**	24%	10,416	23%
Total	**49,602**	**100%**	**45,401**	**100%**
Rural RD&E Priorities[3]				
1. Advanced technology	13,626	28%	12,718	28%
2. Biosecurity	9,489	19%	8,997	20%
3. Soil, water and managing natural resources	8,522	17%	8,574	19%
4. Adoption of R&D	5,970	12%	4,807	11%
*Other**	11,995	24%	10,421	23%
Total	**49,602**	**100%**	**45,401**	**100%**

[1] As forecast in *SRA Annual Operational Plan 2018/19.*
[2] *National Science and Research Priorities,* Australian Government, 2015.
[3] Rural RD&E Priorities, *Agricultural Competitiveness White Paper,* Australian Government, 2015.
* Other includes unallocated research, R&D management and corporate support.

***(Left)** SRA Technician Ms Mikayla Bowman and Mr Len Bradshaw preparing sugarcane seed or "fuzz" for germination at Mackay.*

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