GROWING A SUSTAINABLE FUTURE

THE MARYBOROUGH SUGAR FACTORY LIMITED
ANNUAL REPORT 2008/09

THE MARYBOROUGH SUGAR FACTORY LIMITED

ABN 11 009 658 708

THE MARYBOROUGH SUGAR FACTORY LIMITED (MSF) IS A SUGAR CANE BASED AGRICULTURAL COMPANY WITH A HISTORY STRETCHING BACK TO 1886. THE COMPANY IS BASED IN QUEENSLAND AND HAS BEEN LISTED ON THE AUSTRALIAN STOCK EXCHANGE SINCE 1956. OVER THE PAST FEW YEARS, WE HAVE ENTERED A DYNAMIC NEW PHASE, RESTRUCTURING AND GROWING OUR ASSETS AND OUR INFLUENCE IN THE QUEENSLAND SUGAR INDUSTRY.

IN 2008/09, MARYBOROUGH SUGAR FACTORY LIMITED CONTINUED WITH COMPREHENSIVE EXPANSION STRATEGIES DESIGNED TO STRENGTHEN OUR POSITION AS A FULLY-INTEGRATED, SUGAR CANE BASED AGRICULTURAL COMPANY AND TO UNDERPIN OUR LONG-TERM GROWTH AND SUSTAINABILITY.

FARMING AND LAND USE

LAND AND WATER RESOURCES ARE VITAL TO THE SUSTAINABILITY OF THE SUGAR INDUSTRY IN SOUTH EAST QUEENSLAND. IN 2008/09, WE CONTINUED TO DEVELOP AGRICULTURAL LAND THAT WE HAD PREVIOUSLY ACQUIRED. IN ORDER TO UNDERTAKE FURTHER STRATEGIC EXPANSION, IT IS ALSO IMPORTANT TO REALISE MAXIMUM VALUE FROM COMPANY-OWNED LAND AND, AS PART OF THIS PROCESS, WE HAVE SUBMITTED A PLANNING APPLICATION FOR OUR MARY HARBOUR RESIDENTIAL DEVELOPMENT.

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ANNUAL REPORT 2008/09

This Annual Report is designed to give our shareholders, the community and other stakeholders a concise overview of our operations during the 2008/09 financial year and our financial position at the end of that year.

MILLING

IN JULY 2008, WE COMPLETED OUR MERGER WITH MULGRAVE CENTRAL MILL. THIS IS THE FIRST STEP IN OUR EXPANSION AND CONSOLIDATION IN THE WET TROPICS REGION, WHICH IS IDEALLY SUITED TO GROWING SUGAR CANE. WE OFFERED INCENTIVES TO CANE GROWERS IN BOTH OF OUR MILL AREAS TO MAXIMISE PLANTING ACTIVITY AND TO SECURE FUTURE CANE SUPPLY.

MARKETING

OUR MARKETING AND PRICING EXPERTISE, OUR DIVERSE CUSTOMER BASE, MULGRAVE MILL'S EXPERIENCE IN THE ASIAN MARKET AND STRONG WORLD SUGAR PRICES HAVE ENABLED US TO AVOID THE WORST IMPACTS OF THE ECONOMIC DOWNTURN IN 2008/09.

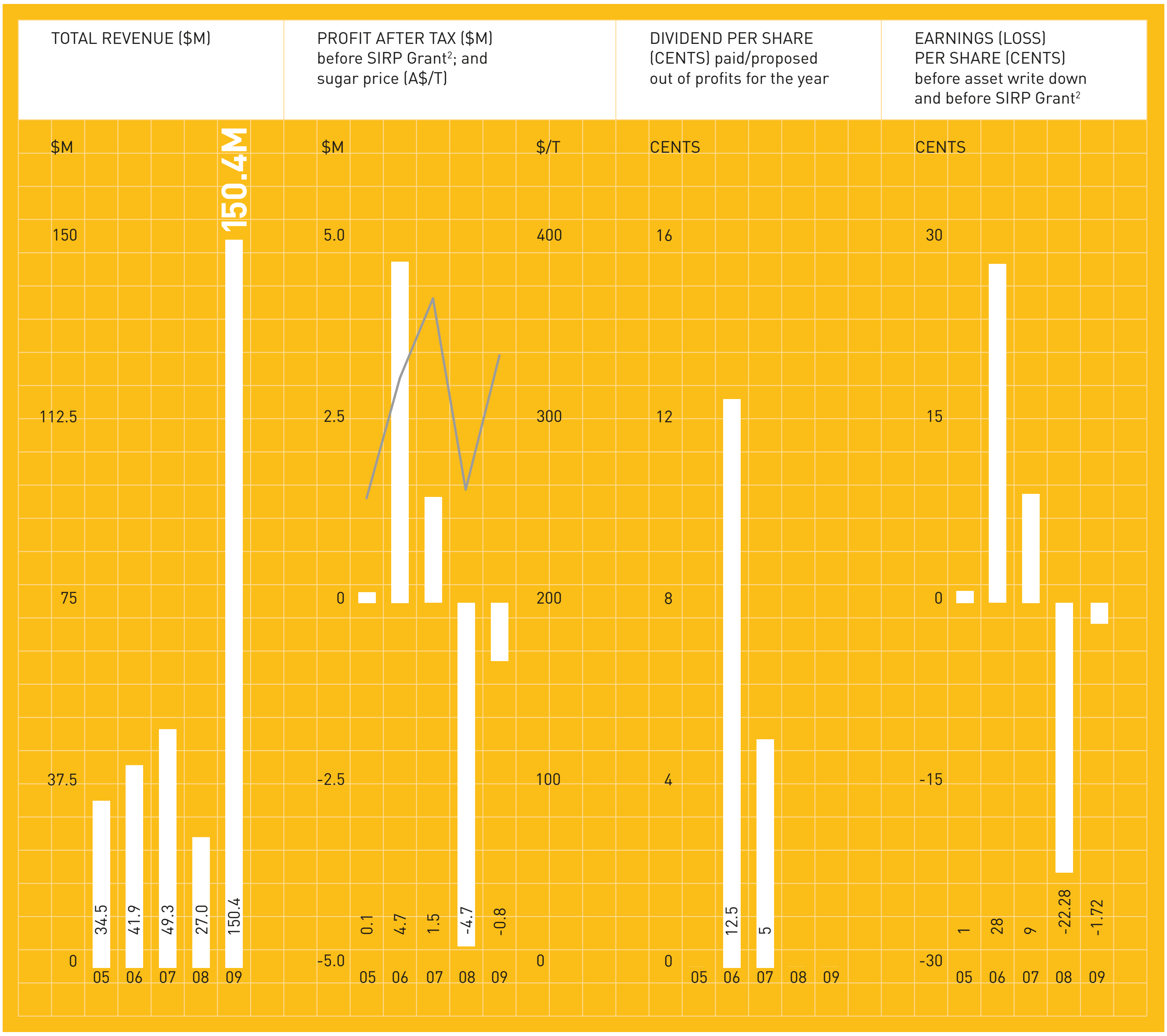
INVESTING

MSF HAS ACQUIRED SHARES IN SUGAR TERMINALS LIMITED OVER A NUMBER OF YEARS AND CURRENTLY HOLDS 12.8% OF ITS ISSUED CAPITAL, PROVIDING A STAKE IN THE DISTRIBUTION CHAIN AND DELIVERING STRONG RETURNS. THIS INVESTMENT RETURNED $3.5 MILLION FULLY FRANKED DIVIDENDS IN 2008/09.

PERFORMANCE

REVENUE INCREASED BY 457% DUE TO THE MULGRAVE ACQUISITION AND HIGHER SUGAR PRICES. WITH THE ACQUISITION NOW BEHIND US AND WITH STRONG FORWARD PRICING IN PLACE, WE ARE WELL POSITIONED TO TAKE ADVANTAGE OF THE CURRENT UPTURN IN SUGAR MARKETS.

Financial year	**2004/05**	**2005/06**	**2006/07**	**2007/08**	**2008/09**
Revenue ($M)	34.5	41.9	49.3	27.0	150.4
Profit (loss) after tax ($M)	0.1	4.7	1.5	(4.7)	(0.8)
Dividend out of the year's profits (cents/share)[1]	–	12.5	5.0	–	–
Basic earnings (loss) per share (cents/share)[1]	1.06	31.71	9.77	(22.28)	(1.72)
NTA backing ($/share)[1]	1.71	2.08	2.21	2.80	1.98



[1] Adjusted for 2006/07 capital reconstruction
[2] SIRP – Sustainability Grant of $706,940 in 2006

CHAIRMAN'S REPORT

THE PAST YEAR HAS BEEN ONE OF CONSIDERABLE ACTIVITY FOR YOUR COMPANY AS WE CONTINUED TO WORK ON OUR MANDATED GROWTH STRATEGY. WE ARE FURTHER DEVELOPING AND HONING OUR BUSINESS AS WE CREATE A VERTICALLY-INTEGRATED, LOW-COST RAW SUGAR PRODUCER.

Our financial results illustrate a significant increase in revenues with a greater quantity of cane and raw sugar produced, marketed and priced.
The inclusion and successful integration of the Mulgrave Central Mill business (acquired in July 2008) was the main reason for this increase. It was offset to some degree by a lower crop at Maryborough. We also budgeted for higher operating costs and expenses in business development activity and land and agricultural development. The final result of an $783,000 loss after tax was, under the circumstances, a fair outcome. But it was still disappointing and, consequently, no dividend was declared. On a positive note, our equity capital position remained unchanged following the Mulgrave merger, while our debt position is essentially serviced by the dividends from our strategic investment in Sugar Terminals Limited.

Efforts to increase production and reduce agricultural costs resulted in major investment and restructuring of our plantation activities, both to increase area and crop under direct company control and to improve yields. Grower planting incentives were introduced to bring new land into cane production.
A contract-growing and land-leasing model, to complement existing traditional grower agreements and drive greater volumes to the mill, was also introduced. We continued to upgrade our cane transport fleets, both on road and rail, with new and more efficient equipment. Our maintenance expenditure program for both mills improved the safety of our workplaces, our sugar recoveries, and our environmental performance.

We have just announced our intention to make a full share offer for Tully Sugar Limited as part of our business development program. We are excited at the prospect of joining with a company with quality sugar assets, which would again double our sugar production. It also moves us closer to our strategic objective of full consolidation and growth of our business in the Wet Tropics, a high rainfall and naturally low-cost cane growing region.

Our market risk management program in forward pricing and hedging continued to build capability and skill within the company, and also allowed us to improve our offering to our growers. Fortunately, our prudent approach in using Australian dollar sugar swaps to hedge our production has served us well in what amounted to extreme volatility in the spot sugar and currency markets. These swaps insulated us from any margin call liabilities while holding large hedged positions. This pricing surety, coupled with the marketing, logistics and shipping skills acquired through the Mulgrave acquisition, has helped us to cement valuable direct relationships with our customers. Food security is a major issue for our customers and our integrated supply-chain model provides us with a long-term competitive advantage.

The fundamentals of the world raw sugar market continue to remain positive. Short-term to medium-term supply constraints have created global shortages which, coupled with speculative activity, have pushed sugar prices well above 20 US cents per pound. Higher prices will inevitably stimulate a supply response and a substitution effect, and both are to be expected. We will continue to mitigate our pricing risk via effective forward pricing at current levels. Of course, the continued strengthening of the Australian dollar against the US dollar has taken some shine off these higher sugar prices.

We have great capabilities to increase production, and to achieve improved operational and cost efficiencies and pricing outcomes along the entire supply chain. This will translate into enhanced returns for our shareholders and our grower suppliers alike, in a volatile and competitive global commodity market.

On behalf of all board members, I wish to express my thanks to our CEO, the management team and all of our 229 full-time and 86 seasonal and fixed-term employees for their valuable efforts over the past year. The integration with Mulgrave and the further development of our corporate culture have been encouraging and enjoyable to witness. The granting of share options and performance rights shares is designed to further align the actions of our management with the interests of our shareholders. The safety record at Maryborough does illustrate the capability of our people to achieve top performance. Well done!

It is our enduring duty as directors to manage and govern your company for the shareholders in perpetuity. In doing this we are increasingly aware, not only of our operational and financial outcomes, but also of our social and environmental responsibilities as a business operating in regional communities amongst sensitive ecosystems with multiple stakeholders.

My personal thanks go to my fellow directors for their concerted efforts in another demanding year. I believe the broad set of skills represented on our board, coupled with multiple challenges, ensured all directors have contributed significantly on both an individual and team basis. It has been an honour to work with all of you.

Finally, thanks again to you, our shareholders, for your support as we continue to protect and grow the value of your investment.

J Jackson

James Jackson
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

THE ACQUISITION AND INTEGRATION OF THE MULGRAVE CENTRAL MILL HAS BEEN A MAJOR FOCUS OF THE YEAR AND HAS SIGNIFICANTLY STRENGTHENED MSF'S PRODUCTIVE CAPACITY AND ITS MANAGEMENT RESOURCES. THIS, COMBINED WITH INCREASING WORLD SUGAR PRICES AND A GOOD 2009 HARVEST, PUTS US IN A STRONG POSITION TO CONTINUE THE COMPANY'S EVOLUTION.

'INCREASING THE AREA UNDER CANE IN THE MARYBOROUGH REGION REMAINS ONE OF OUR KEY PRIORITIES IN ORDER NOT ONLY TO UNDERPIN THE SUSTAINABILITY OF OUR BUSINESS IN THAT REGION, BUT ALSO TO IMPROVE THE FINANCIAL PERFORMANCE OF THOSE ASSETS.'

The past twelve months have seen the Maryborough Sugar business change significantly with the successful acquisition of the Mulgrave Central Mill, which was completed in September 2008. This was our first significant investment outside of the Fraser Coast region since the company was listed on the ASX over 50 years ago. The acquisition is a key part of our strategic plan to grow Maryborough Sugar's presence in the Wet Tropics, a lower-cost sugar cane growing region. I am pleased to report that the integration of the Mulgrave business has gone very smoothly and I would like to thank Ray McDowall, the former CEO of Mulgrave (now retired), for his efforts in leading his team through the change process. The acquisition also called for the merging of the executive roles of the two companies, a process that resulted in Maryborough Sugar emerging with a stronger, more capable management team.

THE MULGRAVE ACQUISITION NOT ONLY DIVERSIFIED THE EARNINGS BASE OF THE MARYBOROUGH SUGAR BUSINESS AND PROVIDED A KEY GROWTH PLATFORM FOR THE FUTURE, BUT IT ALSO GAVE MARYBOROUGH SUGAR ACCESS TO MULGRAVE'S STRATEGICALLY IMPORTANT INTERNATIONAL SALES, MARKETING AND LOGISTICS EXPERTISE.

Since the acquisition, we have sought to build on the customer relationships that Mulgrave had successfully established since it broke away from the single desk export sales arrangement in 2006. These skills and expertise will no doubt play an important role as we continue to shape Maryborough Sugar into a low-cost, fully-integrated sugar company.

The effects of the poor weather that affected crop in the Maryborough region in the 2007 season continues to be felt. While the growing conditions for the 2008 crop returned to normal, the area under cane (which directly impacts the size of the crop that is available for harvesting) was significantly down on the long-term average for the region. This was a result of the local growers limiting their new plantings in response to a weak sugar price outlook at that time, to extremely high fertiliser prices and to some difficulties with availability of new planting material. In just a little over a year, we have now seen a strong rally in the sugar price, a collapse in fertiliser prices and, while the 2009 harvest is not yet complete, we are expecting to see the Maryborough crop come in around 15% higher than the previous year.

Increasing the area under cane in the Maryborough region remains one of our key priorities in order not only to underpin the sustainability of our business in that region, but also to improve the financial performance of those assets. The 2010 season will benefit from record new plantings on company-owned farms as many of the recently acquired farms come into full production. It will also benefit from increased production from local growers as they respond to both the higher sugar price outlook and the significant planting incentives that we have introduced in order to promote the planting of new areas.

Over the past year, we have continued to strive for improved yields and productivity from our company-owned farms. New equipment, technology and irrigation systems coupled with new farming teams have created a major transformation in our farming practices.

THE 2009 SEASON WILL SEE A RECORD HARVEST FROM OUR FARMS, WITH THE 2010 HARVEST EXPECTED TO BE SIGNIFICANTLY LARGER AGAIN. WHILE WE CONTINUE TO LOOK FOR SUITABLE PROPERTIES TO ACQUIRE THAT WILL 'BOLT ON' TO OUR FARMING CLUSTERS OR 'HUBS', WE ARE PIONEERING A PROGRAM TO DIRECTLY LEASE SUITABLE FARMS IN THE REGION ON A LONG-TERM BASIS AND TO CONVERT THEM INTO CANE FARMS. THE RESPONSE TO DATE HAS BEEN VERY ENCOURAGING.

After more than a year of discussions with the board and management of Tully Sugar Limited, in August 2009, we announced our intention to bid for all of the issued shares in Tully by way of an all-scrip offer. This offer is consistent with our strategy of pursuing consolidation opportunities in the Wet Tropics region. If successful, it will not only transform the merged company into a more significant sugar company but it will also provide a vehicle to attract investment that ensures the long-term sustainability and growth of the sugar industry in the Tully region.

Two years ago, we set about creating a sugar-pricing and risk-management capability within Maryborough Sugar in order to manage the volatility in the world sugar price (a key driver of our earnings) more effectively. This capability is now relatively mature and it has enabled us to participate in the recent sugar price rally, as well as providing us with a more stable pricing platform on which to base our future investment decisions.

The rally in the world sugar price over the past twelve months appears to be soundly based on solid supply/demand fundamentals, caused largely by a suppression of the growth of the Brazilian sugar industry, due to an adverse movement of their currency, and by rationing of credit. India has also shifted from being a large sugar exporter to being a large sugar importer. The future direction of the world sugar price is always difficult to predict, however, with encouraging medium term fundamentals combined with our existing pricing positions, the outlook for Maryborough Sugar is positive.

Mike Barry
Chief executive officer

REVIEW OF OPERATIONS – FARMING AND LAND USE

SECURING LAND AND WATER FOR THE FUTURE

WE ARE THE LARGEST PRIVATE OWNER OF LAND AND WATER IN THE MARYBOROUGH REGION, WHERE OUR FARMS CURRENTLY PROVIDE 25% OF THE THROUGHPUT FOR OUR MARYBOROUGH MILL.

SECURITY OF LAND AND WATER RESOURCES IS FUNDAMENTAL TO OUR SUSTAINABILITY MODEL, WHICH IS BASED ON ECONOMIES OF SCALE. WE HAVE CLEAR STRATEGIES TO INCREASE OUR LAND FOR CANE PRODUCTION AND TO INCREASE OUR WATER ALLOCATIONS.

OUR CURRENT LAND AND WATER

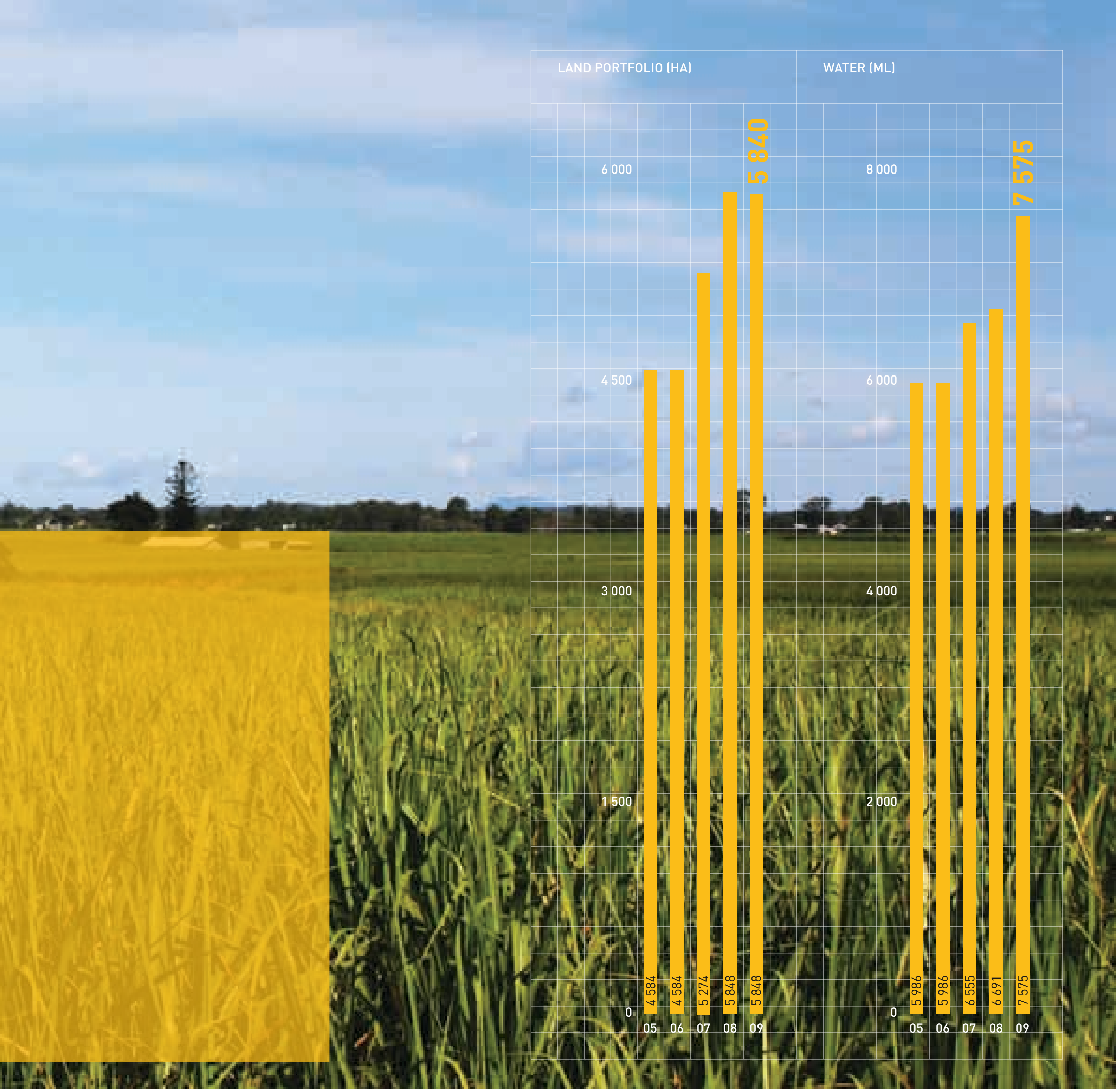
The majority of our cane farming is conducted in the Maryborough region where we currently own more than 5,500 hectares of land complemented by 7,429 megalitres of water allocations in the Lower Mary Irrigation Scheme. These landholdings produce more than 25% of the Maryborough Mill's annual throughput.

In addition, we own 60 hectares of cane land in the Isis district, supported by 146 megalitres of water allocation in the Bundaberg Water Supply Scheme, and a 321 hectare cane farm in North Queensland.

ACQUIRING LAND FOR GROWTH

In order to match cane supply with Maryborough's milling capability and take advantage of scale opportunities, it is vital that we increase our capacity to grow quality sugar cane. To do this we are increasing our productive land base through both purchasing land and leasing suitable land from private landholders. In 2008/09, we negotiated to lease 226 hectares.

As part of our strategy for growth in sugar cane production, we are also unlocking value from our investment in real property. Early in 2008, we announced concept plans for a riverfront residential development on 174 hectares of existing cane-farming land close to Maryborough's business centre. In 2008/09, we initiated the necessary approval processes with relevant local government and State government authorities. If the development is approved, the funds raised will allow us to reinvest in significantly larger areas of agricultural land.



We are also seeking approval to rezone and subdivide small sections of company-owned land that is not suitable for growing sugar cane. Subject to approval, sale of these allotments will provide further capital for reinvestment in productive agricultural land.

MORE ABOUT MARY HARBOUR

As well as supporting the growth of our sugar cane production, the decision to release land for the development of Mary Harbour continues our long-standing relationship with the Maryborough community by offering a vibrant new focal point that will boost the region's vitality and prosperity. Mary Harbour will be a permanent address for around 3,500 people. Its centrepiece will be the floating marina with a Village Centre, boardwalk and ferry wharf. The site will offer 1,315 residential lots featuring riverfront, park-view and lakeside residential precincts designed for a variety of demographic groups.

SECURING WATER ALLOCATIONS

Sugar cane needs at least 1,500 millimetres of rain each year or access to irrigation to supplement rainfall. Our farming operations in South East Queensland rely on an irrigation supplement and we are continuing to acquire allocations in the Lower Mary Irrigation System to ensure all current and future land acquisitions can reliably produce sugar cane and rotation crops. While we continue to introduce state-of-the-art, low-pressure irrigation systems for water efficiency and responsible water use, these water rights are fundamental to a sustainable industry. We also anticipate that water rights will become increasingly valuable as system water becomes less accessible and we are keen to secure the long-term future of this industry that is a major economic resource for the Maryborough region.

FARMING PRODUCTION

The group's farming operations are situated in South East Queensland and Far North Queensland, delivering sugar cane to the Maryborough, Isis and Mulgrave mills. In addition, we grow rotation crops, such as peanuts and soybeans, on the southern farms. These return nutrients to the soil and provide additional cash flow.

2008/09 YIELDS

Sugar cane yields in 2008 were severely affected by adverse weather conditions in Southern Queensland as well as yield issues attributable to the poor 2007 season. This resulted in a 16% decrease in production from the plantations owned by the group in this region. A total of 149,540 tonnes of cane was harvested from our southern plantations in 2008, compared with 178,603 tonnes in the previous year. These totals include production from tenanted group-owned farms, which produced 88,301 tonnes in 2008 compared with 108,126 tonnes in 2007.

In addition, the cane farm we acquired in North Queensland in mid-2008 delivered 15,659 tonnes of sugar cane to the Mulgrave Mill. This farm is in a very high rainfall area and some of its farming operations were impeded by extreme wet weather during the year. We expect that this farm will be capable of producing an average of 18,000 tonnes annually in the future.

In 2008/09, rotation cropping from our farms also produced 575 tonnes of soy beans, 99 tonnes of peanuts and 15 tonnes of mung beans.

INCREASED EFFICIENCY

We began restructuring our cane growing business in 2008 with a comprehensive plan to capture all possible improvements in group efficiency and to upgrade farming methods to best practice across our plantations.

In 2008/09, restructuring of our southern farming operations continued with the development of 200 hectares of new land and with the installation of four low-pressure pivot irrigators.

Approximately 36% of our Maryborough district farms have now been converted to more cost-effective farm management systems, employing wide row spacings and controlled traffic movement, which restricts soil compaction by confining farm machinery tracks to the least possible area of permanent traffic lanes. GPS technology provides the platform for controlled traffic movement as well as other efficiencies. We have also replaced smaller tractors with larger units and converted machinery and implements.

7 575 ML

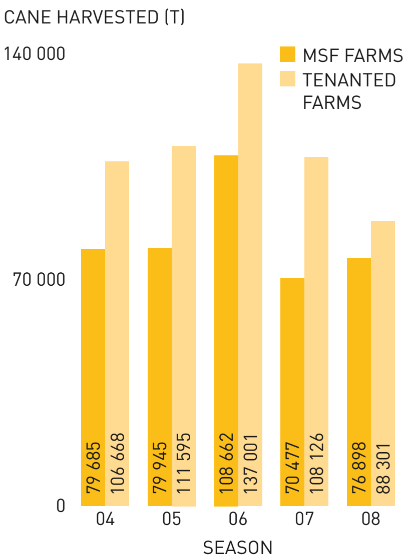
WATER ALLOCATIONS (7 429 ML IN MARY RIVER IRRIGATION SCHEME)

36 %

MSF FARMING OPERATIONS CONVERTED TO MORE COST EFFECTIVE FARM MANAGEMENT SYSTEMS

165 199 T

CANE HARVESTED (149 540 T IN SEQ)



The restructured business in the Maryborough region will consist of four 'hubs' based on large scale agricultural practices and flow-on operational efficiencies. This model has led to a review of our tenant farm arrangements. In some instances, we have reclaimed leased farms for inclusion in company-managed farming hubs.

SUGAR CANE SMUT MANAGEMENT

The appearance of the exotic disease 'sugar cane smut' in the Maryborough district in 2007 resulted in the implementation of smut management plans across the region. The disease also appeared in the Mulgrave district during the 2008 season. Management strategies are expected to mitigate any serious effect from the disease in either area.

Our farms are well advanced in managing the disease and our planting program has already replaced 30% of our susceptible plants with resistant varieties. We will be 100% smut resistant by 2012. Our swift response has meant that the impact has been minimal.

We have also been proactive in undertaking commercial scale implementation of tissue culture technology to accelerate the availability of new smut-resistant varieties.

2.5MT

REVIEW OF OPERATIONS – MILLING

INCREASING VOLUME, IMPROVING EFFICIENCY

FOLLOWING THE ACQUISITION OF MULGRAVE MILL IN JULY 2008, WE NOW HAVE THE CAPACITY TO PROCESS 2.5 MILLION TONNES OF CANE ANNUALLY WITH OUR TWO FACTORIES OPERATING CONTINUOUSLY. THIS WILL TRANSLATE INTO BOTH INCREASED TURNOVER AND ECONOMIES OF SCALE.

THE ACQUISITION OF MULGRAVE MILL HAS BEEN A KEY ELEMENT OF OUR EXPANSION PLANS. AS WELL AS INCREASING OUR TURNOVER WITH A COMPLEMENTARY BUSINESS, IT OPENS UP OPPORTUNITIES IN AN ENTIRELY NEW REGION. THE NEXT STEP IS TO ENSURE SUFFICIENT CANE PRODUCTION TO KEEP BOTH MILLS OPERATING AT FULL CAPACITY.

ACQUISITION OF MULGRAVE MILL

For over a century, MSF's milling operations have been based at a single mill at Maryborough in South East Queensland.

By acquiring Mulgrave Central Mill, at Gordonvale, 25 kilometres south of Cairns in Far North Queensland, we have moved into another highly-productive sugar cane region that is ideally suited to growing cane. This mill receives cane from around 300 farms in a 15,000 hectare area and currently processes approximately 1.1 million tonnes cane to produce about 160,000 tonnes of sugar annually.

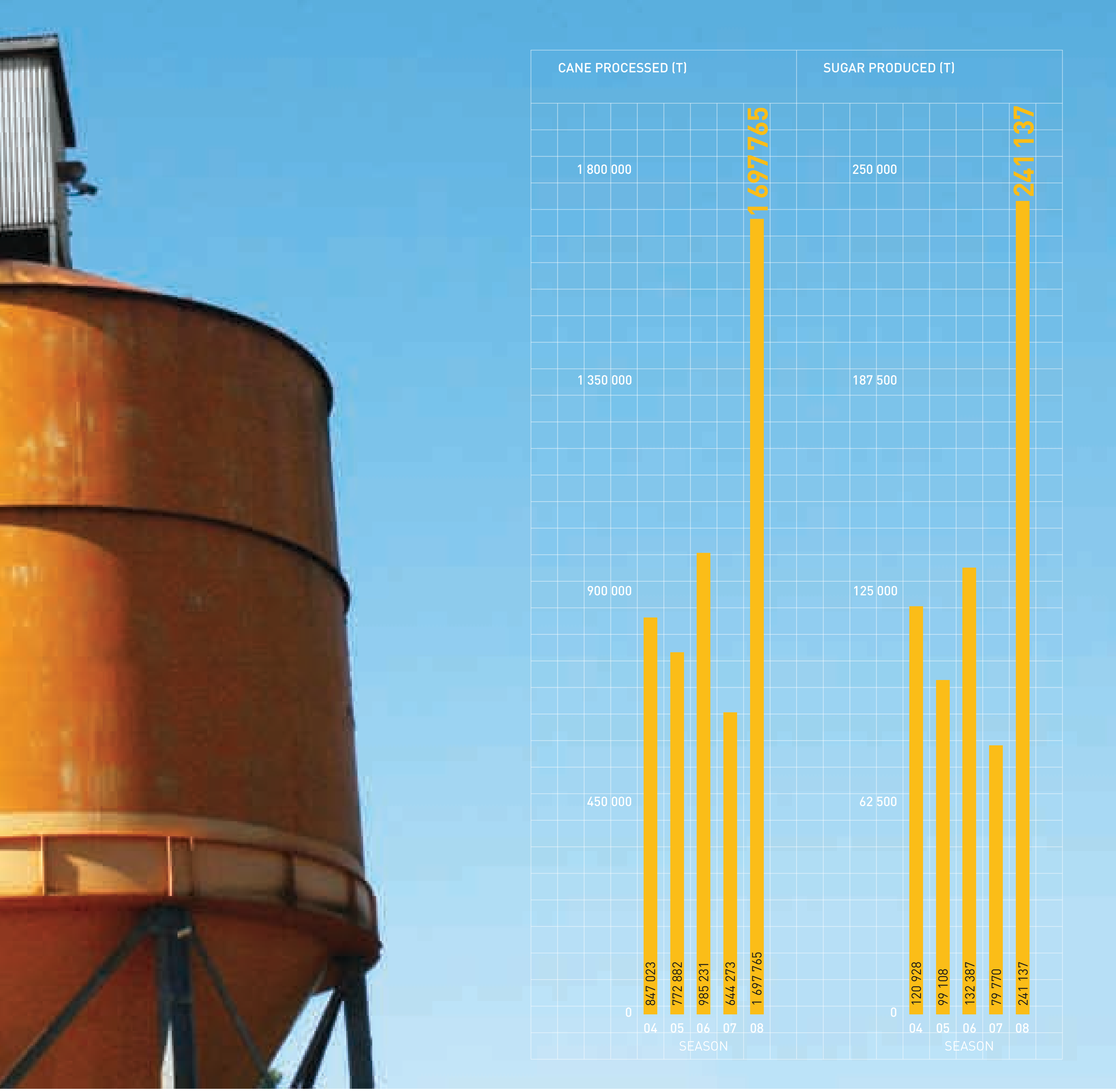
As well as opening up new opportunities, Mulgrave Mill will help to diversify the risk of weather effects on annual yields. The merger of the two companies has also strengthened MSF's customer base and brought complementary knowledge and industry experience.

Mulgrave Mill has its own 232 kilometre cane railway system, which allows cane to be hauled with virtually no impact on local roads, and it also generates its own power.

The acquisition of Mulgrave Central Mill in July 2008 means that our production outcomes for the year ended 30 June 2009 include, for the first time, the aggregated results of both mills.

MILLING OPERATIONS

During 2008/09, throughput at Maryborough Mill was severely affected by adverse growing conditions. The 2007 season was drought-affected, which had



an adverse effect on the 2008 season crop, and was followed by a cool summer and dry autumn, which also reduced yields for the 2008 season.

Mulgrave enjoyed good seasonal conditions and recorded around average production in the 2008 season.

Total cane processed for the 2008 season was 1,697,765 tonnes compared with Maryborough's single mill throughput of 644,273 tonnes in the previous year.

Sugar production for the 2008 and 2007 seasons was 241,137 tonnes and 79,770 tonnes respectively.

These 2008 season results include 99,932 tonnes of cane harvested and 13,258 tonnes of sugar produced by Mulgrave Mill prior to the date of acquisition.

COMMERCIAL CANE SUGAR LEVELS

Commercial cane sugar (CCS) estimates the level of extractable sucrose, depending on cane quality. It is also the historical basis of payment to the farmer in the Australian sugar industry.

Cane sugar content was relatively high for the 2008 season with CCS levels of 13.47 recorded at Maryborough (compared with 12.00 in 2007) and 14.07 at Mulgrave.

CRUSHING-SEASON PERFORMANCE

Maryborough Mill recorded an 18-week crushing season beginning on 19 July and finishing on 14 November 2008. During this season, the mill operated on a continuous 24-hour, 7-day roster with stops for maintenance on a 10–12 day cycle.

Factory performance at Maryborough suffered in 2008/09 due to rain delays and high fibre levels, which appear to be a characteristic of smut-resistant cane varieties.

Mulgrave's season began on 17 June and finished on 8 November 2008 with operations based on a 5–6 day week. This mode of operating retains the flexibility to crush on weekends if necessary but is only suitable if the mill has the capacity to process all available cane within an optimum season length.

Rain also caused some disruption to crushing operations at Mulgrave. However, this rain has had a positive effect on the 2009 season's crop.

MILLING BY-PRODUCTS

Maryborough Mill produces a brand of sugar known as Queensland High Pol (QHP) – processed to specification to remove more molasses and impurities than other raw sugar brands.

This process produces around 30,000 tonnes of molasses, which is sold domestically as stockfeed. Maryborough Mill has in excess of 10,000 tonnes of molasses storage. Mulgrave produces around 36,000 tonnes of molasses, the bulk of which is exported.

At both mills, mud from the process and ash from the boilers are combined and transported back to the cane fields, where they add nutrients and supplement fertiliser use.

GROWER INCENTIVES

As part of our strategy to boost the cane throughput at both of our Queensland sugar mills, we have introduced planting incentive plans for growers. These plans are designed to maximise the area of cane planted by independent growers who supply to the company's mills, and they will help underpin cane supply for the crop-cycle of four to five seasons.

POWER PRODUCTION

Both of our sugar mills are self-sufficient in steam and electricity requirements during the crushing season and export excess electricity to the State power grid. Maryborough Mill has excess generating capacity of approximately three megawatts during production. In 2008/09, although its power export increased by 40% over the previous season, intermittent disruptions to crushing operations limited total exports to 2,770 megawatt hours. With increased production and better conditions, Maryborough has the potential to export in excess of 3,600 megawatt hours annually.

Mulgrave has excess generating capacity of 2.4 megawatts and exported 6,158 megawatt hours to the grid in the 2008 season.

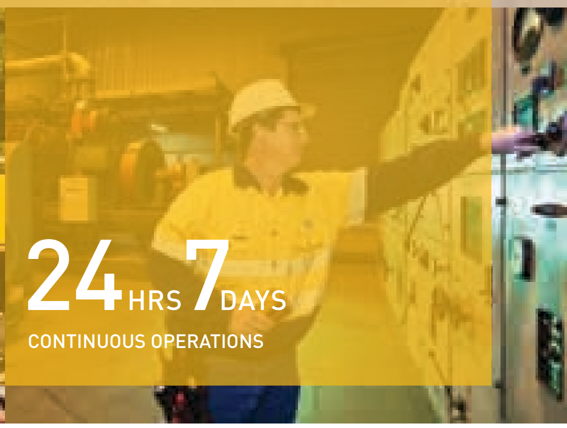
As well as being an efficient and sustainable process, the production of electricity from sugar cane fibre positions us well for a future where the level of carbon emissions is critical.

42%

MARYBOROUGH CANE DELIVERED BY COST-EFFICIENT B-DOUBLE TRAILERS

232KM

MULGRAVE CANE RAILWAY SYSTEM



24HRS 7DAYS

CONTINUOUS OPERATIONS

PRODUCTION OF OPERATIONS

	Cane	Sugar	CCS
2008 Season			
MSF	614,549	83,109	13.47
Mulgrave	1,083,216	158,028	14.07
2007 Season			
MSF	644,273	79,770	12.50

CANE AND SUGAR TRANSPORT

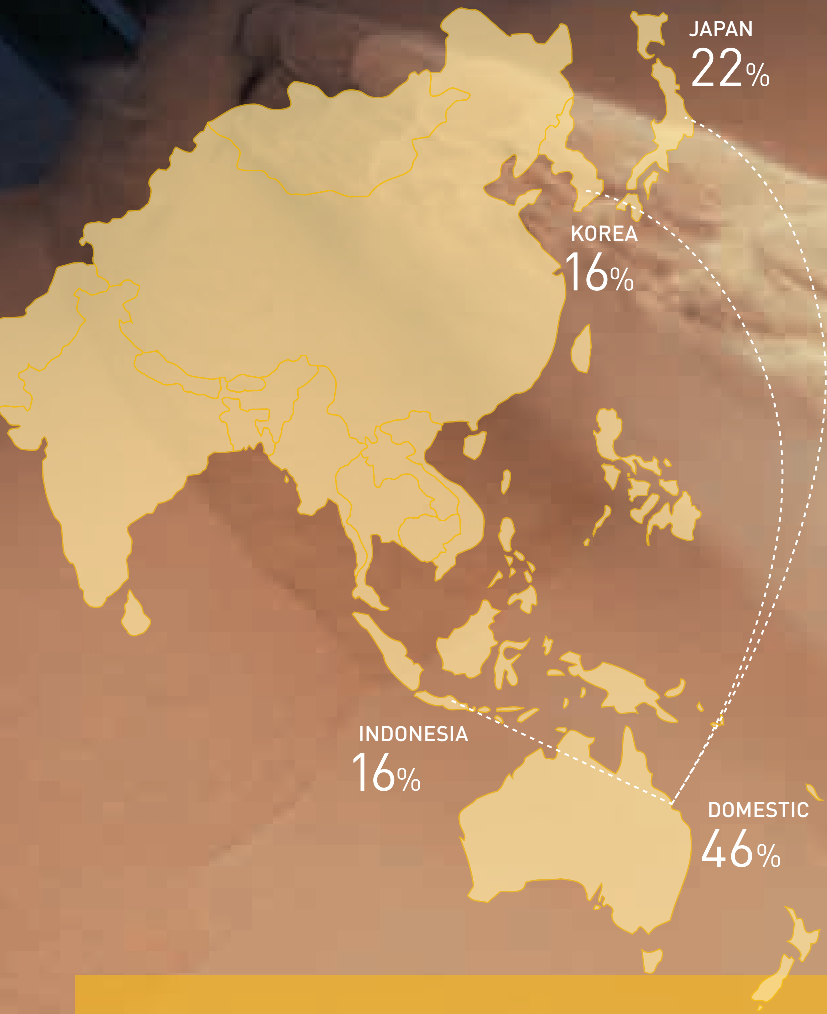
The entire sugar cane crop for the Maryborough region is delivered by road transport using privately-owned prime movers and a fleet of single and B-double trailers (most of which are owned by MSF). During the 2008 season, these vehicles travelled a total of 904,118 kilometres delivering 614,549 tonnes of sugar cane. 42% of cane was delivered in B-double trailers, which are more cost-efficient over longer haulage distances.

Six additional B-double units will be introduced into the fleet for the 2009 season. These will not only achieve significant cost savings but also environmental benefits, such as a reduction in the number of traffic movements across the district's road network and better fuel efficiency.

The processed sugar is transported by road to the bulk sugar terminal at Port Bundaberg where it is stored before being shipped to the customer.

Mulgrave's crop has historically been delivered by diesel locomotive via its efficient 232 kilometre cane railway system. The rail transport rolling stock comprises 14 locomotives and more than 1,600 cane bins. Cane bins are gathered from sidings and delivered in 'rakes' of up to 200 bins. The combined payload for each delivery can be up to 800 tonnes.

In the 2008 season, 15,659 tonnes of cane from MSF's Russell River farm were delivered 50 kilometres by road transport to Mulgrave Mill as this farm is not serviced by Mulgrave's railway. Mulgrave's sugar is transported to the Cairns bulk sugar terminal by road transport.



REVIEW OF OPERATIONS – MARKETING

BENEFITING FROM EXPERTISE AND STRONG MARKETS

OUR MARKETING EXPERTISE AND PRICING STRATEGIES HAVE ENABLED US TO TAKE ADVANTAGE OF STRONG WORLD PRICES IN 2008/09 AND POSITION US WELL FOR FUTURE GROWTH.

MSF HAS A STRONG AND DIVERSE CUSTOMER BASE, MARKETING TO REFINERS IN AUSTRALIA AND ASIA. INCREASING DEMAND FOR SUGAR IN ASIAN COUNTRIES AND PREDICTED WORLD SHORTAGES IN THE IMMEDIATE FUTURE ARE EXPECTED TO KEEP PRICES STRONG.

MARKETING OPPORTUNITIES

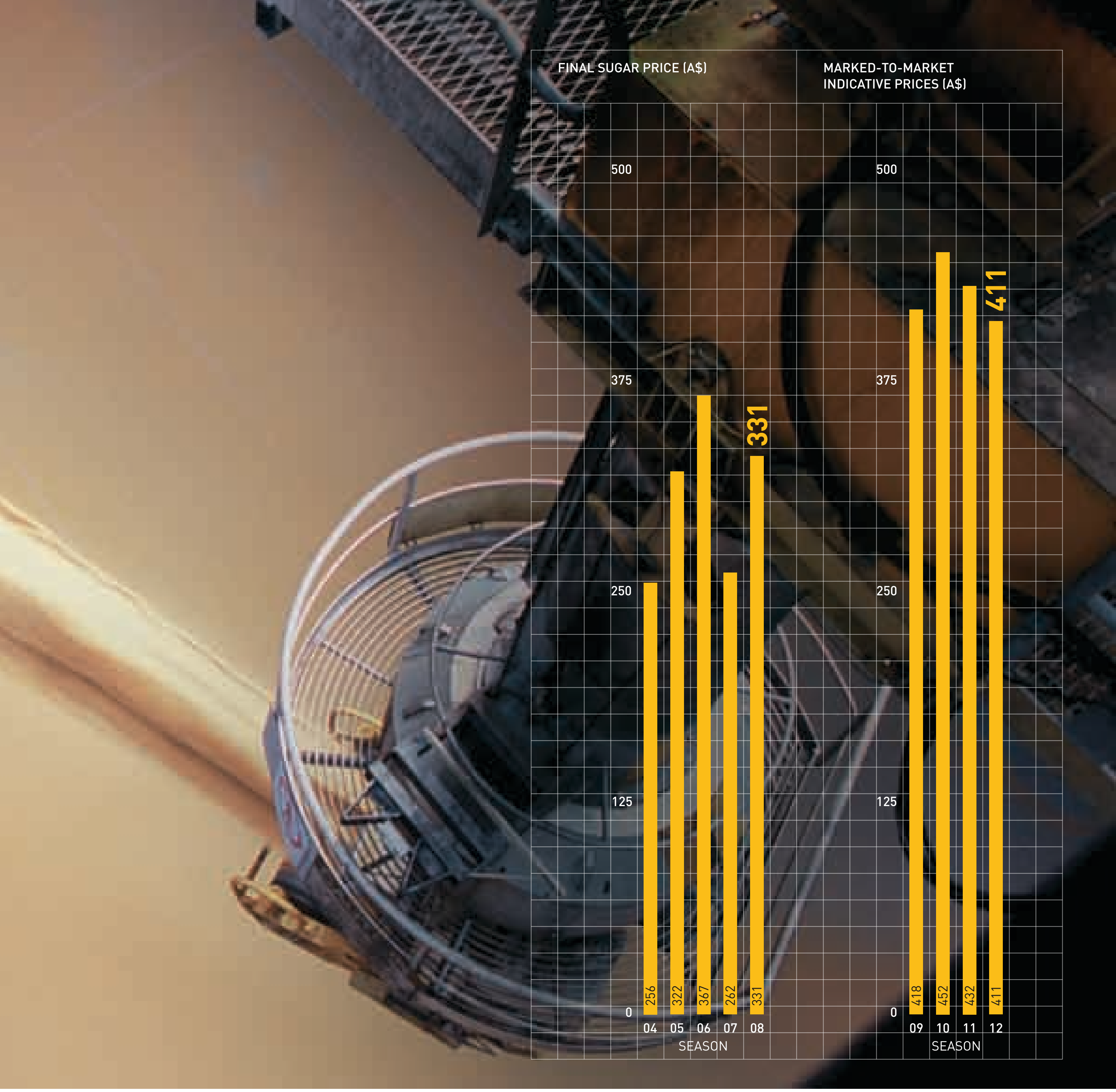
Deregulation of the Queensland sugar industry in 2006 provided the opportunity for sugar mills to market their own raw sugar production.

MSF has developed its own marketing and pricing capabilities, which have been further enhanced by the recent merger with Mulgrave Mill. These combined capabilities have enabled us to take full advantage of our position as an independent seller to both the domestic and export markets. We are currently the only Queensland raw sugar producer supplying both markets and managing its own pricing book.

Sugar produced at Maryborough Mill is sold to the domestic market under contract to Sugar Australia Limited (75% owned by CSR Ltd). Mulgrave Mill has built strong customer relationships over many years and exports most of its sugar production to Asia.

MARKET RISK MANAGEMENT

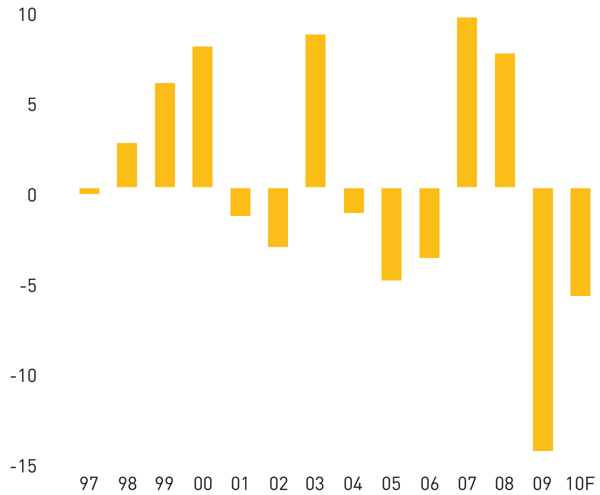
Our approach to market risk management is comprehensive and relies on a framework of clearly defined policies, strategies, procedures and limits. This framework is supported by management information systems designed to monitor, measure and report risk exposure compliance. The system also captures improvement opportunities.



WORLD SUGAR MARKET

A decline in global production is changing the balance in the world sugar market after recent years of surpluses. Czarnikow Group commented in its May 2009 Review: 'The fall in (world) production during the 2008/09 season is now confirmed as the largest on record. While a decline in global production had been anticipated… the final 20 million tonne fall in production has been far more dramatic than had been initially forecast reflecting low agricultural yields in many of the northern hemisphere cane producing countries'.

SURPLUS/DEFICIT (M/T)



Source: various including C Czarnikow, ISO

54%

EXPORTED TO ASIAN MARKETS

418-452 A$/T

2009–2012 INDICATIVE SUGAR PRICES

Demand in the Asian region, where much of the company's sugar is sold, has remained solid despite the world economic recession in 2008/09. This demand, combined with the deteriorating supply, has been reflected in world raw sugar market No. 11 prices rising to levels rarely seen (in AUD per tonne).

MSF PRICING IN 2008

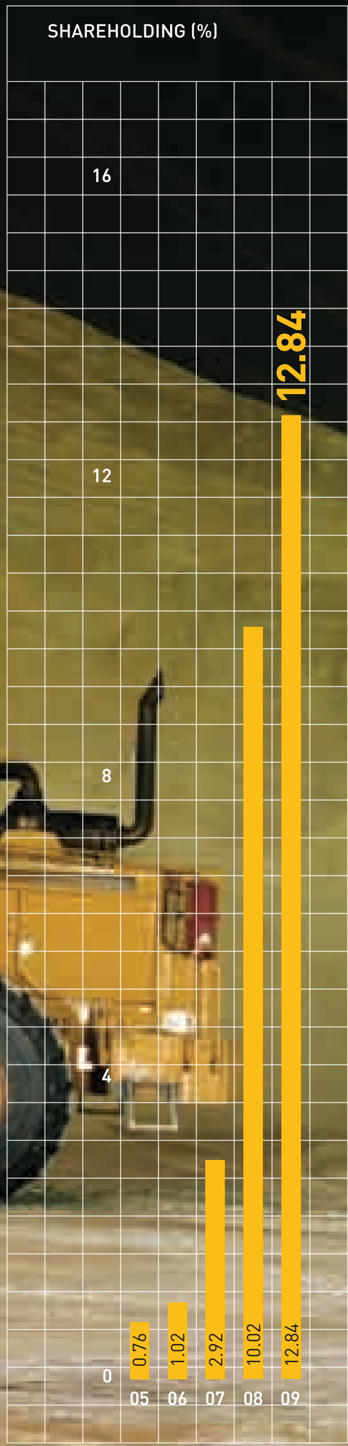
These relatively strong world sugar prices have been available for the latter part of our 2008 pricing campaign. We achieved a weighted average final price of A$331 per tonne, which was 28% higher than the previous year and compares favourably with averages over the last five years.

FORWARD PRICING

Our forward pricing activity is based on available world market levels. Our market risk management policy directs us to undertake pricing within a framework of target levels and production risk.

World sugar prices remain historically high, although modified by a strong Australian dollar.

Our calculations of indicative marked-to-market prices for the 2009 to 2012 seasons range between A$418 and A$452 per tonne (i.e. the average price we would achieve if our unpriced sugar was priced at current futures prices).



REVIEW OF OPERATIONS – INVESTING

INVESTING IN COMPLEMENTARY ACTIVITIES

BY BUILDING A SIGNIFICANT 12.8% HOLDING IN SUGAR TERMINALS LIMITED, OWNER OF QUEENSLAND'S BULK SUGAR HANDLING FACILITIES, WE HAVE INCREASED OUR PRESENCE IN, AND OPPORTUNITY TO PROFIT FROM, THE SUGAR DISTRIBUTION CHAIN.

OUR INVESTMENT IN COMPLEMENTARY SUGAR-RELATED ACTIVITIES CONSOLIDATES OUR POSITION AS A WELL-INTEGRATED AGRICULTURAL BUSINESS WITH AN INTEREST IN ITS SUPPLY AND DISTRIBUTION CHAIN. IT ALSO PROVIDES AN ADDITIONAL INCOME STREAM FROM DIVIDENDS.

Currently our investment activity is focused on Sugar Terminals Limited (STL), the owner of Queensland's seven bulk sugar terminals, which handle almost all of Queensland's sugar production either as raw or refined product. When the Queensland sugar industry was deregulated, the bulk sugar terminal assets were handed back to industry participants with shares available to growers ('G' shares) and millers ('M' shares). Only 'G' shares are listed and they can only be acquired by an active grower.

As a grower, MSF has built up its holding of 'G' shares over recent years. Our stake in STL was further increased to 12.8% following the acquisition of Mulgrave Mill in July 2008.

During the year ended 30 June 2009, STL paid dividends totalling 7.6 cents per share fully franked.

STL has recently concluded negotiations with Queensland Sugar Limited for the sublease and operation of the bulk sugar terminals for the next five years with a five year option. STL anticipates 'that the sublease should support the payment of annual dividends of around 5.5 cents per share fully franked over the period of the sublease'.

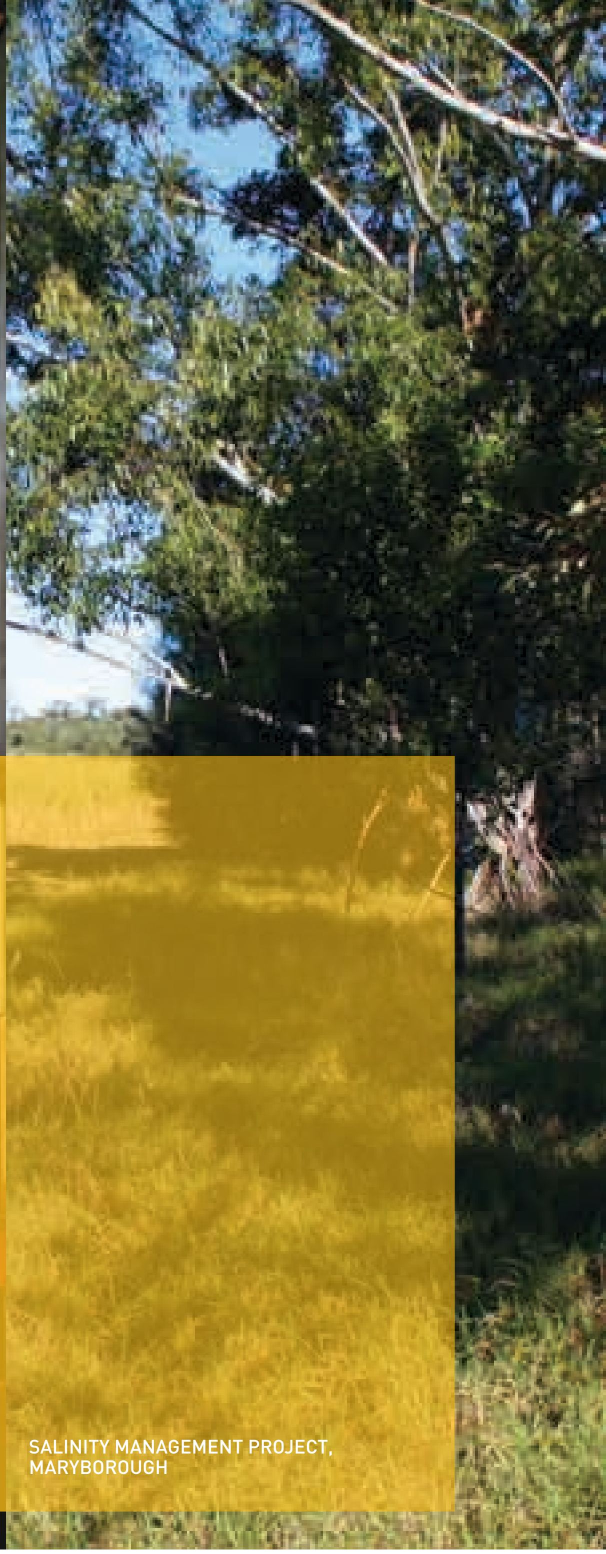
STL has recently announced the sale of its Brisbane terminal for $36 million 'subject to a number of conditions'. Settlement of the sale is due on 20 September 2009.

REVIEW OF OPERATIONS – SUSTAINABILITY

CARING FOR OUR PEOPLE AND OUR ENVIRONMENT

OUR SUSTAINABILITY IS NOT JUST ABOUT OUR FINANCIAL FUTURE BUT ABOUT A HEALTHY WORKFORCE AND MINIMISING OUR ENVIRONMENTAL IMPACT. WE CONTINUED WITH A PROGRAM OF NEW INITIATIVES IN 2008/09.

SAFE WORK PRACTICES



SALINITY MANAGEMENT PROJECT, MARYBOROUGH

WE ARE COMMITTED TO ACHIEVING THE HIGHEST STANDARDS IN SAFETY AND ENVIRONMENTAL PROTECTION. OVER THE PAST TWO YEARS, WE HAVE IMPROVED OUR SAFETY PERFORMANCE THROUGH OUR SAFETY CULTURE PROGRAM. INITIATIVES DURING 2008/09 INCLUDED A $4.1 MILLION COOLING WATER PROJECT AT MULGRAVE MILL TO HELP PROTECT THE LOCAL RIVER SYSTEM.

WORKPLACE HEALTH AND SAFETY COMPLIANCE

Occupational health and safety is a continuous priority in conducting our operations.

Our compliance committee assists the board in fulfilling its responsibility to oversee compliance with the relevant legislation.

Safety is the leading standing agenda item for MSF's board meetings and the directors review safety performance and monitor compliance against a board-approved process. The robustness and currency of this process is tested, at least annually, through an external legal review.

Our workplace health and safety management system clearly defines the safety responsibilities of all employees in the performance of their duties and defines the obligations of all levels of management to establish and maintain a safe working environment. Our safety system is subject to an ongoing review and improvement program.

Tri-Safe audits are conducted biennially at each of our sites. Recommendations from these audits form the basis for continued improvement of our safety systems and procedures.

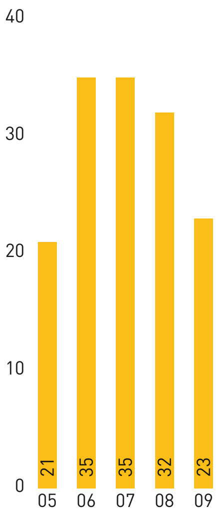
IMPROVING SAFETY PERFORMANCE

Our safety goal is to have no injuries. Over the past two years, we have improved our safety performance through the introduction of a safety culture program. All Maryborough employees have participated in this training program, resulting in a significant improvement in personal safety attitudes, leadership and safety performance. We expect to roll out a similar program at the Mulgrave site over the coming twelve months.

We have also invested significant resources in improving our work environment through an ongoing program of upgrades to factory floors, lighting, guarding, plant access and safety equipment.

The organisation's improved safety awareness has been reflected in our lost time injury frequency rate (LTIFR) over the past two years. LTIFR represents the number of lost time injuries per million work hours. Our LTIFR for 2008/09 includes Mulgrave operations for the first time.

LOST TIME INJURY FREQUENCY RATE
(PER MILLION WORK HOURS)



ENVIRONMENTAL COMPLIANCE

The compliance committee assists the board in fulfilling its responsibility for overseeing the management of risk, our compliance with legislation and our assessment of emerging issues.

Our plantations are operated in accordance with the environmental requirements of the Queensland Sugar Industry Code of Practice.

In conjunction with the Department of Natural Resources, Mines and Water, we have developed land and water management plans and have implemented them on our plantations and leased farms.

Each milling site holds its own integrated authority under the *Environmental Protection Act 1994* authorising the environmentally-relevant activities of fuel burning and sugar milling or refining.

To comply with the conditions of these authorities, each site has implemented an Integrated Environmental Management System, which provides effective and appropriate management of the actual and potential impacts resulting from carrying out the specified activities. Appropriate staff are trained in the requirements of the authority and meet regularly to ensure compliance.

INCIDENT REPORT

Our environmental management systems actively monitor and control issues related to noise and dust emissions, factory discharges and stormwater run-off.

No notifiable event was recorded at either Maryborough or Mulgrave Mills during the 2008/09 year.

Two level one (minor) incidents were recorded at Maryborough during the 2008 season and one minor incident at Mulgrave was recorded. Each incident has been properly investigated and we have adopted measures to prevent a recurrence.

ENVIRONMENTAL IMPROVEMENTS

At Maryborough, we have installed a number of improvements including:

- capture and recycling systems for process overflows
- significant bunding to prevent effluent run-off
- systems to separate effluent from stormwater run-off.

We are also working on a program to reduce noise from boiler steam valves.

During the 2008/09 year, we commissioned a $4.1 million cooling water project at Mulgrave. This will significantly reduce the risk of any adverse impacts on the local river system. The new plant is performing extremely well and is exceeding its design criteria. The project was subsidised by a $1.8 million grant from the federal government under its Sugar Industry Sustainability Program.

CARBON POLLUTION REDUCTION SCHEME (CPRS)

We are working to develop our knowledge and understanding of this important topic and its emerging implications.

Our preliminary findings suggest that our two production mills at Mulgrave and Maryborough will be excluded under the provisions of the proposed legislation because of their size and because they are fully powered by bagasse fibre (biomass). Biomass is recognised by the Kyoto Protocol as a 'carbon neutral' fuel. As a net exporter of clean electricity from the biomass power generation, we will be in a strong position in a carbon-conscious operating environment.

We will undertake further work to understand the CPRS impact on milling operations in the future, as well as exploring the scheme's relevance to our other operations, such as growing, harvesting and transport.

ENERGY EFFICIENCY OPPORTUNITIES PROGRAM

The Australian Government aims to encourage large energy-using businesses to improve their energy efficiency through the Energy Efficiency Opportunities program. Under the program, businesses are required to identify, evaluate and report publicly on cost-effective energy opportunities.

In December 2008, we lodged our initial reports for each mill to comply with the Energy Efficiency Opportunities legislation.

REEF RESCUE PROGRAM

The Australian Government's Reef Rescue program is a $200 million five-year initiative to improve water quality in the Great Barrier Reef by increasing adoption of land management practices that reduce the run-off of nutrients, pesticides and sediments from agricultural land.

Applications from the industry for funding under this program have been strong in both Maryborough and North Queensland. Like other sugar cane growers, MSF has applied for funding to make its contribution to protecting the reef. The initiative is expected to result in improvements in fertiliser, nutrient and pesticide efficiency, soil and water management, and management of riparian and wetland areas.

BOARD OF DIRECTORS

LEFT TO RIGHT: JOHN BURMAN, BRETT MOLLER, SUE PALMER, ROSS BURNEY, JAMES JACKSON, JIM HESP

JAMES A JACKSON Age 47

B.COM (UQ), FAICD

Independent non-executive director

Shares held 840,000
(directly and indirectly)

Mr Jackson's skills and expertise relevant to the position of director are financial and strategic analysis, agribusiness, capital markets expertise and network and corporate governance.

Appointed a director in June 2004 and chairman on 1 August 2008, Mr Jackson has significant experience in stockbroking and investment banking in New York, London and Australia, with SG Warburg & Co Inc, Potter Warburg and JB Were and Son. He completed the Program for Management Development at the Harvard Business School in 1995. He has detailed commercial and investment experience. He held the position of non-executive director of North Pine Motors Pty Ltd (1994-1997). He also sits on the management committee of Richmond Landcare Inc, a community-based Landcare network organisation.

ROSS A BURNEY Age 38

B.ECON

Non-executive director

Shares held Nil

Mr Burney's skills and expertise relevant to the position of director are accounting, investment management, corporate finance.

Appointed a director in February 2006, Mr Burney initially trained as an accountant with BDO in Sydney before joining Brierley Investments Limited in 1994. Since 2000, Mr Burney has been investment manager at Guinness Peat Group where he has worked in both their United Kingdom and Australian offices sitting on the boards of various investee companies such as Dawson International plc, and is currently a board member of Turners and Growers in New Zealand and The Peanut Company of Australia.

JOHN E BURMAN Age 62

BE (HONS I) (UNSW), PHD (LONDON), GAICD

Independent non-executive director

Shares held 5,000

Dr Burman's skills and expertise relevant to the position of director are scientific and technical, marketing, general management, risk management, compliance, previous director roles in the sugar industry.

Appointed a director in June 2005, Dr Burman, a chemical engineer, has held the positions of chief executive officer of Sugar Australia Pty Ltd and managing director of NZ Sugar Company Limited. He was a director of subsidiaries of these two companies and of company superannuation funds in New Zealand. He has 36 years experience in the Australian and New Zealand raw and refined sugar industries, in general management, manufacturing, research and development and export marketing.

JAMES (JIM) F HESP Age 69

FAICD

Independent non-executive director

Shares held 321,702
(directly and indirectly)

Mr Hesp's skills and expertise relevant to the position of director are cane growing, cane harvesting, irrigated cane growing, Sugar industry bodies and boards, export sugar marketing and pricing.

Mr Hesp became a director of The Mulgrave Central Mill Company Limited in 1994 and was appointed chairman of that board in 2003. He is currently chairman of Northern Sugar Manufacturers' Association, a director of Australian Sugar Milling Council and Sugar North Limited. He is also a director of Sugar Terminals Limited.

A grower for over 50 years, Mr Hesp owns substantial sugar cane growing interests in the Mulgrave and Burdekin regions. He has also been a long-term participant in the cane harvesting sector having been prominent in the introduction of green cane harvesting to the Australian sugar industry.

WILLIAM (BRETT) B MOLLER Age 47

BA (ANU), LLB (QUT), MAICD

Independent non-executive director

Shares Held 71,151

Mr Moller's skills and expertise relevant to the position of director are legal, corporate governance, audit committees, sugar pricing and marketing, previous director roles.

Mr Moller served as a director and deputy chairman of The Mulgrave Central Mill Company Limited and was chairman of its audit committee at the time of that company's acquisition by The Maryborough Sugar Factory Limited. He was a member of the Mulgrave board that made the decision to step outside the Queensland single desk arrangements for raw sugar marketing in 2006 and that subsequently established its own customer relations and successfully marketed and sold its own sugar and that of the Mossman Sugar Mill.

He is a partner in the Far North Queensland regional law firm Marino Moller Lawyers, having been admitted as a solicitor in 1991. Mr Moller holds interests in sugar cane farms in the Mulgrave Mill area south of Cairns.

SUSAN J PALMER Age 52

B.COM(UQ), CA, FAICD

Independent non-executive director

Shares held Nil

Ms Palmer's skills and expertise relevant to the position of director are accounting, financial management, IT, risk management and controls, audit committees.

Appointed a director in April 2008, Ms Palmer, a chartered accountant, is currently general manager, business performance for Leighton Contractors. She has almost 30 years experience, including commercial, accounting and IT roles at CS Energy, Incitec and PricewaterhouseCoopers.

Ms Palmer also brings considerable experience as a company director, having been a director of the Port of Brisbane Corporation for almost five years, and has other relevant experience including being deputy chair of the Queensland Competition Authority and a director of the Royal Blind Foundation.

EXECUTIVES

MIKE BARRY Age 46

BBUS (MANAGEMENT), MBA

Chief executive officer

Mr Barry was appointed to the position of CEO in February 2007. He was previously managing director of the private equity-owned Hudson Building Supplies. For the 10 years prior to holding that position, Mr Barry held a number of senior management roles within Boral Limited, the most recent being regional general manager for Boral's Construction Materials business in Western Australia and South Australia.

GREG CLAREY Age 59

BBUS (ACCOUNTING), CPA

Company secretary

Mr Clarey joined Maryborough Sugar in 1987 and was appointed to the position of company secretary in 1988. He has 28 years experience in the Australian sugar industry as well as previous experience in manufacturing and public accounting.

GLEN CRIMMINS Age 45

BSC (RURAL MANAGEMENT)

Group manager market risk

Prior to joining Maryborough Sugar in 2005, Mr Crimmins held a similar position with a well known Australian agribusiness company for approximately 12 years. His primary responsibilities during that time included agricultural commodity marketing and related value-adding initiatives.

TREVOR CROOK Age 42

BSC (RURAL TECHNOLOGY), MBA

Agriculture manager

Mr Crook joined Maryborough Sugar in 2005. He has 14 years experience in the cane supply logistics and agricultural sectors of the Australian sugar industry including eight years at Mulgrave Central Mill where he advanced to the position of cane supply manager.

PETER FLANDERS Age 45

BENG (MECH), MBT

General manager (Mulgrave)

Mr Flanders joined Mulgrave Mill in July 2008 as the engineering manager and was appointed general manager in February 2009. He has had 24 years experience in the Australian sugar industry, in both the raw sugar manufacturing and sugar refining sectors, in various engineering and operations management roles.

DENNIS KAYE Age 62

LLB, MBA, FAPI

Property asset manager

Mr Kaye joined Maryborough Sugar in 2006. He is a qualified valuer and is a Fellow of the Australian Property Institute. Mr Kaye has 30 years experience in the property industry. He was previously head of property at AGL for 12 years.

STEWART NORTON Age 47

BENG (CHEM)

General manager (Maryborough)

Mr Norton joined Maryborough Sugar in 1999. He has over 20 years experience in the Australian sugar industry and, prior to joining Maryborough Mill, was production superintendent at CSR's Plane Creek Mill for five years.

BRIAN MAHONY Age 52

BBUS (ACCOUNTING), MNIA

General manager sales and marketing

Mr Mahony joined Mulgrave Central Mill in 2001. He has over 30 years experience in the Australian sugar industry, including the last 17 years in export marketing and price risk management.

WAYNE MASSEY Age 44

BCOMM CPA

Chief financial officer

Mr Massey was appointed chief financial officer in 2008 following the acquisition of Mulgrave Mill. Prior to this, he was company secretary and chief financial officer of The Mulgrave Central Mill Co. Ltd from 1998 to 2008. He was employed by CSR in financial roles from 1987 to 1998.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of The Maryborough Sugar Factory Limited and the entities it controlled at the end of, or during, the year ended 30 June 2009.

PRINCIPAL ACTIVITIES

The principal continuing operational activities of the group during the year under review consisted of growing sugar cane and manufacturing raw sugar. The group also produced molasses as a by-product of the sugar manufacturing process.

In July 2008, the group's operations were enlarged by the acquisition of The Mulgrave Central Mill Co. Ltd in North Queensland.

Acquisition of The Mulgrave Central Mill Co. Ltd resulted in the acquisition of a further 9,505,841 'M' class shares in Sugar Terminals Limited. As at 30 June 2009 the group owned 11,775,965 'M' class shares and 34,455,836 'G' class shares in STL (12.8% of the issued capital).

There were no other significant changes in activities during the year.

The group's principal business activities are conducted in the Maryborough, Gordonvale and Isis districts in the State of Queensland.

All of the group's raw sugar production is exposed to fluctuations in world sugar prices and exchange rates.

OPERATING RESULTS

The group's operating results for the year ended 30 June 2009 are set out in the table on page 2 of this Annual Report.

DIVIDENDS

No dividend was paid for the year ended 30 June 2008.

Directors have not declared a dividend for the year ended 30 June 2009.

DIRECTORS

The following persons hold office as directors of The Maryborough Sugar Factory Limited during the financial year and up to the date of this report:

J A Jackson

J E Burman

R A Burney

S J Palmer

J F Hesp (appointed 17 July 2008)

W B Moller (appointed 17 July 2008)

I C Sandford was a director from the beginning of the financial year until his retirement on 31 July 2008.

Other information on directors can be found on page 21 of this report.

Retiring Directors

Mr R A Burney retires by rotation in accordance with Article 10.3a of the company's constitution and, being eligible, offers himself for re-election.

Board Committees

Audit Committee

S J Palmer (Chairman), W B Moller and R A Burney

Compliance Committee

J E Burman (Chairman), W B Moller and S J Palmer

Nomination and Remuneration Committee

J F Hesp (Chairman), J A Jackson and J E Burman

Market Risk Management Committee

J A Jackson (Chairman), J F Hesp and J E Burman

CHIEF EXECUTIVE OFFICER

Mr M J Barry was appointed to the position of CEO in February 2007. Mr Barry has a Bachelor of Business (Management) (QUT) and an MBA (UQ).

Mr Barry was previously Managing Director of the private equity-owned Hudson Building Supplies, one of Australia's largest building supply companies. For the prior ten years, Mr Barry held a number of senior management roles within Boral Limited.

COMPANY SECRETARY

The company secretary is G R Clarey, Bachelor of Business (Accounting) (CQU), CPA. Mr Clarey joined the company in 1987 and was appointed to the position of company secretary in 1988.

Mr Clarey has had 28 years experience in the Australian sugar industry as well as previous experience in manufacturing and public accounting.

ATTENDANCE AT MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the company's directors and board committees held during the year ended 30 June 2009 and the number of meetings attended by each director.

	Board		Audit Committee		Compliance Committee		Nomination & Remuneration Committee		Market Risk Committee	
	A	B	A	B	A	B	A	B	A	B
J A Jackson	15	15	–	–	–	–	2	2	12	12
J E Burman	11	15	–	–	2	2	2	2	11	12
R A Burney	14	15	4	4	1	1	–	–	–	–
S J Palmer	14	15	4	4	1	1	–	–	–	–
J F Hesp	11	14	–	–	–	–	2	2	8	11
W B Moller	13	14	4	4	1	1	–	–	–	–
I C Sandford	3	3	–	–	–	–	–	–	–	–

A Number of meetings attended.
B Number of meetings held during the time the director held office or was a member of the committee during the year.

DIRECTORS' REPORT
CONTINUED

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation

E Additional information

The information provided in this report has been audited as required by Section 308(3C) of the *Corporations Act 2001.*

A Principles used to determine the nature and amount of remuneration

The objective of the group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

In consultation with external remuneration consultants, the group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has economic performance as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The framework provides both fixed and variable pay components; and a blend of short and long-term incentives.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. The board seeks the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. Non-executive directors do not receive share options.

Directors' fees

The current base remuneration was last reviewed with effect from 1 January 2006. Directors' remuneration is inclusive of committee fees. Superannuation guarantee charges continue to be in addition to these fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The fee level currently stands at $44,000 per director with the Chairman currently receiving an additional allowance of $30,000 per annum.

Executive pay

The executive pay and reward framework has four components:

- base pay and benefits
- cash bonus based on individual performance criteria at the discretion of the board
- long-term incentives through participation in The Maryborough Sugar Factory Limited Options and Performance Rights Plan, and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Basis of remuneration

Executive remuneration is reviewed annually by the Nomination and Remuneration Committee having regard to performance against goals, relevant comparative information and independent expert advice as needed. As well as a base salary, remuneration packages may include superannuation, performance-related bonuses and motor vehicles.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the company's operations.

Benefits

Specific executives receive benefits including telephone expenses and provision of a motor vehicle.

Retirement benefits

Retirement benefits are available either under the MSF Staff Superannuation Fund or another complying fund. The MSF Staff Superannuation Fund is an accumulation fund and provides life insurance based on age.

Employee Option Plan

Information on the MSF Options and Performance Rights Plan is set out on pages 27 to 30 of this report.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, other key management personnel (as defined in AASB 124 *Related Party Disclosures*) and specified executives of The Maryborough Sugar Factory Limited and The Maryborough Sugar Factory Group are set out in the following tables.

The key management personnel of the group include the directors of The Maryborough Sugar Factory Limited as noted on page 25 of this report and the following executive officers who report directly to the CEO and are the highest paid executives of the company and the group:

M J Barry
Chief Executive Officer

W M Massey
Chief Financial Officer

G R Clarey
Company Secretary

S W Norton
General Manager, Maryborough

P I Flanders
General Manager, Mulgrave

T D Crook
Agriculture Manager

G B Crimmins
Group Manager, Market Risk

B G Mahony
General Manager, Sales & Marketing

D F Kaye
Property Asset Manager

Key management personnel of the group and other executives of the company and the group

2009	Short-term benefits			Post-employment benefits		Long term benefits	Share-based payment	
Name	Cash salary and fees $	Cash bonus[7] $	Non-monetary benefits $	Super-annuation $	Retire-ment benefits $	Long service leave $	Options $	Total $
Non-executive directors								
J A Jackson[1] *Chairman*	71,500	–	–	6,435	–	–	–	77,935
J E Burman[2]	44,000	–	–	3,960	–	–	–	47,960
R A Burney[3]	44,000	–	–	–	–	–	–	44,000
S J Palmer	44,000	–	–	3,960	–	–	–	47,960
J F Hesp[4]	42,108	–	–	3,763	–	–	–	45,871
W B Moller	42,108	–	–	3,763	–	–	–	45,871
I C Sandford[5]	6,458	–	–	581	–	–	–	7,039
Sub-total non-executive directors	**294,174**	**–**	**–**	**22,462**	**–**	**–**	**–**	**316,636**
Other key management personnel								
M J Barry	313,132	75,963	41,643	34,500	–	8,066	288,474	761,778
W M Massey	157,051	–	8,666	29,132	–	3,875	–	198,724
G R Clarey	131,750	32,938	7,151	27,574	–	3,235	12,763	215,411
S W Norton	130,557	26,250	9,733	26,232	–	3,250	12,763	208,785
P I Flanders	133,665	–	10,974	22,559	–	3,329	–	170,527
T D Crook	122,863	26,075	8,472	24,925	–	3,020	12,763	198,118
G B Crimmins	130,079	30,600	13,999	26,898	–	3,195	12,763	217,534
B G Mahony	159,069	–	–	12,736	–	3,892	–	175,697
D F Kaye	155,330	35,744	2,383	15,166	–	3,326	12,763	224,712
R T McDowall[6]	125,650	–	43,087	26,720	574,849	2,979	–	773,285
Sub-total key management personnel	**1,559,146**	**227,570**	**146,108**	**246,442**	**574,849**	**38,167**	**352,289**	**3,144,571**
Total	**1,853,320**	**227,570**	**146,108**	**268,904**	**574,849**	**38,167**	**352,289**	**3,461,207**

1 A director-related entity of J A Jackson received $18,750 in consulting fees during the year in addition to the above payments.
2 J E Burman received $15,000 in consulting fees during the year in addition to the above payments.
3 R A Burney's director's fees of $44,000 were paid to his employer. He receives no superannuation benefit in respect of these fees.
4 J F Hesp received $10,500 in consulting fees during the year in addition to the above payments.
5 I C Sandford retired on 31 July 2008.
6 R T McDowall received benefits including accrued annual leave and long service leave on termination of his employment on 27 February 2009.
7 Cash bonuses paid at the discretion of directors.

Since the end of the financial year the company has retained a director-related entity of Mr J A Jackson, a director, and Dr J E Burman and Mr J F Hesp, directors, to conduct project work on a commercial consulting basis. No other director has, since the end of the financial year, received or become entitled to receive any benefit (other than a benefit included in this Remuneration Report) by reason of a contract made by the company with the director or with a firm of which he or she is a member, or with a company in which he or she has a substantial financial interest.

DIRECTORS' REPORT
CONTINUED

Key management personnel of the group and other executives of the company and the group

2008	Short-term benefits			Post-employment benefits		Long term benefits	Share-based payment	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retire-ment benefits $	Long service leave $	Options $	Total $
Non-executive directors								
I C Sandford *Chairman*	74,000	–	–	6,660	–	–	–	80,660
R R Savage[1]	36,134	–	–	3,252	–	–	–	39,386
J A Jackson[2]	44,000	–	–	3,960	–	–	–	47,960
J E Burman[3]	44,000	–	–	3,960	–	–	–	47,960
R A Burney[4]	44,000	–	–	–	–	–	–	44,000
S J Palmer[5]	10,142	–	–	913	–	–	–	11,055
Sub-total non-executive directors	**252,276**	**–**	**–**	**18,745**	**–**	**–**	**–**	**271,021**
Other key management personnel								
M J Barry	282,506	78,000[6]	7,073	32,446	–	7,492	184,085	591,602
G R Clarey	121,572	–	10,324	21,260	–	3,043	25,382	181,581
G B Crimmins	120,288	–	8,537	20,277	–	2,981	25,382	177,465
S W Norton	115,310	–	15,516	19,602	–	2,889	25,382	178,699
T D Crook	107,857	–	8,538	18,336	–	2,699	25,382	162,812
D F Kaye	137,332	20,000[7]	706	12,358	–	2,993	25,382	198,771
Sub-total key management personnel	**884,865**	**98,000**	**50,694**	**124,279**	**–**	**22,097**	**310,995**	**1,490,930**
Total	**1,137,141**	**98,000**	**50,694**	**143,024**	**–**	**22,097**	**310,995**	**1,761,951**

1 R R Savage retired on 7 April 2008.
R R Savage received $4,000 in consulting fees during the year in addition to the above payments.
2 A director-related entity of J A Jackson received $9,750 in consulting fees during the year in addition to the above payments.
3 J E Burman received $15,000 in consulting fees during the year in addition to the above payments.
4 R A Burney's director's fees of $44,000 were paid to his employer. He receives no superannuation benefit in respect of these fees.
5 S J Palmer was appointed on 7 April 2008.
6 Cash bonus paid at the discretion of directors.
7 Cash bonus paid in accordance with conditions of employment.

C Service agreements

Remuneration and other terms of employment for key management personnel are formalised in letters of appointment. Each of these documents provides details of base salary and other benefits such as telephone expenses and provision of motor vehicle. Major aspects of these appointments relating to remuneration are set out below.

M J Barry
Chief Executive Officer

- Agreement dated 22 January 2007.
- Base salary, inclusive of superannuation and fully maintained motor vehicle, of $370,000 to be reviewed annually by the Chairman and the Nomination and Remuneration Committee.
- Payment of a termination benefit on termination by the company, other than for gross misconduct, on a pro rata basis in lieu (in whole or in part) of a 6 month notice period.

W M Massey
Chief Financial Officer

- Formerly employed by The Mulgrave Central Mill Co. Ltd.
- Appointed to position of CFO on 11 August 2008.
- Base salary, inclusive of superannuation and fully maintained motor vehicle, of $196,950 to be reviewed annually by the CEO.

G R Clarey
Company Secretary

- Appointed on 2 November 1987.
- Base salary, inclusive of superannuation and fully maintained motor vehicle, for the year ended 30 June 2009 of $164,000 to be reviewed annually by the CEO.

S W Norton
General Manager, Maryborough

- Appointed 6 September 1999.
- Base salary, inclusive of superannuation and fully maintained motor vehicle, for the year ended 30 June 2009 of $166,888 to be reviewed annually by the CEO.

P I Flanders
General Manager, Mulgrave

- Formerly employed by The Mulgrave Central Mill Co. Ltd.
- Appointed to position of General Manager – Mulgrave on 16 February 2009.
- Base salary on appointment, inclusive of superannuation and fully maintained motor vehicle, of $171,725 to be reviewed annually by the CEO.

T D Crook
Agriculture Manager

- Appointed 1 September 2005.
- Base salary, inclusive of superannuation and fully maintained motor vehicle, for the year ended 30 June 2009 of $155,000 to be reviewed annually by the CEO.

G B Crimmins
Group Manager, Market Risk

- Appointed 21 March 2006.
- Base salary, inclusive of superannuation and fully maintained motor vehicle, for the year ended 30 June 2009 of $163,000 to be reviewed annually by the CEO.

B G Mahony
General Manager, Sales & Marketing

- Appointed on acquisition of The Mulgrave Central Mill Co. Ltd.
- Base salary, inclusive of superannuation for the year ended 30 June 2009 of $168,403 to be reviewed annually by the CEO.

D F Kaye
Property Asset Manager

- Appointed 28 August 2006.
- Base salary, inclusive of superannuation and motor vehicle allowance, for the year ended 30 June 2009 of $165,000 to be reviewed annually by the CEO.

D Share-based compensation

Performance rights may be granted under the MSF Options and Performance Rights Plan (OPRP) which was approved by shareholders at the 2005 annual general meeting. Employees eligible to participate in the plan are those who are members of the executive staff.

The OPRP is designed to provide long-term incentives for executives to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance criteria are met and the employees remain employed by the company at the end of the vesting period. Participation in the plan is at the discretion of the board. The chief executive officer, M J Barry, has a contractual right to participate in the plan.

The terms and conditions of each grant of options and performance rights affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Number of options granted	Number of performance rights granted	First exercise date	Last exercise date	Option exercise price $	Fair value per option at grant date $	Percentage vested %
18.11.2006	440,000	–	18.11.2009	18.11.2011	2.70	0.9370	–
1.3.2007	209,420	–	1.3.2010	1.3.2012	2.90	0.9150	–
11.3.2008	560,000	–	11.3.2011	11.3.2013	2.70	0.8097	–
30.6.2009	50,000	–	30.6.2011	30.6.2014	2.00	0.4044	–
30.6.2009	100,000	–	30.6.2012	30.6.2014	2.00	0.4480	–
30.6.2009	50,000	–	30.6.2013	30.6.2014	2.00	0.4894	–
30.6.2009	–	43,750	30.6.2011	–	0.00	1.5809	–
30.6.2009	–	87,500	30.6.2012	–	0.00	1.5813	–
30.6.2009	–	43,750	30.6.2013	–	0.00	1.5817	–

Options granted under the plan carry no dividend or voting rights.

Details of options and performance rights provided as remuneration to each of the key management personnel of the group are set out below.

Name	Number of options granted during the year		Number of performance rights granted during the year		Number of options vested during the year		Number of performance rights vested during the year	
	2009	2008	2009	2008	2009	2008	2009	2008
M J Barry	–	560,000	–	–	–	–	–	–
W M Massey	200,000	–	–	–	–	–	–	–
G R Clarey	–	–	25,000	–	–	–	–	–
S W Norton	–	–	25,000	–	–	–	–	–
P I Flanders	–	–	25,000	–	–	–	–	–
T D Crook	–	–	25,000	–	–	–	–	–
G B Crimmins	–	–	25,000	–	–	–	–	–
B G Mahony	–	–	25,000	–	–	–	–	–
D F Kaye	–	–	25,000	–	–	–	–	–

The assessed fair value at grant date of options and performance rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying shares, the expected dividend yield and the risk-free interest rate for the term of the option.

For options issued on 18 November 2006:

a options were granted for no consideration and vest dependent on the compound annual growth rate (CAGR) of the company's total shareholder returns (TSR)

b exercise price: $2.70 (post share split basis)

c grant date: 18 November 2006

d expiry date: 18 November 2011

e share price at grant date: $3.075 (post share split basis)

f expected price volatility of the company's shares: 40.81% (based on annualised standard deviation for the 3 year period to 18 November 2006)

g expected dividend yield: 3.956%

h risk-free rate: 5.91%

For options granted on 11 March 2008:

a options were granted for no consideration and vest dependent on the compound annual growth rate (CAGR) of the company's total shareholder returns (TSR)

b exercise price: $2.70

c grant date: 11 March 2008

d expiry date: 11 March 2013

e share price at grant date: $2.48

f expected price volatility of the company's shares: 48.93% (based on annualised standard deviation for the 3 year period to 12 March 2008)

g expected dividend yield: 1.786%

h risk-free rate: 6.25%

For performance rights issued on 30 June 2009:

a performance rights were granted for no consideration and vest dependent on the compound annual growth rate (CAGR) of the company's earnings per share (EPS)

b exercise price: $0.00

c grant date: 30 June 2009

d expiry date: 30 June 2014

e share price at grant date: $1.58

f expected price volatility of the company's shares: 35.74% (based on annualised standard deviation for the 3 year period to 30 June 2009)

g expected dividend yield: 0%

h risk-free rate: 4.57%

For options granted on 30 June 2009:

a options were granted for no consideration and vest dependent on the compound annual growth rate (CAGR) of the company's earnings per share (EPS)

b exercise price: $2.00

c grant date: 30 June 2009

d expiry date: 30 June 2014

e share price at grant date: $1.58

f expected price volatility of the company's shares: 37.58% (based on annualised standard deviation for the 3 year period to 30 June 2009)

g expected dividend yield: 0%

h risk-free rate: 5.22%

No options or performance rights were exercised under the plan during the year ended 30 June 2009.

E Additional information

Over the past five years, average executive remuneration has grown in line with the market in comparative positions in comparative companies.

The company's executive also participates in a bonus scheme which is linked to performance against key performance indicators.

For each cash bonus and grant of options included in the tables on pages 25, 26 and 28 the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonuses is payable in future years. The options vest only if the vesting conditions are met (see pages 28 and 29). No options will vest if the conditions are not satisfied, hence the minimum value of the options yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

	Cash bonus			Options				
Name	Paid %	Forfeited %	Financial Year Granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest	Maximum total value of grant yet to vest
M J Barry	80	20	2009	–	–	–	–	–
M J Barry	100	–	2008	–	–	2011–2013	–	255,910
M J Barry	–	–	2007	–	–	2008–2010	–	52,675
W M Massey	–	–	2009	–	–	2011–2013	–	89,405
G R Clarey	85	15	2009	–	–	2011–2013	–	39,495
G R Clarey	–	–	2007	–	–	2008–2010	–	8,497
S W Norton	70	30	2009	–	–	2011–2013	–	39,495
S W Norton	–	–	2007	–	–	2008–2010	–	8,497
P I Flanders	–	–	2009	–	–	2011–2013	–	39,495
T D Crook	75	25	2009	–	–	2011–2013	–	39,495
T D Crook	–	–	2007	–	–	2008–2010	–	8,497
G B Crimmins	80	20	2009	–	–	2011–2013	–	39,495
G B Crimmins	–	–	2007	–	–	2008–2010	–	8,497
B G Mahony	–	–	2009	–	–	2011–2013	–	39,495
D F Kaye	95	5	2009	–	–	2011–2013	–	39,495
D F Kaye	100	–	2007	–	–	2008–2010	–	8,497

DIRECTORS' REPORT
CONTINUED

Share-based compensation: Options

Further details relating to options are set out below:

Name	A Remuneration consisting of options %	B Value at grant date $	C Value at exercise date $	D Value at lapse date $
M J Barry	37.9	288,475	–	–
W M Massey	–	85	–	–
G R Clarey	5.9	12,763	–	10,853
S W Norton	6.1	12,763	–	10,853
P I Flanders	–	38	–	–
T D Crook	6.4	12,763	–	10,853
G B Crimmins	5.9	12,763	–	10,853
B G Mahony	–	38	–	–
D F Kaye	5.7	12,763	–	10,853

A The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.
B The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.
C The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.
D The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

OTHER MATTERS

Significant changes

Directors are not aware of any significant change in the state of affairs of the group that occurred during the financial year and which has not been dealt with elsewhere in this Annual Report.

Matters subsequent to the end of the financial year

On 27 August 2009, The Maryborough Sugar Factory Limited (Maryborough) announced its intention to make an offer to acquire all the shares of Tully Sugar Limited (Tully).

Maryborough proposes to offer 13 shares in MSF for each Tully share, valuing Tully's equity at approximately $90.4 million.

The offer is subject to Maryborough acquiring at least 80% of the Tully shares on issue and is also subject to Tully shareholders amending the Tully Constitution.

If the offer succeeds, Maryborough intends to invite the Tully board to nominate three people to become independent directors on the Merged Group Board.

Maryborough believes the proposal offers numerous benefits for Tully and Tully shareholders.

Sugar cane supply contracts with Directors

Mr J F Hesp and Mr W B Moller, directors, have a contractual arrangement to supply sugar cane to the Mulgrave Mill on a normal commercial basis and on the same standard terms which apply to other suppliers to the mill.

Likely developments and expected results of operations

Information on likely developments in the operations of the group is contained in the Chairman's Overview (page 3) and CEO's Review (pages 4 and 5) in this Annual Report.

Further information on likely developments in the operations of the company and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Risk Management Policies

All of the group's raw sugar production for the year under review was sold independently and was exposed to fluctuations in world sugar prices and exchange rates.

At the date of this report there are no significant legal issues outstanding.

Risk management is further addressed in the Corporate Governance Statement.

INSURANCE OF OFFICERS

During the financial year, The Maryborough Sugar Factory Limited paid premiums to insure the directors and senior officers of the company.

The underwriter of this policy does not consent to the publication of the nature of liabilities insured or the amount of the premium.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under Section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

The board of directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out on pages 77 and 78 of this Annual Report, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

AUDITORS

PricewaterhouseCoopers, Chartered Accountants, continues in office in accordance with Section 327 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 32 of this report. This report is made in accordance with a resolution of the directors.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts on the financial report. Amounts in the financial report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

J Jackson

J A Jackson (Chairman)

Gordonvale, 17 September, 2009

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Auditor's Independence Declaration

As lead auditor for the audit of The Maryborough Sugar Factory Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of The Maryborough Sugar Factory Limited and the entities it controlled during the year.

Martin T Linz

Martin T Linz
Partner
PricewaterhouseCoopers

Brisbane
17 September 2009

CORPORATE GOVERNANCE STATEMENT

ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations – Compliance Checklist

	Recommendation	Comply
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes
2.1	A majority of the board should be independent directors.	Yes
2.2	The chair should be an independent director.	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4	The board should establish a nomination committee.	Yes
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes
4.1	The board should establish an audit committee.	Yes
4.2	The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • has at least three members.	Yes
4.3	The audit committee should have a formal charter.	Yes
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with Section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes
8.1	The board should establish a remuneration committee.	Yes
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes

CORPORATE GOVERNANCE STATEMENT
CONTINUED

The board of Maryborough Sugar is charged with the responsibility of ensuring the company is correctly directed, managed and controlled in order to protect the interests of shareholders. At the same time the board is committed to ensuring the company and all its officers and employees conduct business in an ethical, open and accountable manner.

A Framework of Corporate Governance has been implemented to encapsulate the constitution and the codes, charters, policies and procedures which have been adopted by the board to enable it to meet these responsibilities and commitments.

That framework consists of the board charter supported by the documents set out below all of which may be viewed on the company's website: **www.marysug.com.au** under the Section on corporate governance:

A Code of Conduct for Directors

i Board Procedures for Directors

ii Detailed Procedures for Conflict of Interest

iii Policy on Trading in the Company's Securities

B Code of Conduct for all Employees

C Board Committee Charters

i Audit Committee

ii Compliance Committee

iii Nomination and Remuneration Committee

iv Market Risk Committee

D Risk Management Policy

E Disclosure

i Continuous Disclosure Policy

ii Shareholder Communication Policy

F Statement of Matters Reserved to Board and Delegations to CEO

G Policy for Performance Evaluation of Directors and Executives

H Remuneration Policy

I Workplace Health & Safety Policy

J Environmental Policy

K Privacy Policy

PRINCIPLE 1
LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Establish and disclose the respective roles and responsibilities of board and management.

Recommendation 1.1

Establish and disclose the functions reserved to the board and those delegated to management.

The company has policies and follows practices that effectively clarify the respective roles of board and management. These practices follow this Recommendation and are documented in the Board Charter, a copy of which may be viewed on the company's website.

In addition, the board has adopted a Statement of Matters Reserved to the Board and Delegated to Management which may also be viewed on the company's website.

The letter of appointment for new directors sets out the details of appointment, term of office and expectations under the company's governance framework and is accompanied by copies of the board and board committee charters and all associated policy statements.

Recommendation 1.2

Disclose the process for evaluating the performance of senior executives.

The company follows this Recommendation. Performance evaluations for senior executives have taken place during the current reporting period in accordance with the company's Policy for Performance Evaluation of Directors and Executives. This policy is posted on the company's website.

Recommendation 1.3

Provide the information indicated in the Guide to reporting on Principle 1.

The Annual Report, via this Corporate Governance Statement and elsewhere in the report and through properly disclosed policies, complies with the recommended disclosure of information with respect to Principle 1.

PRINCIPLE 2
STRUCTURE THE BOARD TO ADD VALUE

Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendation 2.1

A majority of the board should be independent directors.

The board structure follows this Recommendation. Details about directors, including their relevant skills, experience and expertise, their independence and their period in office are disclosed in the Annual Report under the heading 'Board of Directors'. The materiality threshold used for assessing 'independence' is, for substantial shareholdings, that prescribed by the *Corporations Act 2001;* for other financial relationships (currently none) judgement is exercised by the board as to whether or not a relationship is material. There is a procedure in the Board Charter for a director to obtain independent professional advice at the company's expense.

Conflicts of interest are addressed in the board's Detailed Procedures for Conflict of Interest.

Recommendation 2.2

The chairperson should be an independent director.

The company follows this Recommendation. The Chairman's role is described in the Board Charter.

Recommendation 2.3

The roles of chairperson and CEO should not be exercised by the same individual.

The company follows this Recommendation. The responsibilities of the CEO are defined in writing.

Recommendation 2.4

The board should establish a nomination committee.

The company follows this Recommendation and has a Nomination and Remuneration Committee. This committee has a charter and is chaired by an independent director. Among other things, the charter describes the procedure for the nomination and appointment of new directors; the selection process is normally aided by the involvement of outside recruitment consultants, after first determining the balance of competencies required on the board. The charter of the Nomination and Remuneration Committee may be viewed on the company's website.

With respect to the term of directorship, there is currently no fixed term of office for any director. Each year a proportion of the board members retire by rotation in accordance with the company's constitution and may offer themselves for re-election. The letter of appointment for directors states the board's view that a non-executive director limit his/her appointment to two or three terms (a 'term' being a period of office between the Annual General Meetings when the shareholders re-elect that director by rotation), unless that director is appointed Chairman of the Board in which case a greater number of terms overall will normally be considered appropriate. Notwithstanding the above, the board may decide to relax this recommendation in special circumstances that are deemed by the board to be in the best interests of shareholders.

Recommendation 2.5

Disclose the process for evaluating the performance of the board, its committees and individual directors.

The company follows this Recommendation. A performance evaluation for the board, its committees and directors has taken place during the current reporting period in accordance with the company's Policy for Evaluation of Directors and Executives. This policy is posted on the company's website.

Recommendation 2.6

The Annual Report, via this Corporate Governance Statement and elsewhere in the report, complies with the recommended reporting of information with respect to Principle 2.

PRINCIPLE 3
PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Actively promote ethical and responsible decision-making.

Recommendation 3.1

Establish a code of conduct to guide the directors, the CEO, the chief financial officer (CFO) and any other key executives as to:

- the practices necessary to maintain confidence in the company's integrity
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The company follows this Recommendation. The company has written Codes of Conduct, one for directors and officers of the company and one that applies to all employees. These codes may be viewed on the company's website.

Recommendation 3.2

Disclose the policy concerning trading in company securities by directors, officers and employees.

The company follows this Recommendation. The full text of the trading policy may be viewed on the company's website, and it is based on the following 'black out' periods when trading by designated officers is prohibited: 31 December to the end of the business day immediately following the day that the half year results are released; and 30 June to the end of the business day immediately following the day that the full year results are released.

Recommendation 3.3

The Annual Report, principally via this Corporate Governance Statement, complies with the recommended reporting of information with respect to Principle 3.

PRINCIPLE 4
SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Have a structure to independently verify and safeguard the integrity of the company's financial reporting.

Recommendation 4.1

The board should establish an audit committee.

The company follows this Recommendation.

Recommendation 4.2

Structure the audit committee so that it consists of:

- only non-executive directors
- a majority of independent directors
- an independent chairperson, who is not chairperson of the board
- at least three members

The company's Audit Committee currently consists of three non-executive, independent directors and its chairman is not Chairman of the board. This structure is considered suitable for the board of a company of comparable size. The Committee members have appropriate qualifications and experience.

Recommendation 4.3

The audit committee should have a formal charter.

The company follows this Recommendation. The charter of the Audit Committee may be viewed on the company's website. Among other roles, the Committee reviews the rotation arrangements of the external audit partner and monitors and satisfies itself about the independence of the external audit firm. The Committee meets at least twice a year and at least once each year the suitability and independence of the external audit firm is reviewed based on enquiries made of management, other board members and the auditor, as well as knowledge of the services the audit firm has provided and the quality of that service.

Following recent growth of the operations the board, through the Audit Committee, is considering implementation of an internal audit function.

The company also has a Compliance Committee and a Market Risk Committee, the charters of which may be viewed on the company's website. With clearly defined responsibility boundaries, these committees review the company's risk management and internal control compliance and control systems. See more information under Principle 7.

Recommendation 4.4

The Annual Report, principally via this Corporate Governance Statement, complies with the recommended reporting of information with respect to Principle 4.

PRINCIPLE 5
MAKE TIMELY AND BALANCED DISCLOSURE

Promote timely and balanced disclosure of all material matters concerning the company.

Recommendation 5.1

Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance and disclose those policies or a summary of those policies.

The company follows this Recommendation. The company's Policy for Continuous Disclosure may be viewed on the company's website. The CEO and CFO are primarily responsible for ensuring that all relevant matters are disclosed in a clear and timely manner. At each board meeting, or between meetings if circumstances require, directors and management use a list of possible events as an aide memoir to facilitate decisions about the need for disclosures to the market.

Recommendation 5.2

The Annual Report, principally via this Corporate Governance Statement, complies with the recommended reporting of information with respect to Principle 5.

PRINCIPLE 6
RESPECT THE RIGHTS OF SHAREHOLDERS

Respect the rights of shareholders and facilitate the effective exercise of those rights.

Recommendation 6.1

Design and disclose a communications strategy for promoting effective communication with shareholders and encouraging effective participation at general meetings and disclose the policy or a summary of that policy.

The company follows this Recommendation. The company's Shareholder Communication Policy may be viewed on its website. Through this policy the directors seek to keep shareholders property informed and recently have provided the opportunity for shareholders to receive electronic communications.

Recommendation 6.2

The Annual Report, principally via this Corporate Governance Statement, complies with the recommended reporting of information with respect to Principle 6.

The company follows this Recommendation.

PRINCIPLE 7
RECOGNISE AND MANAGE RISK

Establish a sound system of risk oversight and management and internal control.

Recommendation 7.1

Establish policies for the oversight and management of material business risks and disclose a summary of these policies.

The company follows this Recommendation. The company has set up a Compliance Committee and a Market Risk Committee to review and monitor risk management systems within clearly defined boundaries of responsibility. The company's Risk Management Policy is posted on its website. The company has also established a Market Risk Management Policy which is considered commercially sensitive and is not disclosed.

Recommendation 7.2

Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively and disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The company follows this Recommendation. Management has designed and implemented risk management and internal control systems and reports on the effectiveness of these systems bi-annually through the Compliance Committee.

The Market Risk Committee currently meets on a monthly basis and, with management, is undertaking continuous review of market risk management systems and reports to the board following each of these meetings.

Management has reported to the board in accordance with stated policy, as to the ongoing effectiveness of the company's management of its material business risks.

Recommendation 7.3

Disclose whether assurance has been received from the CEO and CFO that the declaration provided in accordance with Section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.

The company follows this Recommendation. It has adopted a policy and processes that have close regard for the methods set out in the Australian Risk Management Standard (AS4360:2004).

Recommendation 7.4

The Annual Report, principally via this Corporate Governance Statement, complies with the recommended reporting of information with respect to Principle 7.

PRINCIPLE 8
REMUNERATE FAIRLY AND RESPONSIBLY

Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendation 8.1

Establish a remuneration committee.

The company follows this Recommendation. Its Nomination and Remuneration Committee (charter and composition) are described above under Recommendation 2.4. This committee makes recommendations to the board on matters relating to remuneration policies and the levels of remuneration for directors and for the CEO.

The names of the members of this Committee and their attendance at meetings are set out in the Annual Report.

Recommendation 8.2

Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The company follows this Recommendation. Non-executive directors are remunerated by fees that are fixed from time to time, plus statutory superannuation contributions. They do not participate in bonus or incentive arrangements, nor in equity-based remuneration such as share options. No retirement benefit, other than superannuation, is available to non-executive directors.

Recommendation 8.3

The Annual Report, principally via this Corporate Governance Statement and the Remuneration Report comply with the recommended reporting of information with respect to Principle 8.

ANNUAL FINANCIAL REPORT

30 JUNE 2009

This financial report covers both the separate financial statements of The Maryborough Sugar Factory Limited as an individual entity and the consolidated financial statements for the consolidated entity consisting of The Maryborough Sugar Factory Limited and its subsidiaries.

The financial report is presented in Australian currency.

The Maryborough Sugar Factory Limited is a company limited by shares, incorporated and domiciled in Australia.
Its registered office is:

114–116 Kent Street
Maryborough
Queensland 4650

and its principal places of business are:

114–116 Kent Street
Maryborough
Queensland 4650

Gordon Street
Gordonvale
Queensland 4865

A description of the nature of the consolidated entity's operations and its principal activities is included in the Review of Operations on pages 6 to 19 and in the directors' report on pages 23 to 31 neither of which are part of this financial report.

The financial report was authorised for issue by the directors on 17 September 2009. The company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available on our website: www.marysug.com.au.

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Parent Entity	
	Notes	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Revenue	5	**150,439**	27,007	**33,887**	26,925
Other income	6	**138**	75	**72**	75
Movement in valuation of biological assets	16	**2,216**	204	**1,325**	85
Changes in inventories of finished goods and work in progress		**8,263**	–	**4,898**	–
Cost of cane and other materials used		**(92,191)**	(17,305)	**(24,611)**	(17,107)
Distribution costs		**(24,500)**	(1,086)	**(1,845)**	(1,085)
Net foreign exchange hedging gain (loss)		**(12,037)**	24	**(781)**	24
Employee benefits expense		**(22,299)**	(8,509)	**(9,719)**	(8,503)
Depreciation and amortisation expense	7	**(3,028)**	(888)	**(1,176)**	(887)
Finance costs	7	**(4,046)**	(1,405)	**(3,440)**	(1,405)
Other administrative costs	8	**(6,488)**	(4,381)	**(4,219)**	(4,381)
Other expenses		**(1,687)**	(855)	**(1,106)**	(616)
Profit (loss) before income tax expense		**(5,220)**	(7,119)	**(6,715)**	(6,875)
Income tax benefit	9	**4,437**	2,385	**1,599**	2,363
Net (loss) attributable to members		**(783)**	(4,734)	**(5,116)**	(4,512)

		Cents	Cents	**Cents**	Cents
Profit (loss) per share for profit attributable to the ordinary equity holders of the company					
Basic (loss) per share	10	**(1.72)**	(22.28)	**(11.26)**	(21.24)
Diluted (loss) per share	10	**(1.68)**	(21.42)	**(10.99)**	(20.42)

The above income statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS

AS AT 30 JUNE 2009

		Consolidated		Parent Entity	
	Notes	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Current assets					
Cash and cash equivalents	12	**4,690**	30,012	**45**	30,002
Trade and other receivables	13	**5,451**	3,427	**9,907**	6,306
Inventories	14	**13,725**	310	**5,238**	310
Derivative financial instruments	15	**5,503**	898	**734**	898
Biological assets	16	**3,435**	1,219	**2,425**	1,100
Other current assets	17	**12**	–	**12**	–
Total current assets		**32,816**	35,866	**18,361**	38,616
Non-current assets					
Trade and other receivables	18	**321**	62	**254**	62
Inventories	14	**1,093**	396	**363**	396
Other financial assets	19	**–**	–	**71,533**	17,104
Available-for-sale financial assets	20	**36,365**	30,117	**10,768**	11,329
Property, plant and equipment	21	**113,366**	72,253	**68,939**	71,479
Intangible assets	22	**3,408**	1,534	**1,923**	1,409
Deferred tax assets	26	**3,535**	–	**–**	–
Other non-current assets	17	**184**	–	**37**	–
Total non-current assets		**158,272**	104,362	**153,817**	101,779
Total assets		**191,088**	140,228	**172,178**	140,395
Current liabilities					
Trade and other payables	23	**11,284**	2,450	**3,131**	2,444
Interest bearing liabilities	24	**14,282**	5,357	**14,282**	5,357
Provisions	25	**2,023**	754	**656**	754
Derivative financial instruments	15	**22,187**	111	**7,753**	111
Total current liabilities		**49,776**	8,672	**25,822**	8,666
Non-current liabilities					
Trade and other payables	23	**2,413**	596	**596**	626
Interest bearing liabilities	24	**33,769**	27,640	**33,769**	27,640
Derivative financial instruments	15	**9,512**	684	**7,603**	684
Deferred tax liabilities	26	**–**	7,031	**363**	7,022
Provisions	27	**280**	167	**163**	167
Total non-current liabilities		**45,974**	36,118	**42,494**	36,139
Total liabilities		**95,750**	44,790	**68,316**	44,805
Net assets		**95,338**	95,438	**103,862**	95,590
Equity					
Contributed equity	28	**77,922**	52,265	**77,922**	52,265
Reserves	29a	**1,809**	28,452	**14,444**	28,382
Retained profits	29a	**15,607**	14,721	**11,496**	14,943
Minority equity interest		**–**	–	**–**	–
Total equity		**95,338**	95,438	**103,862**	95,590

The above balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

2009 – CONSOLIDATED

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2008		52,265	28,452	14,721	95,438
Realisation of revalued assets, net of tax	29b	–	(1,585)	1,585	–
Tax adjustment on prior year land revaluation		–	(33)	–	(33)
Income tax benefit received on prior year	29b	–	–	84	84
Loss on cash flow hedge reserve, net of tax	29a	–	(23,259)	–	(23,259)
Loss on revaluation of available-for-sale assets, net of tax	29a	–	(2,118)	–	(2,118)
Profit (loss) for the year		–	–	(783)	(783)
Total recognised income and expense for the year		–	(26,995)	886	(26,109)
Contributions of equity, net of transaction costs	28g,h	25,657	–	–	25,657
Employee share options – value of employee services		–	352	–	352
Minority equity interest		–	–	–	–
Total		25,657	352	–	26,009
Balance at 30 June 2009		77,922	1,809	15,607	95,338

2009 – PARENT ENTITY

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2008		52,265	28,382	14,943	95,590
Realisation of revalued assets, net of tax	29b	–	(1,585)	1,585	–
Tax adjustment on prior year land revaluation		–	(33)	–	(33)
Income tax benefit received on prior year	29b	–	–	84	84
Loss on cash flow hedge reserve, net of tax	29a	–	(12,183)	–	(12,183)
Loss on revaluation of available-for-sale assets, net of tax	29a	–	(489)	–	(489)
Profit (loss) for the year		–	–	(5,116)	(5,116)
Total recognised income and expense for the year		–	(14,290)	(3,447)	(17,737)
Contributions of equity, net of transaction costs	28g,h	25,657	–	–	25,657
Employee share options – value of employee services		–	352	–	352
Total		25,657	352	–	26,009
Balance at 30 June 2009		77,922	14,444	11,496	103,862

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

2008 – CONSOLIDATED

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2007		5,489	8,715	20,331	34,535
Gain on revaluation of available-for-sale assets, net of tax	29a	–	744	–	744
Gain on revaluation of land assets, net of tax	29a	–	17,494	–	17,494
Gain on cash flow hedge reserve, net of tax	29a	–	1,188	–	1,188
Profit (loss) for the year		–	–	(4,734)	(4,734)
Total recognised income and expense for the year		–	19,426	(4,734)	14,692
Dividends paid	29b	–	–	(876)	(876)
Contributions of equity, net of transaction costs	28c,d,e,f	46,776	–	–	46,776
Employee share options – value of employee services	29a	–	311	–	311
Total		46,776	311	(876)	46,211
Balance at 30 June 2008		52,265	28,452	14,721	95,438

2008 – PARENT ENTITY

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2007		5,489	8,715	20,331	34,535
Gain on revaluation of available-for-sale assets, net of tax	29a	–	747	–	747
Gain on revaluation of land assets, net of tax	29a	–	17,421	–	17,421
Gain on cash flow hedge reserve, net of tax	29a	–	1,188	–	1,188
Profit (loss) for the year		–	–	(4,512)	(4,512)
Total recognised income and expense for the year		–	19,356	(4,512)	14,844
Dividends paid	29b	–	–	(876)	(876)
Contributions of equity, net of transaction costs	28c,d,e,f	46,776	–	–	46,776
Employee share options – value of employee services	29a	–	311	–	311
Total		46,776	311	(876)	46,211
Balance at 30 June 2008		52,265	28,382	14,943	95,590

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**158,781**	30,764	**32,072**	27,779
Payments to suppliers and employees (inclusive of goods and services tax)		**(172,360)**	(34,205)	**(45,949)**	(34,022)
		(13,579)	(3,441)	**(13,877)**	(6,243)
Interest received		**1,852**	542	**1,121**	542
Dividends received		**3,512**	1,095	**1,938**	1,095
Interest paid		**(4,085)**	(1,405)	**(3,478)**	(1,405)
Income tax received (paid)		**84**	(852)	**84**	(852)
Net cash (outflow) from operating activities	30	**(12,216)**	(4,061)	**(14,212)**	(6,863)
Cash flows from investing activities					
Payments for property, plant and equipment		**(9,121)**	(9,587)	**(3,784)**	(9,587)
Payments for available-for-sale financial assets		**(3,636)**	(5,214)	**(125)**	(2,416)
Purchase of subsidiary, net of cash		**(18,318)**	(17,097)	**(28,719)**	(17,103)
Loans to unrelated parties		**(254)**	–	**(254)**	–
Loan repayments from unrelated parties		**12**	252	**3**	252
Proceeds from sale of property, plant and equipment		**3,928**	365	**3,849**	365
Net cash (outflow) from investing activities		**(27,389)**	(31,281)	**(29,030)**	(28,489)
Cash flows from financing activities					
Proceeds from issue of shares		**–**	47,275	**–**	47,275
Share issue costs		**(54)**	(811)	**(54)**	(811)
Proceeds from borrowings		**52,661**	19,655	**31,661**	19,655
Repayment of borrowings		**(41,710)**	–	**(20,710)**	–
Finance lease payments		**(42)**	(50)	**(42)**	(50)
Dividends paid (net of dividends reinvested)		**–**	(565)	**–**	(565)
Net cash inflow from financing activities		**10,855**	65,504	**10,855**	65,504
Net (decrease) increase in cash held		**(28,750)**	30,162	**(32,387)**	30,152
Cash at the beginning of the financial year		**29,276**	(886)	**29,265**	(886)
Effects of exchange rate changes on cash		**(734)**	–	**(1,731)**	–
Cash at the end of the financial year	12	**(208)**	29,276	**(4,853)**	29,266
Financing arrangements	24				

The above cash flow statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for The Maryborough Sugar Factory Limited as an individual entity and the consolidated entity consisting of The Maryborough Sugar Factory Limited and its subsidiaries. Comparative information has been reclassified where appropriate to enhance comparability.

a Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The financial report of The Maryborough Sugar Factory Limited and the consolidated entity also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Going Concern

Notwithstanding the fact that the group has net current liabilities, the directors are of the view that the company will meet its debts as and when they fall due for the following reasons:

- the current liability in respect of derivative financial instruments will be met with future sugar sales
- working capital facilities due for expiration on 31 March 2010 are expected to be renewed. However, if these facilities are not renewed, other adequate working capital arrangements are available to the company
- sugar prices have improved due to the decline in global stocks and a forecast deficit of global supply versus consumption for raw sugar
- the group's crop outlook has improved supported by increased area of planting and yield improvement

b Principles of consolidation

i Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of The Maryborough Sugar Factory Limited ('company' or 'parent entity') as at 30 June 2009 and the results of all subsidiaries for the year then ended. The Maryborough Sugar Factory Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all those entities over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group (refer to note 1i).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of The Maryborough Sugar Factory Limited.

c Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d Foreign currency translations

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

e Revenue recognition

i Sugar sales

The group's sugar production is sold to a combination of domestic and international customers. Title passes to the customer when raw sugar is loaded on board the ship at the bulk sugar terminal and revenue is recognised at that point. A small quantity of sugar is purchased by Queensland Sugar Limited (QSL) under the terms of the Voluntary Marketing Agreement. Title to raw sugar under this Agreement passes to QSL at the bulk sugar terminal or other nominated facility. Revenue is recognised based on the declared final pool price as advised by QSL adjusted for the movement in fair value of standing crops.

ii Molasses sales

Revenue from molasses sales is recognised on a combination of delivery and shipment, based on the contracted price of molasses.

iii Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

iv Dividends

Dividends are recognised as revenue when the right to receive payment is established.

f Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight line basis over the expected lives of the related assets.

g Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the Australian income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that, at the time of the transaction, did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation Legislation

The Maryborough Sugar Factory Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, The Maryborough Sugar Factory Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continued to be a stand alone taxpayer in its own right.

h Leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception and the corresponding rental obligations, net of finance charges, are included in other longer term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Income from operating leases in respect of company-owned cane plantations is calculated as a function of sugar price and is recognised in income on an accrual basis.

i Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1r). If the cost of acquisition is less than the group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

j Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

k Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l Receivables

Debtors in relation to sugar sales are recognised at fair value in accordance with the respective sugar sales contracts. Molasses debtors are based on the forecast final pool prices as advised by the respective marketing programmes. Other trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment for doubtful receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement.

m Inventories

Raw materials and stores, work in progress and finished goods

Raw materials, work in progress and raw sugar finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Stores and mill spares have been valued at cost less a provision for diminution in value due to obsolescence. Values are assigned to individual items on the basis of weighted average costs.

n Biological assets

Standing crops of sugar cane have been valued at fair value less point-of-sale costs at the time of harvesting in accordance with AASB 141 *Agriculture*.

Fair value of mature standing crops is based on a number of factors including estimated crop size, CCS (sugar content) and expected market price for sugar less harvesting and distribution costs.

Fair value of immature standing crops is based on net present value of expected cash flows using a market-determined pre-tax discount rate.

o Investments and other financial assets

Classification

The group classifies its investments in the following categories: loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purposes for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

i Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

ii Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

iii Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and derecognition

Purchases and sales of investments are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value – changes in the fair value are recognised in equity.

Details on how the fair value of financial instruments is determined are disclosed in note 2d.

Impairment

The group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

p Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 15. Movements in the hedging reserve in shareholders' equity are shown in note 29. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

i Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

ii Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

iii Derivatives that do no qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or other expenses.

q Property, plant and equipment

Land and buildings are shown at fair value (apart from industrial land which is at cost), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings and immovable irrigation plant. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to asset revaluation reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss.

Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation is calculated on a straight line basis over the remaining useful lives of individual assets.

Average rates of depreciation by asset category are as follows:

- Buildings 30–40 years
- Plant & machinery 10–50 years
- Mobile equipment 10–15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at reporting date.

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 carrying amount. These are included in the income statement. When revalued assets are sold, it is the group's policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

r Intangibles

i Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the group's investment by primary reporting segment (note 4).

ii Water rights

Water allocations represent a right to take water from the Lower Mary River Irrigation Scheme and are classified as intangible assets. The water rights give the group the right to take water from the designated sources on an indefinite basis. As a result, the useful life of this intangible asset is considered to be indefinite.

Water allocations are shown at cost. External independent valuations are conducted on a periodic basis (at least triennial). Water allocations are not amortised but are tested for impairment against these valuations.

iii Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

s Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

t Interest bearing liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Interest bearing liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

u Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. They include interest on bank overdrafts and long term borrowings. Other borrowing costs are expensed.

v Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

w Employee benefits

i Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and sick leave are recognised in trade and other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

ii Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

iii Share-based plan

Share-based compensation benefits are provided to employees via The Maryborough Sugar Factory Limited Employee Share Plan. Under this plan employees are periodically offered shares in the group at a discount to market price.

Under AASB 2 *Share-based Payment*, the group is required to recognise an expense for the discount to market price of shares issued under this share plan.

iv Share-based payments

Share-based compensation benefits are provided to employees via the Maryborough Sugar Factory Options and Performance Rights Plan (OPRP) and an employee share scheme. Information relating to these schemes is set out in note 36.

The fair value of options granted under the Maryborough Sugar Factory OPRP is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

v Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

x Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

y Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

z Earnings per share

i Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

ii Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

aa Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

ab Rounding of amounts

The company is of a kind, referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

ac New accounting standards and UIG interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The group's assessment of the impacts of these new standards and interpretations is set out below:

i AASB 8 ***Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009).***

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will adopt AASB 8 from 1 July 2009. It may result in an increase in the number of reportable segments presented. In addition, the segments will be reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated by management to groups of cash-generating units on a segment level, the change in reportable segment may also require a reallocation of goodwill. However, this is not expected to result in any additional impairment of goodwill.

ii Revised AASB 123 ***Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009).***

The revised AASB 123 has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

iii Revised AASB 101 ***Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009).***

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If any entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.

iv AASB 2008-1 *Amendments to Australian Accounting Standards – Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009).*

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

v Revised AASB 3 *Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009).*

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 1i above.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see note 1bi. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the Group's current accounting policy if significant influence is not retained.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interest from 1 July 2009.

vi AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009).*

The amendments to AASB 5 *Discontinued Operations* and AASB 1 *First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards* are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

vii AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009).*

In July 2008, the AASB approved amendments to AASB 1 *First-Time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements.* The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

viii AASB 2008-8 Amendments to IAS 39 *Financial Instruments: Recognition and Measurement (effective 1 July 2009).*

AASB 2008-8 amends AASB 139 *Financial Instruments: Recognition and Measurements* and must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 July 2009. It is not expected to have a material impact on the Group's financial statements.

2 FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks, market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management program seeks to minimise potential adverse effects on its financial performance. The group uses derivative financial instruments such as foreign exchange contracts and sugar forward contracts to hedge certain risk exposure. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and price risk and ageing analysis for credit risk.

Risk management is overseen by the Market Risk Management Committee under policies approved by the board of directors. The board provides guidance for overall risk management, as well as policies covering specific areas, such as price risk, foreign exchange risk, interest rate risk, credit risk and the use of derivative financial instruments and non-derivative financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

a Market risk

i Price risk

The group is exposed to world sugar prices in respect of its sales. This risk is managed through sugar commodity swap transactions. The group's market risk management policies allow participation in forward contracts or swaps at predetermined target prices and percentages of production estimates.

The group's policy allows pricing in respect of up to 50% of estimated production (3 seasons forward), up to 60% of estimated production (2 seasons forward) and increasing to 75% (1 season forward) subject to predetermined target prices being available. These forecast production percentages are considered 'highly probable' of being achieved. Details of the group's sugar price hedged position as at balance date is disclosed in note 15.

The table below summarises the impact of increases/decreases in the Intercontinental Exchange (ICE) No.11 sugar price on the group's and parent entity's equity. The analysis is based on the assumption that the ICE No. 11 price had increased/decreased by 5% with all other variables held constant. All of the group's and parent entity's forward pricing risk is effectively hedged and there is no profit/loss impact. An increase in the ICE No.11 price will result in a decrease in equity and vice versa.

	Impact in Equity		**Impact in Equity**	
	Consolidated		**Parent**	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Sugar price hedges	**1,523**	11	**768**	11

ii Foreign Exchange Risk

The group is exposed to fluctuations in the USD against the AUD as the group's sales are denominated in USD. The risk is measured using sensitivity analysis and cash flow forecasting. This risk is managed by entering commodity/currency swaps to achieve required AUD pricing outcomes and also by entering forward foreign exchange contracts to fix rates at the date the USD cash flow is expected to occur. Details of the group's foreign exchange hedged position as at balance date is disclosed in note 15.

The table below summarises the impact of increases/decreases in AUD/USD exchange rate on the group's and parent entity's equity. The analysis is based on the assumption that the AUD/USD exchange rate had increased/decreased by 5% with all other variables held constant. All of the group's and parent entity's foreign exchange risk is effectively hedged and there is no profit/loss impact.

An increase in the AUD/USD exchange rate will result in a decrease in equity and vice versa.

	Impact in Equity		**Impact in Equity**	
	Consolidated		**Parent**	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Foreign exchange hedge liability	**213**	6	**37**	6

iii Cash flow and fair value interest rate risk

As the group has no significant long term interest-bearing assets, its income and operating cash flows are not materially exposed to changes in market interest rates.

The group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Up to 30 June 2009 the group has not entered into hedging activities related to interest rates. The group may reconsider this policy in the future.

As at the reporting date, the group and parent had outstanding variable rate borrowings as detailed in note 24.

	30 June 2009		**30 June 2008**	
	Weighted average interest rate %	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Bank overdrafts and bank loans	7.62	40,148	8.36	24,737

An analysis of securities is provided in 24d.

The table below summarises the impact of increases/decreases in interest rates on the group's and parent entity's post-tax profit for the year. The analysis is based on the assumption that interest rates had increased/decreased by 1%.

	Impact on Profit		Impact on Profit	
	Consolidated		Parent	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Interest bearing liabilities and cash equivalents	**187**	4	**202**	4

b **Credit risk**

The group is not currently exposed to any significant credit risk. The major customers, for sugar, molasses and electricity are all of high credit quality.

All derivative transactions are executed with financial institutions with very high credit ratings.

c **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through adequate committed credit facilities. The group maintains flexibility in funding by keeping committed credit lines available.

Financing arrangements

At the reporting date, the group and the parent entity had access to undrawn borrowing facilities as detailed in note 24.

Maturities of financial liabilities

The following tables below analyse the group's and the parent entity's financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

Consolidated at 30 June 2009	**Less than 1 year $'000**	**1-2 years $'000**	**2-5 years $'000**	**Over 5 years $'000**	**Total Contractual cash flows $'000**	**Carrying amount (assets)/ liabilities $'000**
Non-derivatives						
Non-interest bearing	9,633	–	–	–	9,633	9,633
Variable rate	15,066	4,717	13,132	13,968	46,883	40,148
Fixed rate	1,493	1,425	3,097	5,813	11,828	7,903
Total non-derivatives	26,192	6,142	16,229	19,781	68,344	57,684
Derivatives						
(inflow)	(5,503)	–	–	–	(5,503)	(5,503)
outflow	22,187	6,475	3,037	–	31,699	31,699
Total derivatives	16,684	6,475	3,037	–	26,196	26,196

Consolidated at 30 June 2008	**Less than 1 year $'000**	**1-2 years $'000**	**2-5 years $'000**	**Over 5 years $'000**	**Total Contractual cash flows $'000**	**Carrying amount (assets)/ liabilities $'000**
Non-derivatives						
Non-interest bearing	1,696	–	–	–	1,696	1,696
Variable rate	6,582	4,047	10,903	11,650	33,182	24,737
Fixed rate	1,261	1,421	3,466	6,736	12,884	8,260
Total non-derivatives	9,539	5,468	14,369	18,386	47,762	34,693
Derivatives						
(inflow)	(898)	–	–	–	(898)	(898)
outflow	111	452	232	–	795	795
Total derivatives	(787)	452	232	–	(103)	(103)

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

c Liquidity risk (continued)

Maturities of financial liabilities (continued)

Parent Entity at 30 June 2009	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	Over 5 years $'000	Total Contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Non-derivatives						
Non-interest bearing	1,939	–	–	–	1,939	1,939
Variable rate	15,066	4,717	13,132	13,968	46,883	40,148
Fixed rate	1,493	1,425	3,100	5,813	11,831	7,903
Total non-derivatives	18,498	6,142	16,232	19,781	60,653	49,990
Derivatives						
(inflow)	(734)	–	–	–	(734)	(734)
outflow	7,753	5,083	2,520	–	15,356	15,356
Total derivatives	7,019	5,083	2,520	–	14,622	14,622

Parent Entity at 30 June 2008	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	Over 5 years $'000	Total Contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Non-derivatives						
Non-interest bearing	1,695	–	–	–	1,695	1,695
Variable rate	6,582	4,047	10,903	11,650	33,182	24,737
Fixed rate	1,260	1,421	3,466	6,736	12,883	8,260
Total non-derivatives	9,537	5,468	14,369	18,386	47,760	34,692
Derivatives						
(inflow)	(898)	–	–	–	(898)	(898)
outflow	111	452	232	–	795	795
Total derivatives	(787)	452	232	–	(103)	(103)

d Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

e Biological asset risk

Standing crops of sugar cane are exposed to market risks as well as risks associated with climatic conditions, disease and pests.

The group manages its weather-related risk principally through its irrigation policy, while its exposures to disease and pests are managed in conjunction with the appropriate industry organisations and government departments.

f Capital risk management

The group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The group's debt and capital includes ordinary share capital and financial liabilities (excluding derivative financial instruments) supported by financial assets. There are no externally imposed capital requirements.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group and the parent entity are considering formulation and adoption of a gearing ratio policy.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the group and that are believed to be reasonable under the circumstances.

a Standing crops valuation

Standing crops of sugar cane are valued at fair value less point-of-sale costs at the time of harvesting. In arriving at fair value, estimates of crop size and CCS (sugar content) are made on the basis of historical experience and sugar price is estimated giving consideration to forward pricing activities completed at the time together with market projections for unpriced production. Refer to note 16 for details of these assumptions and the potential impact of changes to the assumptions.

b Water allocation valuation

Water allocations are valued at cost and not subject to annual amortisation (note 22). Impairment is tested against external independent valuations.

c Property, plant and equipment valuation

With the exception of land and farm buildings, plant and equipment is carried at cost and reviewed annually for indication of impairment. The recoverable amounts of cash-generative units have been determined using discounted cash flows which are based on assumptions in respect of:

- crop size 1,845,000 tonnes–2,105,000 tonnes
- sugar price $400–$420 (per IPS tonne)
- nominal pre-tax discount rate 12.89%

The recoverable amount of the combined sugar milling CGU's is estimated to be $53.1m. This exceeds the carrying amount of the combined sugar milling CGU's at 30 June 2009 by $7.3m. If the sugar price was to decrease by 5% over the test period, the carrying amount would approximate the recoverable amount of these cash-generative units.

In addition, the group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1j. Goodwill has been included in the carrying amounts of the cash-generative units when testing for impairment.

d Land Valuation

In valuing the group's land assets, independent valuers have made certain assumptions based on recent sales data and their knowledge of the relevant market in the local area.

e Available-for-sale financial assets valuation

The group currently holds both Miller ('M') shares and Grower ('G') shares in Sugar Terminals Limited. The 'M' class shares are not listed. However, these shares participate equally with 'G' class shares for dividend distribution and their fair value is considered to be equal to the fair value of 'G' class shares. It has been determined that these shares are not traded in an active market and therefore fair value has been determined in accordance with a discounted cash flow analysis. In this analysis, assumptions have been made in respect of (refer to note 20b):

- future expected dividends, and
- nominal pre-tax discount rate.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

f Tax losses

Projections over the next five years indicate that the group will not return sufficient taxable income to absorb all carry-forward tax losses. Only those tax losses where recovery is probable within this time frame have been recognised in the financial statements. Projections have been calculated based on assumptions in respect of:

- crop size 1,845,000 tonnes–2,105,000 tonnes
- sugar price $400–$420 (per IPS tonne)

4 BUSINESS SEGMENTS

The principal activities of the group are the manufacture of raw sugar, cane farming and investments related to both land and sugar industry infrastructure. The group operates predominantly in one geographic area, being Queensland, Australia.

Inter-segment transfers

Segment revenues, expenses and results include transferred between segments. Such transfers are priced on an 'arm's-length' basis and are eliminated on consolidation.

Primary reporting format – business segments

2009	Notes	Sugar Milling $'000	Cane Farming $'000	Sugar Terminals Limited Investment $'000	Other $'000	Consolidated $'000
Segment revenue						
Revenue from external customers		146,266	661	3,512	–	150,439
Intersegmental sales		–	2,673	–	–	2,673
Total sales revenue		146,266	3,334	3,512	–	153,112
Total segment revenue		**146,266**	**3,334**	**3,512**	**–**	**153,112**
Intersegmental elimination						(2,673)
Consolidated revenue						**150,439**
Segment result						
Segment result		(189)	(2,175)	2,309	(622)	(677)
Unallocated revenue less unallocated expenses						(4,543)
Profit (loss) before income tax						(5,220)
Income tax benefit						4,437
Profit (loss) for the year						**(783)**
Segment assets and liabilities						
Segment assets		75,136	65,221	36,292	77	176,726
Unallocated assets						14,362
Total assets						**191,088**
Segment liabilities	4i	43,796	7,056	20,000	–	70,852
Unallocated liabilities	4ii					24,898
Total liabilities						**95,750**
Other segment information						
Acquisition of property, plant and equipment		42,657	5,852	–	–	48,509
Acquisition of intangibles		1,242	214	–	–	1,456
Acquisitions of available-for-sale financial assets		–	–	8,943	–	8,943
Depreciation and amortisation expense		2,388	640	–	–	3,028
Revaluation		–	–	(2,316)	–	(2,316)

Primary reporting format – business segments (continued)

2008	Notes	Sugar Milling $'000	Cane Farming $'000	Sugar Terminals Limited Investment $'000	Other $'000	Consolidated $'000
Segment revenue						
Revenue from external customers		25,636	276	1,095	–	27,007
Intersegmental sales			1,451			1,451
Total sales revenue		25,636	1,727	1,095	–	28,458
Total segment revenue		**25,636**	**1,727**	**1,095**	**–**	**28,458**
Intersegmental elimination						(1,451)
Consolidated revenue						**27,007**
Segment result						
Segment result		(1,851)	(1,913)	300	(716)	(4,180)
Unallocated revenue less unallocated expenses						(2,939)
Profit (loss) before income tax						(7,119)
Income tax benefit						2,385
Profit (loss) for the year						**(4,734)**
Segment assets and liabilities						
Segment assets		**14,138**	**61,930**	**30,116**	**154**	**106,338**
Unallocated assets						33,890
Total assets						**140,228**
Segment liabilities	4i	2,016	6,996	20,000	–	29,012
Unallocated liabilities	4ii					15,778
Total liabilities						**44,790**
Other segment information						
Acquisition of property, plant and equipment		1,711	8,462	–	–	10,173
Acquisition of intangibles		–	209	–	–	209
Acquisitions of available-for-sale financial assets		–	–	21,206	–	21,206
Depreciation and amortisation expense		478	410	–	–	888
Revaluation		660	24,331	1,128	–	26,119

4 BUSINESS SEGMENTS (CONTINUED)

Primary reporting format – business segments (continued)

	2009 $'000	2008 $'000
i Segment Liabilities		
Derivative financial liabilities	**31,699**	794
Plant and equipment loan facility	**1,007**	1,222
Farm loan facilities	**6,896**	6,996
Mulgrave acquisition loan facility	**7,750**	–
Working capital facility	**3,500**	–
STL facility	**20,000**	20,000
	70,852	29,012
ii Unallocated Liabilities		
Current liabilities		
Trade and other payables	**11,284**	2,354
Interest bearing liabilities	**8,898**	4,779
Provisions	**2,023**	754
	22,205	7,887
Non-current liabilities		
Trade and other payables	**2,413**	692
Deferred tax liabilities	**–**	7,032
Provisions	**280**	167
	2,693	7,891
Unallocated liabilities	**24,898**	15,778

	Notes	Consolidated		Parent Entity	
		2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
5 REVENUE					
Revenue from operating activities					
Proceeds from sugar sales		**135,679**	21,872	**26,277**	21,202
Proceeds from molasses sales		**6,106**	2,836	**2,593**	2,837
Proceeds from other operating activities		**771**	67	**137**	67
Revenue from operating activities		**142,556**	24,775	**29,007**	24,106
Other revenue					
Lease revenue		**321**	197	**321**	197
Interest revenue		**1,849**	542	**1,121**	542
Dividends received		**3,512**	1,095	**1,938**	1,095
Rebates and allowances		**539**	101	**142**	771
Marketing and other recoveries		**313**	–	**909**	–
Contract works revenue		**476**	–	**–**	–
Other		**873**	297	**449**	214
		7,883	2,232	**4,880**	2,819
		150,439	27,007	**33,887**	26,925

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
6 OTHER INCOME					
Net gain on disposal of property, plant and equipment		**–**	9	**–**	9
Government grants*		**138**	66	**72**	66
		138	75	**72**	75

* Government grants include Australian Government SIRP funding for Regional and Community Partnership projects and Regional Partnerships Program funding as well as Queensland Government funding under Sugar Industry Innovation Fund. There are no unfulfilled conditions or other contingencies attached to these grants.

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
7 EXPENSES					
Profit (loss) before income tax includes the following specific expenses:					
Depreciation and amortisation:					
Buildings		**235**	52	**78**	52
Plant and equipment		**2,782**	825	**1,090**	824
Plant and equipment under finance leases		**8**	11	**8**	11
Infrastructure contribution		**3**	–	**–**	–
		3,028	888	**1,176**	887
Goodwill impairment loss	3c	**–**	221	**–**	–
Net loss on disposal of property, plant and equipment		**115**	–	**106**	–
Finance costs – interest and finance charges		**4,046**	1,405	**3,440**	1,405
Rental expense relating to operating leases – minimum lease payments		**177**	80	**85**	80
Defined contribution superannuation expense		**2,000**	710	**831**	710
Research and development expenditure		**522**	750	**320**	750
8 OTHER ADMINISTRATIVE COSTS					
Accounting, audit, legal and other professional fees		**2,457**	1,904	**2,096**	1,904
Insurance		**795**	366	**350**	366
Motor vehicle expenses (including registrations)		**408**	233	**243**	233
Computer software		**210**	140	**137**	140
Fringe benefits tax		**196**	51	**107**	51
Rates and land taxes		**446**	195	**228**	195
Telephone, internet and facsimile expenses		**188**	94	**99**	94
Travelling		**289**	155	**232**	155
Other		**1,499**	1,243	**727**	1,243
		6,488	4,381	**4,219**	4,381

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
9 INCOME TAX					
a Income tax expense					
Current tax		**–**	–	**–**	–
Deferred tax		**(4,442)**	(2,279)	**(1,397)**	(2,257)
Adjustment for current tax of prior periods		**5**	(106)	**(202)**	(106)
Income tax attributable to:					
Profit (loss) from operating activities		**(4,437)**	(2,385)	**(1,599)**	(2,363)

Subsequently to 31 December 2008 the group has entered into tax consolidation. The implementation date for tax consolidation is 1 July 2008. As a result of entering into tax consolidation deferred tax liabilities of $2.952m reversed due to an uplift in tax bases. In addition a previously recognised deferred tax asset of $4.592m no longer met the recognition criteria of AASB 112. These have been adjusted against tax expense. The impact was an increase of tax expense of $1.640m and a decrease in profit after tax of $1.640m in the 31 December 2008 half year.

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Deferred income tax (revenue) expense included in income tax expense comprises:					
(Increase) in deferred tax assets		**(2,970)**	(2,661)	**(2,292)**	(2,639)
(Decrease) increase in deferred tax liabilities		**(1,467)**	276	**693**	276
	26	**(4,437)**	(2,385)	**(1,599)**	(2,363)
b Reconciliation of income tax expense to prima facie tax payable					
Profit (loss) from ordinary activities before income tax		**(5,220)**	(7,119)	**(6,715)**	(6,875)
Tax effect at 30% (2008: 30%)		**(1,566)**	(2,136)	**(2,014)**	(2,063)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:					
Research and development		**(11)**	(47)	**21**	(47)
Non-deductible expenses		**21**	–	**1**	–
Share-based payments		**106**	93	**106**	93
Investment allowance		**(124)**	–	**(68)**	–
Tax offset for franked dividends		**(1,054)**	(328)	**(581)**	(328)
Unused tax losses for which no deferred tax asset has been recognised		**1,223**	–	**1,223**	–
Adjustment on recognition of deferred tax asset on tax consolidation		**(2,952)**	–	**–**	–
Previous year tax over provided		**5**	(106)	**(202)**	(106)
Impairment of goodwill		**–**	66	**–**	–
Borrowing costs		**–**	37	**–**	37
Other items and adjustments		**(85)**	36	**(85)**	51
Income tax (benefit) expense		**(4,437)**	(2,385)	**(1,599)**	(2,363)
c Tax losses					
Unused tax losses for which no deferred tax assets has been recognised		**19,385**	–	**19,385**	–
Potential tax benefit @ 30%		**5,816**	–	**5,816**	–

d Tax consolidation legislation

The Maryborough Sugar Factory Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1g.

	Consolidated		Parent Entity	
	Cents	Cents	**Cents**	Cents
10 EARNINGS PER SHARE				
Basic earnings (loss) per share	**(1.72)**	(22.28)	**(11.26)**	(21.24)
Diluted earnings (loss) per share	**(1.68)**	(21.42)	**(10.99)**	(20.42)

The basic and diluted earnings (loss) per share amounts have been calculated using net profit attributable to members as required by AASB 133 *Earnings per Share*.

	2009 Number	2008 Number	**2009 Number**	2008 Number
Weighted average number of shares used as the denominator				
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and alternative basic earnings per share	**45,449,695**	21,245,777	**45,449,695**	21,245,777
Adjustments for calculation of diluted earnings per share:				
Options	**1,117,388**	855,106	**1,117,388**	855,106
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and alternative diluted earnings per share	**46,567,083**	22,100,883	**46,567,083**	22,100,883

Changes in the number of issued shares are set out in note 28.

	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
11 DIVIDENDS				
a No dividend was declared or paid during the year end 30 June 2009 (2008 – 5 cents)	**–**	876	**–**	876
b Balance of franking credits available to frank future dividends based on a tax rate of 30% (2008 – 30%)	**3,926**	1,657	**2,403**	1,657

The above amounts represent the balance of the franking account at the end of the financial year, adjusted for:

i franking credits that will arise from the payment of the amount of the provision for income tax,

ii franking debits that will arise from the payment of any dividends recognised as a liability as at the end of the year, and

iii franking credits that may be prevented from being distributed in the subsequent year.

c Dividends not recognised at year end:

The directors have not declared a final dividend (2008 – nil). The aggregate amount of the dividend expected to be paid, but not recognised as a liability at year end is nil.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
12 CURRENT ASSETS – CASH AND CASH EQUIVALENTS					
Cash on hand and at bank		**4,690**	12	**45**	2
Term deposits		**–**	30,000	**–**	30,000
		4,690	30,012	**45**	30,002
The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statements as follows:					
Balances as above		**4,690**	30,012	**45**	30,002
Less: bank overdrafts	24a	**(4,898)**	(736)	**(4,898)**	(736)
Balances as per cash flow statements		**(208)**	29,276	**(4,853)**	29,266

Risk exposure

The group's and parent entity's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
13 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES					
Trade receivables		**280**	1,073	**280**	1,073
Other current receivables		**3,831**	1,847	**997**	1,822
Prepayments		**1,340**	507	**817**	507
Advances to subsidiaries		**–**	–	**7,813**	2,904
		5,451	3,427	**9,907**	6,306
Trade and other receivables as at 30 June 2009 are non-interest bearing.					
14 INVENTORIES					
Inventories					
Raw sugar, molasses and sugar in progress, at cost		**12,267**	–	**4,897**	–
Stores and mill supplies, at cost		**2,573**	730	**726**	730
Less provision for diminution in value		**(22)**	(24)	**(22)**	(24)
		14,818	706	**5,601**	706
Current		**13,725**	310	**5,238**	310
Non-current		**1,093**	396	**363**	396
		14,818	706	**5,601**	706
15 DERIVATIVE FINANCIAL INSTRUMENTS					
Current assets					
Sugar price hedge assets		**–**	898	**–**	898
Sugar options assets		**133**	–	**–**	–
Foreign exchange hedge assets		**5,370**	–	**734**	–
		5,503	898	**734**	898
Current liabilities					
Sugar price hedge liabilities		**(20,720)**	–	**(7,753)**	–
Sugar options liabilities		**(354)**	–	**–**	–
Foreign exchange hedge liabilities		**(1,113)**	(111)	**–**	(111)
		(22,187)	(111)	**(7,753)**	(111)
Non-current liabilities					
Sugar price hedge liabilities		**(9,512)**	(684)	**(7,603)**	(684)
		(9,512)	(684)	**(7,603)**	(684)

The group has implemented its own market risk policy to hedge fluctuations in future sugar price and foreign exchange rates between Australian and US dollars. The sugar price hedging policy directs pricing around a framework based on target prices and production risk.

a Instruments used by the group

The group uses commodity swaps which are covered for foreign exchange to produce a pre-determined price for the group's production.

These contracts are hedging highly probable forecast production for ensuing financial years.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the group adjusts the initial measurement of the component recognised in equity to the income statement.

A roll forward hedging relationship strategy was adopted on the business combination with The Mulgrave Central Mill Co. Ltd.

There was no hedge ineffectiveness for the group or parent entity in either the current or prior year.

In addition, the company enters into option strategies in connection with its hedging contracts which involve the simultaneous buying selling of options with equal and offsetting premiums with a view to participating in upward movements in the sugar price. These contracts are accounted for as fair value hedges and the fair value movements are recognised in the income statement in the year that they occur.

b Risk exposure

Information about the group's and the parent entity's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2.

		Consolidated		**Parent Entity**	
	Notes	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
16 CURRENT ASSETS – BIOLOGICAL ASSETS					
Standing crops					
Carrying value at 1 July		**1,219**	1,015	**1,100**	1,015
Purchases		**478**	29	**125**	-
Net gains arising from changes in quantity of standing crop and in fair value less estimated point of sale costs		**1,738**	175	**1,200**	85
Carrying value at 30 June		**3,435**	1,219	**2,425**	1,100

Fair value less estimated point of sale costs of standing crops of sugar cane have been determined at each reporting date on the basis of assumptions made in respect of:

- crop size 155,921 tonnes
- CCS (sugar content) 13.5
- final sugar price of $400 (per IPS tonne)
- nominal pre-tax discount rate 18.36%

Discount rate is calculated based on a risk-free rate, crop risk and price risk.

Impact of possible changes in sugar price assumption

If the expected final sugar price decreased by 5% ($400 to $380) the carrying value at 30 June 2009 for the group would decrease by $219,144 to $3,215,555 (parent entity decrease by $158,329 to $2,267,192).

	Tonnes	Tonnes	**Tonnes**	Tonnes
Standing crops, cane	**155,921**	70,811	**106,598**	63,916

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
17 OTHER ASSETS					
Borrowing costs		**60**	–	**60**	–
Less provision for amortisation		**(11)**	–	**(11)**	–
Infrastructure contribution		**150**	–	**–**	–
Less provision for amortisation		**(3)**	–	**–**	–
		196	–	**49**	–
Current		**12**	–	**12**	–
Non-current		**184**	–	**37**	–
		196	–	**49**	–
18 NON-CURRENT ASSETS – RECEIVABLES					
Loans to growers/employees (secured)		**321**	62	**254**	62
		321	62	**254**	62

These loans are non-interest bearing, mature within 2 years are secured either by crop lien, bill of sale or property mortgage. The fair value of these loans approximates their carrying value.

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
19 NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS					
Investment in controlled entities					
MSF Investments Pty Ltd	19a	**–**	–	**–**	–
MSF Securities Pty Ltd	19b	**–**	–	**–**	–
MSF Land Holdings Pty Ltd	19c	**–**	–	**–**	–
Anthoan Pty Ltd	19d	**–**	–	**17,104**	17,104
Maryborough Sugar Factory Trust	19e	**–**	–	**–**	–
The Mulgrave Central Mill Co. Ltd	19f	**–**	–	**54,429**	–
MSF North Pty Ltd	19g	**–**	–	**–**	–
		–	–	**71,533**	17,104

Investment in controlled entities are unquoted and comprise:

a MSF Investments Pty Ltd, a company incorporated in Queensland and acting as Trustee of the company Employee Share Plan. The company owns 100% of the issued ordinary shares at a cost of $2 (2008 – $2).

b MSF Securities Pty Ltd, a company incorporated in Queensland. The company owns 100% of the issued ordinary shares at a cost of $10 (2008 – $10).

c MSF Land Holdings Pty Ltd, a company incorporated in Queensland. The company owns 100% of the issued ordinary shares at a cost of $10 (2008 – $10).

d Anthoan Pty Ltd, a company incorporated in Queensland. The company owns 100% of the issued ordinary shares at a cost of $17,103,638 (2008 – $17,103,638).

e The company owns 100% of the units issued in the Maryborough Sugar Factory Trust at a cost of $100 (2008 – $100).

f The Mulgrave Central Mill Co. Ltd, a company incorporated in Queensland. The company owns 100% of the issued ordinary shares at a cost of $54,429,672 (2008 – nil).

g MSF North Pty Ltd, a company incorporated in Queensland. The company owns 100% of the issued ordinary shares at a cost of $10 (2008 – $nil).

		Consolidated		Parent Entity	
	Notes	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
20 NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS					
At beginning of year		**30,115**	7,781	**11,329**	7,781
Additions		**8,493**	21,206	**125**	2,416
Reclassification from investments held to maturity	20a	**73**	2	**–**	–
Revaluation surplus (reduction) transfer to equity	29a	**(2,316)**	1,128	**(686)**	1,132
At end of year		**36,365**	30,117	**10,768**	11,329
Listed securities		**27,048**	28,220	**8,986**	9,433
Unlisted securities		**9,317**	1,897	**1,782**	1,896
		36,365	30,117	**10,768**	11,329

a Anthoan Pty Ltd owns 179,126 shares (6%) of the issued capital in Isis Central Mill Company Limited at a cost of $1,791 (2008 – $1,791).

The Mulgrave Central Mill Co. Ltd owns 68,750 shares (25%) of the issued capital in Sugar North Ltd at a cost of $68,750.

The Mulgrave Central Mill Co. Ltd owns 1 share (4.76%) of the issued capital in Australia Molasses Trading Pty Ltd at a cost of $1.

The Mulgrave Central Mill Co. Ltd owns 27,600 shares (25%) of the issued capital in NIR Sugar Pty Ltd at a cost of $2,850.

b Other available-for-sale financial assets

The Group and the Company hold investments in Sugar Terminals Limited, 'G' class shares and 'M' class shares. The 'G' class shares are listed on the National Stock Exchange, the 'M' class shares are not listed. However, as the 'M' class shares participate equally with 'G' class shares in dividend distribution, the fair value is considered to be equal to the fair value of 'G' class shares. In order to value the shares, a discounted cash flow is performed using market available information. In previous years, the discounted cash flow has valued the shares approximately in line with the share price listed on the National Stock Exchange of Australia. In the current year, however, as the market for these shares continues to be inactive, the share price no longer approximates fair value. The directors have therefore reverted to using a discounted cash flow analysis which is based on assumptions in respect of:

- Future expected dividends of 5.5 cents per share per year
- Inflation rate of 2.5% per year
- Nominal pre-tax discount rate of 9.47%

The fair value of 'G' and 'M' class shares at 30 June 2009 was $0.785 per share.

NOTES TO THE FINANCIAL STATEMENTS

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	Notes	Industrial Land $'000	Other Freehold Land $'000	Buildings $'000	Plant & Equipment $'000	Mobile Equipment $'000	Total $'000
21 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT							
a Property, plant and equipment is included in the financial statements on the following basis:							
CONSOLIDATED							
At 1 July 2007							
Cost or fair value		1,075	25,406	3,749	45,646	7,801	83,677
Accumulated depreciation		–	–	(1,231)	(22,760)	(5,353)	(29,344)
Write-down of assets		–	–	(700)	(15,300)	–	(16,000)
Net book amount		1,075	25,406	1,818	7,586	2,448	38,333
Year ended 30 June 2008							
Opening net book amount		1,075	25,406	1,818	7,586	2,448	38,333
Additions		–	6,131	679	2,100	1,263	10,173
Disposals		–	(313)	–	–	(43)	(356)
Depreciation charge		–	–	(52)	(531)	(305)	(888)
Revaluation	21c	–	24,991	–	–	–	24,991
Closing net book amount		1,075	56,215	2,445	9,155	3,363	72,253
At 30 June 2008							
Cost or fair value		1,075	56,215	4,428	47,746	9,022	118,486
Accumulated depreciation		–	–	(1,283)	(23,291)	(5,659)	(30,233)
Write-down of assets		–	–	(700)	(15,300)	–	(16,000)
Net book amount		1,075	56,215	2,445	9,155	3,363	72,253
Year ended 30 June 2009							
Opening net book amount		1,075	56,215	2,445	9,155	3,363	72,253
Additions		–	2,905	820	4,241	967	8,933
Acquisition of subsidiary		7,283	3,123	4,978	24,035	158	39,577
Disposals		–	(3,543)	(71)	(55)	(161)	(3,830)
Reclassifications		–	(260)	(65)	(212)	(5)	(542)
Depreciation charge	21b	–	–	(235)	(2,285)	(505)	(3,025)
Closing net book amount		8,358	58,440	7,872	34,879	3,817	113,366
At 30 June 2009							
Cost or fair value		8,358	58,440	10,091	75,754	9,981	162,624
Accumulated depreciation		–	–	(1,519)	(25,575)	(6,164)	(33,258)
Write-down of assets		–	–	(700)	(15,300)	–	(16,000)
Net book amount		8,358	58,440	7,872	34,879	3,817	113,366

	Notes	Industrial Land $'000	Other Freehold Land $'000	Buildings $'000	Plant & Equipment $'000	Mobile Equipment $'000	Total $'000

21 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

a Property, plant and equipment is included in the financial statements on the following basis: (continued)

PARENT ENTITY

	Notes	Industrial Land $'000	Other Freehold Land $'000	Buildings $'000	Plant & Equipment $'000	Mobile Equipment $'000	Total $'000
At 1 July 2007							
Cost or fair value		1,075	25,406	3,749	45,646	7,801	83,677
Accumulated depreciation		–	–	(1,231)	(22,760)	(5,353)	(29,344)
Write-down of assets		–	–	(700)	(15,300)	–	(16,000)
Net book amount		1,075	25,406	1,818	7,586	2,448	38,333
Year ended 30 June 2008							
Opening net book amount		1,075	25,406	1,818	7,586	2,448	38,333
Additions		–	5,580	574	2,086	1,263	9,503
Disposals		–	(313)	–	–	(43)	(356)
Depreciation charge		–	–	(52)	(531)	(305)	(888)
Revaluation	21c	–	24,887	–	–	–	24,887
Closing net book amount		1,075	55,560	2,340	9,141	3,363	71,479
At 30 June 2008							
Cost or fair value		1,075	55,560	4,323	47,731	9,022	117,711
Accumulated depreciation		–	–	(1,283)	(23,291)	(5,658)	(30,232)
Write-down of assets		–	–	(700)	(15,300)	–	(16,000)
Net book amount		1,075	55,560	2,340	9,140	3,364	71,479
Year ended 30 June 2009							
Opening net book amount		1,075	55,560	2,340	9,140	3,364	71,479
Additions		–	181	166	1,925	608	2,880
Disposals		–	(3,543)	(70)	(6)	(83)	(3,702)
Reclassifications			(260)	(55)	(212)	(15)	(542)
Depreciation charge	21b	–	–	(78)	(694)	(404)	(1,176)
Closing net book amount		1,075	51,938	2,303	10,153	3,470	68,939
At 30 June 2009							
Cost or fair value		1,075	51,938	4,364	49,438	9,532	116,347
Accumulated depreciation		–	–	(1,360)	(23,985)	(6,063)	(31,408)
Write-down of assets		–	–	(700)	(15,300)	–	(16,000)
Net book amount		1,075	51,938	2,304	10,153	3,469	68,939

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
21 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)					
Incomplete additions included in plant and equipment above		**1,283**	537	**778**	537

b The depreciation policy is set out in note 1q.

c An independent valuation of farm land was carried out by valuers, Wide Bay Property Valuations, as at 30 June 2008. The basis of valuation was market value based on use as cane land. On the basis of these independent valuations, the directors had revalued rural land upwards by $24,991,389 (parent $24,886,389) as at 30 June 2008.

d A desktop assessment based on the prior year independent valuation of farm and mill land was carried out by valuers, Wide Bay Property Valuations, as at 29 May 2009. The basis of the desktop assessment was market value based on use as cane land and as a sugar mill or best alternative use for the land and mill site. On the basis of the desktop assessment, the directors did not revalue land as at 30 June 2009.

e Leased assets

Mobile equipment includes the following amounts where the company is a lessee under a finance lease:

	Consolidated 2009	Consolidated 2008	Parent Entity 2009	Parent Entity 2008
Cost	**–**	70	**–**	70
Accumulated depreciation	**–**	(25)	**–**	(25)
Net book amount	**–**	45	**–**	45

f Non-current assets pledged as security

Refer to note 24d for information on non-current assets pledged as security by the Group.

g Carrying amounts that would have been recognised if land and buildings were stated at cost. If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	Consolidated 2009	Consolidated 2008	Parent Entity 2009	Parent Entity 2008
Other freehold land				
Cost	**31,384**	28,646	**26,738**	28,096
	31,384	28,646	**26,738**	28,096
Buildings				
Cost	**9,586**	3,969	**3,859**	3,864
Accumulated depreciation	**(1,473)**	(1,283)	**(1,315)**	(1,283)
Write-down of assets	**(700)**	(700)	**(700)**	(700)
	7,413	1,986	**1,844**	1,881

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
22 INTANGIBLE ASSETS					
a Water allocations					
Balance at the beginning of the financial year		**1,534**	1,325	**1,409**	1,325
Reclassification from other freehold land		**300**	–	**300**	–
Additions		**214**	209	**214**	84
Balance at the end of the financial year		**2,048**	1,534	**1,923**	1,409
b Water allocations represent a right to take water from the Lower Mary Irrigation Scheme and are classified as intangible assets. Water allocations are shown at cost and are not amortised.					
c Goodwill					
Balance at the beginning of the financial year		**–**	–	**–**	–
Additions	3c,39	**1,242**		**–**	–
Adjustment due to subsequent recognition of deferred tax liability		**118**	–	**–**	–
Balance at the end of the financial year		**1,360**	–	**–**	–
Total		**3,408**	1,534	**1,923**	1,409
23 TRADE AND OTHER PAYABLES					
Current					
Trade payables		**8,890**	1,629	**1,916**	1,628
Other payables		**741**	67	**23**	67
Employee entitlements (annual leave and sick leave)		**1,513**	658	**779**	658
Deferred income – grants		**140**	66	**70**	66
Advances from subsidiaries		**–**	–	**343**	25
		11,284	2,420	**3,131**	2,444
Non-current					
Other payables		**2**	–	**–**	–
Deferred income – grants		**2,411**	626	**596**	626
		2,413	626	**596**	626
24 INTEREST BEARING LIABILITIES					
Current – secured					
Bank overdraft	24a	**4,898**	736	**4,898**	736
Commercial bill facility	24a	**4,000**	4,000	**4,000**	4,000
Operating facility	24b	**3,500**	–	**3,500**	–
Lease liability		**–**	43	**–**	43
Other loan facilities	24b	**1,884**	578	**1,884**	578
		14,282	5,357	**14,282**	5,357
Non-current – secured					
Loan facilities	24b	**33,769**	27,640	**33,769**	27,640
		33,769	27,640	**33,769**	27,640
Total		**48,051**	32,997	**48,051**	32,997

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

		Consolidated		Parent Entity	
	Notes	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
24 INTEREST BEARING LIABILITIES (CONTINUED)					
Unrestricted access was available at balance date to the following lines of credit:					
Total facilities					
Flexible finance facility – commercial bill		**4,000**	4,000	**4,000**	4,000
Bank overdraft facility		**12,500**	3,000	**12,500**	3,000
Loan facilities		**35,653**	56,218	**35,653**	56,218
Lease facilities		**–**	43	**–**	43
Futures trading facility ($US 6.5 million)		**–**	6,785	**–**	6,785
Operating facility		**3,500**	3,500	**3,500**	3,500
		55,653	73,546	**55,653**	73,546
Used at balance date		**48,051**	32,997	**48,051**	32,997
Unused at balance date		**7,602**	40,549	**7,602**	40,549
Facilities used at balance date					
Flexible finance facility – commercial bill		**4,000**	4,000	**4,000**	4,000
Operating facility		**3,500**	–	**3,500**	–
Bank overdraft	12	**4,898**	736	**4,898**	736
Loan facilities		**35,653**	28,218	**35,653**	28,218
Lease facilities		**–**	43	**–**	43
		48,051	32,997	**48,051**	32,997
Facilities unused at balance date					
Bank overdraft		**7,602**	2,264	**7,602**	2,264
Loan facility		**–**	28,000	**–**	28,000
Futures trading facility ($US 6.5 million)		**–**	6,785	**–**	6,785
Operating facility		**–**	3,500	**–**	3,500
		7,602	40,549	**7,602**	40,549

a The bank overdraft facility may be drawn at any time, however reduces to $7.5 million by 18 August 2009 and then to $3.0 million by 31 March 2010 and is renegotiated on an annual basis. Interest rate on the overdraft facility is variable. The flexible finance facility may be drawn on at any time with a term of 15 years ending in 2015. Interest may be fixed for periods of up to six months.

b The loan facilities are in the form of commercial bill lines. The terms of the six facilities are:
- 10 years expiring in 2010 (annual instalments, fixed interest)
- 10 years expiring in 2017 (interest only for 2 years)
- 10 years expiring in 2017 (interest only for 2 years)
- 10 years expiring in 2017 (interest only for 2 years)
- 8 years expiring in 2017 (quarterly instalments, variable interest)
- 15 years expiring in 2022 (interest only for 3 years)

c The Mulgrave Central Mill Co. Ltd has entered into a facility agreement to assist with working capital requirements to the value of $20 million. The facility is effective from 1 July 2009 and terminates on the earlier of 31 March 2010 or the date on which the facility limit is cancelled in full, or permanently reduced to zero.

24 INTEREST BEARING LIABILITIES (CONTINUED)

d Assets pledged as security

The finance facilities within the group are secured by a combination of registered mortgages over the freehold land and buildings and an equitable mortgage over the total assets of the company (excluding Mulgrave). The Mulgrave Central Mill Co. Ltd has a facility agreement which is secured by a fixed charge over the real property, fixtures, marketable securities and capital, and a floating charge over all property not subject to the fixed charge including future rights, titles and interest derived from each sugar sales contract. The carrying amounts (which approximates fair value), of assets pledged as security for current and non-current borrowings are:

		Consolidated		Parent Entity	
	Notes	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Current					
Floating charge					
Cash and cash equivalents	12	**4,690**	30,012	**45**	30,002
Receivables	13	**5,451**	3,427	**9,907**	6,306
Inventories	14	**13,725**	310	**5,238**	310
Biological assets	16	**3,435**	1,219	**2,425**	1,100
Other current assets	17	**12**	–	**12**	–
Total current assets pledged as security		**27,313**	34,968	**17,627**	37,718
Non-current					
First mortgage					
Freehold land and buildings	21	**59,300**	59,735	**55,317**	58,975
Fixed charge					
Freehold land and buildings	21	**15,370**	–	**–**	–
Plant and equipment and mobile equipment	21	**24,652**	–	**–**	–
Available-for-sale financial assets	20	**7,462**	–	**–**	–
		47,484	–	**–**	–
Floating charge					
Receivables	18	**321**	62	**254**	62
Inventories	14	**1,093**	396	**363**	396
Other financial assets	19	**–**	–	**17,104**	17,104
Available-for-sale financial assets	20	**28,903**	30,117	**10,768**	11,329
Plant and equipment and mobile equipment	21	**14,044**	12,518	**13,622**	12,504
Intangible assets	22	**2,048**	1,534	**1,923**	1,409
Other non-current assets	17	**184**	–	**37**	–
		46,593	44,627	**44,071**	42,804
Total non-current assets pledged as security		**153,377**	104,362	**99,388**	101,779
Total assets pledged as security		**180,690**	139,330	**117,015**	139,497

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

24 INTEREST BEARING LIABILITIES (CONTINUED)

e Interest rate risk exposures

The following table sets out the company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods.

CONSOLIDATED	Notes	**Maturing 1 year or less $'000**	**Maturing 1-2 years $'000**	**Maturing 2-5 years $'000**	**Maturing more than 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
2009 Financial Liabilities							
Payables	23	–	–	–	–	9,633	9,633
Interest bearing liabilities	24	14,282	4,385	12,245	17,139	–	48,051
		14,282	4,385	12,245	17,139	9,633	57,684
Average interest rate (%)		6.32	5.26	6.54	7.02		
2008 Financial Liabilities							
Payables	23	–	–	–	–	1,696	1,696
Interest bearing liabilities	24	5,357	3,780	8,533	15,327	–	32,997
		5,357	3,780	8,533	15,327	1,696	34,693
Average interest rate (%)		8.76	8.26	8.31	8.31		

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
25 CURRENT LIABILITIES – PROVISIONS					
Employee long service entitlements		**2,023**	754	**656**	754
26 NON-CURRENT LIABILITIES/ASSETS – DEFERRED TAX LIABILITIES					
The balance comprises temporary differences attributable to:					
Amounts recognised in the income statement					
Tax loss carried forward		**4,443**	1,783	**3,665**	1,746
Biological assets		**(1,030)**	(365)	**(727)**	(350)
Other inventories		**(66)**	(53)	**(66)**	(53)
Accrued expenses		**1,063**	–	**30**	–
Depreciation		**(1,164)**	172	**(75)**	172
Employee entitlements		**1,145**	474	**479**	474
Deferred income – grants		**753**	–	**200**	–
Professional fees		**714**	358	**329**	358
Other		**(450)**	–	**(91)**	–
		5,408	2,369	**3,744**	2,347
Amounts recognised directly in equity					
Revaluation of property, plant and equipment		**(9,478)**	(8,984)	**(8,306)**	(8,953)
Revaluation of available-for-sale financial assets		**(187)**	(385)	**(188)**	(385)
Derivative financial instruments		**7,792**	(31)	**4,387**	(31)
		(1,873)	(9,400)	**(4,107)**	(9,369)
Net deferred tax asset (liability)		**3,535**	(7,031)	**(363)**	(7,022)
Movements					
Balance at the beginning of the year		**(7,031)**	(919)	**(7,022)**	(919)
Credited to the income statement		**4,437**	2,385	**1,599**	2,363
Credited (charged) to equity		**6,129**	(8,497)	**5,060**	(8,466)
Balance at the end of the year		**3,535**	(7,031)	**(363)**	(7,022)
27 NON-CURRENT LIABILITIES – PROVISIONS					
Employee long service entitlements		**280**	167	**163**	167

	30 June 2009		30 June 2008	
	Number	**$'000**	**Number**	**$'000**
28 CONTRIBUTED EQUITY				
a Issued Capital				
Fully paid ordinary shares	**46,493,419**	77,922	**33,637,820**	52,265

The company does not have an authorised share capital and the shares issued have no par value. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

b Movements in ordinary share capital of the company during the past two years are as follows:

Date	Details	Notes	Number of Shares	Issue Price	$'000
30.06.07	**Balance**		**15,000,092**	**–**	**5,489**
04.07.07	Share placement	28c	2,000,000	$2.90	5,718
03.08.07	Share purchase plan	28d	519,225	$2.90	1,475
16.11.07	Dividend reinvestment	28e	118,503	$2.63	311
07.04.08	Share placement	28f	16,000,000	$2.50	39,272
30.06.08	**Balance**		**33,637,820**		**52,265**
30.07.08	Share issue	28g	12,666,135	$2.00	25,278
12.09.08	Share issue	28h	189,464	$2.00	379
30.06.09	**Balance**		**46,493,419**		**77,922**

c On 4 July 2007, a total of 2,000,000 shares were issued following a private placement, increasing the company's issued capital by $5,718,285 after transaction costs of $81,715.

d On 3 August 2007, a total of 519,225 shares were issued under the share purchase plan, increasing the company's issued capital by $1,474,900 after transaction costs of $30,853.

e On 16 November 2007, a total of 118,503 shares were issued under the company's dividend reinvestment plan increasing the company's issued capital by $311,333.

f On 7 April 2008, a total of 16,000,000 shares were issued following a private placement increasing the company's issued capital by $39,271,300 after transaction costs of $728,700.

g On 30 July 2008, a total of 12,666,135 shares were issued in relation to the business combination of The Mulgrave Central Mill Co. Ltd, increasing the company's issued capital by $25,278,502, after transaction costs of $53,768.

h On 12 September 2008, a total of 189,464 shares were issued in relation to the finalisation of the business combination of The Mulgrave Central Mill Co. Ltd, increasing the company's issed capital by $378,928.

		Consolidated		Parent Entity	
	Notes	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
29 RESERVES AND RETAINED PROFITS					
a Reserves					
Property, plant and equipment revaluation reserve		**22,781**	24,399	**22,707**	24,325
Available-for-sale financial assets revaluation reserve		**298**	2,416	**1,931**	2,420
Cash flow hedge reserve		**(22,071)**	1,188	**(10,995)**	1,188
Share-based payments reserve		**801**	449	**801**	449
		1,809	28,452	**14,444**	28,382

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
29 RESERVES AND RETAINED PROFITS (CONTINUED)					
Movements					
Property, plant and equipment revaluation reserve					
Balance 1 July		**24,399**	6,905	**24,325**	6,905
Revaluation – gross	21c	**–**	24,991	**–**	24,886
Realisation of revalued assets		**(2,264)**	–	**(2,264)**	–
Deferred tax		**646**	(7,497)	**646**	(7,466)
Balance 30 June		**22,781**	24,399	**22,707**	24,325
Available-for-sale financial assets revaluation reserve					
Balance 1 July		**2,416**	1,673	**2,420**	1,673
Revaluation	20	**(2,316)**	1,128	**(686)**	1,132
Deferred tax		**198**	(385)	**197**	(385)
Balance 30 June		**298**	2,416	**1,931**	2,420
Cash flow hedge reserve					
Balance 1 July		**1,188**	–	**1,188**	–
Revaluation – gross		**(27,633)**	103	**(14,725)**	103
Realised gains (losses)		**(4,394)**	1,594	**(2,354)**	1,594
Deferred tax		**8,768**	(509)	**4,896**	(509)
Balance 30 June		**(22,071)**	1,188	**(10,995)**	1,188
Share-based payments reserve					
Balance 1 July		**449**	138	**449**	138
Options and performance rights expense		**352**	311	**352**	311
Balance 30 June		**801**	449	**801**	449
b Retained Profits					
Balance 1 July		**14,721**	20,331	**14,943**	20,331
Dividend paid		**–**	(876)	**–**	(876)
Realisation of revalued assets, net of tax		**1,585**	–	**1,585**	–
Income tax benefit received on prior year adjustments		**84**	–	**84**	–
Net profit (loss) attributable to members		**(783)**	(4,734)	**(5,116)**	(4,512)
Balance 30 June		**15,607**	14,721	**11,496**	14,943

29 RESERVES AND RETAINED PROFITS (CONTINUED)

c Nature and purpose of reserves

i ***Property, plant and equipment revaluation reserve***

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 1q.

ii ***Available-for-sale investments revaluation reserve***

Changes in the fair value of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve, as described in note 1o. Amounts are recognised in the income statement when the associated assets are sold or impaired.

iii ***Cash flow hedge reserve***

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1p. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

iv ***Share-based payments reserve***

The share-based payments reserve is used to record the value of share-based payments charged to the income statement.

v ***Surplus – dividend reinvestment plan***

The share premium is used to record the amount over-subscribed (unallocated) as a result of participation by shareholders in the dividend reinvestment plan.

	Notes	Consolidated		Parent Entity	
		2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
30 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES					
Profit (loss) after income tax		**(783)**	(4,734)	**(5,116)**	(4,512)
Depreciation and amortisation		**3,028**	888	**1,176**	887
Unrealised loss (profits) on sugar option contracts		**73**	–	**–**	–
Income tax received and other tax adjustments		**763**	–	**763**	–
Unrealised foreign currency exchange loss (profits)		**734**	–	**1,731**	–
Cash flow hedge settlements		**(4,394)**	–	**(2,354)**	–
Impairment of goodwill		**–**	221	**–**	–
Net (profit) loss on sale of non-current assets		**115**	(9)	**106**	(9)
Rights/options issues		**352**	311	**352**	311
(Increase) decrease in standing crops		**(2,216)**	(114)	**(1,325)**	(85)
Change in operating assets and liabilities					
(Increase) decrease in interest receivable		**3**	–	**–**	–
(Increase) decrease in trade and other debtors		**(284)**	2,450	**(3,247)**	(407)
(Increase) decrease in prepayments		**(472)**	(3)	**(310)**	(3)
(Increase) decrease in inventories		**(8,323)**	(43)	**(4,895)**	(43)
(Increase) decrease in other current assets		**(49)**	–	**(49)**	–
(Decrease) increase in trade and other creditors		**3,702**	22	**657**	26
(Decrease) increase in provisions		**(28)**	(665)	**(102)**	(665)
(Decrease) increase in deferred tax liability		**(4,437)**	(2,385)	**(1,599)**	(2,363)
Net cash (outflow) from operating activities		**(12,216)**	(4,061)	**(14,212)**	(6,863)

31 COMMITTED EXPENDITURE

a Operating Leases

The company lease various cane farms under operating leases expiring between two to forty-two years. The leases have varying terms, escalation clauses and renewal rights. Lease terms are renegotiated on renewal.

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
Within one year		**191**	44	**126**	44
Later than one year but not later than 5 years		**656**	171	**462**	171
Later than 5 years		**1,042**	587	**812**	587
		1,889	802	**1,400**	802

b Finance Leases

The company leases motor vehicles with a carrying value of $nil (2008 – $44,637) under finance leases expiring within three years. Under the terms of the leases, the company has the option to acquire the leased assets at 40% of their original value on expiry of the lease.

Commitments in relation to finance leases are payable as follows:

Within one year	**–**	45	**–**	45
Later than one year but not later than 5 years	**–**	–	**–**	–
	–	45	**–**	45
Future finance charges recognised as a liability	**–**	(8)	**–**	(8)
	–	37	**–**	37

There are no other material commitments as at 30 June 2009 which have not been provided for in these financial statements.

	Notes	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
32 REMUNERATION OF AUDITORS					
During the year the following fees were paid or payable for services provided by the auditor of the company and non-related audit firms:					
PricewaterhouseCoopers					
a Assurance Services					
Audit services					
Audit and review of financial reports (annual and half year)		**243,881**	115,419	**243,881**	115,419
Other assurance services					
Due diligence services		**355,520**	208,719	**251,205**	208,719
Market risk services		**–**	23,000	**–**	23,000
Total remuneration for assurance services		**599,401**	347,138	**495,086**	347,138
b Taxation Services					
Tax compliance services, including review of company income tax returns.		**97,050**	31,735	**97,050**	31,735
Other tax services					
Tax consolidation review		**15,025**	–	**–**	–
Research and development claim review		**29,216**	21,404	**29,216**	21,404
Total remuneration for taxation services		**141,291**	53,139	**126,266**	53,139

	Notes	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
32 REMUNERATION OF AUDITORS (CONTINUED)					
PricewaterhouseCoopers					
c Other Services					
Hedge accounting review		**11,400**	–	**–**	–
Total remuneration for other services		**11,400**	–	**–**	–
d Non-PricewaterhouseCoopers audit firms					
Audit services		**81,775**	–	**1 ,275**	–
Taxation services		**3,500**	–	**–**	–
Other services		**3,166**	–	**–**	–
Total remuneration of non-PricewaterhouseCoopers audit firms		**88,441**	–	**1,275**	–

It is the company's policy to engage PricewaterhouseCoopers (PwC) on assignments additional to their statutory audit duties only where PwC's expertise and experience with the company are important or will result in a benefit to the company/shareholders, without compromising PwC's independence as external auditors.

33 KEY MANAGEMENT PERSONNEL DISCLOSURES

a Key management personnel compensation

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Short-term employee benefits	**2,226,998**	1,285,835	**1,588,836**	1,285,835
Post-employement benefits	**843,753**	143,024	**177,757**	143,024
Other long term employee benefits	**38,167**	22,097	**24 ,092**	22,097
Share-based payments	**352,289**	310,995	**352 ,289**	310,995
	3,461,207	1,761,951	**2,142,924**	1,761,951

Detailed remuneration disclosures are provided in Sections A to C of the remuneration report on pages 24 to 27.

b Equity instrument disclosures relating to key management personnel

i Options and performance rights provided as remuneration and shares issued on exercise of such options and performance rights

Details of options provided as remuneration and shares issued on the exercise of such options and performance rights, together with terms and conditions of the options and performance rights, can be found in Section D of the remuneration report on pages 24 to 29.

ii Options and performance rights holdings

The numbers of options over ordinary shares in the company held during the financial year by each of the key management personnel of the company, including their personally related parties, are set out as follows:

2009

Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
M J Barry	1,000,000	–	–	–	1,000,000	–	1,000,000
G R Clarey	48,748	25,000	–	(6,864)	66,884	–	66,884
W M Massey	–	200,000	–	–	200,000	–	200,000
S W Norton	48,748	25,000	–	(6,864)	66,884	–	66,884
P I Flanders	–	25,000	–	–	25,000	–	25,000
T D Crook	48,748	25,000	–	(6,864)	66,884	–	66,884
G B Crimmins	48,748	25,000	–	(6,864)	66,884	–	66,884
B G Mahony	–	25,000	–	–	25,000	–	25,000
D F Kaye	48,748	25,000	–	(6,864)	66,884	–	66,884

2008

Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
M J Barry	440,000	560,000	–	–	1,000,000	–	1,000,000
G R Clarey	48,748	–	–	–	48,748	–	48,748
S W Norton	48,748	–	–	–	48,748	–	48,748
T D Crook	48,748	–	–	–	48,748	–	48,748
G B Crimmins	48,748	–	–	–	48,748	–	48,748
D F Kaye	48,748	–	–	–	48,748	–	48,748

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

33 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

iii Shareholdings

The number of shares in the company held during the financial year by each director of The Maryborough Sugar Factory Limited and each of the other key management personnel, including their personally related entities, are set out below:

2009				
Name	**Balance at start year**	**Acquisitions during year**	**Disposals during year**	**Balance at end year**
Directors				
J A Jackson	840,000	–	–	**840,000**
J E Burman	5,000	–	–	**5,000**
R A Burney	–	–	–	**–**
S J Palmer	–	–	–	**–**
I C Sandford[1]	5,000	–	–	**5,000**
J F Hesp[2]	–	321,702	–	**321,702**
W B Moller[3]	–	135,213	64,062	**71,151**
Other key management personnel				
M J Barry	–	–	–	**–**
G R Clarey	800	–	–	**800**
W M Massey	–	–	–	**–**
S W Norton	2,000	–	–	**2,000**
R T McDowall[4]	–	–	–	**–**
P I Flanders	–	–	–	**–**
T D Crook	–	–	–	**–**
G B Crimmins	–	–	–	**–**
B G Mahony	–	–	–	**–**
D F Kaye	–	–	–	**–**

[1] I C Sandford retired on 31 July 2008
[2] J F Hesp was appointed on 17 July 2008
[3] W B Moller was appointed on 17 July 2008. Indirect shareholding transferred to individuals' off-market
[4] R T McDowall retired on 27 February 2009

2008				
Name	**Balance at start year**	**Acquisitions during year**	**Disposals during year**	**Balance at end year**
Directors				
R R Savage[1]	2,400	7,600	–	**10,000**
I C Sandford	–	5,000	–	**5,000**
J A Jackson	570,000	270,000	–	**840,000**
J E Burman	–	5,000	–	**5,000**
R A Burney	–	–	–	**–**
S J Palmer[2]	–	–	–	**–**
Other key management personnel				
M J Barry	–	–	–	**–**
G R Clarey	800	–	–	**800**
S W Norton	2,000	–	–	**2,000**
T D Crook	–	–	–	**–**
G B Crimmins	–	–	–	**–**
D F Kaye	–	–	–	**–**

[1] R R Savage retired on 7 April 2008
[2] S J Palmer was appointed on 7 April 2008

c Other transactions with key management personnel

During the year a director-related entity of Mr J A Jackson, a director, was engaged by the company, on commercial terms, to conduct work on certain projects. Consulting fees of $18,750 (2008: $9,750) were paid in respect of this work.

During the year Dr J E Burman, a director, was engaged by the company, on commercial terms, to conduct work on certain projects. Consulting fees of $15,000 (2008: $15,000) were paid in respect of this work.

During the year related entities of Mr J F Hesp, a director, was engaged by the company, on commercial terms, to deliver cane. Cane payments to the value of $884,482 were paid in respect to these deliveries.

During the year related entities of Mr W B Moller, a director, was engaged by the company, on commercial terms, to deliver cane, and conduct work on certain projects. Cane payments to the value of $16,504 were paid in respect to the deliveries and consulting fees of $2,600 were paid to Marino Moller Lawyers.

34 RELATED PARTY TRANSACTIONS

a Key management personnel

Disclosures relating to key management personnel are set out in note 33 and in the Remuneration Report commencing on page 24.

b Parent entity

The parent entity within the group is The Maryborough Sugar Factory Limited. The parent entity is incorporated in Australia.

c Subsidiaries

Interests in subsidiaries are set out in note 19.

		Consolidated		Parent Entity	
	Notes	**2009 $**	2008 $	**2009 $**	2008 $
d Transactions with related parties					
Superannuation contributions		**2,000,086**	709,768	**831,376**	709,768
e Transactions with subsidiaries					
Purchase of goods					
Purchase of sugar cane		**–**	–	**105,976**	37,721
Dividend revenue from subsidiaries*		**–**	–	**897 ,366**	94,856
Advances to subsidiaries		**–**	–	**7,812,744**	2,904,198
Advances from subsidiaries		**–**	–	**(342,553)**	(24,786)
* Dividend received by subsidiary passed to parent					
f Receivables (payables) – subsidiary					
Receivables		**–**	–	**7,812,744**	2,904,198
(Payables)		**–**	–	**(342,553)**	(24,786)

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent Entity 2009 $'000	Parent Entity 2008 $'000
35 EMPLOYEE BENEFITS					
Employee benefits and related on-cost liabilities					
Provision of employee benefits –					
Current	23,25	**3,536**	1,412	**1,435**	1,412
Non-current	27	**280**	167	**163**	167
Aggregate employee benefit liability		**3,816**	1,579	**1,598**	1,579
Employee numbers				**Employees**	Employees
Number of employees at balance date				**315**	119

Employees' superannuation funds

The company chiefly participates in the following superannuation and retirement benefit plans:

- The Maryborough Sugar Factory Limited Staff Superannuation Plan
- The Maryborough Sugar Factory Wages Staff Superannuation Plan
- The Mulgrave Central Mill Co. Ltd Superannuation Fund
- AustSafe Super

Each plan provides accumulated benefits for employees. The company contributes the amounts required either by the fund rules or by the legislation, whichever is the greater.

Employee share plan

The company operates an employee share plan which is open to all employees with at least 12 months continuous service (or an aggregate of 12 months service over successive seasons in the case of seasonal employees). Eligible employees are able to acquire a maximum of 400 shares in the company in any 12 month period subject to an offer being made by the board. Each offer is made at a 5% discount to market price.

36 SHARE-BASED PAYMENTS

The establishment of the MSF Options and Performance Rights Plan (OPRP) was approved by shareholders at the 2005 annual general meeting. The OPRP is designed to provide long-term incentives for the company's executives to deliver long-term shareholder returns. Under the plan, participants are granted options and performance rights which only vest if certain performance standards are met. Participation in the plan is at the discretion of the board. The chief executive officer, M J Barry, has a contractual right to participate in the plan.

Set out below are summaries of options and performance rights granted under the plan:

2009

Grant date	Expiry date	Exercise price $	Fair value per option $	Balance at start of year Number	Granted during year Number	Exercised during year Number	Lapsed during year Number	Balance at end of year Number	Vested and exercisable at end of year Number
18.11.2006	18.11.2011	2.70	0.937	440,000	–	–	–	440,000	–
01.03.2007	01.03.2012	2.90	0.915	209,420	–	–	–	209,420	–
01.03.2007	01.03.2012	0.00	2.750	34,320	–	–	34,320	–	–
11.03.2008	11.03.2013	2.70	0.8097	560,000	–	–	–	560,000	–
30.06.2009	30.06.2014	2.00	0.5283	–	200,000	–	–	200,000	–
30.06.2009	30.06.2014	0.00	1.5820	–	175,000	–	–	175,000	–
Total at 30 June 2009				**1,243,740**	**375,000**	**–**	**34,320**	**1,584,420**	**–**

2008

Grant date	Expiry date	Exercise price $	Fair value per option $	Balance at start of year Number	Granted during year Number	Exercised during year Number	Lapsed during year Number	Balance at end of year Number	Vested and exercisable at end of year Number
18.11.2006	18.11.2011	2.70	0.937	440,000	–	–	–	440,000	–
01.03.2007	01.03.2012	2.90	0.915	209,420	–	–	–	209,420	–
01.03.2007	01.03.2012	0.00	2.750	34,320	–	–	–	34,320	–
11.03.2008	11.03.2013	2.70	0.8097	–	560,000	–	–	560,000	–
Total at 30 June 2008				**683,740**	**560,000**	**–**	**–**	**1,243,740**	**–**

No options were granted under the plan prior to 18 November 2006.

No options or performance rights were exercised under the plan during either the year ended 30 June 2008 or the year ended 30 June 2009.

During the year 34,320 performance rights lapsed because a vesting condition was not satisfied. The value of the lapsed performance rights of $54,267 has been determined at the time of lapsing, but assuming the condition was satisfied.

Options granted under the plan carry no dividend or voting rights.

The assessed fair value at grant date of options and performance rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying shares, the expected dividend yield and the risk-free interest rate for the term of the option.

For options issued on 18 November 2006:

a options were granted for no consideration and vest dependent on the compound annual growth rate (CAGR) of the company's total shareholder returns (TSR)
b exercise price: $2.70 (post share split basis)
c grant date: 18 November 2006
d expiry date: 18 November 2011
e share price at grant date: $3.075 (post share split basis)
f expected price volatility of the company's shares: 40.81% (based on annualised standard deviation for the 3 year period to 18 November 2006)
g expected dividend yield: 3.956%
h risk-free rate: 5.91%

For options issued on 1 March 2007:

a options were granted for no consideration and vest dependent on the compound annual growth rate (CAGR) of the company's total shareholder returns (TSR)
b exercise price: $2.90 (post share split rate)
c grant date: 1 March 2007
d expiry date: 1 March 2012
e share price at grant date: $3.09 (post share split basis)
f expected price volatility of the company's shares: 42.77% (based on annualised standard deviation for the 3 year period to 1 March 2007)
g expected dividend yield: 3.956%
h risk-free rate: 6.10%

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

36 SHARE-BASED PAYMENTS (CONTINUED)

For options issued on 11 March 2008:

a options were granted for no consideration and vest dependent on the compound annual growth rate (CAGR) of the company's total shareholder returns (TSR)

b exercise price: $2.70

c grant date: 11 March 2008

d expiry date: 11 March 2013

e share price at grant date: $2.48

f expected price volatility of the company's shares: 48.93% (based on annualised standard deviation for the 3 year period to 12 March 2008)

g expected dividend yield: 1.786%

h risk-free rate: 6.25%

For options issued on 30 June 2009:

a options were granted for no consideration and vest dependent on the compound annual growth rate (CAGR) in Earnings per Share (EPS)

b exercise price: $2.00

c grant date: 30 June 2009

d expiry date: 30 June 2014

e share price at grant date: $1.58

f expected price volatility of the company's shares: 37.58% (based on annualised standard deviation for the 5 year period to 30 June 2009)

g expected dividend yield: 0.0%

h risk-free rate: 5.22%

For options issued on 30 June 2009:

a options were granted for no consideration and vest dependent on the compound annual growth rate (CAGR) in Earnings per Share (EPS)

b exercise price: $0.00

c grant date: 30 June 2009

d expiry date: 30 June 2014

e share price at grant date: $1.58

f expected price volatility of the company's shares: 35.74% (based on annualised standard deviation for the 1 year period to 30 June 2009)

g expected dividend yield: 0.0%

h risk-free rate: 4.565%

36 SHARE-BASED PAYMENTS (CONTINUED)

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period.

		Consolidated		Parent Entity	
		2009	2008	**2009**	2008
	Notes	**$'000**	$'000	**$'000**	$'000
Options and performance rights issued under OPRP		**352**	311	**352**	311

37 EVENTS OCCURRING AFTER BALANCE SHEET DATE

The company has announced its intention to make an offer to acquire all the shares of Tully Sugar Limited. The company proposes to make an off-market takeover offer for all Tully shares. The consideration of the offer is 13 shares in MSF for each Tully share.

38 DEED OF CROSS GUARANTEE

The Maryborough Sugar Factory Limited and The Mulgrave Central Mill Company Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, The Mulgrave Central Mill Company Limited has been relieved from the requirements to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

a Consolidated income statement and a summary of movements in consolidated retained profits

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by The Maryborough Sugar Factory Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2009 of the Closed Group consisting of The Maryborough Sugar Factory Limited and The Mulgrave Central Mill Company Limited.

Income Statement

	2009	2008
	$'000	$'000
Revenue	**150,238**	26,925
Other income	**138**	75
Movement in valuation of biological assets	**1,346**	85
Changes in inventories of finished goods and work in progress	**8,262**	–
Cost of cane and other materials used	**(91,199)**	(17,107)
Distribution costs	**(24,500)**	(1,085)
Net foreign exchange hedging loss	**(12,037)**	24
Employee benefits expense	**(22,042)**	(8,503)
Depreciation and amortisation expense	**(2,928)**	(887)
Finance costs	**(4,046)**	(1,405)
Other administrative costs	**(7,303)**	(4,381)
Other expenses	**(1,637)**	(616)
Profit (loss) before income tax expense	**(5,708)**	(6,875)
Income tax (expense) benefit	**4,329**	2,363
Net profit (loss) attributable to members	**(1,379)**	(4,512)
Summary of Movements in Consolidated Retained Profits		
Retained profits at the beginning of the financial year	**14,943**	20,331
Loss for the year	**(1,379)**	(4,512)
Realisation of revalued assets	**1,585**	–
Income tax benefit received on prior year	**84**	–
Dividends provided for or paid	**–**	(876)
Retained profits at the end of the financial year	**15,233**	14,943

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

38 DEED OF CROSS GUARANTEE (CONTINUED)

b Balance Sheet

Set out below is a consolidated balance sheet as at 30 June 2009 of the Closed Group consisting of The Maryborough Sugar Factory Limited and The Mulgrave Central Mill Company Limited.

	2009 $'000	2008 $'000
Current assets		
Cash and cash equivalents	4,679	30,002
Trade and other receivables	13,156	6,306
Inventories	13,725	311
Derivative financial instruments	5,503	898
Biological assets	2,446	1,100
Other current assets	12	–
Total current assets	39,521	38,616
Non-current assets		
Trade and other receivables	269	62
Inventories	1,093	396
Other financial assets	17,104	17,104
Available-for-sale financial assets	18,301	11,329
Property, plant and equipment	108,961	71,479
Intangible assets	3,165	1,409
Deferred tax assets	3,917	–
Other non-current assets	184	–
Total non-current assets	152,994	101,779
Total assets	192,515	140,395
Current liabilities		
Trade and other payables	11,676	2,444
Interest bearing liabilities	14,282	5,357
Tax liabilities	–	–
Provisions	2,023	754
Derivative financial instruments	22,187	111
Total current liabilities	50,168	8,666
Non-current liabilities		
Trade and other payables	2,375	626
Interest bearing liabilities	33,769	27,640
Derivative financial instruments	9,512	684
Deferred tax liabilities	363	7,022
Provisions	280	167
Total non-current liabilities	46,299	36,139
Total liabilities	96,467	44,805
Net assets	96,048	95,590
Equity		
Contributed equity	77,922	52,265
Reserves	2,893	28,382
Retained profits	15,233	14,943
Total equity	96,048	95,590

39 BUSINESS COMBINATION

a Summary of Acquisition

On 3 July 2008 the parent entity obtained control of The Mulgrave Central Mill Co. Ltd (Mulgrave) through a revised offer for the A-class shares of company. The parent entity controls 100% of the voting rights of Mulgrave.

The acquired business contributed revenues of $116.42 million and net profit of $3.74 million to the group for the period from 3 July 2008 to 30 June 2009. If the acquisition had occurred at 1 July 2008, the consolidated revenue and consolidated profit for the full year ended 30 June 2009 would not have been materially different. Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	Notes	$'000
Purchase consideration		
Cash paid		27,828
Shares issued	39b	25,711
Direct costs relating to the acquisition		891
Total purchase consideration		54,430
Fair value of net identifiable assets acquired		53,188
Goodwill		1,242

	Consolidated	
	2009 $'000	2008 $'000
b Purchase consideration		
Cash Paid		
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	**28,719**	–
Less cash acquired	**(10,401)**	–
Outflow of cash	**18,318**	

Shares Issued

12,855,599 shares were issued at fair value of $2.00 per share. Fair value per share has been determined as the listed share price on the Australian Stock Exchange at close of trading on 3 July 2008.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

39 BUSINESS COMBINATION (CONTINUED)

c Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Cash	10,401	10,401
Trade and other receivables	904	904
Derivative financial instruments	5,387	5,387
Inventories	6,503	6,503
Prepayments	400	400
Available-for-sale financial assets	8,009	8,009
Deferred tax assets	2,830	2,830
Other non-current assets	150	150
Land	1,372	10,406
Buildings, plant and equipment	29,171	29,171
Trade and other payables	(8,157)	(8,157)
Deferred government grant income	(1,910)	(1,910)
Derivative financial instruments	(3,980)	(3,980)
Employee provisions	(1,411)	(1,411)
Deferred tax liabilities	(4,492)	(5,515)
Net assets	45,177	53,188
Net identifiable assets acquired		53,188

DIRECTOR'S DECLARATION

In the directors' opinion:

a the financial statements and notes set out on pages 37 to 88 are in accordance with the *Corporations Act 2001*, including:

- i complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- ii giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and

b there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

c on the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 38, will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 38.

d the remuneration disclosures set out on pages 24 to 30 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the Corporations Regulations 2001.

The directors have been given the declarations by the chief executive officer and chief financial officer required by Section 295A of the *Corporations Act 2001.*

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

J A Jackson (Chairman)

Gordonvale, 17 September, 2009

PRICEWATERHOUSECOOPERS

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Independent auditor's report to the members of The Maryborough Sugar Factory Limited

Report on the financial report

We have audited the accompanying financial report of The Maryborough Sugar Factory Limited, the company, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both The Maryborough Sugar Factory Limited and The Maryborough Sugar Factory Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that 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. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report. Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of The Maryborough Sugar Factory Limited (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's opinion

In our opinion:

(a) the financial report of The Maryborough Sugar Factory Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the consolidated financial statements and notes/parent entity financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 30 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of The Maryborough Sugar Factory Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Martin T Linz

M T Linz
Partner

Brisbane
17 September 2009

STATEMENT OF SHAREHOLDINGS

30 JUNE 2009

Quoted Securities – 46,493,419 ordinary shares as at 9 September 2009.

There are 1,213 registered shareholders as at 9 September 2009.

Voting rights – one for one basis in respect of fully paid ordinary shares; proportional rights in respect of partly paid ordinary shares.

Twenty largest shareholders at 9 September 2009

	Name	**Ordinary Shares held**	**% held to issued capital**
1	GPG Nominees Pty Ltd	10,711,310	23.04
2	Citicorp Nominees Pty Limited	4,340,966	9.33
3	National Nominees Limited	2,583,216	5.55
4	ANZ Nominees Limited <Cash income a/c>	1,236,590	2.66
5	Lippo Securities Nominees (BVI) Ltd	935,123	2.01
6	Roy Medich Properties Pty Limited <Roy Medich Super Fund A/c>	920,000	1.98
7	Cogent Nominees Pty Limited	915,000	1.97
8	Mirrabooka Investments Limited	735,975	1.58
9	Evelin Investments Pty Ltd	684,000	1.47
10	Bernie No 132 Nominees Pty Ltd	454,081	0.98
11	Roy Medich Properties Pty Ltd <The Roy Medich S/Fund A/c>	436,992	0.94
12	Vincent Angelo Reghenzani + Olivia Diana Reghenzani	405,612	0.87
13	Mr Thomas Edward Braddock	330,000	0.71
14	HSBC Custody Nominees (Australia) Limited-GSCO ECA	315,400	0.68
15	ANZ Trustees Limited <Queensland Common Fund A/c>	308,520	0.66
16	Mistover Pty Ltd <Mistover A/c>	300,000	0.65
17	Medich Nominees Pty Ltd <Roy Medich Investment A/c>	300,000	0.65
18	Hegford Pty Ltd	290,589	0.63
19	Mr James Andrew Jackson	290,000	0.62
20	RJ Hesp Pty Ltd + CJ Hesp Pty Ltd	276,063	0.59
		26,769,437	**57.57**

Distribution as at 9 September 2009

Ranges	**Investors**	**Securities**	**% Issued Capital**
1 to 1,000	271	107,282	0.23
1,001 to 5,000	313	867,117	1.87
5,001 to 10,000	181	1,413,435	3.04
10,001 to 50,000	324	7,203,743	15.49
50,001 to 100,000	66	4,897,596	10.53
100,001 and over	58	32,004,246	68.84
Total	**1,213**	**46,493,419**	**100.00**
Unmarketable parcels	113	6,466	0.01

Substantial Shareholders as at 14 September 2009

(5% or more of the issued capital)

Guinness Peat Group plc
PO Box 202
Brisbane, Qld. 4001

Guinness Peat Group plc advised by notice dated 3 September 2008 that it held relevant interest in 10,809,394 shares (23.41%).

Third Avenue Management LLC
622 Third Avenue, 32nd Floor
New York NY 10017 USA

Third Avenue Management LLC advised by notice dated 27 April 2009 that it held a relevant interest in 3,976,345 shares (8.55%).

Perpetual Trustees Australia Limited
1 Castlereagh Street
Sydney NSW 2000

Perpetual Trustees Australia Limited advised by notice dated 9 September 2009 that it held a relevant interest in 2,552,103 shares (5.49%).

Telstra Super Pty Ltd
Level 8, 215 Spring Street
Melbourne, Vic. 3000

Telstra Super Pty Ltd advised by notice dated 27 August 2009 that it held a relevant interest in 2,524,808 shares (5.43%).

FIVE YEAR STATISTICS

PRODUCTION DATA

Cane harvest season	**2008**	**2007**	**2006**	**2005**	**2004**
Sugar Cane					
Cane crushed					
Maryborough region (tonnes)	**614,549**	644,273	985,231	772,882	847,023
Mulgrave region (tonnes)	**1,083,216**	–	–	–	–
Total cane crushed (tonnes)	**1,697,765**	644,273	985,231	772,882	847,023
Area harvested					
Maryborough region area harvested (ha)	**9,657**	9,434	11,892	9,398	12,217
Mulgrave region area harvested (ha)	**13,096**	–	–	–	–
Total area harvested (ha)	**22,753**	9,434	11,892	9,398	12,217
Tonnes cane / ha					
Maryborough region tonnes cane/ha	**63.64**	66.42	77.18	74.90	68.80
Mulgrave region tonnes cane/ha	**82.71**	–	–	–	–
Total tonnes cane/ha	**74.62**	66.42	77.18	74.90	68.80
Sugar					
Sugar produced (tonnes)					
Maryborough region (tonnes)	**83,109**	79,770	132,387	99,108	120,928
Mulgrave region (tonnes)	**158,028**	–	–	–	–
Total sugar produced (tonnes)	**241,137**	79,770	132,387	99,108	120,928
CCS (units)					
Maryborough region CCS (units)	**13.47**	12.50	13.38	12.85	14.02
Mulgrave region CCS (units)	**14.07**	–	–	–	–
Company Plantations					
Cane Harvested (tonnes)					
Maryborough region (tonnes)	**59,888**	70,477	108,662	79,945	79,685
Isis region (tonnes)	**1,351**	–	–	–	–
Mulgrave region (tonnes)	**15,659**	–	–	–	–
Area harvested (ha)					
Maryborough region (ha)	**1,125**	975	1,325	973	1,059
Isis region (ha)	**22**	–	–	–	–
Mulgrave region (ha)	**221**	–	–	–	–
CCS (units)					
Maryborough region (units)	**13.38**	12.49	12.99	12.43	13.35
Isis region (units)	**13.85**	–	–	–	–
Mulgrave region (units)	**11.64**	–	–	–	–
Company Leased Farms					
Cane harvested (tonnes)	**88,301**	108,126	137,001	111,595	106,668
Area harvested (ha)	**1,557**	1,427	1,769	1,387	1,543
Sugar Price ($/tonne)	**331.11**	261.96	366.51	322.22	255.84

FINANCIAL DATA

Financial year	**2008/09**	**2007/08**	**2006/07**	**2005/06**	**2004/05**
Revenue ($'000)	**150,439**	27,007	49,345	41,893	34,508
Profit (loss) after tax ($'000)	**(783)**	(4,734)	1,456	4,675	146
Dividend out of the year's profits (cents/share)	**–**	–	5.0	12.5	–
Earnings/share (cents)	**(1.72)**	(22.28)	9.77	31.71	1.06
NTA backing ($/share)	**1.98**	2.80	2.14	2.08	1.71
Share Price ($) – high	**2.35**	3.28	3.20	3.65	2.01
– low	**1.35**	2.30	2.50	1.75	1.39

CORPORATE DIRECTORY

DIRECTORS

J Jackson	Chairman
J Burman	Non-executive director
R Burney	Non-executive director
S Palmer	Non-executive director
J Hesp	Non-executive director
W Moller	Non-executive director

EXECUTIVES

M Barry	Chief executive officer
G Clarey	Company secretary
W Massey	Chief financial officer
S Norton	General manager Maryborough
P Flanders	General manager Mulgrave
T Crook	Agriculture manager
G Crimmins	Group manager market risk
D Kaye	Property asset manager
B Mahony	General manager sales and marketing

OPERATIONS

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Mallesons Stephen Jaques

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Corser, Sheldon & Gordon

211 Bazaar Street
Maryborough
Queensland 4650

BANKERS

Westpac Banking Corporation

Macquarie Group Limited

AUDITOR

PricewaterhouseCoopers

Chartered Accountants
Riverside Centre
123 Eagle Street
Brisbane
Queensland 4000

Shares are listed on the Australian Securities Exchange.

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THE MARYBOROUGH
SUGAR FACTORY LIMITED