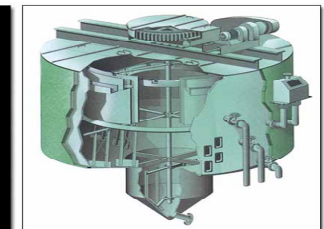
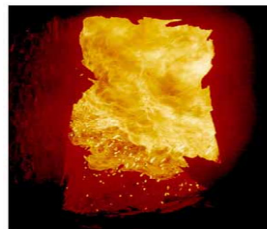
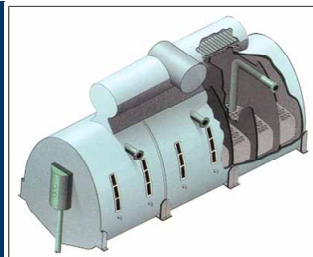
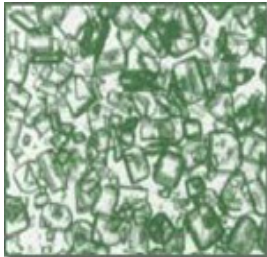


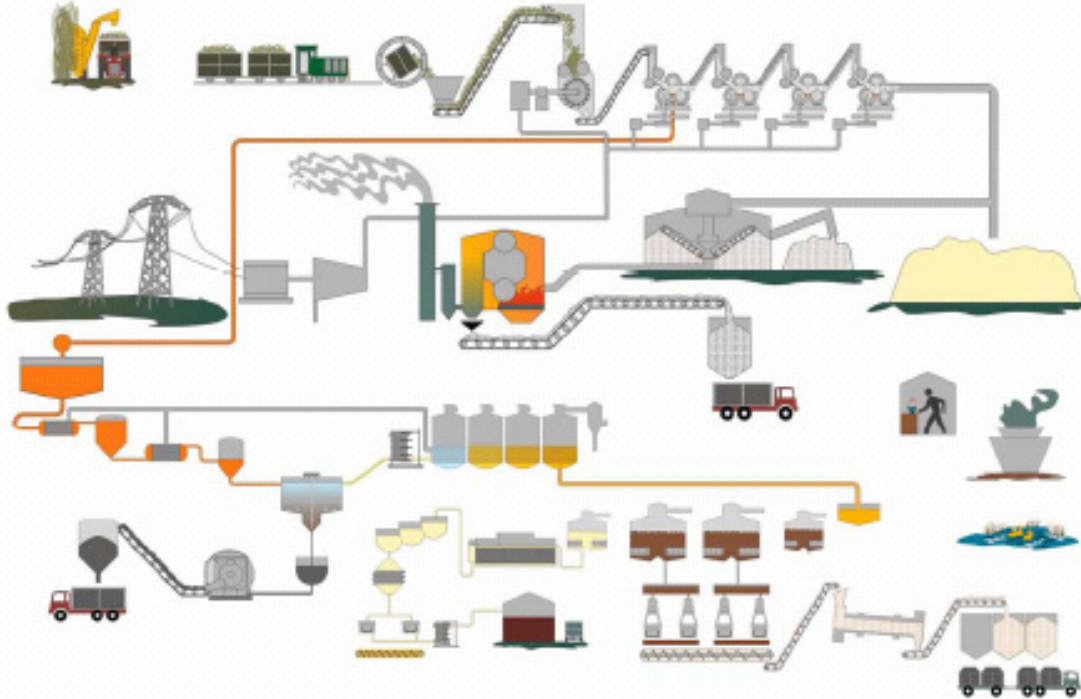


SUGAR RESEARCH LIMITED

ANNUAL REPORT

2010





STATEMENT OF ORGANISATIONAL PURPOSE

Organisational purpose

Sugar Research Limited is committed to its mission to deliver world class technology solutions that underpin the global competitiveness, sustainability and profitability of SRL's stakeholders across the sugar industry.

Our owners

Our owners are our member mills and the assets of the company are maintained and enhanced to their benefit.

Our customers

Our customers are our member mills, overseas affiliates, and sugar industry participants globally. SRI services a broad customer base and actively works with non-sugar industries.

What do we deliver?

Innovative technology solutions.

Our key values

- Excellence – innovation within the commercial dimension.
- Customer focus – a focus on customer needs and commitment to their business success.
- Member value – managing the company's assets for the benefit of members.
- Staff – motivated, energetic people reaching their potential.
- Collaboration – relationships that optimise resources to deliver value.

COMPANY PROFILE

Sugar Research Limited, trading as Sugar Research Institute (SRI) was founded in 1949. It is the major research and development provider to the Australian raw sugar milling industry. It has 25 Queensland and New South Wales mills as its members. SRL has changed its core focus from fundamental, strategic and commercial research projects to marketing and better understanding our clients' technology, processing and business needs. The delivery of innovative technological solutions to its customers is now achieved through its affiliation with QUT.

SRL has access to a wide range of expertise, including QUT research staff of engineers and scientists with professional qualifications in chemical, mechanical, civil or electrical engineering, computing, materials science, chemistry or microbiology.

SRL's activities focus on securing research projects to deliver innovative solutions in these fields:

- cane harvesting and transport; cane preparation, milling and diffusion;
- juice clarification, heating and evaporation;
- sugar crystallisation, separation and drying;
- process control;
- steam generation, energy systems and bagasse handling;
- sugar quality;
- by-product utilisation;
- sugar value-adding and by-product processing;
- environmental and waste management;
- methods of analysis; and
- sugar refining.

SRL has access to a range of process control instrumentation and markets various designs for process equipment and systems. It also brokers specialist consultancy services outside the Australian raw sugar milling industry, although members' requirements are the highest priority.

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About the SRL Concise Annual Report

Sugar Research Limited is continuing the practice of both phasing out hard copies and of condensing content, but still satisfy member and interested reader requirements.

This Annual Report contains general overviews on SRL's major activities and the company's financial information. The 2010 report is available via the internet through our website at www.sri.org.au.

We hope you enjoy our 2010 Annual Report.

CHAIRMAN'S REPORT

I am pleased to report the company has again achieved a satisfactory performance for the year ended 31 December 2010. This is especially significant given the challenges of the global financial crisis and its after effects.

The increased value of the Australian dollar coupled with reduced access to funding has resulted in a continued decline of international consulting work. As outlined in previous reports, the company is facing this challenge by implementing a changed international market penetration strategy. We have entered into licensing relationships with companies in Brazil and China who are actively increasing sales reach and volume. During the year we have held productive negotiations with an Indian company who owns and operates sugar mills, has complete sugar milling equipment fabrication facilities and has won significant greenfield and retrofit projects in India and North Africa. We have undertaken a detailed due diligence process and I anticipate progressing to a formal agreement early in 2011.

While the growth of our international business is important to secure financial sustainability, our highest priority continues to be the understanding of members' needs and the delivery of service to meet those needs.

In my 2009 report, I outlined the scholarship initiative which was implemented this year to meet the goals of undertaking more blue sky research on a cost-effective basis and to confront succession issues. Four scholarships have been awarded and I am pleased to be able report the successful progression of sugar milling related research projects. At an appropriate time we will arrange for a presentation of the research projects to interested members. I wish to acknowledge the participation of SRDC and QUT in this initiative.

Last year, I also touched on a number of issues which QUT was confronting and were impacting on our partnership and the operational model. At that time, I mentioned that your directors were working through modification to our operational model which was largely driven by QUT's request for change.

QUT's major drivers for change include:

- Overcome 'field of Interest' restrictions to be able to win major research projects;
- Changes to Federal Government 'block grant' provisions;
- QUT culture and environment not conducive for consulting activity;
- Employment contracts due for review.

The first half of 2010 saw a significant amount of work and discussions with QUT which lead to the development of an agreed 'term sheet' which was to be the basis of a new Joint Venture between Sugar Research Limited and QUT.

In August, the General Manager and I visited all mill groups to provide a presentation on the work that had been undertaken, where discussions with QUT were then at and to outline likely changes to the operational model together with benefits of the changed model.

As part of their due diligence process, QUT contracted BDO Kendalls to review the business model and financial models. As a result of this review, QUT has decided not to progress discussions on the establishment of a Joint Venture and are seeking to achieve their preferred changes by alternate means.



Mr Mark Hochen
Chairman
Sugar Research Limited

At the same time, the General Manager and I have participated in interviews and workshops organized by Port Jackson Partners as part of ASA's review of our industry's R, D and E structure, undertakings and outcomes. Together with my fellow directors of Sugar Research Limited, I look forward to continuing to positively contribute to this review and implementing agreed-upon outcomes.

As in recent years, I am once again able to positively report on the long term health of the company with achieving a positive financial result, comprising an operational profit and an increase in investment revenues.

I would like to take this opportunity to thank the General Manager John Kenny and his management team for their commitment, particular in regard to meeting members' needs.

Mr Mark Hochen

Chairman

Sugar Research Limited

GENERAL MANAGER'S REPORT

A number of domestic factors such as the early end of the harvest brought on by poor weather conditions resulted in a 29% fall of member consulting revenue for the year ended 31 December 2010. The company's gross income was further impacted through a 27% decline in international consulting and a 44% decrease in instrument sales when compared to 2009 results. Instrument sales results were affected by a boiler explosion in a greenfield project in Indonesia causing delay to the commissioning of the new factory. Revenue from instrument sales for this project will be recognised when the factory is commissioned in mid 2011.

Notwithstanding the fall off in revenue, the company achieved an operational profit contributing to an overall profit of \$274,421.

The company is putting in place alternate export market penetration strategies to address price sensitivity issues and other factors which have negatively impacted on our international business since the GFC.

Perhaps one of the most pleasing results for 2010 was the progression of four research proposals through to the Full Project Proposal stage of the SRDC process. These four proposals which have gained substantial member support are:

- Improving the performance and specification of evaporator stations;
- Biomass characterization facility for extended stockpile model accuracy and capability;
- Increasing harvest and transport efficiency through the use of locomotive GPS data; and
- Evaluating Brazilian mud filtration technology to benefit Australian factories.

Once again, a comprehensive member consultative process was followed to develop the research concepts which were submitted to SRDC. Six visitation rounds on member mills were undertaken in 2010. In addition an excellent member representation was achieved for the Sugar Research Committee meeting held in Brisbane

in July.

On 15 April, 35 representatives from all member mills except Tully participated in a Fibre value-add forum which our Chairman, Mr. Mark Hochen facilitated. The forum was organized as a result of feedback from members and we will continue to run similar events seen to be of interest to our members.

The highly successful and well regarded Regional Research Program was run during the period 14 to 29 April and the various training courses were conducted during the March/April period.

As mentioned last year, member feedback on the need for succession planning for key consulting/researcher resources to ensure the continued delivery of specialist technical capability has resulted in the implementation of the Sugar Technology Innovation Scholarship Scheme (STISS) initiative.

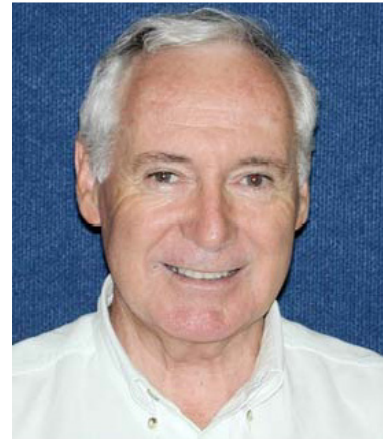
A January 2010 call for applicants resulted in 8 applications out of which 2 PhD and 2 Masters programs were awarded. At an appropriate time during 2011 a seminar will be held to provide the 4 scholarship holders the opportunity to present a short overview of their respective research programs to member representatives.

In addition to the \$300,000 commitment for the STISS, directors also agreed to fund the 4 under-mentioned research projects with a total commitment of \$171,062 from Sugar Research Limited's Research Investment Fund:

- Determine sizings for SRI CVPs
- Functional description documents for control of SRI CVPs
- DEA modelling techniques to screen novel non-pneumatic separation concepts for low cost trash recovery

Upgrade the SRI chute height sensor and digital brix transducer.

The projects have progressed beyond the initial investigative stage and are due for completion in mid 2011.



Mr John Kenny
General Manager
Sugar Research Limited

Our Cane Supply and Transport group continues to provide expertise and guidance to mills in this important area. On behalf of our members we have had significant interaction with rail organisations and safety regulators throughout 2010, covering topics such as level crossing safety, incident management, operator proficiency training and documented standards.

Our rail transport software tools are used by all Australian railway mills to manage and plan transport operations, and they continue to be actively developed through mill support and joint mill/ SRDC supported projects.

Management continues to work collaboratively with directors to develop and implement continuous improvement to our business model and processes in our commitment to deliver the best possible service to members.

Mr John Kenny
General Manager
Sugar Research Limited

Financial Report

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DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 31 December 2010.

GENERAL INFORMATION

Directors

The names of the directors in office at any time during, or since the end of, the year are:

M Hochen (Chairman)

J C Pratt (Deputy Chairman)

J A Johnstone

L J Watson

B O'Kane

R C Wissler

M McArdle (Alternate Director for R C Wissler — appointed 31 March 2010)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

I Freiberg

Experience: 41 years experience in Public Accountancy practices, primarily in Business Services division encompassing preparation of small business annual financial accounts and income tax returns; maintaining company registers and minute books in terms of ASIC requirements; superannuation fund financial reporting administration for ATO compliance; and assist in audit team of the public accountancy practices from time to time when additional staffing was required.

Appointed as secretary to the company on 1 April 2008.

Principal Activities

The principal activities of Sugar Research Limited during the financial year were sales and marketing, including contract and billings management of technological research and development projects completed by the Queensland University of

Technology in respect of aspects of cane processing for the production of sugar and associated products. A further function of the company is the commercialisation of relevant innovative research outcomes and the transfer of technology to the Australian and international sugar industry.

No significant change in the nature of these activities occurred during the year.

BUSINESS REVIEW

Operating Results

The profit from ordinary activities amounted to \$274,421 (2009: \$641,501).

Dividends paid or declared

Sugar Research Limited is a company limited by guarantee with no share capital. Consequently, no dividend has been or will be declared or paid.

Review of Operations

A review of the operations of company during the financial year and the results of those operations show the company's net profit decline of \$367,081 was primarily driven by a lower level of appreciation in the value of financial assets (\$260,658) and lower profits from instruments sales (\$184,131). A significant increase in licence fee net income of \$115,003 partially offset these declines.

OTHER ITEMS

Significant Changes in State of Affairs

No significant changes in the company's state of affairs occurred during the financial year.

After Balance Date Events

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

Future Developments

The company expects to maintain

the present status and level of operations and hence there are no likely developments in the entity's operations.

Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 10.

DIRECTORS' REPORT

DIRECTOR INFORMATION

Information on Directors

M Hochen

Chairman

Qualifications: BBus DipAcc FCPA MAICD

Experience: Mr Hochen was appointed a director in May 1994, Deputy Chairman in May 1996 and Chairman in May 2003. After a number of years in manufacturing and wholesale industries, he joined Isis Central Sugar Mill in 1981 as Cost Accountant. He was appointed to the position of General Manager in February 1993, which he held until his retirement in September 2009. He is currently Chairman of Isis Central Sugar Mill Co. Limited.

J C Pratt

Deputy Chairman

Qualifications: BCom CPA MAICD

Experience: Appointed a director in September 2000 and Deputy Chairman in May 2003. Mr Pratt has worked for CSR Limited/ Sucrogen Limited since 1977 in a range of accounting and management positions. He has held the positions of Commercial Manager of Sucrogen's Burdekin milling operations; General Manager, Plane Creek Mill from January 1996 to December 2005; General Manager, Herbert region from January 2006 to June 2008 and is currently General Manager, Grower and Community Relations, Sucrogen (Cane Products).
Special Responsibility: Audit Committee Member.

J A Johnstone

Qualifications: BE (Mech)

Experience: Appointed a director in May 2000. After a number of years as a mechanical engineer involved in hydro power schemes and port development in New Zealand he joined Mossman Central Mill Company Limited's engineering department in 1982. Late in 1987 he left to manage a manufacturing engineering company in New Zealand and after nine years returned to Mossman Central Mill as Engineering Manager and was appointed General Manager in February 1999.

Special Responsibility: Audit Committee Member.

L J Watson

Qualifications: BSc MSc

Experience: Appointed a Director in May 2003. Mr Watson is a Chemical Engineer who has worked in both research and production within the Australian sugar industry. His areas of interest include process control, energy efficiency and diversification. Mr Watson is currently the Business Development Manager at Proserpine sugar mill.

B O'Kane

Qualifications: BSc (Hons) MAICD

Experience: Mr O'Kane has over 20 years international experience in sales, market development and business development. He relocated to the UK in the early 1980's and worked in software development and project management both in Europe and the US. From 1989 through to 1999 he held a variety of senior roles including Sales Director and Senior Director positions for the leading US company Oracle Corporation, with responsibilities that included product and service sales, as well as sales and partner programs. In 1999 and 2000 as Vice President, he established the Asia/ Pacific operations for another US company, including opening offices in Korea, China and Australia.

Since early 2001 Mr O'Kane has worked as an investor, mentor and advisor to a number of private companies, as well as iLab, the Queensland Government funded incubator, and DSTC formerly located at the University of Queensland. He has particular experience of commercialisation activities, early stage financing, capital raisings and sales and partner strategies. Mr O'Kane is also a Director of a number of private companies.

R C Wissler

Qualifications: BA (Hons) PhD

Experience: Rod Wissler is Dean of Research and Research Training at Queensland University of Technology, with wide-ranging responsibilities in the development of QUT's research culture and research outputs, including international engagement. He has extensive experience as a Board

member of QUT's nationally funded research consortia in diverse fields, and is a Graduate of the Australian Institute of Company Directors.

His work on PhD supervisor development has been recognized by the Australian Universities Quality Agency, and he received the Australian Learning and Teaching Council award for Postgraduate Education in 2007.

Professor Wissler has supervised more than twenty research degrees to completion and has wide experience as a PhD examiner. He is a reviewer for both the Australian Research Council and the Australian Learning and Teaching Council.

He is the Director of e-Grad School (Australia) <http://www.egradschool.edu.au/> This major graduate studies reform project, funded by the Australian Government and the Australian Technology Network of universities, provides online professional education and a Masters course for researchers in commercialisation, R&D management and related fields.

M McArdle—Appointed 31 March 2010 (alternate Director for Prof R Wissler)

Qualifications: BA University of Queensland

Experience: Michael McArdle has worked in the field of university administration for 20 years, the last 15 years of which have been dedicated to research and research training management. He held a number of positions at The University of Queensland over a 9 year period, including Theses Officer, Research Administration Officer and Research Unit Coordinator, with the Office of Research and Postgraduate Studies before joining Queensland University of Technology in 2000 as Head, Research Development within the Office of Research. In 2003, he took on the role as Acting Manager of the Office of Research and was formally appointed as Director in 2005. As Director he oversees 5 business units covering research development, ethics,

DIRECTORS' REPORT

Director in 2005. As Director he oversees 5 business units covering research development, ethics, finance, data and research quality. He is a member of the senior management team of the Division of Research and Commercialisation and is a member of a number of internal committees including QUT's University Research and Innovation Committee (URIC). Currently he sits on the Board of the Australian Research Centre for Aerospace Automation and is a member of the Department of Innovation, Industry, Science and Research (DIISR) HERDAC working party advising on the development and release of the proposed Sustainable Research Excellence (SRE) funding model.

DIRECTORS' REPORT

Meetings of Directors

During the financial year 7 meetings of directors (including committees of directors) were held.

The number of meetings attended by each director is as follows.

Name	Board Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
M Hochen	6	6	-	-
J C Pratt	6	6	1	1
J A Johnstone	6	6	1	1
L J Watson	6	5	-	-
B O'Kane	6	6	-	-
R C Wissler	6	4	-	-
M McArdle (a)	2	2	-	-

(a) Alternate Director for R C Wissler

Indemnifying Officers or Auditors

The Constitution of the company provides that every officer, as defined by the Corporations Act 2001, who is or has been an officer of the Institute shall be indemnified by the Institute to the extent permitted by law against any liability incurred by that person as such an officer.

Each director has entered into a Deed of Indemnity which provides for indemnity against liability as a director, except to the extent of indemnity under an insurance policy or where prohibited by statute.

During or since the end of the financial year, the company has paid or agreed to pay a premium in respect of a contract of insurance insuring directors and officers of the company against certain liabilities incurred in that capacity. Disclosure of the total amount of the premium paid and the nature of the liabilities covered is prohibited under the terms of the contract.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the board of directors.



.....

M Hochen, Chairman



.....

J C Pratt, Deputy Chairman

Dated this 11th day of April 2011.



Auditors' Independence Declaration under Section 307C of the Corporations Act 2001

I declare to the best of my knowledge and belief, during the year ended 31st December 2010 there have been:

- (i) no contraventions of the auditors' independence requirements as set out in the Corporations Act 2001 in relation to the audit: and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

P F Hinton C.A.
Partner
Bennett Partners
Chartered Accountants
122 Wood Street
Mackay Qld 4740

Dated this 17th day of March 2011

Income Statement

For the Year Ended 31 December 2010

Item	Note	2010 \$	2009 \$
Revenue - trading	2	2,397,082	2,814,295
Other revenue	2	233,039	493,697
Cost of sales – Consulting & projects		(1,003,891)	(1,339,113)
Cost of sales – Instrument products		(210,784)	(242,414)
Cost of sales – Licence fees		(105,332)	(30,000)
Depreciation and amortisation expense	3	(24,216)	(12,974)
Employee benefits expense	3	(448,350)	(461,809)
Directors fees		(48,000)	(48,000)
SRL Funded projects		(236,060)	(253,790)
Administration expenses		(279,067)	(278,390)
Profit attributable to members		274,421	641,502



Statement of Comprehensive Income

For the Year Ended 31 December 2010

	2010	2009
	\$	\$
Profit for the year	274,421	641,501
Other comprehensive income		
Change in fair value of cash flow hedges taken to equity	3,182	101,833
Total comprehensive income for the year	277,603	743,334
Total comprehensive income attributable members of the entity	277,603	743,334

Statement Of Financial Position as at 31 December 2010

Item	Note	2010 \$	2009 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	2,745,584	2,782,203
Trade and other receivables	5	577,703	417,438
Inventories	6	50,029	64,939
Other financial assets	7	4,756,127	4,530,478
Other assets	9	56,832	56,856
Total current assets		8,186,275	7,851,914
Non-current assets			
Property, plant and equipment	10	23,877	46,031
Total non-current assets		23,877	46,031
TOTAL ASSETS		8,210,152	7,897,945
LIABILITIES			
Current liabilities			
Trade and other payables	11	268,488	266,702
Other Liabilities	12	537,452	504,633
Total current liabilities		805,940	771,335
Non-current liabilities			
		-	-
TOTAL LIABILITIES		805,940	771,335
NET ASSETS		7,404,212	7,126,610
EQUITY			
Reserves	19	4,153	972
Retained earnings		7,400,059	7,125,638
TOTAL EQUITY		7,404,212	7,126,610

Statement of Changes in Equity

For the Year Ended 31 December 2010

	Retained Earnings \$	Reserves \$	Total \$
2010			
Balance at 1 January 2010	7,125,638	972	7,126,610
Profit attributable to members of the entity	274,421	-	274,421
Other comprehensive income/(loss) for the period	-	3,181	3,181
Balance at 31 December 2010	7,400,059	4,153	7,404,212

	Retained Earnings \$	Reserves \$	Total \$
2009			
Balance at 1 January 2009	6,484,137	(100,861)	6,383,276
Profit/(loss) attributable to members of the entity	641,501	-	641,501
Other comprehensive income/(loss) for the period	-	101,833	101,833
Balance at 31 December 2009	7,125,638	972	7,126,610

Statement Of Cashflows

For the Year Ended 31 December 2010

	Note	2010 \$	2009 \$
Cashflows from operating activities:			
Receipts from customers		2,152,667	2,802,315
Payments to suppliers and employees		(2,314,762)	(3,058,723)
Interest received		127,538	129,288
Net cash provided by (used in) operating activities	17	(34,557)	(127,120)
Cash flows from investing activities:			
Payments for property, plant and equipment	10	(2,062)	(1,818)
Net cash provided by (used in) investing activities		(2,062)	(1,818)
Other activities:			
Net increase (decreases) in cash held		(36,619)	(128,938)
Cash and cash equivalents at beginning of financial year		2,782,203	2,911,141
Cash and cash equivalents at end of financial year	4	2,745,584	2,782,203

Summary of Significant Accounting Policies For the Year Ended 31 December 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) General Information

The financial report is for Sugar Research Limited as an individual entity, incorporated and domiciled in Australia. Sugar Research Limited is a company limited by guarantee.

(b) Basis of Preparation

The financial statements are a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(c) Revenue

Grant revenue is recognised in the income statement when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it 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 entity 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.

Sugar Research Limited receives non-reciprocal contributions of assets from the government and other parties for no or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the income statement.

Donations and bequests are recognised as revenue when received. Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

(d) Inventories

Inventory of manufacturing raw materials, work in progress and finished goods are measured at the lower of cost and current replacement cost. Costs assigned include direct materials and direct labour and on costs.

Inventories acquired at no cost, or for nominal consideration are valued at the current replacement cost as at the date of acquisition.

Summary of Significant Accounting Policies For the Year Ended 31 December 2010

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Plant and equipment that have been contributed at no cost, or for nominal cost are valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset

Leasehold improvements	20 %
Plant and Equipment	20 — 30 %
Motor Vehicles	20 %

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(f) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the company commits itself to either purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Summary of Significant Accounting Policies For the Year Ended 31 December 2010

(f) Financial Instruments (continued)

Amortised cost is calculated as:

- the amount in which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The company does not designate any interest as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets).

If during the period the company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity

Summary of Significant Accounting Policies For the Year Ended 31 December 2010

(f) Financial Instruments (continued)

nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

(g) Impairment of Assets

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including, dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

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

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

Summary of Significant Accounting Policies For the Year Ended 31 December 2010

(h) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cashflows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(k) Income Tax

No provision for income tax has been raised as the company is exempt from Income tax under Division 50 of the Income Tax Assessment Act 1997.

(l) Intangible assets

Software

Software is recorded at cost. Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between one and three years. It is assessed annually for impairment.

(m) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(n) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. When an entity applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period must be disclosed.

Summary of Significant Accounting Policies For the Year Ended 31 December 2010

(o) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the company.

Key judgments - Doubtful Debts Provision

Included in accounts receivable at 31 December 2010 are amounts receivable from sales to domestic and international trade debtors. The directors believe that the full amount of the debtors may not be recoverable and a doubtful debt provision of \$15,000 AUD has been made at 31 December 2010.

(p) Economic Dependence

Sugar Research Limited is dependent on the Queensland University of Technology for the majority of the services and products related to the revenue generated from business operations. At the date of this report the directors have no reason to believe the Queensland University of Technology will not continue to provide services and products to Sugar Research Limited.

(q) Adoption of New and Revised Accounting Standards

During the current year the company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Sugar Research Limited.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

Disclosure impact

Terminology changes — The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity - The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income - The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The company's financial statements now contain a statement of comprehensive income.

Summary of Significant Accounting Policies For the Year Ended 31 December 2010

(q) Adoption of New and Revised Accounting Standards (continued)

Other comprehensive income - The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

(r) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the company is as follows:

AASB 9: Financial instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:

- (a) the objective of the entity's business model for managing the financial assets; and
- (b) the characteristics of the contractual cash flows.

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011)

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the company.

AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

Summary of Significant Accounting Policies For the Year Ended 31 December 2010

(r) New Accounting Standards for Application in Future Periods (continued)

These standards detail numerous non-urgent but necessary changes to accounting standards arising from AASB's annual improvements project. No changes are expected to materially affect the company.

AASB 2009-8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the company.

AASB 2009-9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the company.

AASB 2009-10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the company.

AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the company.

AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the company.

AASB 2009-14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This Interpretation is not expected to impact the company.



Summary of Significant Accounting Policies For the Year Ended 31 December 2010

(r) New Accounting Standards for Application in Future Periods (continued)

AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the company.

The company does not anticipate early adoption of any of the above accounting standards.

Notes to the Financial Statements

For the Year Ended 31 December 2010

	2010 \$	2009 \$
NOTE 2: REVENUE		
Sales revenue		
Instrument sales	380,296	596,057
Consulting and training	1,459,150	1,775,742
License fees	245,904	55,569
Interest received	127,538	129,288
Grants & contract research	44,972	113,342
Membership fees	150,000	150,000
Other trading revenue	(10,778)	(5,703)
	2,397,082	2,814,295
Change in fair value of financial assets	233,039	493,697
Total revenue	2,630,121	3,307,992
 Interest revenue from:		
Interest income – NAB Cheque account	14	29
Interest income – NAB Deposit & QIC Cash Enhanced Fund	118,596	106,209
Interest Income – Australian Tax Office	0	2
Interest Income - NAB Cash Maximiser Account	8,928	23,048
Total interest revenue	127,538	129,288
 NOTE 3: EXPENSES		
Depreciation and Amortisation		
Depreciation – Plant and equipment	8,684	3,708
Depreciation – Motor vehicles	7,198	3,696
Depreciation – Leasehold improvements	8,334	5,571
Total Depreciation and Amortisation	24,216	12,975
 Employee benefits expense	448,350	461,809
 Rental expense on operating leases – minimum lease payments	48,244	49,565
Total Rental Expense	48,244	49,565

Notes to the Financial Statements

For the year ended 31 December 2010

	Note	2010 \$	2009 \$
NOTE 3: Expenses (continued)			
Audit Remuneration			
Auditing or reviewing the financial report		14,000	13,500
Other services		1,800	3,500
Total audit remuneration		15,800	17,000

Note 4: Cash and cash equivalents

Cash on hand	100	100
Cash at bank	203,084	948,795
Short-term deposits	2,542,400	1,833,308
	2,745,584	2,782,203

Note 5: Trade and other receivables

CURRENT		
Trade receivables	588,572	371,118
Provision for impairment	(15,000)	(15,000)
GST Receivable	4,131	18,302
Sundry debtors	-	43,018
	577,703	417,438

(a) Provision for Impairment of Receivables

Current trade receivables are generally on 30 day terms however international debtors do exceed those terms in the normal course of business. These receivables are assessed for recoverability and a provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. These amounts have been included in other expense items.

Movement in the provision for impairment of receivables is as follows:

Provision for Impairment as at 31 December 2008	30,000
Charge for year	(15,000)
Written off	0
Provision for impairment as at 31 December 2009	15,000
Charge for year	0
Written off	0
Provision for impairment as at 31 December 2010	\$15,000

Notes to the Financial Statements

For the year ended 31 December 2010

Note 5: Trade and other receivables (continued)

(b) Credit risk—Trade and other receivables

The company does not have any material credit risk exposure to any single receivable or group of receivables.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and condition agreement between the company and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

(c) Credit risk—Trade and Other Receivables

The following table details Sugar Research Limited's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between Sugar Research Limited and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to Sugar Research Limited.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount	Past due and impaired	31-60	61-90	> 90	Within initial trade terms
	\$	\$	\$	\$	\$	\$
2010						
Trade and term receivables	573,572	15,000	101,185	91,255	191,558	174,574
Other receivables	4,131	-	-	-	-	4,131
Total	577,703	15,000	101,185	91,255	191,558	178,705
2009						
Trade and term receivables	371,118	15,000	79,926	28,910	14,000	233,282
Other receivables	61,320	-	-	-	-	61,320
Total	432,438	15,000	79,926	28,910	14,000	294,602

The company does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

Notes to the Financial Statements

For the Year Ended 31 December 2010

Note 6: Inventories

	2010 \$	2009 \$
CURRENT		
At cost		
Raw materials and stores	30,270	29,822
Work in progress	6,038	5,265
Finished goods	13,721	29,852
	50,029	64,939

Note 7: Other financial assets

Other financial assets designated at fair value

	Note	2010 \$	2009 \$
Current			
Derivatives	8	4,153	972
Financial assets at fair value through profit or loss		4,751,974	4,529,506
		4,756,127	4,530,478

	2010 \$	2009 \$
Financial assets at fair value through profit or loss:		
QIC – Stable Fund	4,751,972	4,529,504
Sugar Research Technologies Pty Ltd	2	2
	4,751,974	4,529,506

Note 8: Derivatives

Cash Flow Hedges

Forward exchange contracts and interest rate swaps are used to hedge cash flow risk associated with future transactions. Gains and losses arising from changes in the fair value of derivatives are initially recognised directly in a hedge reserve in the equity section of the statement of financial position. At the date of the transaction, amounts included in the hedge reserve are transferred from equity and included in either the income statement or the cost of assets. The statement of changes in equity includes transfers to and from the hedge reserve.

Other Financial Assets

Sugar Research Limited has been issued with 837,145 shares in Sacron Innovations Pty Ltd. The principle activity of Sacron Innovations Pty Ltd is to manage various research and development projects. Sacron management has advised on 2 November 2010 that the book value of the shares held by Sugar Research Limited in the company is \$21,051. Directors of SRL have resolved that shares in Sacron should not be recorded as an asset in the company's statement of financial position due to uncertainty in respect of actually being able to realise this value attributed to the shares by Sacron management.

Notes to the Financial Statements

For the year ended 31 December 2010

Note 9: Other assets

	2010	2009
	\$	\$
CURRENT		
Prepayments	56,832	56,856
	<u>56,832</u>	<u>56,856</u>

Note 10: Property, plant and equipment

Motor vehicles

At cost	35,992	35,992
Accumulated depreciation	(32,746)	(25,548)
Total motor vehicles	<u>3,246</u>	<u>10,444</u>

Computer & office equipment

At cost	51,107	49,045
Accumulated depreciation	(47,145)	(38,462)
Total computer & office equipment	<u>3,962</u>	<u>10,583</u>

Leasehold Improvements

At cost	45,843	45,843
Accumulated depreciation	(29,174)	(20,839)
Total leasehold improvements	<u>16,669</u>	<u>25,004</u>
Total property, plant and equipment	<u>23,877</u>	<u>46,031</u>

Movements in Carrying Amounts

Movement in the carrying amount for each class of property, plant and equipment between the beginning and end of the current reporting year:

	Motor Vehicles	Computer Equipment	Improvements	Total
	\$	\$	\$	\$
2010				
Balance at the beginning of year	10,444	10,583	25,004	46,031
Additions	-	2,062	-	2,062
Depreciation expense	(7,198)	(8,683)	(8,335)	(24,216)
Carrying amount at the end of year	<u>3,246</u>	<u>3,962</u>	<u>16,669</u>	<u>23,877</u>
2009				
Balance at the beginning of year	14,140	12,472	30,575	57,187
Additions	-	1,819	-	1,819
Depreciation expense	(3,696)	(3,708)	(5,571)	(12,975)
Carrying amount at the end of year	<u>10,444</u>	<u>10,583</u>	<u>25,004</u>	<u>46,031</u>

Notes to the Financial Statements

For the year ended 31 December 2010

Note 11: Trade and other payables

	2010	2009
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	157,084	115,616
Employee entitlements	55,496	49,019
Other current payables	55,908	102,067
	268,488	266,702

Financial liabilities at amortised cost classified as trade and other payables

		2010	2009
	Note	\$	\$
Trade and other payables:			
Total Current		268,488	266,701
Less:	18	268,488	266,701
Employee benefits		(55,496)	(49,019)
Financial liabilities as trade and other payables		212,992	217,682

12 Other liabilities

	2010	2009
	\$	\$
Unearned Revenue		
CURRENT		
Royalties and License Fees	-	18,323
International projects	274,032	199,848
Domestic projects	167,880	191,264
Instruments	95,540	95,198
Total	537,452	504,633

Notes to the Financial Statements

For the year ended 31 December 2010

Note 13: Capital and Leasing Commitments

Operating Lease Commitments

	2010	2009
	\$	\$
Payable - minimum lease payments		
- not later than 12 months	39,763	34,850
- between 12 months and 5 years	39,763	69,700
	79,526	104,550

The property lease commitments are non-cancellable operating leases contracted for but not capitalised in the financial statements with an expiry of property lease term of 31 December 2012. Increase in lease commitments may occur in line with CPI.

Note 14: Contingent Liabilities and Contingent Assets

Estimates of the potential financial effect of contingent liabilities that may become payable:

	2010	2009
	\$	\$
Contingent Liabilities		
Expenditure Commitments		
Funding of future works projects:		
payable within 12 months	338,496	362,425
payable 12 months to 5 years	100,000	122,000
	438,000	484,425

There has been no change in the nature of contingent liabilities since the last annual reporting date.

Notes to the Financial Statements

For the year ended 31 December 2010

Note 15: Interests of Key Management Personnel

	Short-term benefits \$	Post employment benefit \$	Other long-term benefits \$	Total \$
2010				
Total compensation	404,541	-	-	404,541
2009				
Total compensation	375,520	-	-	375,520

Note 16: Related party transactions

Amounts disclosed separately in financial statements

Amounts due to and from its related parties are short-term benefits such as salaries, bonuses and superannuation which are disclosed separately in the financial statements and are under normal commercial terms and conditions.

Note 17: Cash Flow Information

(a) Reconciliation of cash Flow from Operations with Profit

	2010 \$	2009 \$
Profit for year	274,420	641,501
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit		
Depreciation and amortisation expense	24,216	12,974
Unrealised gains/(losses)	3,181	973
Changes in assets and liabilities		
- (Increase)/decrease in trade and term receivables	(160,266)	568,257
- (Increase)/decrease in prepayments	24	6,014
- (Increase)/decrease in inventories	14,910	(27,500)
- (Increase)/decrease in other assets	(225,650)	(494,471)
- (Increase)/decrease in trade payables and accruals	1,788	(383,721)
- (Increase)/decrease in provisions	32,820	(451,147)
	(34,557)	(127,120)

(b) Reconciliation of cash

Note

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	4	<u>2,745,584</u>	<u>2,782,203</u>
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Notes to the Financial Statements

For the year ended 31 December 2010

Note 18 : Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, and derivatives. The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2010 \$	2009 \$
Financial Assets			
Cash and cash equivalents	4	2,745,584	2,782,203
Financial assets at fair value through profit or loss			
- Held-to-maturity investments	7	4,756,127	4,530,478
- Loans and receivables	5	577,703	417,437
		8,079,414	7,730,118
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and Other Payables	11	268,488	266,701
		268,488	266,701

Financial Risk Management Policies

The board and key management personnel design and implement the company's overall risk management strategy in order to meet the company's financial targets, whilst also minimising potential adverse effects on financial performance. These include credit risk policies and future cash flow requirements.

The company has significant cash reserves which have been invested in two Queensland Investment Corporations Limited ACN 130 539 129 (QIC) funds in order to obtain higher returns than bank interest rates. QIC is a wholesale funds manager and government owned corporation constituted under the Queensland Investment Corporation Act 1991 (Qld) and is regulated by State Government legislation pertaining to government owned corporations in addition to the Corporations Act 2001.

The company's Short Term Deposits are invested in a QIC Cash Enhanced Fund that is actively managed by the fund manager by investing in low risk liquid cash securities. The Company's Short Term Investments are invested in a QIC Stable Fund which is actively managed by the fund manager by investing in a diversified group of assets weighted to the defensive asset classes.

(a) Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the company.

Notes to the Financial Statements

For the year ended 31 December 2010

Note 18: Financial Risk Management (continued)

(a) Credit Risk (continued)

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the assessment of significant customers and counter parties) ensuring to the extent possible, that customers and counter parties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 days from date of agreement.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating. Where the company is unable to ascertain a satisfactory credit risk profile in relation to a customer or counter party, then risk may be further managed by additional contractual clauses peculiar to the customer or counter party.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The company has no significant concentration of credit risk with any single counterparty or group of counterparties. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 5.

Credit risk related to balances with banks and other financial institutions is managed by key management personnel. The following table provides information regarding credit risk relating to cash and money market securities based on Standard & Poor's counter party credit ratings.

	2010	2009
Cash and cash equivalents	\$	\$
- AA Rated	2,745,584	2,782,203
<hr/>		
Held-to-maturity securities		
- AA Rated	4,756,127	4,530,478
<hr/>		

(b) Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages risk through the following mechanisms:

- monitoring and reviewing forward looking cash flows in relation to its operational, investing and financial activities;
- using derivatives from reputable financial institutions that are only traded in highly liquid markets;
- maintaining a reputable credit risk profile;

Notes to the Financial Statements

For the year ended 31 December 2010

Note 18: Financial Risk Management (continued)

(b) Liquidity risk (continued)

- managing credit risk related to financial assets
- Maintaining a reputable credit risk profile; and
- investing only in surplus cash with major financial institutions.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

	Within 1 Year		1 Year to over 5 Years		Total Contractual	
	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Trade and other payables (excluding estimated annual leave)	212,994	217,682	-	-	212,994	217,682
Total contractual outflows	212,994	217,682	-	-	212,994	217,682
Forward exchange contracts	57,967	44,502	-	-	57,967	44,502
Total expected outflows	270,961	262,184	-	-	270,961	262,184
Financial assets—cash flows realisable						
Cash and cash equivalents	2,745,584	2,782,203	-	-	2,745,584	2,782,203
Trade, term and loans receivables	577,704	417,437	-	-	577,704	417,437
Held-to-maturity investments	4,756,127	4,530,478	-	-	4,756,127	4,530,478
Total anticipated inflows	8,079,415	7,730,118	-	-	8,079,415	7,730,118
Net (outflow)/inflow on financial instruments	7,808,454	7,467,934	-	-	7,808,454	7,467,934

Notes to the Financial Statements

For the year ended 31 December 2010

Note 18: Financial Risk Management (continued)

(c) Market risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The company is also exposed to earnings volatility on floating rate instruments. Interest rate risk is managed using higher interest short term deposit investment products at major financial institutions.

Forward Exchange Contracts

The company has open forward exchange contracts at balance date relating to highly probable forecast transactions and recognised financial assets and financial liabilities. These contracts commit the company to buy and sell specified amounts of foreign currencies in the future at specified exchange rates. The FRMC has a policy of requiring that forward exchange contracts be entered into where future commitments are entered into requiring settlement at a time in excess of two months. Contracts are taken out with terms that reflect the underlying settlement terms of the commitment to the maximum extent possible so that hedge ineffectiveness is minimised.

The following table summarises the notional amount of the company's commitments in relation to forward exchange contracts. The notional amounts do not represent amounts exchanged by the transaction counterparties and are therefore not a measure of the company through the use of these contracts.

	Notional Amounts		Average Exchange Rate	
	2010 US\$	2009 US\$	2010 AUD\$	2009 AUD\$
BuyAUD / Sell USD				
Settlement				
Less than 6 months	60,500	40,000	0.97	0.90

Sensitivity Analysis

The following table illustrates sensitivities to the company's exposures to changes in Interest rates and foreign exchange risk. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonable possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	\$ Profit	\$ Equity
Year ended 31 December 2010		
+/- 2% interest rates	+/- 54,912	+/- 54,912
+/- 5% exchange rates	+/- 2,760	+/- 2,760
Year ended 31 December 2009		
+/- 2% interest rates	+/- 55,650	+/- 55,650
+/- 5% exchange rates	+/- 2,703	+/- 2,703

Notes to the Financial Statements

For the year ended 31 December 2010

Note 18: Financial Risk Management (continued)

Net Fair Values

Fair Value estimation

The fair values of financial assets and financial liabilities are presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

The fair values disclosed in the financial statements have been determined based on the following methodologies:

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for relating to annual leave and deferred income which is not considered a financial instrument.
- (ii) Fair values of held-to-maturity investments are based on quoted market prices at reporting date.
- (iii) Fair values of forward exchange contracts are based on USD exchange rate as reported by the Australian Taxation office as at reporting date.

19 Reserves

Foreign Exchange Hedging Reserve

The Foreign Exchange Hedging Reserve records revaluations of items designated as hedges.

20 Company Details

Registered Office

The registered office of the company is:
Sugar Research Limited
Level 1, 126 Margaret Street
Brisbane Qld 4000

21 Members' Guarantee

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$1 each towards meeting any outstanding's and obligations of the company. At 31 December 2010 the number of members was 25 (2009: 26).

Directors' Declaration

The directors of the entity declare that:

1. The financial statements and notes, as set out on pages 9 to 37, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 31 December 2010 and of the performance for the year ended on that date of the entity.
2. In the directors' opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director 
M Hochen Chairman

Director 
J C Pratt Deputy Chairman

Dated 11 April 2011

Independent Audit Report to the members of Sugar Research Limited

Report on the Financial Report

We have audited the accompanying financial statements of Sugar Research Limited (the company), which comprises the statement of financial position as at 31 December 2010, and the income statement, statement of changes in equity and statement of cashflows for the year ended that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Sugar Research Limited on 17 March 2011, would be in the same terms if provided to the directors as at the date of this auditor's report.



Independent Audit Report to the members of Sugar Research Limited

Auditor's Opinion

In our opinion the financial statements of Sugar Research Limited are in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Paul Hinton
Partner
Bennett Partners
Chartered Accountants
Level 1, 122 Wood Street, Mackay Qld 4740

11 April 2011

MEMBER MILLS

Mossman Central Mill Company Limited.

The **Mulgrave** Central Mill Company Limited.

Bundaberg Sugar Ltd – Babinda Mill, South Johnstone Mill, Tableland Mill, Millaquin Mill, Bingera Mill.

Sucrogen Limited – Victoria Mill, Macknade Mill, Invicta Mill, Pioneer Mill, Kalamia Mill, Inkerman Mill, Plane Creek Pty Ltd.

Proserpine Co-operative Sugar Milling Association Limited.

Mackay Sugar Limited – Farleigh Mill, Racecourse Mill, Marian Mill.

Isis Central Sugar Mill Company Limited.

The **Maryborough** Sugar Factory Limited.

W.H. Heck & Sons Pty Ltd, **Rocky Point** Mill.

NSW Sugar Milling Co-operative Limited – Condong Mill, Broadwater Mill, Harwood Mill.

Tully Sugar Limited.



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