CLEAR VIEW STRONG POTENTIAL

THE MARYBOROUGH SUGAR FACTORY LIMITED
ANNUAL REPORT 2010

THE MARYBOROUGH SUGAR FACTORY LIMITED
ABN 11 009 658 708

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ANNUAL REPORT 2010

This Annual Report is designed to give our shareholders, the community and other stakeholders a concise overview of our operations during the 2009/10 financial year and our financial position at the end of that year.

MILLING

SINCE 2008, WHEN WE COMPLETED OUR MERGER WITH MULGRAVE CENTRAL MILL IN FAR NORTH QUEENSLAND, WE HAVE CONTINUED TO INTEGRATE OUR MILLING OPERATIONS. MULGRAVE IS THE FIRST STEP IN OUR EXPANSION AND CONSOLIDATION IN THE WET TROPICS REGION, WHICH IS IDEALLY SUITED TO GROWING SUGAR CANE. DURING 2010, WE DEVELOPED A NEW NORTHERN MILLING JOINT VENTURE WITH BUNDABERG SUGAR LTD – THE AGREEMENT WAS SIGNED JUST AFTER THE CLOSE OF THE FINANCIAL YEAR.

MARKETING

OUR MARKETING AND PRICING EXPERTISE, OUR DIVERSE CUSTOMER BASE, EXPERIENCE IN THE EAST ASIAN MARKET AND WORLD SUGAR PRICES HAVE ENABLED US TO CAPTURE STRONG PRICES FOR OUR SUGAR AND DELIVER SOLID PROFITS THIS FINANCIAL YEAR.

THE MARYBOROUGH SUGAR FACTORY LIMITED (MSF OR MARYBOROUGH SUGAR) IS AN INTEGRATED SUGAR SECTOR 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 AND INTERNATIONAL SUGAR INDUSTRY.

IN 2009/10, MARYBOROUGH SUGAR 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.

LAND AND WATER USE

LAND AND WATER RESOURCES ARE VITAL TO THE SUSTAINABILITY OF THE SUGAR INDUSTRY IN SOUTH EAST QUEENSLAND. DURING THE YEAR WE CONTINUED TO DEVELOP AGRICULTURAL LAND PREVIOUSLY ACQUIRED OR LEASED. 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 ARE CONTINUING WITH PLANNING FOR OUR MARY HARBOUR RESIDENTIAL DEVELOPMENT. THE RESULT OF OUR PLANNING APPLICATION IS EXPECTED LATE 2010.

INVESTING

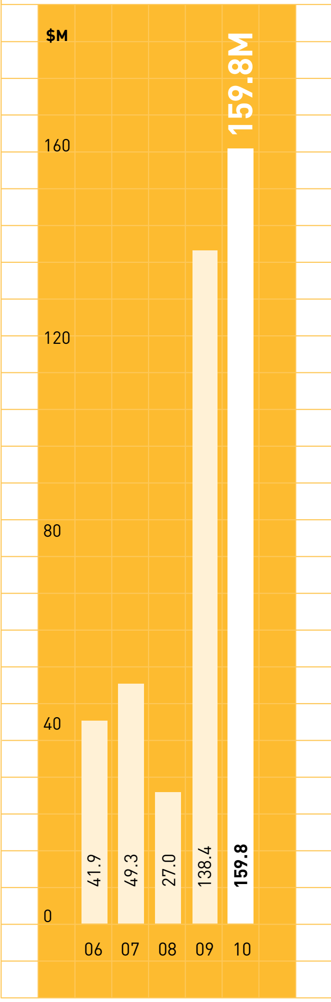
MARYBOROUGH SUGAR AND ASSOCIATED ENTITIES HAVE ACQUIRED SHARES IN SUGAR TERMINALS LIMITED (STL) OVER A NUMBER OF YEARS AND, AT THE END OF THE FINANCIAL YEAR , HELD 12.8% OF ITS ISSUED CAPITAL. THIS STAKE IN THE DISTRIBUTION CHAIN DELIVERS STRONG RETURNS AND, IN THE PAST YEAR, THIS INVESTMENT RETURNED AN ADDITIONAL PARTLY FRANKED SPECIAL DIVIDEND FOLLOWING STL'S SALE OF ITS BRISBANE TERMINAL.

PERFORMANCE

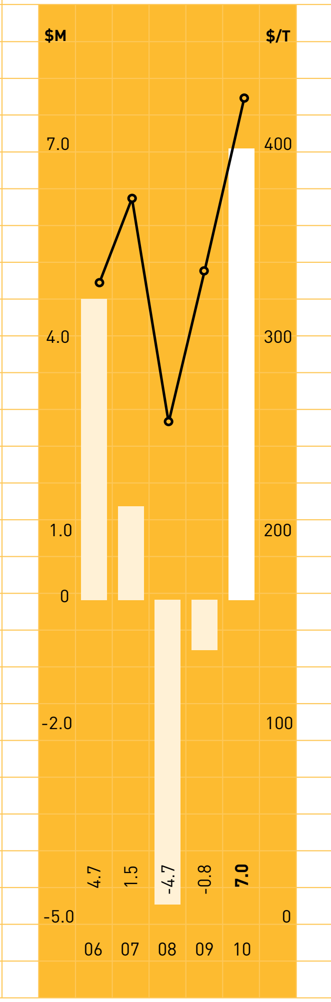
Revenue increased by 15% due to increased efficiencies, our internationally cost-competitive milling business and strong demand for raw sugar on the global market resulting in higher prices. We can now build on this solid foundation and, with the northern milling joint venture now in place, we have the capacity to further benefit from the current upturn in sugar demand.

Financial year	2010	2009	2008	2007	2006
Revenue ($M)	**159.8**	138.4	27.0	49.3	41.9
Profit (loss) after tax ($M)	**7.0**	(0.8)	(4.7)	1.5	4.7
Dividend out of the year's profits (cents/share)[1]	**6.5**	–	–	5.0	12.5
Basic earnings (loss) per share (cents/share)[1]	**13.85**	(1.72)	(22.28)	9.77	31.71
NTA backing ($/share)[1 2]	**2.74**	1.98	2.80	2.14	2.08

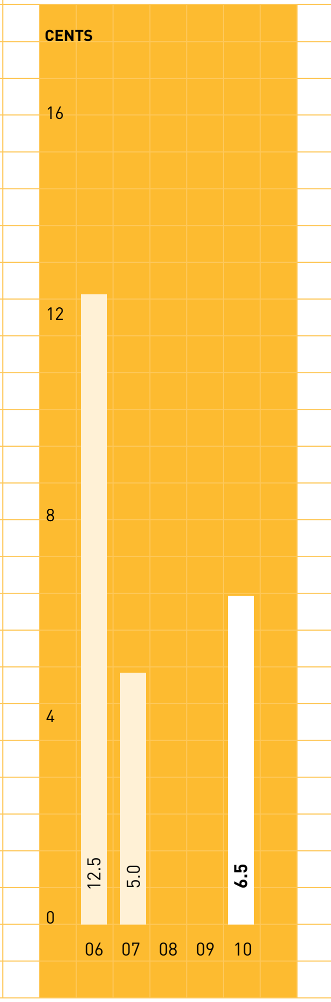
TOTAL REVENUE ($M)



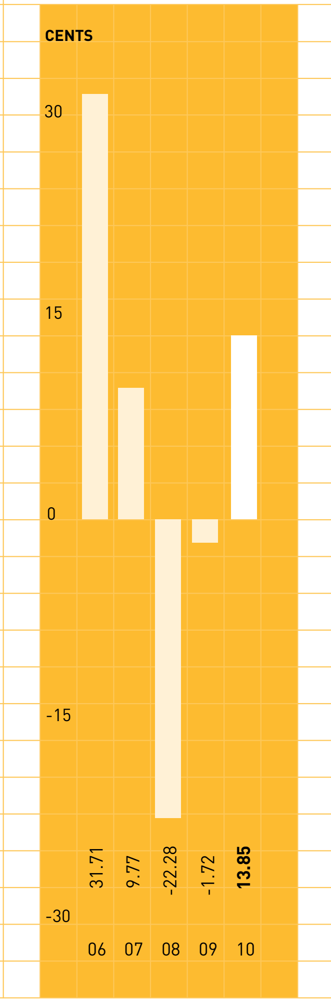
PROFIT AFTER TAX ($M) AND SUGAR PRICE (A$/T)



DIVIDEND PER SHARE (CENTS) paid/proposed out of profits for the year



EARNINGS (LOSS) PER SHARE (CENTS)



[1] Adjusted for 2006/07 capital reconstruction.
[2] Inclusive of Derivative Financial Instruments.

CHAIRMAN'S REPORT

Agribusiness and the route to market continues to evolve into integrated supply chains, multi-commodity companies, global partnerships and alliances. We believe our company and business model is flexible and capable of creating value for all our stakeholders in our environment.

The company's growth strategy has now started to gain momentum in delivering both improved financial results and greater strategic business opportunities. We continue our progress towards the creation of a globally competitive, vertically integrated, raw sugar producer.

Revenues this year grew, due to larger crops crushed, higher sugar content in the cane, and higher raw sugar prices realised. Net Profit after Tax of $7.0 million included a special dividend from Sugar Terminals Limited of $2.7 million. We incurred significant business development costs and professional fees, development application costs for Mary Harbour, and plantation development expenses, which coincidentally amounted close to the $2.7 million. So in a sense, the $7.0 million is akin to a "normalised" result. The final dividend of 4 cents per share brought total dividends paid for the year to 6.5 cents per share fully franked.

Capacity utilisation in our mills improved to 71% but still remains unsatisfactory. It requires both structural adjustment and increased management focus to capture the earnings being forgone by having 700,000 tonnes of cane crushing capacity not utilised.

The proposal put to Tully Sugar Limited in October 2009 to merge our two companies was unsuccessful and we closed the offer on 20 April 2010, due to our falling share price and the reluctance of Tully to fully engage. On 19 April 2010, we entered into a binding agreement with Bundaberg Sugar Ltd to establish a 50/50 Northern Milling Joint Venture (JV) of the northern sugar cane milling operations of both our companies. The formation of the JV was completed after a great deal of work by both parties on 20 July 2010 with MSF paying Bundaberg Sugar Ltd a non-refundable $20 million as consideration for entitlement to 50% of the future sugar production of the JV from the effective date and a call option to acquire the remaining 50% of the JV. The call option is exercisable from 1 December 2010 until 29 February 2012 for additional consideration of $50 million.

This is a significant transaction for MSF, providing a clear path to further increase production, lower our cost of production and effect consolidation of the sugar industry in Far North Queensland. We funded the $20 million cash payment, from the combination of retained earnings, a capital return from our Sugar Terminals Limited investment and $13.5 million of new equity capital, which we raised via a placement and share purchase plan at $2 per share conducted late in 2009. We wish to thank the support of our shareholders who participated in these issues and welcome our new shareholders who contributed.

Our shareprice at the time of writing was $2.50, still at a discount to our stated Net Tangible Assets of $2.71 per share (net of hedging positions). This point is not lost on the MSF Board. We continue to pursue the correct business combination to enhance and grow the generation of free cash flow. These actions we believe will ultimately be visible in your equity value.

Demand for sugar globally continues to grow solidly at around 2% per annum. Asian demand is growing at over 3% per annum and East Asia is forecast to continue to grow a raw sugar deficit for many years. China is forecast to become a structural importer of raw sugar along with Indonesia, Japan, Korea and Malaysia. Mainland Chinese sugar consumption is currently 8 kilograms per person per annum, compared to that of the Hong Kong Chinese consumption rate of 25 kilograms. Obviously, China is very likely to require much more sugar in the future.

Global supply swings between a surplus and deficit to consumption has created significant sugar price volatility. Sugar prices are now driven by these supply shocks or surpluses. Our company has selling and price-hedging policies and capabilities in place to allow us to capture world market price opportunities when we choose. The rapid growth in Brazilian supply creating the surplus situations in the past decade has now slowed as their cost of production has risen sharply. These factors auger well for a more positive price environment.

Agribusiness and the route to market continues to evolve into integrated supply chains, multi-commodity companies, global partnerships and alliances. We believe our company and business model is flexible and capable of creating value for all our stakeholders in our environment. Our direct access from production on the farm to our direct customers in the food industry correctly aligns our actions and practices along the supply chain. These result in greater transparency of origin, product traceability, improved processing and quality control, increased logistical efficiencies, lower volatility and therefore improved pricing outcomes and hence margin expansion. Our direct customer relationships will continue to develop as we market additional sugar resulting from our growth path and enhanced capabilities.

On behalf of the Board I extend thanks to our CEO, the management team and all of our employees for their efforts and excellent contribution to these results and the development of the company. We especially thank Greg Clarey, our Company Secretary and CFO of 23 years, who retired during the year, for his contribution and commitment to MSF. I also thank my fellow Directors for their contribution and commitment during a complex and demanding year.

Once again, thank you to all our shareholders for your continued support as we protect and seek to further grow the value of your investment in MSF.

James A Jackson
Chairman

OVER RECENT YEARS THE COMPANY HAS CLEARLY ARTICULATED ITS GROWTH STRATEGY OF CONSOLIDATING MILLING OPERATIONS IN THE WET TROPICS REGION OF NORTH QUEENSLAND WITH THE GOAL OF CREATING A GLOBALLY COST-COMPETITIVE, SUSTAINABLE, INTEGRATED SUGAR COMPANY.

Sugar prices have continued to strengthen in recent years on the back of stronger global fundamentals. Despite significant price volatility, the 2009 season again saw an increase in the average sugar price achieved, taking it to $428 per tonne, which is 29% higher than the previous year.

The financial performance of the company for the year ended 30 June 2010 has shown a marked improvement from the previous year, with Net Profit after Tax at $7.0 million, up from a loss of $0.8 million. The Profit before Tax of $8.7 million was $13.9 million more than the previous year's comparable loss of $5.2 million. The improved performance was driven by a higher sugar price, the positive impact of the acquisition of the Mulgrave Mill in 2008 and increased dividends from the company's investment in Sugar Terminals Limited (STL).

The company's two sugar mills, Maryborough and Mulgrave, operated well throughout the 2009 crushing season with Mulgrave Mill recording record efficiency performance. While the volume of cane crushed through the Maryborough Mill continues to improve (2009 season up 12% on the previous season) the throughput is still well short of the one million tonnes installed capacity. The compounding effects of the weather affected 2007 crop, the low sugar price received by cane growers during that year, as well as the yield loss and replacement costs of cane varieties that were affected by the smut disease, have meant that the recovery of the crop in the Maryborough region has been slow. Planting incentives were provided in order to encourage local growers to increase their area under cane and the company ramped up its program of leasing non-cane farms from land owners and then converting them over to cane.

The recent investment in the company's owned and managed farms has resulted in the tonnage of cane produced for the 2009 season increasing 64% over the previous season to 213,000 tonnes. Improving the crop yields and farming productivity, the two key drivers of financial performance, remains a key focus of management.

The company's 12.84% investment (at balance date), in Sugar Terminals Limited is not only an important strategic investment but it is also an attractive financial investment. During the period, STL settled the sale of the Brisbane bulk sugar terminal for $34.2 million, resulting in a one-off special dividend of 5.8 cents per share being paid. This dividend added an amount of $2.7 million to the company's Profit before Tax.

The company's plans to develop Mary Harbour, a residential complex on a 174 hectare property in Maryborough with frontage to the Mary River, are progressing. This is an important project for the Fraser Coast Region as it will not only create significant employment opportunities during the construction phase and ongoing employment after completion, but it will also provide a unique riverside residential community that has the potential to transform the city of Maryborough. The process of obtaining the necessary approvals to support the development application is continuing at both the Local and State Government level with an outcome expected in late 2010.

The acquisition of Mulgrave Mill in 2008 was not only an important investment in a low cost cane growing region but, more importantly, it established a platform from which the company could profitably grow. In August 2009 the company announced that it had entered into merger discussions with Tully Sugar Limited (TSL). These discussions ultimately resulted in a cash and scrip offer being made for all of the shares in TSL. The offer for TSL was not extended and it subsequently lapsed. In April 2010 the company announced that it had entered into a binding term sheet with Bundaberg Sugar Ltd (BSL) for the establishment of a joint venture of the two companies milling operations in the Wet Tropics region.

The Northern Milling Joint Venture with BSL is a company-transforming transaction for MSF. The transaction, which was formally completed on 20 July 2010, involved MSF putting its Mulgrave Mill and BSL putting its Babinda, South Johnstone and Tablelands Mills into a production-sharing joint venture. MSF also paid BSL $20 million as consideration for entitlement to 50% of the future sugar production of the Joint Venture from the effective date and a call option to acquire the remaining 50% of the joint venture. The call option is exercisable from 1 December 2010 until 29 February 2012 for additional consideration of $50 million. The formation of the joint venture will see MSF's raw sugar production increase from its current level of approximately 250,000 tonnes per annum to approximately 325,000 tonnes per annum. If MSF exercises its option to acquire BSL's share of the Joint Venture then MSF's raw sugar production will increase to approximately 550,000 tonnes per annum making MSF Australia's third largest raw sugar producer and accounting for approximately 6% of the volume of sugar traded in East Asia. While the Joint Venture does not formally commence until after the 2010 crushing season (on or about 1 December 2010), a considerable amount of preparatory work has already commenced and I am pleased to report that the two companies have already established an effective working relationship.

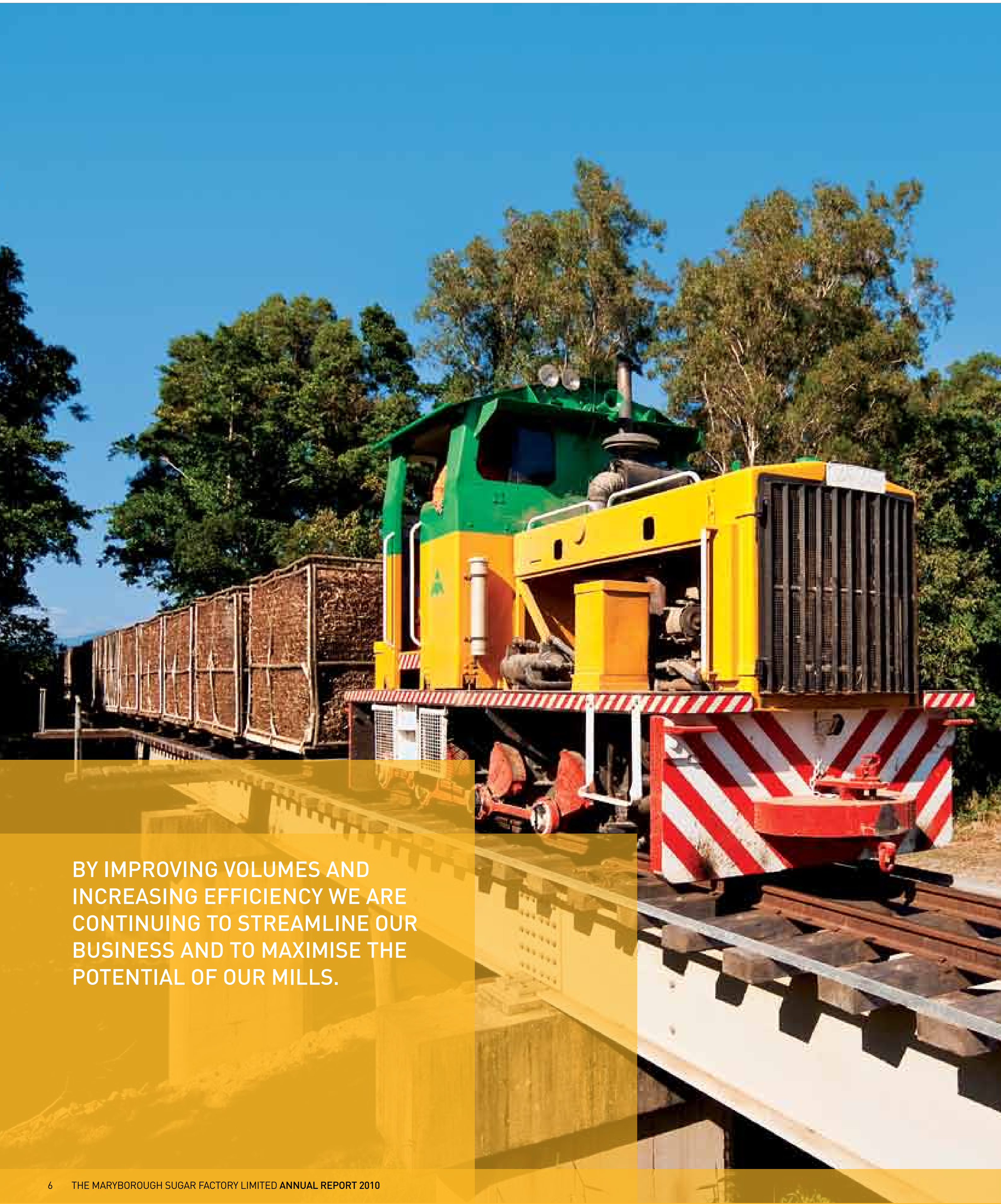
Raw sugar produced at Maryborough is now being sold predominantly into the international market based on the successful model adopted from Mulgrave. We have continued to build our commercial relationships with our key customers in Japan, Malaysia, Korea, China and Indonesia as demand for our sugar continues to grow. The recently announced sale of CSR Limited's Sucrogen sugar business to the Singaporean-based Wilmar International Limited will no doubt see a change to the landscape of the sugar industry in this region. MSF is particularly well placed to capitalise on any changes as they emerge, as it is the only Australian raw sugar company that has its own sugar marketing and logistics capabilities.

The company's safety performance continued to improve and I am pleased to report that the increased focus and investment in safety at Mulgrave Mill is beginning to deliver improved outcomes.

During the year Chris Lobb joined the company to replace our long-serving Company Secretary, Greg Clarey, who recently retired. Thank you Greg for your dedication and contribution over a long period. Hywel Cook also joined the management team as Business Development Manager, bringing a sharper focus to our growth and business improvement projects.

The company is well placed, with quality sugar assets and a clear growth path in a strong sugar price environment. The company's financial performance for the year ahead will be impacted by the one-off costs associated with the timing mismatch of the costs and the revenues of the milling joint venture with BSL. However, this joint venture is a critical step on the path towards transforming MSF into a globally cost-competitive sugar company.

Mike Barry
Chief executive officer



BY IMPROVING VOLUMES AND INCREASING EFFICIENCY WE ARE CONTINUING TO STREAMLINE OUR BUSINESS AND TO MAXIMISE THE POTENTIAL OF OUR MILLS.

Following the acquisition of Mulgrave Mill in July 2008, we now have the capacity to process up to 2.5 million tonnes of cane annually with our two factories operating continuously. This is translating into opportunities for both increased turnover and economies of scale.

GROWTH AND OPPORTUNTIES

For over a century, MSF's milling operations had 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, in July 2008, 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 of cane to produce about 160,000 tonnes of raw sugar annually.

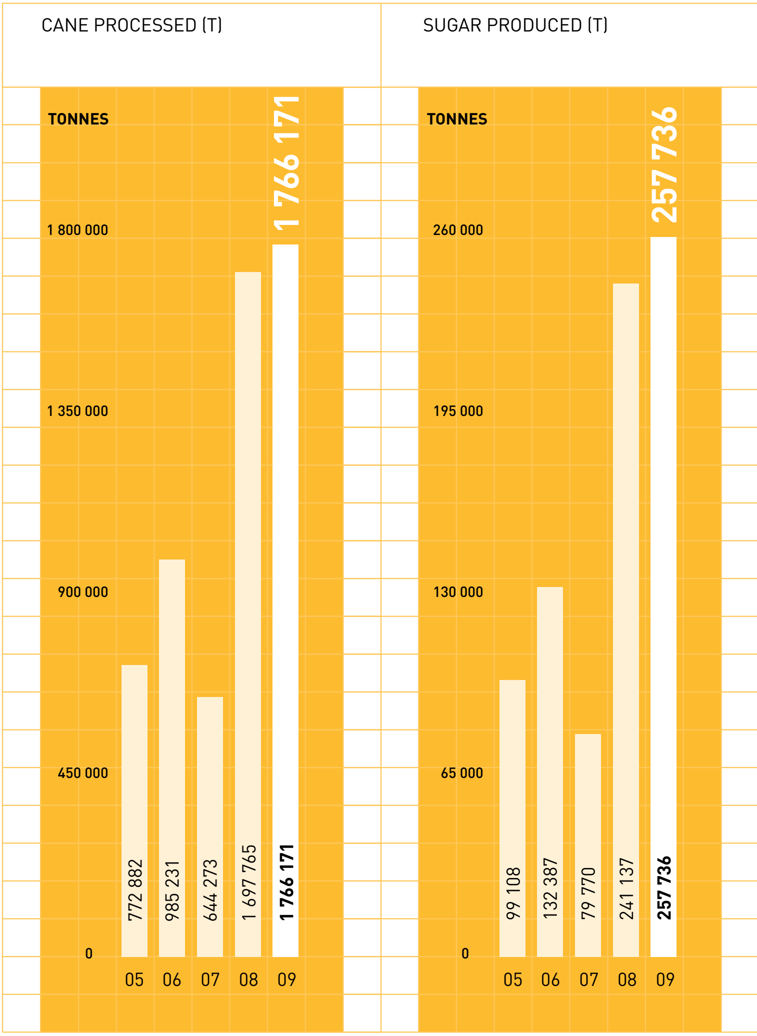
In addition, it has opened up opportunities to be a major player in the further consolidation of the sugar milling industry in Australia. The completion of the Joint Venture agreement with Bundaberg Sugar Ltd subsequent to balance date is a further element of this strategy.

As well as opening up new growth opportunities, Mulgrave Mill helps to diversify the risk of weather effects on annual yields. The merger of the two companies has also strengthened MSF's customer base, brought complementary management skills and industry experience and materially increased the scale of the business. This provides opportunities for further efficiencies and reductions in the cost base per tonne of sugar cane crushed.

The focus over the 2009 season however was to ensure sufficient cane production as we seek to keep both our mills operating at or near capacity levels. This provided greater efficiencies and drove down costs.

Mulgrave Mill has its own 232 kilometre cane railway system, which allows cane to be hauled with no impact on local roads, and it is also self sufficient for its energy requirements.

The merger with Mulgrave Central Mill Company Limited in July 2008 mean that our production outcomes for the year ended 30 June 2010 reflect for the first time a full 12 months and allow comparative results for both mills to be assessed.



OPERATIONS

During 2009/10, throughput at Maryborough Mill improved by 12% compared with the previous year, but was still affected by adverse growing conditions experienced in previous seasons. This reduced yields for the 2009 season and is expected to continue to have an impact on 2010 as well.

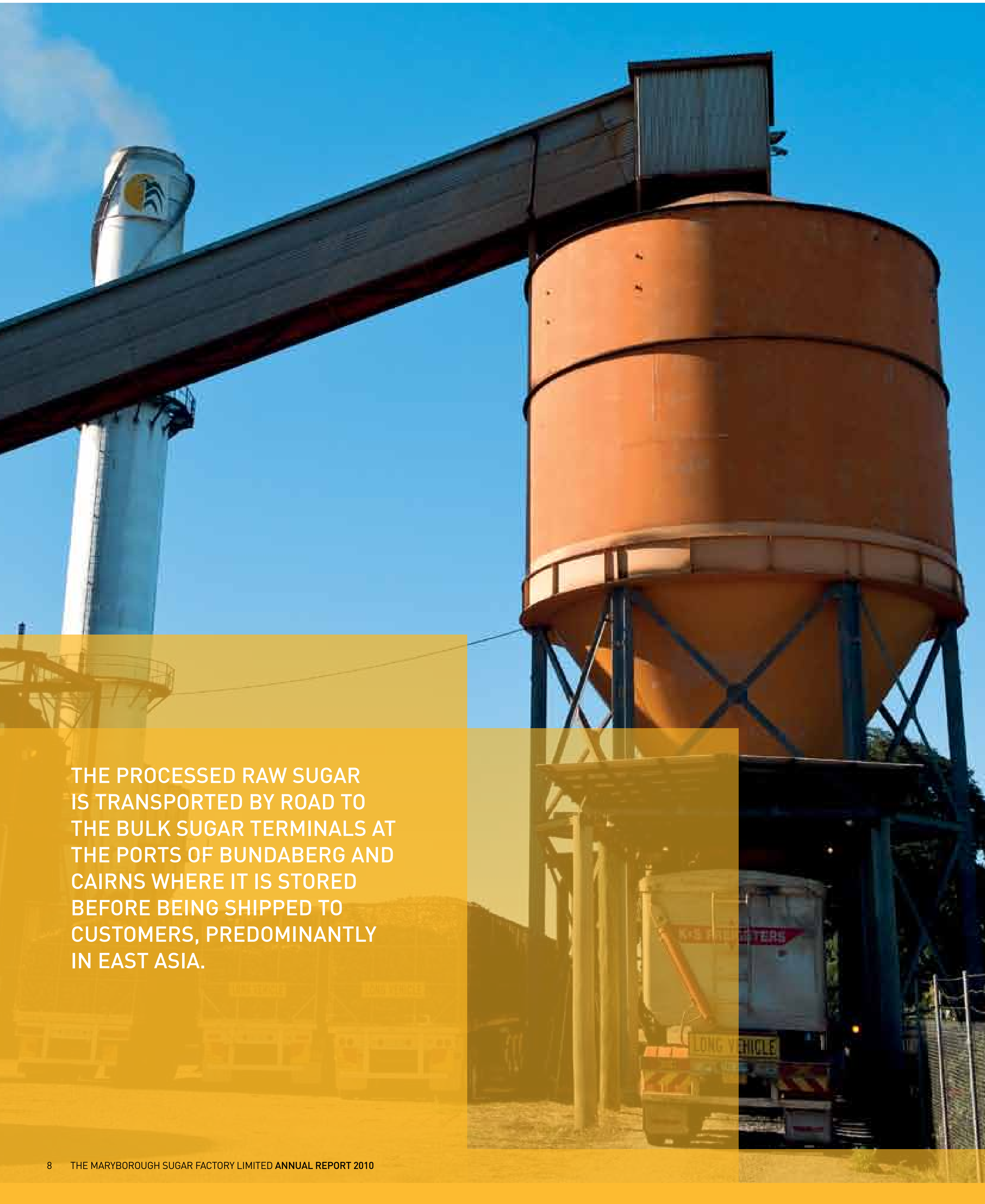
Mulgrave enjoyed reasonable seasonal growing conditions and recorded around average production in the 2009 season, similar to 2008.

Total cane processed by both mills for the 2009 season was 1,766,171 tonnes, up 4% on 2008. The significant impact of the Mulgrave Mill now being part of the company results is demonstrated by the fact that in 2007, when the company consisted of a single mill, throughput of 644,278 tonnes was recorded.

Sugar production for the 2009 season was 257,736 tonnes, up 7% on 2008 and reflecting a stronger yield on the cane processed.

COMMERCIAL CANE SUGAR LEVELS

Commercial cane sugar (CCS) estimates the level of extractable sugar from cane of a given quality. It is also the historical basis of payment to the grower in the Australian sugar industry.



THE PROCESSED RAW SUGAR IS TRANSPORTED BY ROAD TO THE BULK SUGAR TERMINALS AT THE PORTS OF BUNDABERG AND CAIRNS WHERE IT IS STORED BEFORE BEING SHIPPED TO CUSTOMERS, PREDOMINANTLY IN EAST ASIA.

CCS levels were relatively high for both mills in the 2009 season with levels of 14.05 recorded at Maryborough and 14.35 at Mulgrave. The CCS level at Mulgrave was the highest on record since mechanical harvesting commenced in the 1960s and was attributed to very low levels of rainfall in the lead up to and during the crushing season.

CRUSHING-SEASON PERFORMANCE

Maryborough Mill recorded a 16-week crushing season beginning on 13 July and finishing on 30 October 2009. During the season, the mill operated on a continuous 24-hour, 7-day roster with stops for maintenance on a 10-12 day cycle. Stoppages for wet weather were at an all-time low due to the record dry conditions experienced along the Queensland coast from June to October 2009.

Mulgrave's season began on 16 June and finished on 3 November 2009 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.

30 June 2010 **2009 Season**	
Tonnes	
Cane	Sugar
1,766,171	257,736

30 June 2009 **2008 Season**	
Tonnes	
Cane	Sugar
1,697,765	241,137

MILLING BY-PRODUCTS

Maryborough 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 produced around 33,000 tonnes of molasses, the bulk of which was 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. This is a further example of the minimal wastage arising from sugar production and of its contribution to sound environmental practices.

GROWER INCENTIVES

As part of our strategy to boost the cane throughput at both of our Queensland sugar mills, we 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 four to five seasons, given the crop-cycle of sugar cane.

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 3.0 megawatts during production. In 2009/10, due to improvements in the control and management of the electricity generators, Maryborough increased export electricity by 63% compared with the previous year.

Mulgrave has excess generating capacity of approximately 2.4 megawatts and exported 5,020 megawatt hours to the grid in the 2009 season.

We identify further opportunities for our mills in generating and selling excess power in a world economy that is seeking alternative clean energy resources.

CANE AND SUGAR TRANSPORT

Maryborough's entire sugar cane crop 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 2009 season, these vehicles travelled a total of 1,413,247 kilometres delivering 687,468 tonnes of sugar cane. 47% of cane was delivered in B-double trailers, which are more cost-efficient over longer haulage distances.

Six additional B-double units were 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.

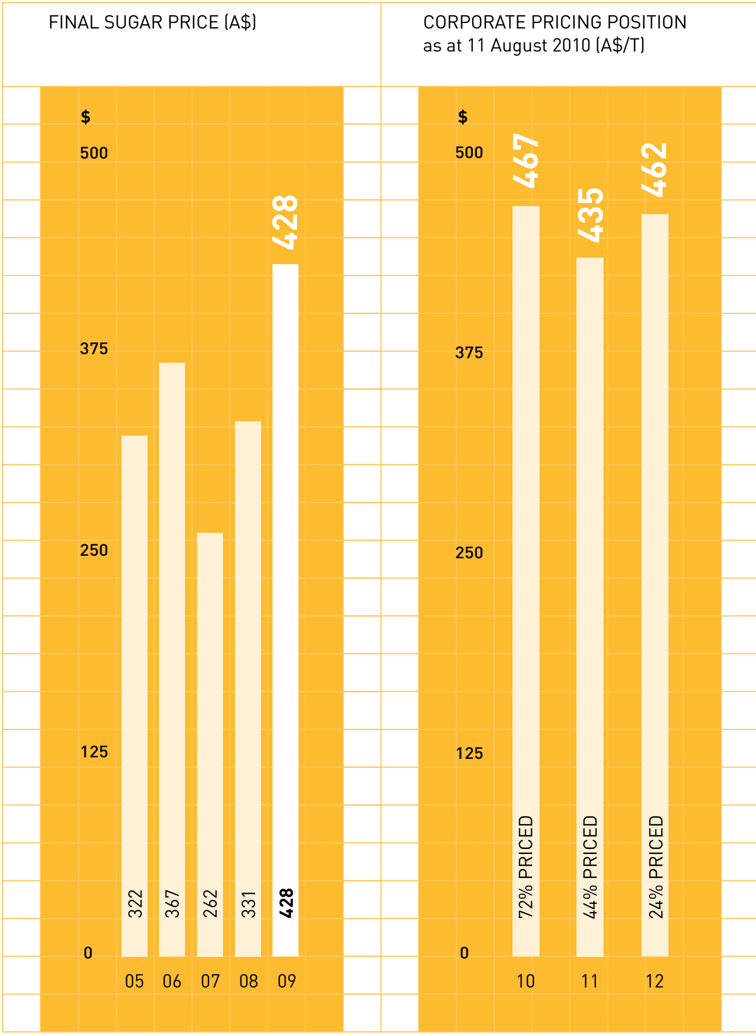
The processed sugar is transported by road to the bulk sugar terminal at the Port of Bundaberg where it is stored before being shipped to customers located throughout East Asia.

Mulgrave's crop has historically been delivered by diesel locomotive via its efficient 232 kilometre company-owned cane railway system. The rail transport rolling stock currently 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.

Mulgrave's sugar is transported to the Cairns bulk sugar terminal by road transport, located a short distance from the mill, before being exported to its customers in East Asia.

MSF IS STRONGLY FOCUSSED ON SUPPLYING THE RAPIDLY GROWING CONSUMPTION IN EAST ASIA. WE HAVE ESTABLISHED STRONG CUSTOMER RELATIONSHIPS IN ALL KEY IMPORTING COUNTRIES.

Our marketing expertise and pricing strategies have enabled us to take advantage of strong world prices in 2009/10 and position us well for future growth.



MSF PRICING FOR 2009 SEASON

These relatively strong world sugar prices have been available for the latter part of our 2009 pricing campaign. We achieved a weighted average final price of $428 per tonne, up 29% on the $331 per tonne of the previous year, which compares very favourably with averages over the last five years.

FORWARD PRICING

In recognition of the nature of our business and its needs, our market risk management policy enables us to undertake pricing up to four seasons into the future, having regard for EBITDA targets and taking into account production risk.

The above table summarises the current status of the MSF pricing position at 11 August 2010 for corporate sugar exposure.

WE HAVE CREATED CLEAR STRATEGIES TO BENEFIT FROM GLOBAL MARKETS.

MSF has a strong and diverse customer base, marketing predominantly to refiners in East Asia. Increasing world demand for sugar, particularly in Asian countries, is expected to keep prices strong in the foreseeable future.

MARKETING OPPORTUNITES

MSF's marketing and pricing 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 Australian raw sugar producer capable of supplying both markets and managing our own pricing book.

MSF is strongly focussed on supplying the rapidly growing consumption in East Asia. We have established strong customer relationships in all key importing countries.

MARKET RISK MANAGEMENT

To manage our market risks, we have adopted policies and procedures approved by the Board of Directors through our Market Risk Committee. These documents establish limits and guide ongoing monitoring of risk exposure, counterparties and financial instruments approved for trading.

The objectives of the commodity price and foreign exchange risk elements of MSF's Market Risk Management Policy are to:

1. Provide greater certainty over future cash-flows, which in turn improves maintenance and capital expenditure planning, enabling us to further reduce costs and increase sugar recoveries
2. Reduce year-to-year price volatility
3. Maintain upside exposure where prudent to do so.

MSF uses derivatives to manage market risk, especially product price and exchange rate fluctuations, and to ensure, as far as practicable, a minimum average profit from future production. Although the value of these hedge instruments varies, these variations are usually offset by the value of related assets or liabilities. In the case of futures and options, the parties are mainly trade boards and banks. In relation to foreign exchange derivatives, the parties to these agreements are major financial institutions.

GROWER PRICE RISK MANAGEMENT OFFERING

The decision to plant sugarcane effectively commits growers to farming it for the productive life of the crop (4–5 harvests) and, due to the high costs of establishment, limits their ability to switch to an alternative crop during this timeframe. This is in contrast to farming systems based on annual crops, such as wheat, where the productive life of the crop is compressed to a six-month window.

What this means for our sugarcane growers is that they have price risk exposure for an extended period of time. In recognition of this, MSF has introduced the opportunity for growers to manage their cane price risk. Through our grower price risk management program, growers are able to strongly influence the cane prices they recieve for their crop up to four seasons into the future.

We view this initiative as essential support for the ongoing viability of our vital cane producers and we intend to continue to develop the offering in response to changing grower circumstances and needs.

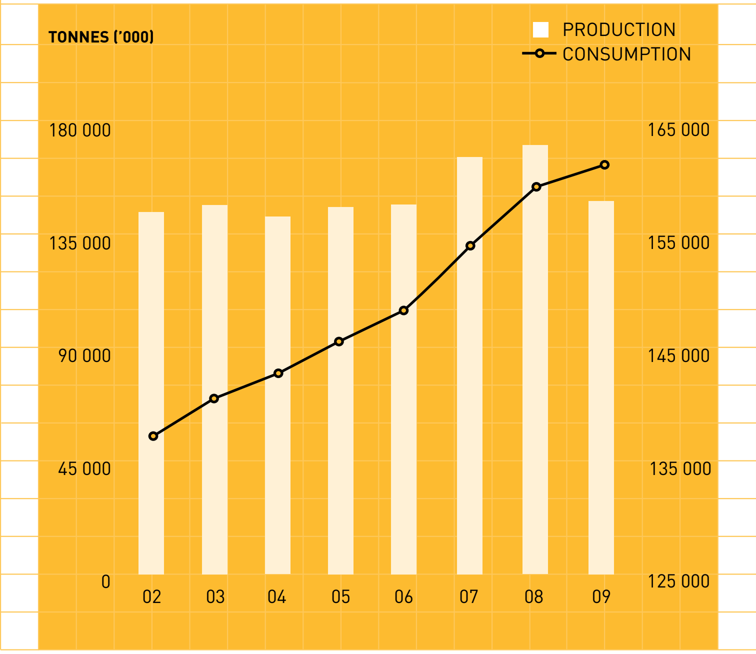
WORLD SUGAR MARKET

During 2009/10 we experienced a second consecutive year of world sugar deficit. Prices in early-2010 rallied to a 30-year high. Brazil, the world's largest exporter of sugar, had lower than expected production and was unable to meet the 2% world consumption growth and the increased demand from India. India, the largest consumer of sugar, imported around four million tonnes of raw and white sugar to meet its domestic requirements.

It is forecast that production will recover in 2010/11 in the key producing countries of India and Brazil. India is not expected to be a net importer of sugar in 2010/11 but its forecast small production surplus will not be sufficient to replenish stocks in importing countries. Sugar prices for 2010/11 are expected to trade above the cost of manufacture at MSF.

Demand in the Asian region, where much of MSF's sugar is sold, has remained solid despite the after-effects of the world economic recession. This demand, combined with the deteriorating supply, has been reflected in world raw sugar market No.11 continuing at almost unprecedented price levels (in AUD per tonne).

GLOBAL PRODUCTION AND CONSUMPTION ESTIMATES (T '000)



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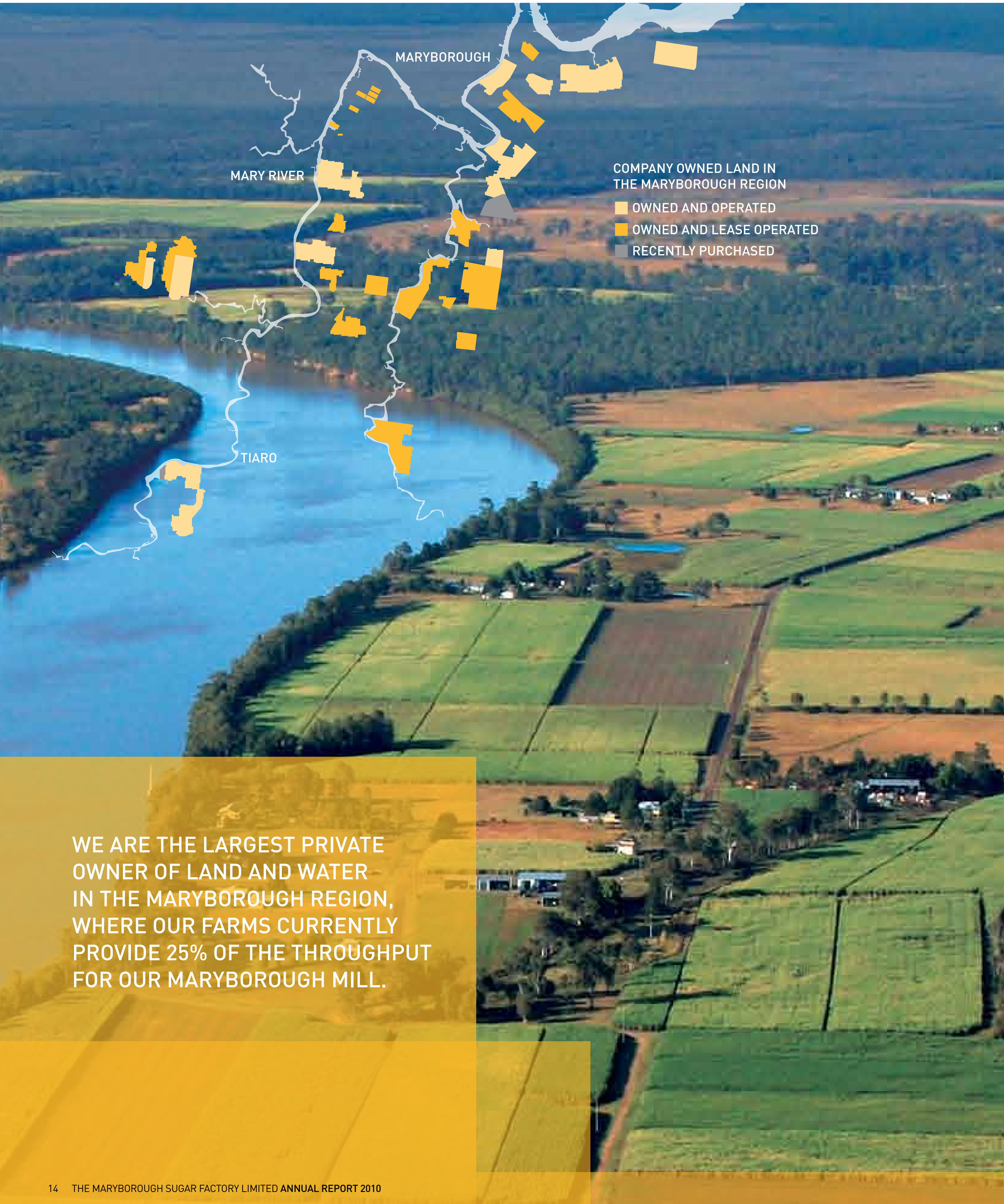


WE ARE THE LARGEST PRIVATE OWNER OF LAND AND WATER IN THE MARYBOROUGH REGION, WHERE OUR FARMS CURRENTLY PROVIDE 25% OF THE THROUGHPUT FOR OUR MARYBOROUGH MILL.

Security of land and water resources is fundamental to the sustainability of the sugar industry in South East Queensland and for the sustainability of agriculture-based companies that rely 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

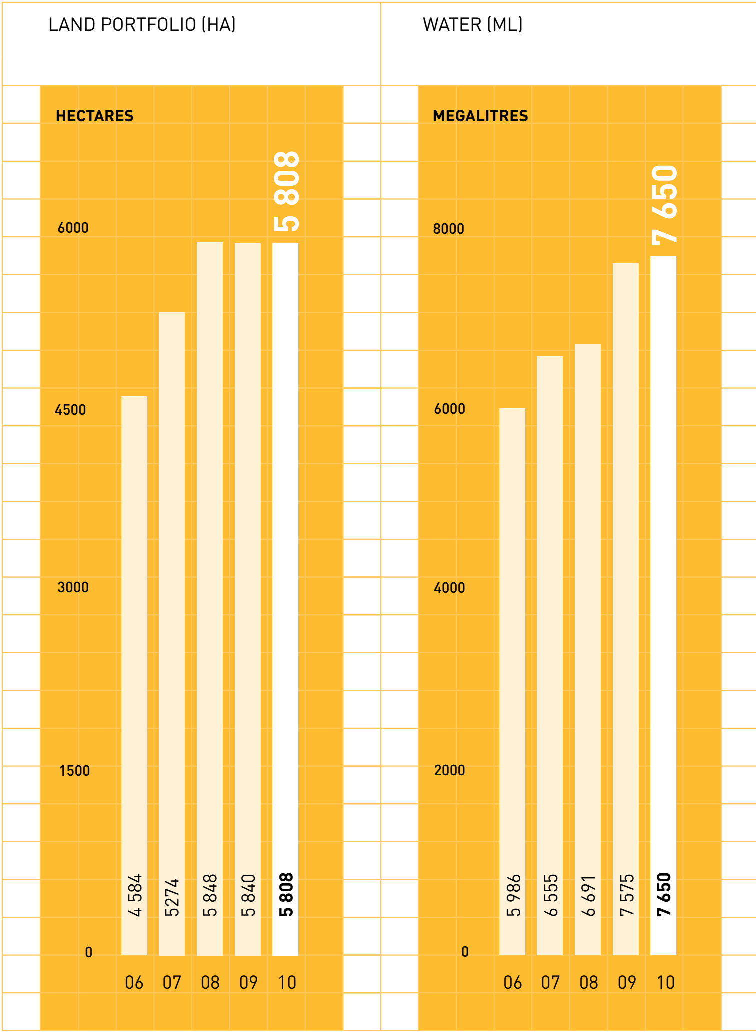
The majority of our cane farming is conducted in the Maryborough region where we currently own 5,418 hectares of land complemented by 7,504 megalitres of medium priority water allocations in the Lower Mary Irrigation Scheme. These landholdings produce more than 25% of the Maryborough Mill's annual throughput.

In addition, we own 69 hectares of 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 Far 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 and leasing suitable land from private landholders. Currently, we have 392 hectares of cane land under lease from private landholders. In the past year, we negotiated to lease 88 hectares, in addition to the 226 hectares leased in the previous year.

As part of our strategy for growth in sugar cane production, we are also unlocking value from our investment in real property. We have previously announced concept plans for a riverfront residential development on 174 hectares of existing cane farming land close to Maryborough's business centre. We are continuing with the process of applying for the necessary planning approval from Local government and State government authorities. A decision on this application is expected in late 2010. All costs associated with this development to date are being recorded in line with relevant accounting practices and the land value is being accounted for on the basis of its current agricultural-zoned value.



MORE ABOUT MARY HARBOUR DEVELOPMENT

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 residential focal point that will boost the region's vitality and prosperity. Mary Harbour is expected to be a permanent address for around 3,500 people. Plans include a floating marina with a Village Centre, boardwalk and ferry wharf. The site is expected to offer 1,315 residential lots featuring riverfront, park-view and lakeside residential precincts designed for a variety of demographic groups.

MANAGING 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.

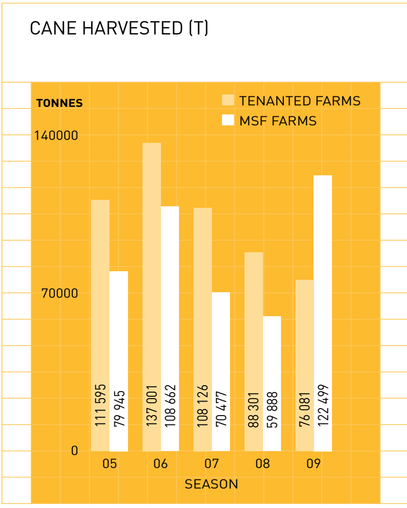
THE GROUP'S FARMING OPERATIONS ARE SITUATED IN THE FRASER COAST REGION AND FAR NORTH QUEENSLAND, DELIVERING SUGAR CANE TO THE MARYBOROUGH, ISIS AND MULGRAVE MILLS. THESE FARMING OPERATIONS ARE A COMBINATION OF COMPANY-OWNED AND LEASED PROPERTIES.

INCREASED EFFICIENCY

Following the restructure of our cane growing business in 2008 and ongoing upgrades to ensure best practice farming methods, we continued to undertake initiatives to capture all possible improvements in group efficiency.

In the past year, we continued to restructure our southern farming operations with the development of 210 hectares of new land. Approximately 55% 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 reduces soil compaction by confining farm machinery tracks to permanent traffic lanes covering the least possible area. 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.

The restructured business in the Maryborough region consists 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.



2009/10 YIELDS

The 2009 season yields reflected the very wet growing season in Far North Queensland. The crop in the Maryborough district improved but is still affected by the carry-over effects of a poor 2007 season crop and was further compromised by some adverse weather conditions in the region. Despite these issues, the group recorded a 29% increase in production overall from the plantations owned or tenanted by the group. A total of 212,761 tonnes of cane was harvested from our plantations in 2009, compared with 165,199 tonnes in the previous year. These totals include production from tenanted group-owned farms, which produced 76,081 tonnes in 2009 compared with 88,301 tonnes in 2008.

The results outlined above include yields from the cane farm we acquired in North Queensland in August 2008, which delivered 13,747 tonnes (2008: 15,659 tonnes) of sugar cane to the Mulgrave Mill in 2009. This farm is in a very high rainfall district with a large proportion of low-lying fields. A late start to farming and harvesting operations after the purchase of the farm in August 2008, combined with extremely wet weather during the growing season, resulted in lower yields than the potential for this farm, which we expect to be more than 20,000 tonnes in 2010.

In 2009, rotation cropping from our farms also produced 149 tonnes (2008: 575 tonnes) of soy beans. The planting area was significantly reduced due to the dry conditions in late spring. These crops provide an additional source of income while the land is rested from sugar cane production.

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. Our farms are well advanced in managing the disease and have continued to implement our smut management programs and further initiatives to build on our initial responses.

These initiatives have included the introduction of a 'variety transition' program to mitigate the serious effects of the disease in either area. Already, 55% of our susceptible plants have been replaced with resistant or semi-resistant varieties. We are on track to be 100% smut resistant by 2012. Crop yield impacts have been largely mitigated by increased fallowing and planting areas.

We have also been proactive in undertaking commercial scale implementation of tissue culture technology to accelerate the availability of new smut-resistant varieties. These varieties are showing promise as high-yielding and disease-resistant alternatives.

BY MAINTAINING A SIGNIFICANT HOLDING IN SUGAR TERMINALS LIMITED, OWNER OF QUEENSLAND'S BULK SUGAR HANDLING FACILITIES, WE HAVE AN OPPORTUNITY TO PROFIT FROM THE BROADER 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 six 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).

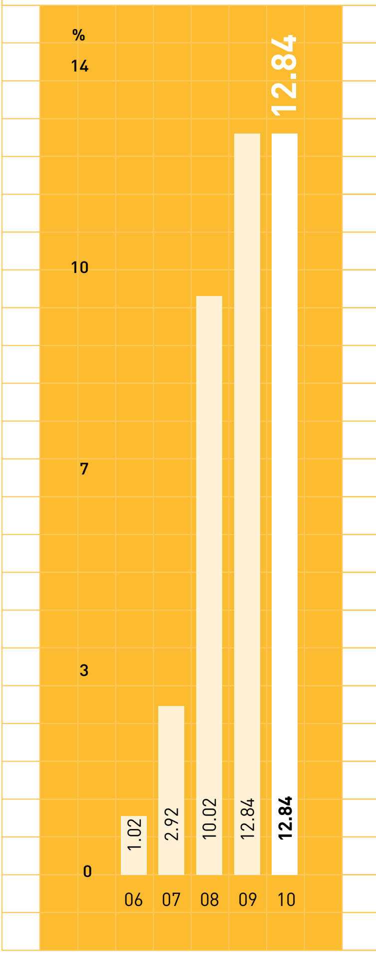
The Constitution of STL stipulates who can own shares in the company and defines who is considered an "active grower" and "active miller". Only 'G' shares are listed and they can only be acquired by an active grower. The "M" shares must be owned by active millers who have received sugar from an active grower.

This investment paid ordinary dividends of $2.8 million to the company in the past year.

In addition, during the year ended 30 June 2010, STL settled the sale of the Brisbane bulk terminal for $34.2 million, resulting in payment of a special one-off partly-franked dividend. For MSF this special dividend added an amount of $2.7 million to the company's Profit before Tax. STL also made a return of capital payment, resulting in an amount of $1.6 million being received, which is credited against the company's investment holding in the balance sheet.

As noted previously, STL has a contract with Queensland Sugar Limited for the sublease and operation of the bulk sugar terminals for the next four 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'.

TOTAL SHAREHOLDING (%)



WE HAVE ALSO CONTINUED TO INVEST SIGNIFICANT RESOURCES IN IMPROVING OUR WORK ENVIRONMENT THROUGH AN ONGOING PROGRAM OF UPGRADES TO FACTORY FLOORS, LIGHTING, GUARDING, PLANT ACCESS AND SAFETY EQUIPMENT.

We are committed to achieving the highest standards in safety and environmental protection. Over the past three years we have improved our safety performance through our safety culture program.

WORKPLACE HEALTH AND SAFETY

Occupational Health and Safety is an ongoing 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.

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.

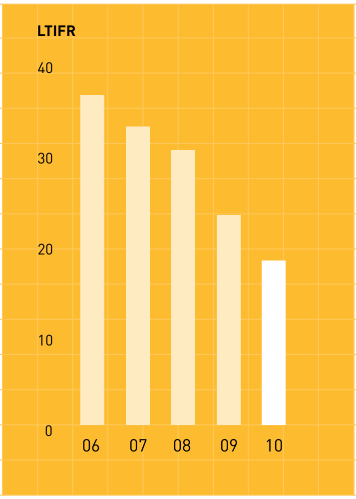
IMPROVING SAFETY PERFORMANCE

Our safety goal is to have no injuries. Over the past three years, we have improved our safety performance through the introduction of a safety culture program. This improved safety awareness has been reflected in our decreased lost time injury frequency rate (LTIFR), which represents the number of lost time injuries per million work hours. Our LTIFR for 2009/10 includes Mulgrave operations for the second year and records the improved results we are achieving.

Our southern (Maryborough) milling operations achieved a historical one year period without incurring a lost-time injury. Our safety performance across the group continues to improve, with much attention from all employees and the Board.

All Maryborough employees have participated in the safety culture training program, resulting in a significant improvement in personal safety attitudes, leadership and safety performance. We have introduced a similar program at the Mulgrave site over the year and this is already delivering improved cultural and performance outcomes.

GROUP LOST TIME INJURY FREQUENCY RATE (LTIFR)



ENVIRONMENTAL COMPLIANCE

The Compliance Committee also 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 during the 2010 financial year.

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.

The $4.2 million cooling water project at Mulgrave commissioned in 2008/09 is significantly reducing 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 $1.9 million grant from the federal government under its Sugar Industry Sustainability Program.

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 help to make its contribution to protecting the reef. The initiative is expected to result in significant improvements in fertiliser, nutrient and pesticide efficiency, soil and water management, and management of riparian and wetland areas.

BOARD OF DIRECTORS

JAMES JACKSON Age 48
B.COM (UQ), FAICD
Chairman
Independent director

Shares held 840,000
(directly and indirectly)

Mr Jackson, in addition to being Chairman of the Board is also Chairman of the Market Risk Committee and a member of the Nomination and Remuneration Committee.

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

Appointed a director in June 2004 and Chairman on 31 July 2008. Mr Jackson has 10 years 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 experience and held the position of non-executive director of North Pine Motors Pty Ltd (1994-1997). He also is a member of the management committee of the Richmond Landcare network organisation.

JOHN BURMAN Age 63
BE (HONS I) (UNSW), PHD (LONDON), GAICD
Independent director

Shares held 10,000

Dr Burman is Chairman of the Board's Compliance Committee and a member of both its Nomination and Remuneration Committee and Market Risk Committee.

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

ROSS BURNEY Age 39
B.ECON
Independent director

Shares held 15,000

Mr Burney is a member of the Board's Audit Committee.

Mr Burney's skills and expertise relevant to the position of director are accounting, investment management and 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. From 2000 to 2009 Mr Burney was an investment manager at Guinness Peat Group before joining Taverners Group as their Chief Investment Officer. He is also a director of Oncard International Limited.

JIM HESP Age 70
FAICD
Independent director

Shares held 344,202
(directly and indirectly)

Mr Hesp is Chairman of the Board's Nomination and Remuneration Committee and a member of its Market Risk Committee.

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

A former Chairman and Director of The Mulgrave Central Mill Company Limited having been appointed Chairman of that board from 2003 to 2008. He is currently 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.

BRETT MOLLER Age 48
BA (ANU), LLB (QUT), MAICD
Independent director

Shares held 71,151

Mr Moller is both a member of the Board's Audit Committee and Compliance Committee.

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

Mr Moller previously 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 in 2008. He was a member of the Mulgrave Board that made the decision to step outside the Queensland single desk arrangements in respect to raw sugar marketing in 2006 and establish its own customer base. Mulgrave Mill has successfully marketed and sold its own sugar since that time.

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 is a director on the State board of Chamber of Commerce & Industry Qld and serves as Chairman of its Far North Queensland Regional Council.

SUE PALMER Age 53
B.COM(UQ), CA, FAICD
Independent director

Shares held Nil

Ms Palmer is Chairman of the Board's Audit Committee and a member of its Compliance Committee.

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

Appointed a director in April 2008. Ms Palmer, a Chartered Accountant, is currently General Manager, Finance and Commercial for Thiess, having previously held a similar position at Leighton Contractors. She has 30 years experience in commercial, accounting and IT roles at organisations including 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 previous experience including Deputy Chair of the Queensland Competition Authority and a director of the Royal Blind Foundation.

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

AT MSF, OUR APPROACH TO CORPORATE GOVERNANCE IS BASED ON A SET OF VALUES AND BEHAVIOURS THAT UNDERPIN OUR DAY-TO-DAY ACTIVITIES, PROVIDE TRANSPARENCY AND FAIR DEALING, AND SEEK TO PROTECT ALL SHAREHOLDERS INTERESTS.

As an ASX listed company since 1956, MSF has long understood the importance of appropriate governance structures and practices and the need to communicate these effectively to all stakeholders. We pride ourself in integrating these into the values of the company and our employees, as part of how we seek to do business across the sugar industry.

FRAMEWORK AND APPROACH

This statement describes some of our corporate governance framework, policies and practices as at 16 September 2010.

This statement does not attempt to describe all of the policies and practices the company has in place on the basis of the ASX *Corporate Governance Council's approach to its Corporate Governance Principles and Recommendations (2nd Edition)*. That is, if an ASX listed company does not adopt one or more of the recommended principles or recommendations a "if not, why not?" explanation is to be provided by that company as to reasons for its departure.

The Board is of the view no such disclosure is required in this statement as all principles and recommendations of the Council have been adopted.

At MSF, our approach to corporate governance is based on a set of values and behaviours that underpin our day to day activities, provide transparency and fair dealing and seek to protect all shareholders interests.

The Board is charged with the ultimate responsibility of ensuring the company is correctly governed, directed and managed to protect the interests of shareholders but importantly in a way that does not stifle opportunities for further growth of shareholder value. As a relatively small company, the resources available to the Board and Management have to be used expediently to ensure good governance and value adding initiatives.

As part of this approach 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 meet these responsibilities and commitments.

These can be viewed on the company's website.

Board, Committees and Oversight of Management

The Board consists of six independent directors, who appoint from this group, a Chairman to provide leadership and guidance in their deliberations. Current members of the Board bring considerable and wide ranging competencies to these Board deliberations and work with Management to set the strategic direction and objectives of the company.

To allow sufficient attention to detail the Board has established four sub committees, Audit, Market Risk, Compliance and Nomination and Remuneration, each of which has a member of the Board as chair and two other directors as members.

Dependent on the nature of the Committee and the activities for which it has responsibility, these meet on a regular basis with minutes of each meeting provided to the next meeting of the full Board.

Where appropriate members of Management, principally the CEO and CFO, attend Board and Committee meetings, as invited attendees. The Company Secretary also attends to ensure appropriate governance and administrative practices are maintained.

At the completion of each Board meeting an assessment of the meeting's effectiveness is provided by one of the directors and on an annual basis the Board conducts a self assessment of its collective and individual director performance.

Directors can obtain independent professional advice at the expense of the company on matters arising in the course of their board duties. However, prior approval from the Chairman is required, which is not to be unreasonably withheld.

Further details on the background of each of the directors, attendance at meetings and remuneration can be found in the Directors' Report.

Ethical and Responsible Decision-Making

The company has adopted a Code of Conduct which is provided to all employees on commencement and reinforced as and when required. In establishing this code, the company expects directors and all employees to meet appropriate levels of ethical behaviour and represent the company in a positive and responsible way.

All employees are encouraged to report any instances of unethical or fraudulent behaviour and a full and independent investigation of any complaint is carried out.

The company has in place a securities trading policy stipulating when directors, Management and staff can trade in shares in the company.

Remuneration Practices

The responsibilities and key performance indicators of the CEO are established by the Board. These indicators are monitored throughout the year and formally assessed annually by the Board following recommendations received from the Nomination and Remuneration Committee. The Board also receives advice from external remuneration advisers on appropriate measure and reward structures.

The performance of all senior executives is formally reviewed on an annual basis by the CEO. All performance assessments of senior executives consider how effective executives have been in undertaking their role; what they have achieved against their key performance indicators; how their behaviours match our Code of Conduct and what initiatives they have undertaken in the preceding period. This assessment seeks to be holistic in approach and balances achievement with the way performance has been delivered.

Details of remuneration paid for the year is contained in the Remuneration Report which is part of the Directors' Report.

Communicating to Shareholders and Market Generally

The Board with the assistance of the Company Secretary and other advisers ensures it meets its requirements under the ASX continuous disclosure regime. The Board is committed to maintaining the highest standards of disclosure ensuring all investors and potential investors have the same access to relevant information to assist with their decision making. The Board on becoming aware of a matter that requires disclosure ensures this is released immediately with a copy being posted to the company's website. Where Management provide presentations to members of the investment community, these are also released simultaneously to the broader market through the ASX and the company's websites. Under the company's communication policy only certain executives are authorised to act as company spokespersons.

Any person wishing to receive immediate advice by email of news releases can subscribe to this service on the company's website.

Management of Risk

MSF recognises risk to be both a challenge and an opportunity in our business. Sound risk management practices are essential for the achievement of our corporate strategy and objectives.

The Board has ultimate responsibility for ensuring the business adequately manages, monitors and mitigates risks wherever possible. A key risk, due to the volatility of pricing for a commodity based business such as ours, is the pricing of sugar sales on behalf of the company and its independent growers. These sales consist of both the physical sale of the sugar and by the use of derivatives as a form of risk mitigation for periods up to four seasons in advance. The Board Market Risk Committee meets on a monthly basis to review this process and ensures appropriate policy is maintained and implemented by Management. Further details on the approach to these risks and how they are managed are provided in the marketing section of this annual report.

The Board's Audit and Compliance Committees also address the financial and operational risk environments in which the company operates and play important roles in providing adequate stewardship to these key risk areas.

The Board does receive a formal written assurance as required under section 295A of the Corporations Act from the CEO and CFO that a sound system of risk management and internal control is in place and that the system is operating effectively in all material respects in relation to financial reporting risks.

Our Environment and Safety Approach

The Board and its Committees play an active role in monitoring the company's environmental and safety performance. In recent times significant operating and capital expenditure has been approved to enhance this performance, resulting in improved efficiencies not only operationally but in terms of the environment and employee safety.

As noted elsewhere in this report the sugar milling industry in Australia has become a world-leading low-cost producer of this raw material and is largely self sufficient in its energy needs. The company continues to look for ways to build on this foundation and is already providing excess energy production back to the local energy grid systems.

Since the acquisition of Mulgrave Mill in July 2008 particular emphasis has been placed on benchmarking safety performance, not only internally but against our peers. From the CEO down, safety performance is a key performance indicator and any breach of the company's safety policies or protocols is considered a serious event which can lead in extreme cases to dismissal.

The Board has developed an extensive workplace health and safety framework to oversee its responsibilities in this key area. This program includes extensive reporting of and analysis of incidents, a program of site inspections and confirmation that compliance obligations are being met.

Further details on the company's sustainability and safety performance is contained in the Workplace Health and Safety and the Environment section of this report.

Our Community

As both our main operating businesses are located within regional areas of Queensland, we recognise the importance of participating and supporting our local communities. We not only provide critical employment opportunities by being located in these areas but we actively support and sponsor community groups and education providers with monetary and in kind support. With our interaction with local roads and rail we seek to provide a safe environment by conducting safety campaigns and reminding the community of the seasonal aspects of our rail movements. We recognise that without the support of local government, the growers within the district and local communities we cannot pursue our shared objectives of a successful and vibrant integrated sugar business.

INVESTOR RELATIONS

ASX listing

The Maryborough Sugar Factory Limited is listed on the Australian Securities Exchange (ASX). The code under which the company shares are traded is 'MSF'. The share price is available on the company's website www.marysug.com.au and is published daily in major Australian metropolitan newspapers.

Shareholder communication

We are committed to providing investors with the latest available information about MSF. At least annually the company is required to make available information to shareholders, including annual reports, dividend statements, notices of meetings and other advices.

Annual reports

All annual reports are available on the company's website www.marysug.com.au. A printed copy of the report for the current financial year will be sent to those shareholders who have asked to receive one. This system of requesting a printed copy is in accordance with the law and reduces the financial and environmental cost of producing these documents that are available online.

Website

The MSF website www.marysug.com.au contains key information about the company, including the latest news and ASX announcements, an overview of key personnel involved in the management of the company and corporate governance structures and policies.

Email updates and links

Investors can register to keep abreast of the latest MSF news and updates and to receive investor communications by email link. The benefits of electronic communications include prompt information, convenience of electronic delivery, cost savings and environmentally friendly communications.

Contact our share registry

If you have any queries relating to your shareholding or wish to update your personal details, please contact the Share Registry, Link Market Services Limited:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

T (Toll free)
1300 554 474

T (Outside Australia)
+61 2 8280 7454

F +61 2 9287 0303

You can also update your personal details and access information about your shareholding online through the 'Investor Service Centre' section on the Share Registry website at www.linkmarketservices.com.au.

As a shareholder, you can use the online system to:

- View current and previous holding balances and your transaction history
- Choose your preferred annual report option
- Confirm whether you have lodged your Tax File Number (TFN) or Australian Business Number (ABN)
- Register your email address and update your communication preferences
- Download a copy of your dividend statement
- Check the share price
- Download a variety of shareholder instruction forms.

Annual general meeting

The next scheduled annual general meeting of the company is due to be held on Thursday 18 November 2010 commencing at 2.00pm.

The venue will be the Brothers Leagues Club, 99-105 Anderson Street, Cairns, Queensland.

Key dates

30 June 2010	End of financial year
30 September 2010	Payment of final dividend and issue of new shares under the DRP
18 November 2010	Annual General Meeting
1 December 2010	Expected commencement date of the Northern Milling Joint Venture
31 December 2010	Half year balance date

EXECUTIVES

MIKE BARRY Age 47
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, one of Australia's largest building supply companies. For the ten 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, where he had responsibility for the company's concrete, quarries, transport, pre-cast concrete, asphalt and mining activities in those regions.

HYWEL COOK Age 43
BE (CHEM), GRAD DIP AFI
Business Development Manager

Mr Cook joined Maryborough Sugar in March 2010. He has 22 years experience in the sugar industry with roles in production (mill and refinery), product development, export marketing and financial risk management.

GLEN CRIMMINS Age 46
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 43
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 46
BENG (MECHANICAL), MASTERS OF BUSINESS AND TECHNOLOGY
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 63
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.

CHRIS LOBB Age 52
BBUS (ACCOUNTING) FCIS, CPA
Company Secretary

Mr Lobb joined Maryborough Sugar in May 2010. He was previously Company Secretary for a property management group and has 25 years experience in company administration, governance and risk management related disciplines.

BRIAN MAHONY Age 53
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 45
B.COMM CPA
Chief Financial Officer

Mr Massey was appointed Chief Financial Officer in 2008 following the acquisition of Mulgrave Mill. Prior to this appointment he was Company Secretary and Chief Financial Officer of The Mulgrave Central Mill Co. Ltd. from 1998 to 2008. Prior to this appointment he was employed by CSR in financial roles from 1987 to 1998.

STEWART NORTON Age 48
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 was Production Superintendent at CSR's Plane Creek Mill for five years.

LEFT TO RIGHT: HYWEL COOK, CHRIS LOBB, DENNIS KAYE, MIKE BARRY, STEWART NORTON, TREVOR CROOK, PETER FLANDERS, WAYNE MASSEY, GLEN CRIMMINS, BRIAN MAHONY.

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 2010.

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 Mulgrave Central Mill Company Limited in North Queensland. This acquisition has had ongoing positive implications on the scale and financial results for the group.

During the year the group made an unsuccessful bid for Tully Sugar Limited.

There were no other significant changes in activities during the year, although subsequent to balance date the group entered into an unincorporated Joint Venture with Bundaberg Sugar Ltd. The details of this transaction are contained in the notes to the financial statements forming part of this report.

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 2010 are set out in the table on page 2 of this annual report.

DIVIDENDS

Directors have declared subsequent to year end a fully franked dividend for the period ended 30 June 2010 of 4.0 cents per ordinary share. When added to the interim dividend declared in February and paid in March of this year of 2.5 cents per ordinary share, the total fully franked dividend declared is 6.5 cents for the year ended 30 June 2010.

No dividend was paid 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

J F Hesp

W B Moller

S J Palmer

Further information on directors can be found on pages 22 to 23 of this report.

Retiring Directors

Mr J A Jackson retires by rotation in accordance with Article 10.3(c) of the company's constitution and, being eligible, offers himself for re-election.

Board Committees

Audit Committee

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

Compliance Committee

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

Nomination and Remuneration Committee

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

Market Risk Committee

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

CHIEF EXECUTIVE OFFICER

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 C L Lobb, Bachelor of Business (Accounting), FCIS, CPA. Mr Lobb was appointed to the position of company secretary in May 2010.

Mr Lobb was previously company secretary for a property management group and has 25 years experience in company administration, governance and risk management related disciplines.

G R Clarey was the company secretary from the beginning of the financial year until his retirement on 4 May 2010.

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 2010 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	25	25	–	–	–	–	2	2	11	11
J E Burman	24	25	–	–	2	2	2	2	11	11
R A Burney	21	25	6	6	–	–	–	–	–	–
S J Palmer	23	25	6	6	2	2	–	–	–	–
J F Hesp	24	25	–	–	–	–	2	2	11	11
W B Moller	24	25	4	6	2	2	–	–	–	–

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.

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 Board has adopted a policy on performance evaluation for directors and executives. This policy forms part of the overall Board Charter, specifically addressing forms of measurement for directors, the CEO and senior executives.

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.

Executive Pay (including the CEO)

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation
- short term performance incentives (STI)
- long term performance incentives (LTI).

The STI can include a cash component and/or participation in the company's Options and Performance Rights Plan (OPRP). The LTI will be by way of an offer to participate in the OPRP.

The combination of these components comprises an executive's total remuneration. Under the performance evaluation policy adopted by the company it has a minimum policy review period of every 3 years to preserve consistency in approach but this can be reviewed more regularly if circumstances warrant.

Each executive has a target STI opportunity depending on the responsibilities of the role, specific targeted outcomes and overall impact on the company or business unit performance. The maximum target bonus opportunity is 25% of base pay.

Each year, the Board in the case of the CEO and the CEO in relation to executives, considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of the bonus if targets are met.

For the year ended 30 June 2010, the KPIs linked to STI plans were based on company, business unit and individual personal objectives. Performance is based on individual scorecards drawn from elements including financial, employee safety, customer and strategic metrics, dependent on the nature of the role and company objectives for the year.

The Nomination and Remuneration Committee play an important role by recommending to the Board its assessment of the CEO's performance and overseeing the assessments made by the CEO of his executives. It will also make recommendations as to the form of any STI payment and whether a portion should be by way of an offer of participation in the OPRP.

LTI's are provided to executives via the OPRP following advice given by external remuneration advisers and overseen by the Nomination and Remuneration Committee.

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 of the employee's choice. 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 35 to 38 of this report.

Performance of MSF and Executive Remuneration

The table below illustrates the relationship between MSF's EPS growth and payments made under STI's for the current and the previous four years.

Year	EPS Growth	STI as % of Target
2006	2892%	–
2007	(69%)	–
2008	(328%)	–
2009	92%	81%
2010	905%	56%

Company performance outcomes

	2010	2009	2008	2007	2006
Profit (loss) before income tax ($'000)	**8,704**	(5,220)	(7,119)	1,809	4,723
Profit after tax ($'000)	**7,015**	(783)	(4,734)	1,456	4,675
Dividends – relating to the financial year (cents)	**6.50**	–	–	5.00	12.50
Earnings per share	**13.85**	(1.72)	(22.28)	9.77	31.71
Share price at 30 June	**1.72**	1.58	2.30	3.12	2.63
Number of securities on issue as at 30 June	**53,235,669**	46,493,419	33,637,820	15,000,092	3,685,604
Market Capitalisation as at 30 June ($million)	**91.6**	73.5	77.4	46.8	9.7

In assessing this relationship consideration needs to be given to the cyclical nature of the MSF business and the level of Merger and Acquisition activity which has occurred during this period.

Over the past five years, the revenue of the group has increased by 281%, principally as a result of the acquisition of the Mulgrave Mill in 2008 and an increase in price for the core product of the group, raw sugar.

For the year completed 30 June 2010, a profit after tax of $7.0 million was achieved, a recovery from losses of $0.8 million in 2009 and $4.7 million in 2008.

Dividends declared or paid for the current year amounted to 6.5 cents per share, the highest achieved since 2006. The dividend this year was fully franked at the tax rate of 30%.

Over this five year timeframe the company has introduced a bonus system for senior executive with initial STI's being introduced in the 2008 financial year.

The main focus of these STI's to date have been in the following areas:

- improved safety outcomes - introduction of culture change and significant reduction in injury frequency rate on employee lost hours
- improved production runs delivering higher productivity and a reduction in the underlying cost base
- improved sustainability performance with new initiatives to reduce the company's carbon footprint
- significant merger and acquisition activity to increase the scale of the business and identify other opportunities to grow the scale of the business.

The STI payments over this period has varied due to the initial introduction of this method of remuneration, the consolidation of the business following a significant acquisition in 2008, the deferment of the CEO's STI in 2010 awaiting the outcome of the Northern Milling Joint Venture and movements in executive staff.

However the Board is firmly of the view that the introduction of an appropriate 'at risk' salary component for senior executives was a necessary step to retain and recruit executive staff and remunerate them in accordance with practices that align with the interests of shareholders.

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 Nomination and Remuneration Committee initially and by the full Board based on the Committee's recommendation. 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 established in January 2006. Subsequent to balance date the directors have reviewed the base remuneration and adjusted the amount of the base fee with effect from 1 July 2010. Directors' base remuneration is exclusive of committee fees. Superannuation guarantee charges are in addition to these base fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders at general meetings of the company. The fee level currently stands at $44,000 per director (from 1 July 2010 – $50,000) with the Chairman receiving an additional allowance of $30,000 per annum. On the recommendation of the Remuneration and Nomination Committee, the Board adopted a policy with effect from 1 April 2010 that the Chairman receive a remuneration of two times the base director fee.

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 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 33 of this report, the CEO 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

C L Lobb
Company Secretary

H J Cook
Business Development Manager

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

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.

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

2010	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[8] $**	**Total $**
J A Jackson[1]	82,500	–	–	7,425	–	–	–	89,925
J E Burman[2]	49,000	–	–	5,220	–	–	–	54,220
R A Burney[3]	44,000	–	–	–	–	–	–	44,000
S J Palmer	45,666	–	–	4,110	–	–	–	49,776
J F Hesp[4]	49,000	–	–	4,410	–	–	–	53,410
W B Moller	44,000	–	–	3,960	–	–	–	47,960
Sub-total non-executive directors	**314,166**	**–**	**–**	**25,125**	**–**	**–**	**–**	**339,291**
Other key management personnel								
M J Barry	335,038	–	11,067	29,595	–	8,066	203,819	587,585
W M Massey	173,223	33,974	8,665	25,000	–	4,233	31,228	276,323
C L Lobb[5]	24,142	–	–	2,215	–	613	–	26,970
G R Clarey[6]	106,045	34,030	7,499	23,456	141,941	–	8,497	321,468
H J Cook[7]	43,190	–	–	3,887	–	1,125	–	48,202
S W Norton	141,429	38,593	11,221	30,158	–	3,411	22,528	247,340
P I Flanders	153,824	13,500	25,480	23,940	–	3,757	14,031	234,532
T D Crook	132,057	22,088	6,148	25,788	–	3,185	22,528	211,794
G B Crimmins	138,193	31,785	4,354	28,706	–	3,369	22,528	228,935
B G Mahony	167,022	10,000	–	9,998	–	4,086	14,031	205,137
D F Kaye	166,097	24,750	2,159	15,098	–	3,515	22,528	234,148
Sub-total key management personnel	**1,580,260**	**208,720**	**76,593**	**217,841**	**141,941**	**35,360**	**361,718**	**2,622,433**
Total	**1,894,426**	**208,720**	**76,593**	**242,966**	**141,941**	**35,360**	**361,718**	**2,961,724**

1 A director-related entity of J A Jackson received $9,000 in consulting fees during the year in addition to the above payments.
2 J E Burman received $9,000 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 $9,000 in consulting fees during the year in addition to the above payments.
5 C L Lobb was appointed on 4 May 2010.
6 G R Clarey received benefits including accrued annual leave and long service leave upon his retirement on 4 May 2010.
7 H J Cook was appointed on 18 March 2010.
8 Refer to the note on page 34 for further details on how these payments are calculated.

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 $**	**Non-monetary benefits $**	**Super-annuation $**	**Retire-ment benefits $**	**Long service leave $**	**Options $**	**Total $**
Non-executive directors								
J A Jackson[1]	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	288,475	761,779
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 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	**1,845,986**	**227,570**	**146,108**	**268,298**	**574,849**	**38,167**	**352,289**	**3,461,207**

1 A director-related entity of J A Jackson received $9,000 in consulting fees during the year in addition to the above payments.
2 J E Burman received $9,000 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 RT McDowall received benefits including accrued annual leave and long service leave on termination of his employment on 27 February 2009.

The value of the share-based payments presented in the tables above is calculated in accordance with the AASB Share-based Payments and represents the fair value of options and performance rights that have been expensed during the current period. The above tables do not reflect the cash benefit received during the period in respect of share-based payments as no options or performance rights were granted or exercised during the current year (in 2009 no options or performance rights were exercised). Refer to note 36 for further details.

C Service agreements

Remuneration and other terms of employment for key management personnel are formalised in initial letters of appointment and subsequent advices. 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 $376,200 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 $211,769 to be reviewed annually by the CEO.

C L Lobb
Company Secretary

- Appointed on 4 May 2010.
- Base salary, inclusive of superannuation, of $177,477 to be reviewed annually by the CEO.

H J Cook
Business Development Manager

- Appointed 18 March 2010
- Base salary, inclusive of superannuation, of $170,000 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, of $177,855 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 $193,543 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, of $165,200 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, of $171,150 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 of $181,074 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, of $175,953 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. The OPRP was subsequently renewed and amended at the 2009 Annual General Meeting. Employees currently eligible to participate in the plan are those who are members of the executive staff.

The OPRP is principally designed to provide long-term incentives for executives to deliver long-term shareholder returns. Under the plan, participants are granted options or performance rights 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 $
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	
	2010	2009	2010	2009	2010	2009	2010	2009
M J Barry	–	–	–	–	–	–	–	–
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 performance rights issued on 1 March 2007:

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

b exercise price: $0.00

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%

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 2010.

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 33, 34 and 36 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 (as set out in section D of this report). 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.

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 20 July 2010, the company entered into a Northern Milling Joint Venture Agreement with Bundaberg Sugar Ltd to establish a 50/50 joint-venture of northern sugar cane milling operations of both parties expected to commence on or about 1 December 2010 ("Effective Date"). On execution of the Joint Venture agreement, the company paid a non-refundable $20 million to Bundaberg Sugar Ltd as consideration for entitlement to 50% of the future sugar production of the Joint Venture from the Effective Date and a call option to acquire the remaining 50% of the Joint Venture. The call option is exercisable from 1 December 2010 until 29 February 2012 for additional consideration of $50 million.

	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	–	–	2010	–	–	–	–	–
M J Barry	80	20	2009	–	–	–	–	–
M J Barry	100	–	2008	–	–	2011–2013	–	407,054
W M Massey	69	31	2010	–	–	–	–	–
W M Massey	–	–	2009	–	–	2011–2013	–	89,490
G R Clarey	83	17	2010	–	–	–	–	–
G R Clarey	85	15	2009	–	100	2011–2013	–	–
S W Norton	93	7	2010	–	–	–	–	–
S W Norton	70	30	2009	–	–	2011–2013	–	39,533
P I Flanders	75	25	2010	–	–	–	–	–
P I Flanders	–	–	2009	–	–	2011–2013	–	39,533
T D Crook	57	43	2010	–	–	–	–	–
T D Crook	75	25	2009	–	–	2011–2013	–	39,533
G B Crimmins	78	22	2010	–	–	–	–	–
G B Crimmins	80	20	2009	–	–	2011–2013	–	39,533
B G Mahony	–	–	2010	–	–	–	–	–
B G Mahony	–	–	2009	–	–	2011–2013	–	39,533
D F Kaye	60	40	2010	–	–	–	–	–
D F Kaye	95	5	2009	–	–	2011–2013	–	39,533

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	34.7	–	–	44,616
W M Massey	11.3	–	–	–
G R Clarey	2.6	–	–	47,406
S W Norton	9.1	–	–	4,406
P I Flanders	6.0	–	–	–
T D Crook	10.6	–	–	4,406
G B Crimmins	9.8	–	–	4,406
B G Mahony	6.8	–	–	–
D F Kaye	9.6	–	–	4,406

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 (CONTINUED)

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 Report (page 3) and CEO's Report (page 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 (refer to pages 24-26 in this annual report).

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*.

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.

AUDITORS

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

AUDITORS' 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 40 of this report.

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 81 and 82 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.

This report is made on behalf of the Board and in accordance with a resolution of the directors.

J A Jackson (Chairman)
Gordonvale, 16 September 2010

PRICEWATERHOUSECOOPERS

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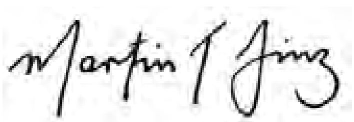
Auditor's Independence Declaration

As lead auditor for the audit of The Maryborough Sugar Factory Limited for the year ended 30 June 2010, 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 period.



Martin T Linz

Partner
PricewaterhouseCoopers

Brisbane
16 September 2010

Contents

These financial statements are the consolidated financial statements of The Maryborough Sugar Factory Limited consisting of The Maryborough Sugar Factory Limited and its subsidiaries.

The financial statement 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 21 and in the directors' report on pages 30 to 39 neither of which are part of these financial statements.

The financial statements were authorised for issue by the directors on 16 September 2010. The company has the power to amend and reissue the financial statements.

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

CONSOLIDATED INCOME STATEMENT

	Notes	**2010 $'000**	2009 $'000
Revenue	5	**159,807**	138,402
Other income	6	**169**	138
Movement in valuation of biological assets	16	**856**	2,216
Changes in inventories of finished goods and work in progress		**1,226**	8,263
Cost of cane and other materials used		**(102,607)**	(90,679)
Distribution costs		**(13,952)**	(26,321)
Employee benefits expense		**(22,421)**	(22,299)
Depreciation and amortisation expense	7	**(2,939)**	(3,028)
Finance costs		**(2,963)**	(4,046)
Other administrative costs	8	**(7,052)**	(6,488)
Other expenses		**(1,420)**	(1,378)
Profit (loss) before income tax expense		**8,704**	(5,220)
Income tax (expense) benefit	9	**(1,689)**	4,437
Net profit (loss) attributable to owners		**7,015**	(783)
		Cents	Cents
Profit (loss) per share for profit attributable to the ordinary owners of the company			
Basic earnings (loss) per share	10	**13.85**	(1.72)
Diluted earnings (loss) per share	10	**13.80**	(1.72)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AS AT 30 JUNE 2010

	Notes	**2010 $'000**	2009 $'000
Net profit (loss) attributable to owners		**7,015**	(783)
Other comprehensive income			
Tax on realisation of revalued assets		**77**	–
Income tax benefit received on prior year adjustments		**–**	84
Tax adjustment on prior year land revaluation		**152**	(33)
Profit (loss) on cash flow hedge reserve, net of tax		**33,190**	(23,258)
Profit (loss) on revaluation of available-for-sale assets, net of tax		**1,580**	(2,119)
Other comprehensive income (loss) for the year, net of tax		**34,999**	(25,326)
Total comprehensive income (loss) for the year		**42,014**	(26,109)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2010

	Notes	2010 $'000	2009 $'000
Current assets			
Cash and cash equivalents	12	**22,695**	4,690
Trade and other receivables	13	**4,044**	5,451
Inventories	14	**15,260**	13,725
Derivative financial instruments	15	**6,665**	5,503
Biological assets	16	**4,291**	3,435
Other current assets	17	**12**	12
Total current assets		**52,967**	32,816
Non-current assets			
Trade and other receivables	18	**44**	321
Inventories	14	**1,284**	1,093
Available-for-sale financial assets	20	**36,408**	36,365
Property, plant and equipment	21	**114,538**	113,366
Intangible assets	22	**3,456**	3,408
Deferred tax assets	26	**–**	3,535
Other non-current assets	17	**169**	184
Derivative financial instruments	15	**2,353**	–
Total non-current assets		**158,252**	158,272
Total assets		**211,219**	191,088
Current liabilities			
Trade and other payables	23	**9,990**	11,284
Interest bearing liabilities	24	**4,215**	14,282
Current tax liabilities		**997**	–
Provisions	25	**2,076**	2,023
Derivative financial instruments	15	**5,059**	22,187
Total current liabilities		**22,337**	49,776
Non-current liabilities			
Trade and other payables	23	**2,296**	2,413
Interest bearing liabilities	24	**29,686**	33,769
Derivative financial instruments	15	**1,086**	9,512
Deferred tax liabilities	26	**5,938**	–
Provisions	27	**292**	280
Total non-current liabilities		**39,298**	45,974
Total liabilities		**61,635**	95,750
Net assets		**149,584**	95,338
Equity			
Contributed equity	28	**91,123**	77,922
Reserves	29a	**36,886**	1,809
Retained profits	29b	**21,575**	15,607
Total equity		**149,584**	95,338

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

2010

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2009		77,922	1,809	15,607	95,338
Total comprehensive income for the year		–	34,999	7,015	42,014
Realisation of revalued assets		–	(284)	284	–
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs		13,201	–	–	13,201
Dividends paid	11	–	–	(1,331)	(1,331)
Employee share options - value of employee services		–	362	–	362
Total		13,201	362	(1,331)	12,232
Balance at 30 June 2010		91,123	36,886	21,575	149,584

2009

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2008		52,265	28,452	14,721	95,438
Total comprehensive income for the year		–	(25,410)	(699)	(26,109)
Realisation of revalued assets		–	(1,585)	1,585	–
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs		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	1,809	15,607	95,338

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**172,921**	156,603
Payments to suppliers and employees (inclusive of goods and services tax)		**(154,430)**	(170,182)
		18,491	(13,579)
Interest received		**1,404**	1,852
Dividends received		**5,502**	3,512
Interest paid		**(3,027)**	(4,085)
Income tax received		**–**	84
Net cash inflow (outflow) from operating activities	30	**22,370**	(12,216)
Cash flows from investing activities			
Payments for property, plant and equipment		**(4,807)**	(8,907)
Payments for intangible assets		**(48)**	(214)
Payments for available-for-sale financial assets		**(43)**	(3,636)
Proceeds from available-for-sale financial assets return of capital		**1,618**	–
Purchase of subsidiary, net of cash		**–**	(18,318)
Loans to unrelated parties		**–**	(254)
Loan repayments from unrelated parties		**277**	12
Proceeds from sale of property, plant & equipment		**728**	3,928
Net cash outflow from investing activities		**(2,275)**	(27,389)
Cash flows from financing activities			
Proceeds from issue of shares		**13,485**	–
Share issue costs		**(283)**	(54)
Proceeds from borrowings		**34,378**	52,661
Repayment of borrowings		**(43,583)**	(41,710)
Finance lease payments		**–**	(42)
Dividends paid		**(1,331)**	–
Net cash inflow from financing activities		**2,666**	10,855
Net increase (decrease) in cash held		**22,761**	(28,750)
Cash at the beginning of the financial year		**(208)**	29,276
Effects of exchange rate changes on cash		**142**	(734)
Cash at the end of the financial year	12	**22,695**	(208)

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements are for 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

The general purpose financial statements have 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 consolidated financial statements of The Maryborough Sugar Factory Limited 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.

Financial statement presentation

The group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been represented so that it is also in conformity with the revised standard.

Going concern

Not withstanding the fact that some of the groups' working capital facilities are due for expiration on 29 November 2010, the directors are of the view that the company will meet its debts as and when they fall due for the following reasons:

- working capital facilities 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 2010 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 statement 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 1(i)).

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

The Group has applied AASB 8 Operating Segment from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. AASB 8 requires the "management approach" to the identification measurement and disclosure of operating segments. The management approach requires that operating segments be identified and reported on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. The chief operating decision maker has been identified as the board of directors.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c Segment reporting (continued)

The adoption of the management approach to segment reporting has resulted in the identification of reportable segments consistent with the prior year, but has required some change to the allocation of sale and expense items.

Specifically, intersegmental sales and expenses such as depreciation and impairment are now reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker. There has been no further impact on the measurement of the company's assets and liabilities.

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

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.

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 neither accounting nor 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.

g Income tax (continued)

Current tax assets and 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.

Investment allowances

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The group accounts for such allowances as tax credits, which means that the allowances reduces income tax payable and current tax expense.

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 acquisition 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. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interest issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-exisitng equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Changes in accounting policy

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss.

Acquisition-related costs are expensed as incurred. Previously, these were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Collectability 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.

o Investments and other financial assets (continued)

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 30–50 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 statement. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

ac Parent entity financial information

The financial information for the parent entity, The Maryborough Sugar Factory Limited, disclosed in note 38 has been prepared on the same basis as the consolidated financial statements, except as set out below.

i Investments in subsidiaries, associates and Joint Venture entities

Investments in subsidiaries, associates and Joint Venture entities are accounted for at cost in the financial statement of The Maryborough Sugar Factory Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being a deduction from the carrying amount of these investments.

ii Tax consolidated legislation

The Maryborough Sugar Factory Limited and its wholly-owned Australian controlled entities have implemented the tax consolidated 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 continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, The Maryborough Sugar Factory Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate The Maryborough Sugar Factory Limited for any current tax payable assumed and are compensated by The Maryborough Sugar Factory Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to The Maryborough Sugar Factory Limited under the tax consolidated legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

ac Parent entity financial information (continued)

iii Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

ad New accounting standards and UIG interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

i AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity-settled or a cash-settled transaction. The group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the financial statements of the group.

ii AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The group will apply the amended standard from 1 July 2010. As the group has not made any such rights issues, the amendment will not have any effect on the group's financial statements.

iii AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is yet to assess its full impact. However, initial indications are that it may affect the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The group has not yet decided when to adopt AASB 9.

iv Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

v AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB *Interpretation 19* clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the group's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the group has not entered into any debt for equity swaps since that date.

vi AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The group does not make any such prepayments. The amendment is therefore not expected to have any impact on the group's financial statements. The group intends to apply the amendment from 1 July 2011.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ad New accounting standards and UIG interpretations (continued)

vii AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from 1 July 2010/1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The group will apply the amendments from 1 July 2010. It does not expect that any adjustments will be necessary as a result of applying the revised rules.

viii AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Maryborough Sugar Factory Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

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 commodity 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 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 commodity price risk, foreign exchange risk, interest rate risk, credit risk and the use of derivative financial instruments and non-derivative financial instruments.

a Market risk

i Commodity 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 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.

An increase in the ICE No.11 price will result in a decrease in equity and vice versa.

	Impact on post-tax profit		**Impact in equity**	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Sugar price hedges	**53**	–	**153**	1,523

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

	Impact in equity	
	2010 $'000	2009 $'000
Foreign exchange hedge liability	**62**	213

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

a Market risk (continued)

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 2010 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 had outstanding variable rate borrowings as detailed in note 24.

	30 June 2010		30 June 2009	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank overdrafts and bank loans	**7.17**	**26,500**	7.62	40,148

An analysis of securities is provided in 24e.

The table below summarises the impact of increases/decreases in interest rates on the group'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	
	2010 $'000	2009 $'000
Interest bearing liabilities and cash equivalents	**72**	187

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 also executed with institutions with high credit quality.

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 had access to undrawn borrowing facilities as detailed in note 24.

Maturities of financial liabilities

The following tables below analyse the group'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.

2010	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	8,387	–	–	–	8,387	**8,387**
Variable rate	4,436	4,545	12,620	9,912	31,513	**26,500**
Fixed rate	1,093	1,093	3,361	4,824	10,371	**7,401**
Total non-derivatives	13,916	5,638	15,981	14,736	50,271	**42,288**
Derivatives						
(inflow)	(6,665)	(1,298)	(1,055)	–	(9,018)	**(9,018)**
outflow	5,059	814	272	–	6,145	**6,145**
Total derivatives	(1,606)	(484)	(783)	–	(2,873)	**(2,873)**

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

c Liquidity risk (continued)

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

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.

As at 1 July 2009, The Maryborough Sugar Factory Limited has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

a quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

b inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

c inputs for the asset or liability that is not based on observable market data (unobservable inputs (level 3)).

The following tables present the group's assets and liabilities measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provision of the new rules:

	Notes	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets					
Derivatives used for hedging	15	–	9,018	–	9,018
Available-for-sale financial assets	20b	–	–	36,408	36,408
Total assets		–	9,018	36,408	45,426
Liabilities					
Derivatives used for hedging	15	–	6,145	–	6,145
Total liabilities		–	6,145	–	6,145

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

d Fair value estimation (continued)

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. These instruments are included in level 1. The group does not hold any of these financial instruments at 30 June 2010.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. 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 end of the reporting period. These instruments are included in level 2 and comprise derivative financial instruments. Further details in relation to derivative financial instrument is located in note 15. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

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 borrowings based on market prices where a market exists or by discounting the expected future cash flows by the current interest rates that are available to the group for similar financial instruments. Refer to note 24 for further information.

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 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, 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.

A summary of the group's debt and capital includes the following:

	Notes	**2010 $'000**	2009 $'000
Ordinary share capital	28	**91,123**	77,922
Financial liabilities			
Trade and other payables	23	**8,385**	9,631
Interest bearing liabilities	24	**33,901**	48,051
Total financial liabilities		**42,286**	57,682
Less: Financial assets			
Cash and cash equivalents	12	**(22,695)**	(4,690)
Trade and other receivables	13	**(2,337)**	(4,111)
Available-for-sale financial assets	20	**(36,408)**	(36,365)
Total financial assets		**(61,440)**	(45,166)
Total net debt and capital		**71,969**	90,438

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 are 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. Where there is objective evidence that property, plant and equipment is impaired, the recoverable amounts of cash-generative units have been determined using discounted cash flows which are based on assumptions in respect of crop size, CCS (sugar content), sugar price and discount rate.

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-generating 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 (note 21c).

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.

f Tax losses

Cash flow projections indicate that the group will not return sufficient taxable income to absorb all carry-forward tax losses in the foreseeable future. Only those tax losses where recovery is probable have been recognised in the financial statements (note 9c). Projections have been calculated based on assumptions in respect of:

- crop size 1,850,000 tonnes – 2,720,000 tonnes
- sugar price $430 – $445 (per IPS tonne).

4 SEGMENT REPORTING

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.

Intersegment transfers

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

2010	Notes	**Sugar Milling $'000**	**Cane Farming $'000**	**Sugar Terminals Limited Investment $'000**	**Other $'000**	**Total $'000**
Segment revenue						
Revenue from external customers		153,470	835	5,502	–	159,807
Intersegmental sales		–	5,186	–	–	5,186
Total segment revenue		**153,470**	**6,021**	**5,502**	**–**	**164,993**
Intersegmental elimination						(5,186)
Consolidated revenue						**159,807**
Segment result		10,277	(552)	4,481	(351)	13,855
Unallocated revenue less Unallocated expenses						(5,151)
Profit before income tax						**8,704**
Income tax benefit						(1,689)
Profit (loss) for the year						**7,015**
Segment assets and liabilities						
Segment assets		**79,839**	**67,922**	**36,292**	**195**	**184,248**
Unallocated assets						26,971
Total assets						**211,219**
Segment liabilities	4i	**13,085**	**6,961**	**20,000**	**–**	**40,046**
Unallocated liabilities	4ii					21,589
Total liabilities						**61,635**
Other segment information						
Acquisition of property, plant and equipment		3,426	1,427	–	–	4,853
Acquisition of intangibles		–	48	–	–	48
Acquisition of available-for-sale financial assets		–	43	–	–	43
Depreciation and amortisation expense		2,185	754	–	–	2,939

4 SEGMENT REPORTING (CONTINUED)

2009	Notes	Sugar Milling $'000	Cane Farming $'000	Sugar Terminals Limited Investment $'000	Other $'000	Total $'000
Segment revenue						
Revenue from external customers		134,229	661	3,512	–	138,402
Intersegmental sales		–	2,673	–	–	2,673
Total segment revenue		**134,229**	**3,334**	**3,512**	**–**	**141,075**
Intersegmental elimination						(2,673)
Consolidated revenue						**138,402**
Segment result		(189)	(2,175)	2,309	(622)	(677)
Unallocated revenue less unallocated expenses						(4,543)
Loss before income tax						(5,220)
Income tax benefit						4,437
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
Acquisition of available-for-sale financial assets		–	–	8,943	–	8,943
Depreciation and amortisation expense		2,388	640	–	–	3,028
Revaluation		–	–	(2,316)	–	(2,316)

	Notes	**2010 $'000**	2009 $'000
4 SEGMENT REPORTING (CONTINUED)			
i Segment liabilities			
Derivative financial liabilities		**6,145**	31,699
Plant and equipment loan facility		**929**	1,007
Farm loan facilities		**6,472**	6,896
Mulgrave acquisition loan facility		**6,500**	7,750
Working capital facility		**–**	3,500
STL facility		**20,000**	20,000
		40,046	70,852
ii Unallocated liabilities			
Current liabilities			
Trade and other payables		**9,990**	11,284
Interest bearing liabilities		**–**	8,898
Current tax liabilities		**997**	–
Provisions		**2,076**	2,023
		13,063	22,205
Non-current liabilities			
Trade and other payables		**2,296**	2,413
Deferred tax liabilities		**5,938**	–
Provisions		**292**	280
		8,526	2,693
Unallocated liabilities		**21,589**	24,898
5 REVENUE			
Revenue from operating activities			
Proceeds from sugar sales		**167,952**	130,625
Commodity related risk management activities		**(37,575)**	5,930
Net foreign exchange hedging gains (losses)		**12,272**	(12,913)
Proceeds from molasses sales		**7,496**	6,106
Proceeds from other operating activities		**699**	771
Revenue from operating activities		**150,844**	130,519
Other revenue			
Lease revenue		**398**	321
Interest revenue		**1,432**	1,849
Dividends received		**5,502**	3,512
Rebates and allowances		**457**	539
Marketing and other recoveries		**431**	313
Contract works revenue		**16**	476
Other		**727**	873
		8,963	7,883
		159,807	138,402

	Notes	2010 $'000	2009 $'000
6 OTHER INCOME			
Net gain on disposal of property, plant and equipment		**29**	–
Government grants*		**140**	138
		169	138

* 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 the Sugar Industry Innovation Fund. There are no unfulfilled conditions or other contingencies attached to these grants.

		2010 $'000	2009 $'000
7 EXPENSES			
Profit (loss) before income tax includes the following specific expenses:			
Depreciation and amortisation:			
Buildings		**242**	235
Plant and equipment		**2,694**	2,782
Plant and equipment under finance leases		**–**	8
Infrastructure contribution		**3**	3
		2,939	3,028
Net loss on disposal of property, plant and equipment		**–**	115
Finance costs – interest and finance charges		**2,963**	4,046
Rental expense relating to operating leases – minimum lease payments		**235**	177
Defined contribution superannuation expense		**1,934**	2,000
Research and development expenditure		**222**	522
8 OTHER ADMINISTRATIVE COSTS			
Accounting, audit, legal and other professional fees		**2,982**	2,457
Insurance		**833**	795
Motor vehicle expenses (including registrations)		**252**	408
Computer software		**272**	210
Rates and land taxes		**499**	446
Telephone, internet and facsimile expenses		**195**	188
Travelling		**328**	289
Other		**1,691**	1,695
		7,052	6,488

	Notes	2010 $'000	2009 $'000
9 INCOME TAX			
a Income tax expense			
Current tax		**997**	–
Deferred tax		**535**	(4,442)
Adjustment for current tax of prior periods		**157**	5
Income tax attributable to:			
Profit (loss) from operating activities		**1,689**	(4,437)
Deferred income tax (revenue) expense included in income tax expense comprises:			
Decrease (increase) in deferred tax assets		**863**	(2,970)
Decrease in deferred tax liabilities		**(171)**	(1,467)
		692	(4,437)
b Reconciliation of income tax expense to prima facie tax payable			
Profit (loss) from ordinary activities before income tax		**8,704**	(5,220)
Tax effect at 30% (2009: 30%)		**2,611**	(1,566)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Research and development		**(16)**	(11)
Non-deductible expenses		**11**	21
Share-based payments		**108**	106
Investment allowance		**(140)**	(124)
Tax offset for franked dividends		**(1,127)**	(1,054)
Unused tax losses for which no deferred tax asset has been recognised		**–**	1,223
Adjustment on recognition of deferred tax asset on tax consolidation		**–**	(2,952)
Adjustment for current tax of prior periods		**157**	5
Other items and adjustments		**85**	(85)
Income tax expense (benefit)		**1,689**	(4,437)
c Tax losses			
Unused tax losses for which no deferred tax asset has been recognised		**23,753**	19,385
Potential tax benefit at 30%		**7,126**	5,816

	Notes	2010 Cents	2009 Cents
10 EARNINGS PER SHARE			
Basic earnings (loss) per share		**13.85**	(1.72)
Diluted earnings (loss) per share		**13.80**	(1.72)
The basic and diluted earnings (loss) per share amounts have been calculated using net profit attributable to owners as required by AASB 133 *Earnings per Share*.			

	2010 Number	2009 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	**50,667,297**	45,449,695
Adjustments for calculation of diluted earnings per share:		
Options	**150,000**	–
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	**50,817,297**	45,449,695

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

	2010 $'000	2009 $'000
11 DIVIDENDS		
a A dividend of 2.5 cents per share was declared and paid during the year end 30 June 2010 (2009 – nil)	**1,331**	–
b Balance of franking credits available to frank future dividends based on a tax rate of 30% (2009 – 30%)	**5,537**	3,926

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.

	2010 $'000	2009 $'000
c Dividends not recognised at year end:		
Since year end the directors have declared a fully-franked dividend of 4.0 cents per share (2009 – nil). The aggregate amount of the dividend expected to be paid on 30 September 2010 out of retained profits at 30 June 2010, but not recognised as a liability at year end is	**2,129**	–

	Notes	2010 $'000	2009 $'000
12 CURRENT ASSETS – CASH AND CASH EQUIVALENTS			
Cash on hand and at bank		**22,695**	4,690
		22,695	4,690
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:			
Balances as above		**22,695**	4,690
Less: bank overdrafts	24a	**–**	(4,898)
Balances as per statement of cash flows		**22,695**	(208)

Risk exposure

The group's exposure to interest rate and credit 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.

		2010 $'000	2009 $'000
13 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES			
Trade receivables		**–**	280
Other current receivables		**2,337**	3,831
Prepayments		**1,707**	1,340
		4,044	5,451

Trade and other receivables as at 30 June 2010 are non-interest bearing.

		2010 $'000	2009 $'000
14 INVENTORIES			
Raw sugar, molasses and sugar in progress, at cost		**13,504**	12,267
Stores and mill supplies, at cost		**3,060**	2,573
Less provision for diminution in value		**(20)**	(22)
		16,544	14,818
Current		**15,260**	13,725
Non-current		**1,284**	1,093
		16,544	14,818
15 DERIVATIVE FINANCIAL INSTRUMENTS			
Current assets			
Sugar price hedge assets		**6,648**	–
Sugar options assets		**–**	133
Foreign exchange hedge assets		**17**	5,370
		6,665	5,503
Current liabilities			
Sugar price hedge liabilities		**(3,805)**	(20,720)
Sugar options liabilities		**–**	(354)
Foreign exchange hedge liabilities		**(1,254)**	(1,113)
		(5,059)	(22,187)
Non-current assets			
Sugar price hedge assets		**2,353**	–
		2,353	–
Non-current liabilities			
Sugar price hedge liabilities		**(1,086)**	(9,512)
		(1,086)	(9,512)

15 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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 has been adopted by the group.

In addition, the company enters into option strategies in connection with its hedging contracts which involve the simultaneous buying and selling of options 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 exposure to credit risk, commodity price risk, foreign exchange and interest rate risk is provided in note 2.

	Notes	**2010 $'000**	2009 $'000
16 CURRENT ASSETS – BIOLOGICAL ASSETS			
Standing crops			
Carrying value at beginning of year		**3,435**	1,219
Purchases		**–**	478
Net gains arising from changes in quantity of standing crop and in fair value less estimated point of sale costs		**856**	1,738
Carrying value at end of year		**4,291**	3,435

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 170,873 tonnes
- CCS (sugar content) 13.5
- final sugar price of $435 (per IPS tonne)
- nominal pre-tax discount rate 19.45%

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% ($435 to $414) the carrying value at 30 June 2010 for the group would decrease by $260,411 to $4,030,163.

	Tonnes	Tonnes
Standing crops, cane	**170,873**	155,921

	Notes	2010 $'000	2009 $'000
17 OTHER ASSETS			
Borrowing costs		**62**	60
Less provision for amortisation		**(24)**	(11)
Infrastructure contribution		**150**	150
Less provision for amortisation		**(7)**	(3)
		181	196
Current		**12**	12
Non-current		**169**	184
		181	196
18 NON-CURRENT ASSETS – RECEIVABLES			
Loans to growers/employees (secured)		**44**	321
		44	321

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 2010 $'000	Consolidated 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
19 NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS					
Investment in controlled entities					
M.S.F. Investments Pty Ltd	19a	–	–	**–**	–
M.S.F. 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**	54,429
M.S.F. North Pty Ltd	19g	–	–	**–**	–
		–	–	**71,533**	71,533

Investment in controlled entities are unquoted and comprise:

a M.S.F. 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 (2009 – $2).

b M.S.F. Securities Pty Ltd, a company incorporated in Queensland. The company owns 100% of the issued ordinary shares at a cost of $10 (2009 – $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 (2009 – $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 (2009 – $17,103,638).

e The Maryborough Sugar Factory Limited owns 100% of the units issued in the Maryborough Sugar Factory Trust at a cost of $100 (2009 – $100).

f The Mulgrave Central Mill Company Limited, a company incorporated in Queensland. The company owns 100% of the issued ordinary shares at a cost of $54,429,672 (2009 – $54,429,672l).

g M.S.F. North Pty Ltd, a company incorporated in Queensland. The company owns 100% of the issued ordinary shares at a cost of $10 (2009 – $10).

	Notes	2010 $'000	2009 $'000
20 NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS			
At beginning of year		**36,365**	30,115
Additions		**43**	8,493
Return of capital payment		**(1,618)**	–
Reclassification from investments held to maturity	20a	**–**	73
Revaluation surplus (reduction) transfer to equity	29a	**1,618**	(2,316)
At end of year		**36,408**	36,365
Listed securities		**27,048**	27,048
Unlisted securities		**9,360**	9,317
		36,408	36,365

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 (2009 – $1,791).

The Mulgrave Central Mill Company Limited owns 68,750 shares (25%) of the issued capital in Sugar North Ltd at a cost of $68,750 (2009 – $68,750).

The Mulgrave Central Mill Company Limited owns 1 share (4%) of the issued capital in Australia Molasses Trading Pty Ltd at a cost of $1 (2009 – $1).

The Mulgrave Central Mill Company Limited owns 27,600 shares (25%) of the issued capital in NIR Sugar Pty Ltd at a cost of $2,850 (2009 – $2,850).

The Maryborough Sugar Factory Limited owns 42,900 shares (1%) of the issued capital in Ravensdown Fertiliser Australia Limited at a cost of $42,900.

b Other available-for-sale financial assets

The group holds 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 as the directors continue to believe that the market for these shares is inactive. The assumptions used in this discounted cash flow analysis are as follows:

- 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 2010 was $0.785 per share (2009: $0.785 per share).

	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 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		–	–	(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
Year ended 30 June 2010							
Opening net book amount		8,358	58,440	7,872	34,879	3,817	**113,366**
Additions		–	372	230	3,382	869	**4,853**
Disposals		–	(400)	–	(193)	(152)	**(745)**
Reclassifications		–	–	–	(6)	6	**–**
Depreciation charge	21b	–	–	(242)	(2,160)	(534)	**(2,936)**
Closing net book amount		**8,358**	**58,412**	**7,860**	**35,902**	**4,006**	**114,538**
At 30 June 2010							
Cost or fair value		8,358	58,412	10,275	78,495	9,948	**165,488**
Accumulated depreciation		–	–	(1,715)	(27,293)	(5,942)	**(34,950)**
Write-down of assets		–	–	(700)	(15,300)	–	**(16,000)**
Net book amount		**8,358**	**58,412**	**7,860**	**35,902**	**4,006**	**114,538**

	Notes	2010 $'000	2009 $'000
21 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)			
Assets in the course of construction included in the carrying amount of assets disclosed above		**2,305**	1,283

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

c A desktop assessment based on the 2008 year independent valuation of farm and mill land was carried out by valuers for years ending 30 June 2009 and 30 June 2010. The basis of the desktop assessment was market value based on use as cane land and as a sugar mill site 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 or 30 June 2010.

d Non-current assets pledged as security

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

e 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:

	Notes	2010 $'000	2009 $'000
Other freehold land			
Cost		**31,356**	31,384
		31,356	31,384
Buildings			
Cost		**9,816**	9,586
Accumulated depreciation		**(1,715)**	(1,473)
Write-down of assets		**(700)**	(700)
		7,401	7,413

	Notes	2010 $'000	2009 $'000
22 INTANGIBLE ASSETS			
a Water allocations			
Balance at the beginning of the financial year		**2,048**	1,534
Reclassification from other freehold land		**–**	300
Additions		**48**	214
Balance at the end of the financial year		**2,096**	2,048
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		**1,360**	–
Additions	3c	**–**	1,242
Adjustment due to subsequent recognition of deferred tax liability		**–**	118
Balance at the end of the financial year		**1,360**	1,360
Total		**3,456**	3,408
23 TRADE AND OTHER PAYABLES			
Current			
Trade payables		**8,212**	8,890
Other payables		**173**	741
Employee entitlements (annual leave and sick leave)		**1,465**	1,513
Deferred income – grants		**140**	140
		9,990	11,284
Non-current			
Other payables		**2**	2
Deferred income – grants		**2,294**	2,411
		2,296	2,413
24 INTEREST BEARING LIABILITIES			
Current – secured			
Bank overdraft	24a	**–**	4,898
Commercial bill facility	24a	**–**	4,000
Operating facility	24b	**–**	3,500
Other loan facilities	24b	**4,215**	1,884
		4,215	14,282
Non-current – secured			
Loan facilities	24b	**29,686**	33,769
		29,686	33,769
Total		**33,901**	48,051

	Notes	2010 $'000	2009 $'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
Operating facility		**3,500**	3,500
Bank overdraft facility		**7,500**	12,500
Loan facilities		**33,901**	35,653
		48,901	55,653
Used at balance date		**33,901**	48,051
Unused at balance date		**15,000**	7,602
Facilities used at balance date			
Flexible finance facility – commercial bill		**–**	4,000
Operating facility		**–**	3,500
Bank overdraft	12	**–**	4,898
Loan facilities		**33,901**	35,653
		33,901	48,051
Facilities unused at balance date			
Flexible finance facility – commercial bill		**4,000**	–
Operating facility		**3,500**	–
Bank overdraft facility		**7,500**	7,602
		15,000	7,602

a The bank overdraft facility may be drawn at any time 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 ten 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)
- 5 years expiring in 2014 (monthly instalments, fixed interest)
- 5 years expiring in 2014 (monthly instalments, fixed interest)
- 5 years expiring in 2014 (monthly instalments, fixed interest)
- 5 years expiring in 2014 (monthly instalments, fixed interest)

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 2010 and terminates on the earlier of 29 November 2010 or the date on which the facility limit is cancelled in full, or permanently reduced to zero.

d As a consequence of the Joint Venture arrangements, in particular the requirement that Mulgrave Mill be unencumbered, the company is reviewing the group's long term finance facilities and is evaluating options in this area and expects this review to be completed in the near future.

	Notes	2010 $'000	2009 $'000

24 INTEREST BEARING LIABILITIES (CONTINUED)

e 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:

	Notes	2010 $'000	2009 $'000
Current			
Floating charge			
Cash and cash equivalents	12	**22,695**	4,690
Receivables	13	**4,044**	5,451
Inventories	14	**15,260**	13,725
Biological assets	16	**4,291**	3,435
Other current assets	17	**12**	12
Total current assets pledged as security		**46,302**	27,313
Non-current			
First mortgage			
Freehold land and buildings	21	**59,355**	59,300
Fixed charge			
Freehold land and buildings	21	**15,275**	15,370
Plant and equipment and mobile equipment	21	**24,780**	24,652
Available-for-sale financial assets	20	**7,462**	7,462
		47,517	47,484
Floating charge			
Receivables	18	**44**	321
Inventories	14	**1,284**	1,093
Available-for-sale financial assets	20	**28,946**	28,903
Plant and equipment and mobile equipment	21	**15,128**	14,044
Intangible assets	22	**2,096**	2,048
Other non-current assets	17	**169**	184
		47,667	46,593
Total non-current assets pledged as security		**154,539**	153,377
Total assets pledged as security		**200,841**	180,690

24 INTEREST BEARING LIABILITIES (CONTINUED)

f 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**
2010 Financial Liabilities							
Payables	23	–	–	–	–	8,387	**8,387**
Interest bearing liabilities	24	4,215	4,067	12,619	13,000	–	**33,901**
		4,215	4,067	12,619	13,000	8,387	**42,288**
Average interest rate (%)		7.46	7.43	7.33	7.17		
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		

	Notes	**2010 $'000**	2009 $'000
25 CURRENT LIABILITIES – PROVISIONS			
Employee long service entitlements		**2,076**	2,023
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
Biological assets		**(1,287)**	(1,030)
Other inventories		**(56)**	(66)
Accrued expenses		**1,120**	1,063
Depreciation		**(1,411)**	(1,164)
Employee entitlements		**1,150**	1,145
Deferred income – grants		**730**	753
Professional fees		**1,156**	714
Realised cash flow hedge transactions		**3,336**	(653)
Other		**(22)**	203
		4,716	5,408
Amounts recognised directly in equity			
Revaluation of property, plant and equipment		**(9,249)**	(9,478)
Revaluation of available-for-sale financial assets		**(226)**	(187)
Derivative financial instruments		**(1,179)**	7,792
		(10,654)	(1,873)
Net deferred tax (liability) asset		**(5,938)**	3,535
Movements			
Balance at the beginning of the year		**3,535**	(7,031)
Credited to the income statement		**(1,689)**	4,437
Current tax liabilities		**997**	–
(Charged) credited to equity		**(8,781)**	6,129
Balance at the end of the year		**(5,938)**	3,535
27 NON-CURRENT LIABILITIES – PROVISIONS			
Employee long service entitlements		**292**	280

	30 June 2010		30 June 2009	
	Number	$'000	Number	$'000
28 CONTRIBUTED EQUITY				
a Issued Capital				
Fully paid ordinary shares	**53,235,669**	91,123	**46,493,419**	77,922

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
30.06.08	**Balance**		**33,637,820**		**52,265**
30.07.08	Share issue	28c	12,666,135	$2.00	25,278
12.09.08	Share issue	28d	189,464	$2.00	379
30.06.09	**Balance**		**46,493,419**		**77,922**
10.11.09	Share placement	28e	6,500,000	$2.00	12,753
16.12.09	Share purchase plan	28f	242,250	$2.00	448
30.06.10	**Balance**		**53,235,669**		**91,123**

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

d 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 Company Limited, increasing the company's issed capital by $378,928.

e On 10 November 2009, a total of 6,500,000 shares were issued following a private placement, increasing the company's issed capital by $12,752,839 after transaction costs of $247,161.

f On 16 December 2009, a total of 242,250 shares were issued under a share purchase plan, increasing the company's issed capital by $448,276 after transaction costs of $36,224.

	Notes	2010 $'000	2009 $'000
29 RESERVES AND RETAINED PROFITS			
a Reserves			
Property, plant and equipment revaluation reserve		**22,726**	22,781
Available-for-sale financial assets revaluation reserve		**1,878**	298
Cashflow hedge reserve		**11,119**	(22,071)
Share-based payments reserve		**1,163**	801
		36,886	1,809

	Notes	2010 $'000	2009 $'000
29 RESERVES AND RETAINED PROFITS (CONTINUED)			
Movements			
Property, plant and equipment revaluation reserve			
Balance 1 July		**22,781**	24,399
Realisation of revalued assets		**(284)**	(2,264)
Deferred tax		**229**	646
Balance 30 June		**22,726**	22,781
Available-for-sale financial assets revaluation reserve			
Balance 1 July		**298**	2,416
Revaluation	20	**1,618**	(2,316)
Deferred tax		**(38)**	198
Balance 30 June		**1,878**	298
Cashflow hedge reserve			
Balance 1 July		**(22,071)**	1,188
Revaluation – gross		**28,847**	(27,633)
Ineffective hedging transactions		**1,059**	–
Realised gains (losses)		**12,256**	(4,394)
Deferred tax		**(8,972)**	8,768
Balance 30 June		**11,119**	(22,071)
Share-based payments reserve			
Balance 1 July		**801**	449
Options and performance rights expense		**362**	352
Balance 30 June		**1,163**	801
b Retained Profits			
Balance 1 July		**15,607**	14,721
Dividend paid		**(1,331)**	–
Realisation of revalued assets		**284**	1,585
Income tax benefit received on prior year		**–**	84
Net profit (loss) attributable to members		**7,015**	(783)
Balance 30 June		**21,575**	15,607

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 share issues such as the dividend reinvestment plan.

	Notes	**2010 $'000**	2009 $'000
30 RECONCILIATION OF PROFIT (LOSS) AFTER INCOME TAX TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES			
Profit (loss) after income tax		**7,015**	(783)
Depreciation and amortisation		**2,939**	3,028
Unrealised loss (profit) on sugar option contracts		**(222)**	73
Unrealised loss on ineffective hedging activities		**1,059**	–
Income tax received and other tax adjustments		**–**	763
Unrealised foreign currency exchange profits (loss)		**(142)**	734
Cashflow hedge settlements		**12,256**	(4,394)
Net (profit) loss on sale of non-current assets		**(29)**	115
Rights/options issues		**362**	352
Other		**(47)**	–
Decrease in standing crops		**(856)**	(2,216)
Change in operating assets and liabilities			
(Increase) decrease in interest receivable		**(28)**	3
Decrease (increase) in trade and other debtors		**1,802**	(284)
(Increase) in prepayments		**(367)**	(472)
(Increase) in inventories		**(1,726)**	(8,323)
Decrease (increase) in other current assets		**11**	(49)
(Decrease) increase in trade and other creditors		**(1,411)**	3,702
Increase (decrease) in provisions		**65**	(28)
Increase in current tax liabilities		**997**	–
Increase (decrease) in deferred tax liability		**692**	(4,437)
Net cash inflow (outflow) from operating activities		**22,370**	(12,216)

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	2010 $'000	2009 $'000
Within one year		**232**	191
Later than one year but not later than 5 years		**797**	656
Later than 5 years		**1,863**	1,042
		2,892	1,889

There are no other material commitments as at 30 June 2010 which have not been provided for in these financial statements.

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:

	Notes	2010 $	2009 $
PricewaterhouseCoopers			
a Assurance Services			
Audit services			
Audit and review of financial reports (annual and half year)		**285,254**	243,881
Other assurance services			
Due diligence services		**366,177**	355,520
Total remuneration for assurance services		**651,431**	599,401
b Taxation Services			
Tax compliance services, including review of company income tax returns.		**122,600**	97,050
Other tax services			
Tax consolidation review		**–**	15,025
Research and development claim review		**–**	29,216
Total remuneration for taxation services		**122,600**	141,291

	Notes	2010 $	2009 $
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		**19,740**	81,775
Taxation services		–	3,500
Other services		–	3,166
Total remuneration of non-PricewaterhouseCoopers audit firms		**19,740**	88,441

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.

	Notes	2010 $'000	2009 $'000
33 KEY MANAGEMENT PERSONNEL DISCLOSURES			
a Key management personnel compensation			
Short-term employee benefits		**2,180**	2,227
Post-employment benefits		**385**	844
Other long term employee benefits		**35**	38
Share-based payments		**362**	352
		2,962	3,461

Detailed remuneration disclosures are provided in Sections A to C of the remuneration report on pages 31 to 35.

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 35 to 37.

33 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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:

2010

Name	Balance at start of the year	Granted as compensation	Exercised	Lapsed	Balance at end of the year	Vested and exercisable	Unvested
M J Barry	1,000,000	–	–	(440,000)	560,000	–	**560,000**
G R Clarey[1]	66,884	–	–	(66,884)	–	–	**–**
C L Lobb[2]	–	–	–	–	–	–	**–**
W M Massey	200,000	–	–	–	200,000	–	**200,000**
S W Norton	66,884	–	–	(41,884)	25,000	–	**25,000**
P I Flanders	25,000	–	–	–	25,000	–	**25,000**
T D Crook	66,884	–	–	(41,884)	25,000	–	**25,000**
G B Crimmins	66,884	–	–	(41,884)	25,000	–	**25,000**
B G Mahony	25,000	–	–	–	25,000	–	**25,000**
D F Kaye	66,884	–	–	(41,884)	25,000	–	**25,000**
H J Cook[3]	–	–	–	–	–	–	**–**

[1] G R Clarey retired on 4 May 2010
[2] C L Lobb was appointed on 4 May 2010
[3] H J Cook was appointed on 18 March 2010

2009

Name	Balance at start of the year	Granted as compensation	Exercised	Lapsed	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

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:

2010

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	–	**10,000**
R A Burney	–	15,000	–	**15,000**
S J Palmer	–	–	–	**-**
J F Hesp	321,702	22,500	–	**344,202**
W B Moller	71,151	–	–	**71,151**
Other key management personnel				
M J Barry	–	–	–	**–**
G R Clarey[1]	800	–	800	**–**
C L Lobb[2]	–	–	–	**–**
H Cook[3]	–	–	–	**–**
W M Massey	–	–	–	**–**
S W Norton	2,000	2,000	–	**4,000**
P I Flanders	–	–	–	**–**
T D Crook	2,690	–	–	**2,690**
G B Crimmins	–	–	–	**–**
B G Mahony	–	–	–	**–**
D F Kaye	–	–	–	**–**

1 G R Clarey retired on 4 May 2010
2 C L Lobb was appointed on 4 May 2010
3 H J Cook was appointed on 18 March 2010

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	2,690	–	–	2,690
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

33 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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 normal commercial terms, to conduct work on certain projects. Consulting fees of $9,000 (2009: $18,750) were paid in respect of this work.

During the year Dr J E Burman, a director, was engaged by the company, on normal commercial terms, to conduct work on certain projects. Consulting fees of $9,000 (2009: $15,000) were paid in respect of this work.

During the year related entities of Mr J F Hesp, a director, was contracted with the company, on normal commercial terms, to deliver cane. Cane payments to the value of $1,518,772 (2009: $884,482) were paid in respect to these deliveries. Consulting fees of $9,000 (2009: $10,500) was paid to conduct work on certain projects.

During the year related entities of Mr W B Moller, a director, was contracted with the company, on normal commercial terms, to deliver cane, and conduct work on certain projects. Cane payments to the value of $20,648 (2009: $16,504) were paid in respect to the deliveries and legal fees of $78,117 (2009: $2,600) were paid to Marino Moller Lawyers, of which Mr W B Moller is a partner.

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 31.

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.

	Notes	**2010 $'000**	2009 $'000
35 EMPLOYEE BENEFITS			
Employee benefits and related on-cost liabilities			
Provision of employee benefits –			
Current	23,25	**3,541**	3,536
Non-current	27	**292**	280
Aggregate employee benefit liability		**3,833**	3,816
Employee numbers		**Employees**	Employees
Number of employees at balance date		**312**	315

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 Company 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 current 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:

2010

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)	–	–
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	–	–	(25,000)	150,000	–
Total at 30 June 2010				**1,584,420**	**–**	**–**	**(674,420)**	**910,000**	**–**

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**	**–**

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 2009 or the year ended 30 June 2010.

During the year 674,420 performance rights lapsed because a vesting condition was not satisfied. The value of these options and performance rights of $109,646 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. These details are provided below.

36 SHARE-BASED PAYMENTS (CONTINUED)

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%

For performance rights issued on 1 March 2007:

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

b exercise price: $0.00

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%

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%

36 SHARE-BASED PAYMENTS (CONTINUED)

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%

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

	Notes	**2010 $'000**	2009 $'000
Options and performance rights issued under OPRP		**362**	352

37 EVENTS OCCURRING AFTER BALANCE SHEET DATE

Northern Milling Joint Venture

On 20 July 2010, the company entered into a Northern Milling Joint Venture Agreement with Bundaberg Sugar Ltd to establish a 50/50 joint-venture of the northern sugar cane milling operations of both parties expected to commence on or about 1 December 2010 ("Effective Date"). On execution of the Joint Venture agreement, the company paid a non-refundable $20 million to Bundaberg Sugar Ltd as consideration for entitlement to 50% of the future sugar production of the Joint Venture from the Effective Date and a call option to acquire the remaining 50% of the Joint Venture. The call option is exercisable from 1 December 2010 until 29 February 2012 for additional consideration of $50 million.

Other key terms of the Joint Venture are:

- An unincorporated joint-venture has been formed comprising the operation of the Mulgrave, South Johnstone, Babinda and Tableland mills and associated milling assets including contracts, cane rail networks, easements, leases and licenses with an expected effective date of 1 December 2010.
- A Joint Venture Executive Committee has been formed comprising of three representative members appointed by each party and an independent chairperson to be appointed by the parties.
- From the Effective Date, each party will be entitled to 50% of the combined mills' raw sugar production.
- The Joint Venture costs and capital requirements will be shared equally.
- If the company has not exercised its call option to acquire Bundaberg's mills and joint-venture interest by 1 December 2013, and neither party has exited the Joint Venture, then either party may request the Joint Venture to conduct either an IPO or trade sale of the combined joint-venture assets and operations.
- The company will have a first right of refusal and call option to acquire Bundaberg's farm assets located in the northern region comprising of approximately 1,800 hectares of land exercisable from 1 December 2010 until 29 February 2012 if the company has first exercised its call option to acquire Bundaberg's northern milling assets and joint-venture interest. The purchase price for the farms will be the fair market value as determined by an independent valuer.

As the Joint Venture is not effective until 1 December 2010, the accounting for the Joint Venture and the assessment of fair values of the assets and liabilities relating to the transaction are yet to be finalised.

Dividend Declaration

Since the end of the financial year, directors have declared a fully franked final dividend of 4.0 cents per share (2009: $nil), taking the full year dividend to 6.5 cents per share (2009: $nil). Shareholders have the option to participate in the company's Dividend Reinvestment Plan, for the six months ended 30 June 2010. The directors have declared the Record Date for determining entitlements to this dividend to be 30 August 2010. Payment of this dividend is expected to be made on 30 September 2010.

38 PARENT ENTITY FINANICAL INFORMATION

a Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Notes	2010 $'000	2009 $'000
Balance sheet			
Current assets		**29,246**	18,361
Total assets		**185,951**	172,178
Current liabilities		**13,922**	25,822
Total liabilities		**52,247**	68,316
Shareholders' equity			
Contributed equity		**91,123**	77,922
Reserves			
Property, plant and equipment revaluation reserve		**22,502**	22,707
Available-for-sale financial assets revaluation reserve		**2,267**	1,931
Cash flow hedge reserve		**8,724**	(10,995)
Share-based payments reserve		**1,162**	801
Retained earnings		**7,926**	11,496
Total shareholders' equity		**133,704**	103,862
Loss for the year		**(2,523)**	(5,116)
Total comprehensive income (loss)		**17,609**	(17,737)

b Guarantees entered into by the parent entity

The Maryborough Sugar Factory Limited and The Mulgrave Central Mill Company Limited are parties to a deed of cross guarantee as described in note 39.

c Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2010 or 30 June 2009. For information about guarantees given by the parent entity, refer to note 38(b).

d Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2010, the parent entity had contractual commitments for the acquisition of property, plant and equipment totalling $191,047 (30 June 2009 – $425,545). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

39 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 statement 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 2010 of the Closed Group consisting of The Maryborough Sugar Factory Limited and The Mulgrave Central Mill Company Limited.

Income Statement

	Notes	**2010 $'000**	2009 $'000
Revenue		**156,671**	138,201
Other income		**171**	138
Movement in valuation of biological assets		**480**	1,346
Changes in inventories of finished goods and work in progress		**1,226**	8,262
Cost of cane and other materials used		**(102,663)**	(91,199)
Distribution costs		**(13,953)**	(24,500)
Employee benefits expense		**(22,302)**	(22,042)
Depreciation and amortisation expense		**(2,824)**	(2,928)
Finance costs		**(2,963)**	(4,046)
Other administrative costs		**(6,754)**	(7,303)
Other expenses		**(1,409)**	(1,637)
Profit (loss) before income tax expense		**5,680**	(5,708)
Income tax (expense) benefit		**(1,367)**	4,329
Net profit (loss) attributable to owners		**4,313**	(1,379)
Summary of Movements in Consolidated Retained Profits			
Retained profits at the beginning of the financial year		**15,233**	14,943
Profit (loss) for the year		**4,313**	(1,379)
Realisation of revalued assets		**284**	1,585
Income tax benefit received on prior year		**–**	84
Dividends provided for or paid		**(1,331)**	–
Retained profits at the end of the financial year		**18,499**	15,233

39 DEED OF CROSS GUARANTEE (CONTINUED)

b Balance Sheet

Set out below is a consolidated balance sheet as at 30 June 2010 of the Closed Group consisting of The Maryborough Sugar Factory Limited and The Mulgrave Central Mill Company Limited.

	2010 $'000	2009 $'000
Current assets		
Cash and cash equivalents	**22,665**	4,679
Trade and other receivables	**7,988**	13,156
Inventories	**15,261**	13,725
Derivative financial instruments	**6,665**	5,503
Biological assets	**2,926**	2,446
Other current assets	**12**	12
Total current assets	**55,517**	39,521
Non-current assets		
Trade and other receivables	**7**	269
Inventories	**1,284**	1,093
Other financial assets	**17,104**	17,104
Available-for-sale financial assets	**18,344**	18,301
Property, plant and equipment	**110,093**	108,961
Intangible assets	**3,213**	3,165
Deferred tax assets	**–**	3,917
Other non-current assets	**169**	184
Derivative financial instruments	**2,353**	–
Total non-current assets	**152,567**	152,994
Total assets	**208,084**	192,515
Current liabilities		
Trade and other payables	**10,209**	11,676
Interest bearing liabilities	**4,215**	14,282
Tax liabilities	**997**	–
Provisions	**2,076**	2,023
Derivative financial instfuments	**5,059**	22,187
Total current liabilities	**22,556**	50,168
Non-current liabilities		
Trade and other payables	**2,252**	2,375
Interest bearing liabilities	**29,686**	33,769
Derivative financial instruments	**1,086**	9,512
Deferred tax liabilities	**5,530**	363
Provisions	**292**	280
Total non-current liabilities	**38,846**	46,299
Total liabilities	**61,402**	96,467
Net assets	**146,682**	96,048
Equity		
Contributed equity	**91,123**	77,922
Reserves	**37,060**	2,893
Retained profits	**18,499**	15,233
Total equity	**146,682**	96,048

DIRECTORS' DECLARATION

In the directors' opinion:

a the financial statements and notes set out on pages 47 to 92 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 2010 and of their performance for the financial year ended on that date;

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 39, 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 39; and

d the remuneration disclosures set out on pages 31 to 37 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

Note 1a confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 on behalf of the Board and in accordance with a resolution of the directors.

J A Jackson (Chairman)

Gordonvale, 16 September, 2010

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 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for The Maryborough Sugar Factory Limited (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 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.

PRICEWATERHOUSECOOPERS

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

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.

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 consolidated entity's financial position as at 30 June 2010 and of its 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 financial report 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 31 to 37 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Martin T Linz

Martin T Linz
Partner

Brisbane
16 September 2010

STATEMENT OF SHAREHOLDINGS

Twenty largest shareholders at 8 September 2010

Name	Ordinary Shares held	% held to issued capital
1. GPG Nominees Pty Ltd	10,711,310	20.12
2. Citicorp Nominees Pty Limited	4,391,080	8.25
3. National Nominees Limited	3,959,359	7.44
4. ANZ Nominees Limited <Cash Income a/c>	1,899,597	3.57
5. Berne No 132 Nominees Pty Ltd	1,454,081	2.73
6. Lippo Securities Nominees (BVI) Ltd	1,026,000	1.93
7. Cogent Nominees Pty Limited	1,001,000	1.88
8. Mirrabooka Investments Limited	948,715	1.78
9. Roy Medich Properties Pty Limited <Roy Medich Super Fund A/c>	920,000	1.73
10. GPG Nominees Pty Limited	754,917	1.42
11. Evelin Investments Pty Ltd	684,000	1.28
12. Roy Medich Properties Pty Ltd <The Roy Medich S/Fund A/c>	554,992	1.04
13. Austock Nominees Pty Ltd <Custodian A/c>	407,500	0.77
14. Vincent Angelo Reghenzani and Olivia Diana Reghenzani	405,612	0.76
15. Mr Thomas Edward Braddock	330,000	0.62
16. HSBC Custody Nominees (Australia) Limited – GSCO ECA	316,700	0.59
17. ANZ Trustees Limited <Queensland Common Fund A/c>	308,520	0.58
18. Hegford Pty Ltd	300,589	0.56
19. Mistover Pty Ltd <Mistover A/c>	300,000	0.56
20. Medich Nominees Pty Limited <Roy Medich Investment A/c>	300,000	0.56

Distribution as at 8 September 2010

Ranges	Investors	Shares	% Issued Capital
1 to 1,000	328	136,927	0.26
1,001 to 5,000	441	1,297,442	2.44
5,001 to 10,000	246	1,943,972	3.65
10,001 to 100,000	463	13,584,559	25.52
100,001 and Over	57	36,272,769	68.13
Total	**1,535**	**53,235,669**	**100.00**
Unmarketable parcels	118	4,914	0.01

Quoted Securities

Quoted Securities – 53,235,669 ordinary shares as at 8 September 2010.

There are 1,535 registered shareholders as at 8 September 2010.

Voting rights – one for one basis in respect of fully paid ordinary shares; proportional rights if any partly paid ordinary shares were to be issued.

Unquoted securities – 910,000 options and performance rights are held by 8 executives as at 8 September 2010.

Restricted Securities

As at 8 September 2010, the company has on issue 39,200 ordinary shares under an Employee Share Plan, which are subject to restrictions on any dealings until outstanding loans relating to these shares are repaid.

Substantial Shareholders

As at 8 September 2010, the company had received the following current substantial shareholder notices pursuit to section 671B of the *Corporations Act 2001*.

Name of Substantial Shareholder	Relevant Interest	Percentage / Voting Power
Guinness Peat Group plc	10,809,394	23.41
Third Avenue Management LLC / Third Avenue Global Value (Master) Fund L.P.	3,976,345	8.55
Perpetual Limited	3,627,103	6.84
Telstra Super	3,500,303	6.61

FIVE YEAR STATISTICS

PRODUCTION DATA

Cane harvest season	2009	2008	2007	2006	2005
Sugar Cane					
Cane crushed (tonnes)					
Maryborough region	**661,606**	614,549	626,583	917,884	704,244
Sunshine coast region	**25,862**	–	17,690	67,347	68,638
Mulgrave region	**1,078,703**	1,083,216	–	–	–
Total cane crushed (tonnes)	**1,766,171**	1,697,765	644,273	985,231	772,882
Area harvested (hectares)					
Maryborough region	**9,809**	9,657	9,434	11,892	9,398
Sunshine coast region	**230**	–	313	830	858
Mulgrave region	**12,843**	13,096	–	–	–
Total area harvested (ha)	**22,882**	22,753	9,747	12,722	10,256
Tonnes cane/ha					
Maryborough region	**67.45**	63.64	66.42	77.18	74.94
Sunshine coast region	**112.44**	–	56.52	81.14	80.00
Mulgrave region	**83.99**	82.71			
Total tonnes cane/ha	**77.19**	74.62	66.42	77.18	74.94
Sugar					
Sugar production (tonnes)					
Maryborough region	**94,742**	83,109	78,296	127,595	93,455
Sunshine coast region	**2,313**	–	1,474	4,792	5,653
Mulgrave region	**160,681**	158,028	–	–	–
Total sugar produced (tonnes)	**257,736**	241,137	79,770	132,387	99,108
CCS (units)					
Maryborough region	**14.05**	13.47	12.45	13.49	12.82
Sunshine coast region	**13.94**	–	13.26	11.91	13.15
Mulgrave region	**14.35**	14.07			
Company Plantations					
Cane harvested (tonnes)					
Maryborough region	**122,499**	59,888	70,477	108,662	79,945
Isis region	**434**	1,351	–	–	–
Mulgrave region	**13,747**	15,659	–	–	–
Total cane harvested (tonnes)	**136,680**	76,898	70,477	108,662	79,945
Area harvested (hectares)					
Maryborough region	**1,878**	1,125	975	1,325	973
Isis region	**7**	22	–	–	–
Mulgrave region	**243**	221	–	–	–
Total area harvested (hectares)	**2,128**	1,368	975	1,325	973
CCS (units)					
Maryborough region	**14.12**	13.38	12.49	12.99	12.43
Isis region	**14.90**	13.85	–	–	–
Mulgrave region	**12.34**	11.64	–	–	–
Company Leased Farms					
Cane harvested (tonnes)	**76,081**	88,301	108,126	137,001	111,595
Area harvested (ha)	**1,157**	1,557	1,427	1,769	1,387
Sugar Price ($/tonne)	**427.73**	331.11	261.96	366.51	322.22

FIVE YEAR STATISTICS

CONTINUED

FINANCIAL DATA

Financial year	**2009/10**	**2008/09**	**2007/08**	**2006/07**	**2005/06**
Revenue ($'000)	**159,807**	138,402	27,007	49,345	41,893
Profit (loss) after tax ($'000)	**7,015**	(783)	(4,734)	1,456	4,675
Dividend out of the year's profits (cents/share)	**6.50**	–	–	5.00	12.50
Earnings/share (cents)	**13.85**	(1.72)	(22.28)	9.77	31.71
NTA backing ($/share)	**2.74**	1.98	2.80	2.14	2.08
Share Price ($) – high	**2.50**	2.35	3.28	3.20	3.65
– low	**1.64**	1.35	2.30	2.50	1.75

CORPORATE DIRECTORY

DIRECTORS

J Jackson	Chairman, non-executive
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
C Lobb	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
H Cook	Business development manager

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