MAPPING THE FUTURE

THE MARYBOROUGH SUGAR FACTORY LIMITED
ANNUAL REPORT FOR THE PERIOD ENDED
31 DECEMBER 2010

THE MARYBOROUGH SUGAR FACTORY LIMITED
ABN 11 009 658 708

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ANNUAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2010

This Annual Report is designed to give our shareholders, the community and other stakeholders an overview of our operations during the period from 1 July 2010 to 31 December 2010.

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.

MARYBOROUGH SUGAR HAS CONTINUED DURING THE PERIOD 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.

MILLING

SINCE 2008, WHEN WE COMPLETED OUR MERGER WITH THE MULGRAVE CENTRAL MILL IN FAR NORTH QUEENSLAND, WE HAVE CONTINUED TO GROW OUR MILLING OPERATIONS. MULGRAVE WAS THE FIRST STEP IN OUR EXPANSION AND CONSOLIDATION IN THE WET TROPICS REGION, WHICH IS IDEALLY SUITED TO GROWING SUGAR CANE. DURING 2010, WE ENTERED INTO A NEW NORTHERN MILLING JOINT VENTURE AGREEMENT WITH BUNDABERG SUGAR LTD – THIS JOINT VENTURE COMMENCED ON 1 JANUARY 2011.

MARKETING

OUR MARKETING AND PRICING EXPERTISE, OUR DIVERSE CUSTOMER BASE, EXPERIENCE IN THE EAST ASIAN MARKET AND INCREASED WORLD SUGAR PRICES HAVE ENABLED US TO CAPTURE STRONG PRICES FOR OUR SUGAR.

LAND, FARMING AND WATER RIGHTS

LAND AND WATER RESOURCES ARE VITAL TO THE SUSTAINABILITY OF THE SUGAR INDUSTRY IN SOUTH EAST QUEENSLAND. DURING THE PERIOD WE CONTINUED TO DEVELOP AGRICULTURAL LAND PREVIOUSLY ACQUIRED OR LEASED TO ENSURE CONTINUITY OF SUGAR CANE SUPPLY TO OUR MARYBOROUGH MILL.

INVESTING

MARYBOROUGH SUGAR AND ASSOCIATED ENTITIES HAVE ACQUIRED SHARES IN SUGAR TERMINALS LIMITED (STL) OVER A NUMBER OF YEARS. STL IS THE OWNER OF THE MAJORITY OF BULK SUGAR TERMINALS LOCATED IN QUEENSLAND. THIS STRATEGIC STAKE IN THE SUPPLY CHAIN CONTINUES TO DELIVER STRONG RETURNS.

CHAIRMAN'S REPORT

THE RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2010 REFLECT JUST SIX MONTHS OF OPERATIONS, AS WE HAVE NOW SWITCHED TO A FINANCIAL YEAR-END OF DECEMBER. THIS CHANGE WILL BETTER REFLECT OUR FULL SEASONAL OPERATIONS WITHIN THE REPORTING YEAR.

JAMES A JACKSON
CHAIRMAN

The exceptionally wet 2010 season provided difficult and challenging harvesting conditions, which impacted the crop quality and our operating costs. The net profit after tax of $6.8 million was a somewhat disappointing but realistic result in the circumstances, with lower cane volumes and lower sugar production, coupled with a number of non-recurring expenses, to a significant extent offset by higher sugar prices. The dividend was maintained at previous corresponding levels of 2.5 cents per ordinary share, fully franked, for the period.

The growth developments consummated over the period (and post balance date) are very significant for your company. The particularly successful series of equity capital raisings were a major component of enabling the company, upon commencement of the Northern Milling Joint Venture (NMJV), to exercise our call option and move to own 100% of the operations outright. On completion in late April 2011 the company will own 4.7 million tonnes of cane crushing capacity spread over 4 mills capable of producing 550,000 tonnes of raw sugar in 3 distinct growing regions, exporting from 3 ports. Ensuring a productive merger of these operations into our company, and increasing capacity utilisation rates of all our mills, will give us excellent opportunities to lower our costs of production and further drive shareholder value.

In recognition of these developments and the enlarged operations and activities of the company your Board is asking shareholders to consider a change in the company name to 'MSF Sugar Limited'. This is the combination of the commonly used abbreviated form of our full name 'The Maryborough Sugar Factory Limited' and our principle activity which is the production of sugar. The retention of 'MSF' in the name respects our origins and we believe will maintain the continuity of goodwill associated with the brand in commercial and investment markets and amongst all our stakeholders namely customers, suppliers, employees, shareholders, the general community as well as the global sugar industry. 'MSF' is also our ASX stock code and this will remain unchanged in this process.

World sugar prices continue to trade at historically high spot values in a range of 25 to 30 US cents per pound, primarily due to continued physical shortages in the global market place. Our market intelligence suggests that end user demand starts to weaken at prices above these levels, and no doubt these higher prices will stimulate further supply in the future. However, these are very profitable levels for your company and we seek to capture these higher spot values where possible, utilising the sugar market's volatility, and despite a strong Australian dollar.

The increasing global demand for food commodities is becoming front-page news. A growing and wealthier world population and stagnant production levels, now coupled with what seems to be greater weather volatility, create real challenges and new opportunities for further investment to satisfy these markets. Price spikes and shortages are harmful to the development of these markets and consumer confidence, just as surpluses and low prices destroy supply and investment. The efficient allocation of capital along the route to market is critical to ensuring producers can earn a reasonable return and consumers can afford food.

Central to our business model is a fully integrated supply chain. We believe this enables the alignment of actions along the supply chain to transmit the correct price signals between producers and users and allows us to maintain the delivery of our products in a timely and efficient manner.

On behalf of the Board I extend thanks to our CEO, the entire management team and all of our employees for their efforts in a challenging and rewarding period. I also thank my fellow directors for their commitment, counsel and contributions in a very busy period.

We approach the 2011 season, despite some adverse impact of crop loss from Cyclone Yasi on our previous crop estimates, with reasonable volumes to harvest, buoyant sugar prices and our customers wanting our product. Following our capital raisings, our balance sheet is conservatively funded and we will endeavour to further reduce our debt levels in the future.

I wish to thank all our shareholders for your continued support in our various capital raisings and welcome our new shareholders as we continue to protect and grow your investment.

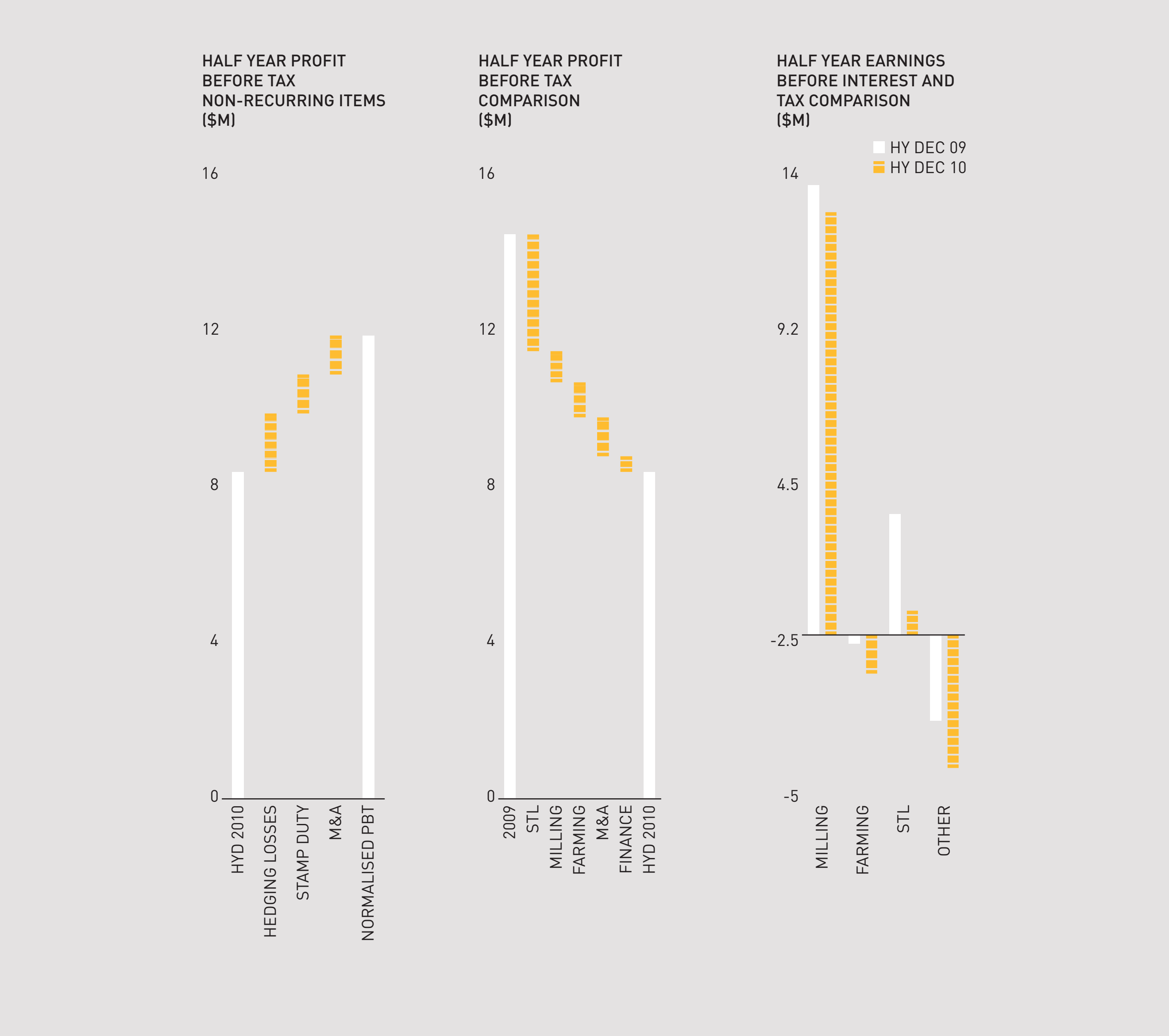
JJackson

James A Jackson
Chairman

FINANCIAL PERFORMANCE

FINANCIAL PERIOD	6 MONTH PERIOD 31 DEC 2010	30 JUN 2010	12 MONTH PERIOD 30 JUN 2009	30 JUN 2008	30 JUN 2007
Revenue ($M)	**94.6**	159.8	138.4	27.0	49.3
Profit (loss) after tax ($M)	**6.8**	7.0	(0.8)	(4.7)	1.5
Dividend out of the period's profits (cents/share)[1]	**2.5**	6.5	–	–	5.0
Basic earnings (loss) per share (cents/share)[1]	**12.58**	13.85	(1.72)	(22.28)	9.77
NTA backing ($/share)[1]	**2.35**	2.74	1.98	2.80	2.14

[1] Adjusted for 2006/07 capital reconstruction.



CHIEF EXECUTIVE OFFICER'S REPORT ON OPERATIONS

IN WHAT WAS A VERY BUSY AND CHALLENGING PERIOD, THE MARYBOROUGH SUGAR FACTORY LIMITED (MSF OR COMPANY) WAS ABLE TO DELIVER A SOLID UNDERLYING PERFORMANCE FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2010.

MIKE BARRY
CHIEF EXECUTIVE OFFICER

As noted in the Chairman's report, your Board has taken the decision to amend the financial year of the group from a June to a December year end. This report therefore covers the six month period from 1 July to 31 December 2010 and events subsequent to that period which are relevant to these results. The company under difficult harvesting conditions generated a profit before tax of $8.4 million for the period after allowing for certain non-recurring items (refer to the graph on page 3).

Sugar prices continued to strengthen during the period on the back of stronger global fundamentals. Despite significant price volatility, the 2010 season again saw an increase in the average sugar price achieved, taking it to $456 (IPS) per tonne, which is 7% higher than the previous season. Varying levels of pricing have been completed out to and including the 2012 season. Marked-to-market against available future contracts, our seasonal pricing is relatively strong.

The financial performance of the company was centred on the profitability of the mills assisted by the stronger global sugar prices offset by the lower cane and sugar production. Our farm division generated an EBIT loss as it was unable to harvest all its cane due to the poor weather conditions. Approximately 56,000 tonnes of cane remains stood over awaiting the 2011 season harvest.

The profit before tax comparable result was also materially impacted by a lower contribution from our investment in Sugar Terminals Limited (STL). In the 2009 year a special dividend was received after STL sold the Brisbane Bulk Sugar Terminal for $34.2 million. The lower comparative result for the period also reflects the higher corporate costs incurred from the formation of the Northern Milling Joint Venture (NMJV) and the strategic investor process, undertaken to assist with the company's growth aspirations.

The Australian sugar industry continues to attract interest from international conglomerates as these organisations identify the growing global demand for consistency of supply. During the period the Mitr Phol International group became our major shareholder and this group has significant sugar interests throughout Asia.

On the global stage, three years of production shortage is driving higher pricing. The market price is expected to be volatile and susceptible to production shock as extreme weather patterns and stronger demand for sugar interplay with a slow down in new production facilities in countries such as Brazil.

CAPITAL MANAGEMENT

In mid December 2010 we announced a fully underwritten share placement which successfully raised $24 million from new and existing institutional investors. Two other capital raising components were announced at the same time. A further placement to these same investors raised a further $13 million, following approval by non-participating shareholders at a General Meeting held in January 2011. In addition a Share Purchase Plan at $3.15 per ordinary share to all eligible shareholders raised approximately $11 million. The terms of the Share Purchase Plan being the same as offered to institutional investors who participated in the placement. We were delighted with the outcome of both of these capital raisings in January, with a total raising across all three components of a net $46.4 million in additional capital being achieved. This additional capital further strengthened the company's balance sheet and positioned us to exercise our option under the NMJV Agreement as detailed below.

DIVIDENDS

The company has declared a dividend of 2.5 cents per ordinary share on the expanded capital base which is the same per share dividend paid in the corresponding period. The company retained the opportunity for shareholders registered at the record date to reinvest some or all of their dividend in the company at $3.6401 per ordinary share via the Dividend Reinvestment Plan.

EVENTS SUBSEQUENT TO BALANCE DATE

On 1 January 2011 saw the commencement of the NMJV with Bundaberg Sugar Ltd (BSL) which was formally agreed in July 2010. This joint venture involved the Mulgrave, South Johnstone, Babinda and Tableland mills sharing sugar production and any costs associated with that production. Under the formal agreement entered into we also had the option to acquire BSL's 50% participating interest in the NMJV for an agreed $50 million (plus settlement adjustments). Your Board took the decision to exercise that option, effective 25 February 2011 and will now acquire 100% of these assets on or about 27 April 2011.

Also in January 2011, the State of Queensland was hard hit by widespread flooding, including the Maryborough region, where one of our two existing mills operate. We also own significant areas of cane farms in this region. Thankfully none of our employees were injured and we felt for the hardship placed upon our local communities through this disaster. Our mill was not materially affected by the floods and whilst the final outcome on the 2011 season crop is still to be determined, dependent on weather conditions over coming months, indications to date are that the crop will not be significantly impacted by this event.

Following on from this, in early February 2011 Cyclone Yasi crossed the Queensland coast at Tully Heads, approximately 100 kilometres south of our Mulgrave mill. This Category 5 cyclone caused significant damage in the region but again our employees remained injury free. Our estimates at the time had total cane damage in our northern region of approximately 5% to 10% of the previously estimated total crop for the 2011 season of 4 million tonnes. Again weather conditions over subsequent months leading up to the commencement of the 2011 season will be the final determinant of any crop impact.

On 8 February 2011, the NMJV announced its intention to close the Babinda mill. This difficult decision was made on the basis of the excess capacity available at the joint venture's remaining mills and the outlook for the 2011 and subsequent seasons' crops. After consultation with employees affected, the mill has now been closed.

The final element of significance after balance date was the capital raisings referred to above in the capital management section. These raisings have been supplemented by negotiation to refinance the company's finance facilities with the forming of a new club bank facility, consisting of three major banks. These new finance facilities are currently being finalised. This will increase the level of funding available and further diversify its sources.

GROSS ASSETS

Total gross assets at 31 December 2010 were $250 million, an increase of 18% at 30 June 2010, part of which reflects the value of the $20 million paid in July 2010 for an entitlement to 50% of the future sugar production of the NMJV and a call option to acquire BSL's 50% of the NMJV.

Following the decision to exercise the NMJV option MSF will on completion of the acquisition, consist of four sugar mills with a capacity to crush 4.7 million tonnes of sugar cane per annum, associated infrastructure including rail and land holdings to the total value of over $300 million.

Moving forward, we will continue to focus on delivering the benefits of our expanded operations. We look forward to welcoming our new employees and integrating the new assets into our business and applying our knowledge and experience to enhance returns for our shareholders.

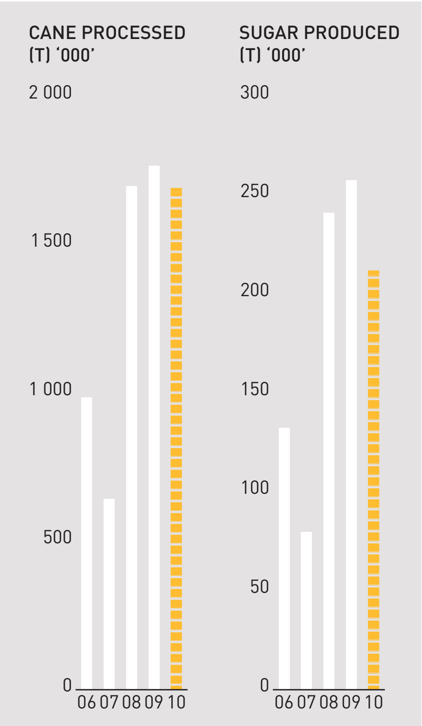
On 20 May 2011, MSF will hold its Annual General Meeting at Gordonvale, Queensland to update shareholders on the company's results and activities for the period ended 31 December 2010 and our future plans.

'PROFITABILITY OF THE MILLS ASSISTED BY THE STRONGER GLOBAL SUGAR PRICES'

MILLING

The company's two sugar mills, Maryborough and Mulgrave, operated under difficult harvesting conditions during the 2010 crushing season. Mulgrave mill operated for an extended season and crushed cane which had significantly lower sugar content (CCS). Efficiency performance for this mill however remains very sound.

The Maryborough mill also experienced an extended 2010 season and lower CCS. It is estimated that approximately 130,000 tonnes of standover cane was left in the fields at season end and this led to lower levels of cane being crushed and therefore sugar production.



'SUGAR PRICES CONTINUED TO STRENGTHEN'

MARKETING

Raw sugar produced at Maryborough mill is now being sold predominantly into the international market based on the successful model adopted from Mulgrave mill. 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 completed sale of CSR Limited's Sucrogen sugar business to the Singaporean-based Wilmar International Limited will no doubt see a further change to the landscape of the sugar industry in this region going forward. MSF is particularly well placed to capitalise on any changes as they emerge, as currently it is the only Australian raw sugar company that has its own sugar marketing and logistics capabilities.

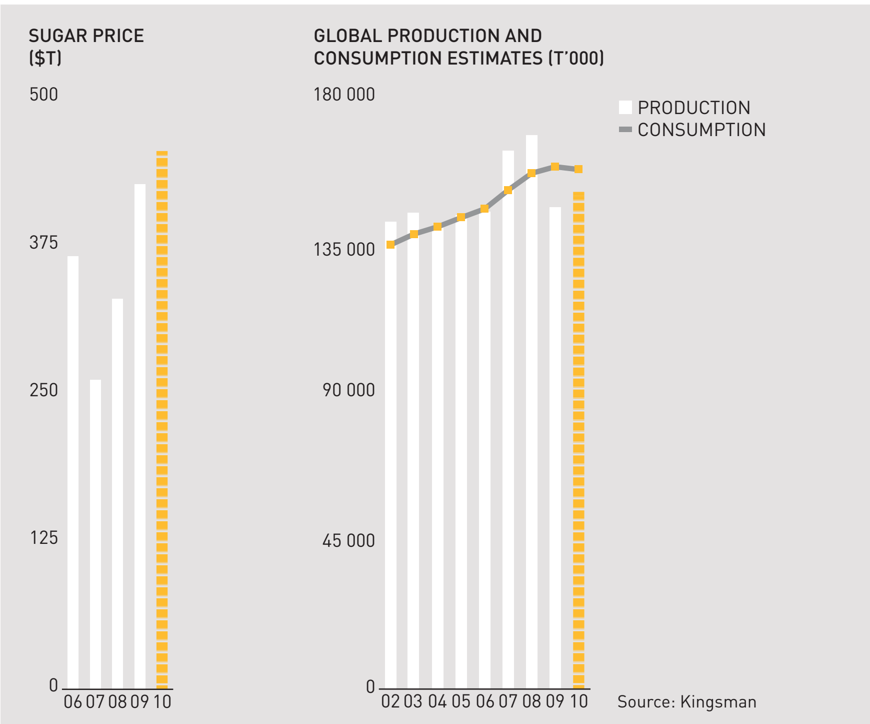
LAND, FARMING AND WATER RIGHTS

The investment in the company's owned and managed farms was also impacted by the wet weather. This resulted in the tonnage of cane produced for the 2010 season decreasing 19% over the previous season to 172,000 tonnes. However if the standover cane on these farms of 56,000 tonnes had been able to be harvested, the total would have increased to 228,000, an increase of 7% over the 2009 season. Improving the crop yields and farming productivity, the two key drivers of financial performance in this segment, remains the focus of management.

The land portfolio (which includes some industrial land) of approximately 5,800 hectares at balance date was the largest asset class at $66.9 million. Board and management are of the view that the capital invested in farm land could be better utilised in other areas of the business. Therefore the company continues to seek to monetise these assets and is currently working with advisors on various options to achieve this outcome whilst maintaining continued cane supply to Maryborough mill.

The ownership of 7,650 megalitres of medium priority water rights (water available for agricultural use) enhances the value of these land holdings and ensures a continuity of irrigated water for our land holdings in the Maryborough region.

The company retains plans to develop Mary Harbour, a residential complex on an existing 174 hectare cane property in Maryborough with frontage to the Mary River. These plans



'THREE YEARS OF GLOBAL PRODUCTION SHORTAGE IS DRIVING HIGHER PRICING'

are subject to various governmental planning scheme approvals and are progressing, albeit slowly through this process. These approvals are continuing at both the Local and State Government levels with an outcome now expected in late 2011.

We believe this project remains 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.

INVESTING

The company's 13.3% investment in Sugar Terminals Limited, the owner of six of Queensland's bulk sugar terminals, is not only an important strategic investment but also provides an attractive financial return. During the period dividends of $1.3 million were received.

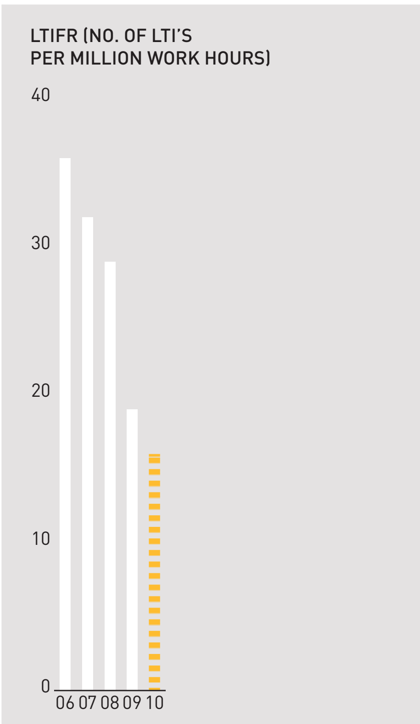
This investment had a value of $37.7 million at 31 December 2010 and provides a consistent fully franked dividend.

WORKPLACE SAFETY, SUSTAINABILITY AND THE ENVIRONMENT

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

In terms of sustainability both our mills are largely self-sufficient in their energy requirements and where excess capacity is produced, this is sold back into the electricity grid.

Further details on our approach in these important areas can be found in the Board of Directors and Corporate Governance Statement section of this report.



'QUALITY SUGAR ASSETS AND A CLEAR GROWTH PATH IN A STRONG SUGAR PRICE ENVIRONMENT'

OUTLOOK

The company notwithstanding the challenges presented already in 2011, remains well placed, with quality sugar assets and a clear growth path in a strong sugar price environment. Guidance as to the company's financial performance for the year ahead was provided at the time of the capital raising in December 2010. Despite the severe weather conditions that have occurred since that guidance was given, we are of the view that subject to sugar prices being maintained at around current levels, this guidance remains achievable at this time.

Mike Barry
Chief Executive Officer

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE STATEMENT

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 OURSELVES ON INTEGRATING THESE INTO THE VALUES OF THE COMPANY AND OUR EMPLOYEES, AS PART OF HOW WE SEEK TO DO BUSINESS ACROSS THE SUGAR INDUSTRY.

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

JAMES JACKSON Age 48

B.COM (UQ), FAICD

Chairman

Independent director

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 together with corporate governance.

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.

ROSS BURNEY Age 39

B.ECON

Independent director

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. He is also a director of Oncard International Limited.

BRETT MOLLER Age 49

BA (ANU), LLB (QUT), MAICD

Independent director

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.

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 54

B.COM(UQ), CA, FAICD

Independent director

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.

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.

JIM HESP Age 70

FAICD

Independent director

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.

He is currently a director of the Australian Sugar Milling Council and Sugar North Limited.

JOHN BURMAN Age 63

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

Independent director

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.

Read more about the directors and executives at www.marysug.com.au

FRAMEWORK AND APPROACH

This statement describes our key corporate governance framework, policies and practices as at 7 March 2011. As this report is being prepared due to a change in financial year it is not as extensive as would normally be our practice. Further information and details on our corporate governance policies and practices can be obtained from our 30 June 2010 Annual Report and from our website at www marysug.com.au.

This statement confirms at the date of this report that the company does have in place the recommendations set by the ASX Corporate Governance Council's under its Corporate Governance Principles and Recommendations (2nd Edition). Under ASX Listed Rules 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 to 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 growing 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.

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 and our website.

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 updated its securities trading policy in December 2010 in line with the requirements of the new ASX Listing Rule which took effect on 1 January 2011.

Remuneration practices

Details of remuneration practices and amounts paid for the period are contained in the Remuneration Report which forms 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 company has made a number of announcements during the period as a result of its activities and a copy of these can be found on 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 website. 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 expanding 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. The season just completed highlighted some of the production risks associated with an agriculture based company but sound policy and practice held us in good stead against difficult harvesting conditions.

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. This confirms 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 safety and environmental 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 employee safety and the environment.

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.

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.

Our community

As both our current main operating businesses are located within regional areas of Queensland, we recognise the importance of participating and supporting our local communities. Whilst we had to make a difficult decision to close the Babinda mill subsequent to balance date in conjunction with our joint venture colleagues, we remain committed to the long term sustainability of our business and the sugar industry generally. It has been a very challenging start to the 2011 year with both floods and cyclones affecting our operations but we recognise that with the support of all levels of government, our growers within the district and local communities we can pursue our objective of being a successful and vibrant integrated sugar business.

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 SIX MONTH PERIOD ENDED 31 DECEMBER 2010.

PRINCIPAL ACTIVITIES

The principal continuing operational activities of the group during the period consisted of growing sugar cane, manufacturing of raw sugar and its subsequent sale. The group also produced and sold molasses as a by-product of the sugar manufacturing process.

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 period ended 31 December 2010 are set out in the table on page 3 of this report. Further information on the operating results is contained in the CEO's review of operations on pages 4 to 7 of this report.

During the period, the group entered into an unincorporated joint venture with Bundaberg Sugar Ltd (BSL). Details of this transaction are included in the Northern Milling Joint Venture section following.

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Northern Milling Joint Venture

On 19 July 2010, the group entered into the Northern Milling Joint Venture (NMJV) Agreement with BSL to establish a 50/50 joint venture of the northern sugar cane milling operations of both parties. The NMJV commenced operations on 1 January 2011 (Effective Date). On execution of the Joint Venture Agreement, the group paid a non-refundable amount of $20 million to BSL as consideration for an entitlement to 50% of the future sugar production of the NMJV from the Effective Date and a call option to acquire BSL's 50% of the NMJV for a $50 million cash payment. As a result of this option, the company has control over the NMJV and therefore will consolidate its results from the Effective Date.

The group exercised the option to acquire BSL's 50% participating interest in the NMJV, effective on 25 February 2011 for a consideration of $50 million (plus settlement adjustments). The NMJV includes the following assets: Mulgrave, Tableland and South Johnstone mills, together with the Babinda and Mourilyan sites.

The NMJV announced on 8 February 2011 its intention to close the Babinda mill, subject to agreement being reached with employees affected by the closure. Agreement has now been reached with these employees and the mill will not be recommencing operations.

At the time this report was authorised for issue, the group had not yet completed the accounting for the acquisition of the NMJV. In particular, the fair values of the assets and liabilities acquired have not yet been finalised.

Capital raisings

On 17 January 2011, shareholder approval was received to issue a further 4,012,916 ordinary shares in the company at $3.15 per share. These shares were issued on 20 January 2011.

On 25 January 2011, the company issued a further 3,484,726 ordinary shares at $3.15 per share under a Share Purchase Plan.

These share issues increased the company's issued capital by approximately $27,690,000 after transaction costs of approximately $930,000.

DIVIDENDS

On 17 February 2011 the directors resolved to declare a fully franked final dividend of 2.5 cents per share (30 June 2010: 4 cents per share). Shareholders have the option to participate in the company's Dividend Reinvestment Plan, for the six months ended 31 December 2010. The directors have declared the Record Date for determining entitlements to this dividend to be 8 March 2011. Payment of this dividend is expected to be made on 31 March 2011.

DIRECTORS

The following persons hold office as directors of The Maryborough Sugar Factory Limited during the financial period 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 the directors can be found on page 8 of this report and on the company's website.

Retiring Directors

J E Burman and W B Moller retire by rotation in accordance with Article 10.3(c) of the company's constitution and, being eligible, offer themselves 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.

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.

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 period ended 31 December 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	15	15	–	–	–	–	1	1	6	6
J E Burman	15	15	–	–	1	1	1	1	6	6
R A Burney	14	15	3	3	–	–	–	–	–	–
J F Hesp	13	14	–	–	–	–	1	1	5	6
W B Moller	15	15	3	3	1	1	–	–	–	–
S J Palmer	14	15	3	3	1	1	–	–	–	–

A Number of meetings attended during the period.
B Number of meetings director was eligible to attend or was a member of the committee during the period.

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 three 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.

Annually, 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 period ended 31 December 2010, the KPIs linked to STI plans were based on company, business unit and individual personal objectives for the year ended 30 June 2010. 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 period. Adjustments to STI's are currently being undertaken to reflect the change in the financial year to December.

The Nomination and Remuneration Committee play an important role by overseeing the assessments made by the CEO of his executives.

LTI's are provided to executives via the OPRP following advice given by external remuneration advisers and the recommendations of the CEO in relation to his executives. These are overseen by the Nomination and Remuneration Committee on behalf of the Board.

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 17 to 20 of this report.

Performance of MSF and executive remuneration

The table below helps illustrate the relationship between the group's EPS growth and payments made under STI's for the previous five years. The current period is not indicated as these assessments are made on an annual basis and the executive remuneration STI payments disclosed in this report are based on assessments by the CEO for the year ended 30 June 2010. Adjustments to executives current STI's are being undertaken to reflect the change in the financial year to December.

YEAR ENDED 30 JUNE	EPS GROWTH %	STI AS % OF TARGET
2006	2892	–
2007	(69)	–
2008	(328)	–
2009	92	81
2010	905	56

In assessing this relationship consideration needs to be given to the cyclical nature of the group's business and the level of Merger and Acquisition activity which has occurred over the prior years.

Over the past five years to 30 June 2010, 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 to 30 June 2010, a profit after tax of $7.0 million was achieved. It was the basis of this result that the STI's assessments were carried out and paid in the current period.

Over this five year timeframe the company has introduced an 'at risk' or bonus system for senior executives 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
- ensuring mills meet commencement dates for crushing operations to commence
- 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 have varied due to the initial introduction of this method of remuneration, the consolidation of the business following a significant acquisition in 2008, movements in executive staff and the deferment of the CEO's STI in 2010 awaiting the outcome of the Northern Milling Joint Venture.

The following table clearly demonstrates that from 1 July 2009 to 31 December 2010, the company's overall performance has been excellent with profits being generated and allowing a resumption of dividend payments to shareholders. The strength of the share price and the additional capital raised over the last eighteen months has seen the market capitalisation of the company grow from $73.5 million at 30 June 2009 to over $200 million at 31 December 2010.

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 and has assisted greatly in the company's performance outcomes.

	DEC[1] 2010	JUN 2010	JUN 2009	JUN 2008	JUN 2007
Profit (loss) before income tax ($'000)	**8,407**	8,704	(5,220)	(7,119)	1,809
Profit (loss) after tax ($'000)	**6,785**	7,015	(783)	(4,734)	1,456
Dividends – relating to the financial period (cents)	**2.5**	6.5	–	–	5.0
Earnings per share	**12.58**	13.85	(1.72)	(22.28)	9.77
Share price at period end	**3.41**	1.72	1.58	2.30	3.12
Number of securities on issue at period end	**61,531,371**	53,235,669	46,493,419	33,637,820	15,000,092
Market Capitalisation at period end ($ million)	**209.8**	91.6	73.5	77.4	46.8

[1] Six month period.

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 where appropriate 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 amount of the base fee took effect from 1 July 2010. Directors' base remuneration is exclusive of committee fees. Committee fees, if applicable, are determined based on the responsibilities of the committee and the individual director's role within that committee, workloads involved and frequency of meetings. Superannuation guarantee contributions are in addition to the determined fee amounts.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit (currently $500,000), which is periodically recommended for approval by shareholders at general meetings of the company. The base director fee level currently stands at $50,000 per non-executive director with the Chairman receiving a remuneration of two times the base director fee as a reflection of his additional workload and responsibilities.

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 8 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

H J Cook Business Development Manager

G B Crimmins Group Manager – Market Risk

T D Crook Agriculture Manager

P I Flanders General Manager – Mulgrave

D F Kaye Property Asset Manager

C L Lobb Company Secretary

B G Mahony General Manager – Sales & Marketing

S W Norton General Manager – Maryborough

No other director has, since the end of the financial period, 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

31 DECEMBER 2010	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS		LONG-TERM BENEFITS	SHARE BASED PAYMENT	
NAME	CASH SALARY & FEES $	CASH BONUS $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	RETIRE-MENT BENEFITS $	LONG SERVICE LEAVE $	OPTIONS[5] $	TOTAL $
J A Jackson[1]	55,000	–	–	4,950	–	–	–	**59,950**
J E Burman	30,000	–	–	2,700	–	–	–	**32,700**
R A Burney[2]	40,555	–	–	1,400	–	–	–	**41,955**
J F Hesp[3]	30,000	–	–	2,700	–	–	–	**32,700**
W B Moller[4]	25,000	–	–	2,250	–	–	–	**27,250**
S J Palmer	30,000	–	–	2,700	–	–	–	**32,700**
Sub-total non-executive directors	**210,555**	**–**	**–**	**16,700**	**–**	**–**	**–**	**227,255**
Other key management personnel								
M J Barry	164,380	110,930	30,791	9,176	–	4,157	106,447	**425,882**
W M Massey	100,481	41,049	6,506	12,500	–	2,500	15,699	**178,735**
H J Cook	83,486	12,055	1,372	7,686	–	2,087	–	**106,686**
G B Crimmins	76,839	16,389	2,727	8,284	–	1,921	7,054	**113,213**
T D Crook	73,903	25,771	8,784	8,548	–	1,848	7,054	**125,908**
P I Flanders	77,636	37,800	24,710	12,250	–	2,019	7,054	**161,469**
D F Kaye	84,863	28,595	1,024	8,461	–	1,872	7,054	**131,869**
C L Lobb	79,960	–	4,000	7,878	–	613	–	**92,450**
B G Mahony	87,245	38,901	–	7,844	–	2,179	7,054	**143,233**
S W Norton	78,436	32,213	10,174	8,140	–	1,961	7,054	**137,978**
Sub-total key management personnel	**907,229**	**343,703**	**90,088**	**90,766**	**–**	**21,156**	**164,470**	**1,617,413**
Total	**1,117,784**	**343,703**	**90,088**	**107,466**	**–**	**21,156**	**164,470**	**1,844,668**

[1] A director-related entity of J A Jackson received $37,500 in consulting fees during the period in addition to the above payments.

[2] Part of R A Burney's fees were paid to his employer. During the period he received an additional ex gratia payment for services provided to the company since his commencement as a director in 2006.

[3] J F Hesp received $1,029,423 in cane payments during the period in addition to the above payments.

[4] W B Moller received cane payments to the value of $8,512 and $1,634 was paid for legal fees to Marino Moller Lawyers, of which Mr W B Moller is a partner.

[5] The value of the share-based payments presented in the table 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 table does not reflect the cash benefit received during the period in respect of share-based payments. Performance rights were granted during the period to M J Barry, (30 June 2010: no options or performance rights were granted or exercised). Refer to Note 36 of the annual financial report for further details.

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

30 JUNE 2010	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS		LONG-TERM BENEFITS	SHARE BASED PAYMENT	
NAME	CASH SALARY & FEES $	CASH BONUS $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	RETIRE-MENT BENEFITS $	LONG SERVICE LEAVE $	OPTIONS[8] $	TOTAL $
Non-executive directors								
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
J F Hesp[4]	49,000	–	–	4,410	–	–	–	53,410
W B Moller	44,000	–	–	3,960	–	–	–	47,960
S J Palmer	45,666	–	–	4,110	–	–	–	49,776
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
H J Cook[5]	43,190	–	–	3,887	–	1,125	–	48,202
G R Clarey[6]	106,045	34,030	7,499	23,456	141,941	–	8,497	321,468
G B Crimmins	138,193	31,785	4,354	28,706	–	3,369	22,528	228,935
T D Crook	132,057	22,088	6,148	25,788	–	3,185	22,528	211,794
P I Flanders	153,824	13,500	25,480	23,940	–	3,757	14,031	234,532
D F Kaye	166,097	24,750	2,159	15,098	–	3,515	22,528	234,148
C L Lobb[7]	24,142	–	–	2,215	–	613	–	26,970
B G Mahony	167,022	10,000	–	9,998	–	4,086	14,031	205,137
S W Norton	141,429	38,593	11,221	30,158	–	3,411	22,528	247,340
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 received 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] H J Cook was appointed on 18 March 2010.

[6] G R Clarey received benefits including accrued annual leave and long service leave upon his retirement on 4 May 2010.

[7] C L Lobb was appointed on 4 May 2010.

[8] The value of the share-based payments presented in the table 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 table does not reflect the cash benefit received during the period in respect of share-based payments. No options or performance rights were granted or exercised during the year ended 30 June 2010. Refer to Note 36 of the annual financial report 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

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

W M Massey Chief Financial Officer

- Appointed 11 August 2008.
- Base salary, inclusive of superannuation and fully maintained motor vehicle, of $225,000 to be reviewed annually by the CEO.

H J Cook Business Development Manager

- Appointed 18 March 2010.
- Base salary, inclusive of superannuation, of $182,000 to be reviewed annually by the CEO.

G B Crimmins Group Manager – Market Risk

- Appointed 21 March 2006.
- Base salary, inclusive of superannuation and fully maintained motor vehicle, of $181,000 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 $172,100 to be reviewed annually by the CEO.

P I Flanders General Manager – Mulgrave

- Appointed 16 February 2009.
- Base salary, inclusive of superannuation and fully maintained motor vehicle, of $200,800 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 $183,200 to be reviewed annually by the CEO.

C L Lobb Company Secretary

- Appointed 4 May 2010.
- Base salary, inclusive of superannuation, of $182,000 to be reviewed annually by the CEO.

B G Mahony General Manager – Sales & Marketing

- Appointed on acquisition of The Mulgrave Central Mill Company Ltd.
- Base salary, inclusive of superannuation, of $190,000 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 $185,300 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:

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

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
01.03.2007	209,420	–	01.03.2010	01.03.2012	2.90	0.9150
11.03.2008	560,000	–	11.03.2011	11.03.2013	2.70	0.8097
30.06.2009	50,000	–	30.06.2011	30.06.2014	2.00	0.4044
30.06.2009	100,000	–	30.06.2012	30.06.2014	2.00	0.4480
30.06.2009	50,000	–	30.06.2013	30.06.2014	2.00	0.4894
30.06.2009	–	43,750	30.06.2011	–	–	1.5809
30.06.2009	–	87,500	30.06.2012	–	–	1.5813
30.06.2009	–	43,750	30.06.2013	–	–	1.5817
20.09.2010	–	45,544	–	24.10.2011	–	2.3742

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 PERIOD		NUMBER OF PERFORMANCE RIGHTS GRANTED DURING THE PERIOD		NUMBER OF OPTIONS VESTED DURING THE PERIOD		NUMBER OF PERFORMANCE RIGHTS VESTED DURING THE PERIOD	
	DEC 2010	JUN 2010	DEC 2010	JUN 2010	DEC 2010	JUN 2010	DEC 2010	JUN 2010
M J Barry	–	–	45,544	–	–	–	–	–
W M Massey	–	–	–	–	–	–	–	–
H J Cook	–	–	–	–	–	–	–	–
G B Crimmins	–	–	–	–	–	–	–	–
T D Crook	–	–	–	–	–	–	–	–
P I Flanders	–	–	–	–	–	–	–	–
D F Kaye	–	–	–	–	–	–	–	–
C L Lobb	–	–	–	–	–	–	–	–
B G Mahony	–	–	–	–	–	–	–	–
S W Norton	–	–	–	–	–	–	–	–

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%

For options issued on 20 September 2010:

- 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: 20 September 2010
- d expiry date: 24 October 2011
- e share price at grant date: $2.45
- f expected price volatility of the company's shares: 36.34% (based on annualised standard deviation for the 1 year period to 20 September 2010)
- g expected dividend yield: 0.0%
- h risk-free rate: 5.057%

No options or performance rights were exercised under the plan during the period to 31 December 2010 (no options or performance rights were granted or 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 an 'at risk' scheme which is linked to performance against key performance indicators.

For each cash bonus and grant of options included in the tables on pages 15 to 20, the percentage of the available bonus or grant that was paid, or that vested, in the financial period, 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.

	CASH BONUS			OPTIONS				
NAME	PAID %	FORFEITED %	FINANCIAL PERIOD/YEAR GRANTED	VESTED %	FORFEITED %	FINANCIAL YEARS IN WHICH OPTIONS MAY VEST	MINIMUM TOTAL VALUE OF GRANT YET TO VEST	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST
M J Barry	80	20	Dec 2010	–	–	2011	–	78,132
M J Barry[1]	–	–	Jun 2010	–	–	–	–	–
M J Barry	80	20	2009	–	–	–	–	–
M J Barry	100	–	2008	–	–	2011–2013	–	28,572
W M Massey	79	21	Dec 2010	–	–	–	–	–
W M Massey	69	31	Jun 2010	–	–	–	–	–
W M Massey	–	–	2009	–	–	2011–2013	–	42,562
H J Cook	100	–	Dec 2010	–	–	–	–	–
G B Crimmins	42	59	Dec 2010	–	–	–	–	–
G B Crimmins	78	22	Jun 2010	–	–	–	–	–
G B Crimmins	80	20	2009	–	–	2011–2013	–	18,447
T D Crook	68	32	Dec 2010	–	–	–	–	–
T D Crook	57	43	Jun 2010	–	–	–	–	–
T D Crook	75	25	2009	–	–	2011–2013	–	18,447
P I Flanders	80	20	Dec 2010	–	–	–	–	–
P I Flanders	75	25	Jun 2010	–	–	–	–	–
P I Flanders	–	–	2009	–	–	2011–2013	–	18,447
D F Kaye	70	30	Dec 2010	–	–	–	–	–
D F Kaye	60	40	Jun 2010	–	–	–	–	–
D F Kaye	95	5	2009	–	–	2011–2013	–	18,447
C L Lobb[2]	–	–	Dec 2010	–	–	–	–	–
B G Mahony	88	12	Dec 2010	–	–	–	–	–
B G Mahony	–	–	Jun 2010	–	–	–	–	–
B G Mahony	80	20	2009	–	–	2011–2013	–	18,447
S W Norton	76	24	Dec 2010	–	–	–	–	–
S W Norton	93	7	Jun 2010	–	–	–	–	–
S W Norton	70	30	2009	–	–	2011–2013	–	18,447

[1] Not applicable as deferred until post 30 June 2010 for assessment over 18 month period.
[2] Not applicable as no STI applied due to employee's commencement date of 4 May 2010.

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	25.0	–	–	–
W M Massey	8.8	–	–	–
H J Cook	–	–	–	–
G B Crimmins	6.2	–	–	–
T D Crook	5.6	–	–	–
P I Flanders	4.4	–	–	–
D F Kaye	5.3	–	–	–
C L Lobb	–	–	–	–
B G Mahony	4.9	–	–	–
S W Norton	5.1	–	–	–

A The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current period.

B The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the period as part of remuneration.

C The value at exercise date of options that were granted as part of remuneration and were exercised during the period, 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 period because a vesting condition was not satisfied.

OTHER MATTERS

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 2) and CEO's Report on Operations (pages 4 to 7) in this report.

Further information on likely developments in the operations of the group and the expected results of operations have not been included in this 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 period 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 Board of Directors Corporate Governance Statement (refer to pages 9 and 10 in this report).

INSURANCE OF OFFICERS

During the financial period, The Maryborough Sugar Factory Limited paid premiums on behalf of the group to insure the directors and senior officers of the group.

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 group, or to intervene in any proceedings to which the group is a party, for the purpose of taking responsibility on behalf of the group for all or part of those proceedings.

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

ENVIRONMENTAL REGULATIONS

The group is subject to environmental regulations in respect of its milling and farming operations. During the period there were no breaches of any regulation that directors are aware and the relevant authorities are provided with the necessary documentation as required.

ROUNDING OF AMOUNTS

The group 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 22 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 group is 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 in Note 32 of the annual financial 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.

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 period and which has not been dealt with elsewhere in this Report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Refer to Note 37 in the annual financial report for the period ended 31 December 2010 for these details.

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

James A Jackson
Chairman
Maryborough, 17 March 2011

AUDITOR'S INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

As lead auditor for the audit of The Maryborough Sugar Factory Limited for the period ended 31 December 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.

Simon Neill
Partner
PricewaterhouseCoopers

17 March 2011

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ANNUAL FINANCIAL REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2010
THE MARYBOROUGH SUGAR FACTORY LIMITED ABN 11 009 658 708

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 Maryborough Sugar Factory Limited has opted to change its year end reporting from 30 June to 31 December, commencing 1 July 2010. As a result the group is presenting annual financial statements for a six month period, 1 July 2010 to 31 December 2010.

This change in year end reporting will enable The Maryborough Sugar Factory Limited to align its financial year profits and cash flow with the underlying sugar cane harvest season.

The financial statements are 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 4 to 7 and in the directors' report on pages 8 to 21 neither of which are part of these financial statements.

The financial statements were authorised for issue by the directors on 17 March 2011. 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

FOR THE PERIOD ENDED 31 DECEMBER 2010

	NOTES	SIX MONTHS TO 31 DEC 2010 $'000	TWELVE MONTHS TO 30 JUN 2010 $'000
Revenue	5	**94,616**	159,807
Other income	6	**103**	169
Movement in valuation of biological assets	16	**(2,190)**	856
Changes in inventories of finished goods and work in progress		**13,995**	1,226
Cost of cane and other materials used		**(60,447)**	(102,607)
Distribution costs		**(11,470)**	(13,952)
Employee benefits expense		**(15,235)**	(22,421)
Depreciation and amortisation expense	7	**(2,286)**	(2,939)
Finance costs		**(2,075)**	(2,963)
Other administrative costs	8	**(5,781)**	(7,052)
Other expenses		**(823)**	(1,420)
Profit before income tax expense		**8,407**	8,704
Income tax (expense)	9	**(1,622)**	(1,689)
Net profit attributable to owners		**6,785**	7,015

		CENTS	CENTS
Earnings per share for profit attributable to the ordinary owners of the company			
Basic earnings per share	10	**12.58**	13.85
Diluted earnings per share	10	**12.49**	13.80

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER 2010

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
Net profit attributable to owners		**6,785**	7,015
Other comprehensive income			
Tax on realisation of revalued assets		–	77
Tax adjustment on prior period land revaluation		–	152
Changes in the fair value of cash flow hedges		**(31,575)**	33,190
Profit on revaluation of available for sale assets, net of tax		–	1,580
Other comprehensive (loss) income for the period, net of tax		**(31,575)**	34,999
Total comprehensive (loss) income for the period		**(24,790)**	42,014

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2010

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
Current assets			
Cash and cash equivalents	12	**24,314**	22,695
Trade and other receivables	13	**16,923**	4,044
Inventories	14	**29,183**	15,260
Derivative financial instruments	15	**13,102**	6,665
Other financial assets	17	**7,700**	–
Biological assets	16	**2,101**	4,291
Other current assets		**1**	12
Total current assets		**93,324**	52,967
Non-current assets			
Trade and other receivables	18	**71**	44
Inventories	14	**1,199**	1,284
Available for sale financial assets	20	**37,803**	36,408
Property, plant and equipment	21	**113,817**	114,538
Intangible assets	22	**3,456**	3,456
Derivative financial instruments	15	**184**	2,353
Other non-current assets	17	**142**	169
Total non-current assets		**156,672**	158,252
Total assets		**249,996**	211,219
Current liabilities			
Trade and other payables	23	**26,515**	9,990
Interest bearing liabilities	24	**3,072**	4,215
Current tax liabilities		**–**	997
Provisions	25	**2,173**	2,076
Derivative financial instruments	15	**24,230**	5,059
Total current liabilities		**55,990**	22,337
Non-current liabilities			
Trade and other payables	23	**2,222**	2,296
Interest bearing liabilities	24	**36,884**	29,686
Derivative financial instruments	15	**4,294**	1,086
Deferred tax liabilities	26	**2,490**	5,938
Provisions	27	**378**	292
Total non-current liabilities		**46,268**	39,298
Total liabilities		**102,258**	61,635
Net assets		**147,738**	149,584
Equity			
Contributed equity	28	**116,033**	91,123
Reserves	29a	**5,475**	36,886
Retained profits	29b	**26,230**	21,575
Total equity		**147,738**	149,584

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2010

	NOTES	CONTRIBUTED EQUITY $'000	RESERVES $'000	RETAINED EARNINGS $'000	TOTAL $'000
31 DECEMBER 2010 – CONSOLIDATED					
Balance at 1 July 2010		91,123	36,886	21,575	**149,584**
Total comprehensive income for the period		–	(31,575)	6,785	**(24,790)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs		24,910	–	–	**24,910**
Dividends paid	11	–	–	(2,130)	**(2,130)**
Employee share options – value of employee services		–	164	–	**164**
Total		**24,910**	**164**	**(2,130)**	**22,944**
Balance at 31 December 2010		**116,033**	**5,475**	**26,230**	**147,738**
30 JUNE 2010 – CONSOLIDATED					
Balance at 1 July 2009		77,922	1,809	15,607	95,338
Total comprehensive income for the period		–	34,999	7,015	42,014
Realisation of revalued assets, net of tax		–	(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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2010

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**80,128**	173,063
Payments to suppliers and employees (inclusive of goods and services tax)		**(82,988)**	(154,430)
		(2,860)	18,633
Interest received		**355**	1,404
Dividends received		**1,344**	5,502
Interest paid		**(2,058)**	(3,027)
Income tax (paid)		**(1,011)**	–
Net cash (outflow) inflow from operating activities	30	**(4,230)**	22,512
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,680)**	(4,807)
Payments for intangible assets		**–**	(48)
Proceeds from available for sale financial assets return of capital		**–**	1,618
Payments for available for sale financial assets		**(1,395)**	(43)
Payment in respect of Northern Milling Joint Venture		**(20,000)**	–
Loan repayments from unrelated parties		**(26)**	277
Proceeds from sale of property, plant & equipment		**115**	728
Net cash outflow from investing activities		**(22,986)**	(2,275)
Cash flows from financing activities			
Proceeds from issue of shares		**25,280**	13,485
Share issue costs		**(1,047)**	(283)
Proceeds from borrowings		**7,000**	34,378
Repayment of borrowings		**(945)**	(43,583)
Dividends paid		**(1,453)**	(1,331)
Net cash inflow from financing activities		**28,835**	2,666
Net increase in cash held		**1,619**	22,903
Cash at the beginning of the financial period		**22,695**	(208)
Cash at the end of the financial period	12	**24,314**	22,695

The above consolidated cash flow statement 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 periods 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 comply 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 financial 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.

Change in year end

The Maryborough Sugar Factory Limited has opted to change its year end from 30 June to 31 December, commencing 1 July 2010. Notwithstanding the fact that a complete set of financial statements (including comparatives) is to be completed at least annually the group is presenting financial statements for a six month period, 1 July 2010 to 31 December 2010. As a result of this change, the amounts presented in the financial statements are not entirely comparable.

This change in year end will enable The Maryborough Sugar Factory Limited to align its financial year profits and cash flow with the underlying sugar cane harvest season.

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 31 December 2010 and the results of all subsidiaries for the period 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.

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

d Foreign currency translations

The functional and presentation currency is Australian dollars.

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 period 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 other comprehensive income.

e Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e Revenue recognition (continued)

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

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 either accounting profit or taxable profit or loss.

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

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

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

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

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

Tax Consolidation Legislation

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

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

Investment allowances

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

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-existing 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 at 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.

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.

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 Trade 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, using the effective interest method, 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

ii Loans and receivables

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

iii 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.

iv 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 end of the reporting period.

Recognition and derecognition

Sales of financial assets are recognised on trade-date, the date on which the group commits to sell the asset. Financial assets 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.

Measurement

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

Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently 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 other comprehensive income.

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 hedging 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.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

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 reclassified to 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).

The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

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 not 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 revenue or other expenses.

q Property, plant and equipment

Land and buildings are shown at fair value (apart from industrial land which is carried 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, with depreciation on mill assets being allocated to the crush season.

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q Property, plant and equipment (continued)

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 Intangible assets

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 period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

t Interest bearing liabilities

Interest bearing liabilities 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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.

Interest bearing liabilities are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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 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.

iv Termination benefits

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

x Contributed equity

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

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 period but not distributed at the end of the reporting period.

z Earnings per share

i Basic earnings per share

Basic earnings per share are 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 on issue during the financial period.

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 statements. 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 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ac Parent entity financial information (continued)

ii Tax consolidated legislation (continued)

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 period. 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.

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 31 December 2010 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

i AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular 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. In the current reporting period, the group recognised no such revaluation gains in other comprehensive income.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The group has not yet decided when to adopt AASB 9.

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 (MRC) under policies approved by the Board of directors. The Board provides guidance for overall risk management, as well as policies covering specific areas, such as price risk, foreign exchange risk, interest rate risk, credit risk and the use of derivative financial instruments and non-derivative financial instruments.

a Market risk

i Available for sale assets price risk

The group's share holdings in Sugar Terminals Limited (STL) are designated as available for sale (AFS) assets, and are carried at fair value.

The company considers the market for STL shares to remain inactive on the basis that trading volumes are very low and declining year on year (volumes are below 2% over consecutive years), and that restrictions are in place on who can hold STL shares.

Therefore, the STL shares are valued using a discounted cash flow analysis (DCF), incorporating observable market inputs. The DCF calculation has been calculated on the following assumptions which results in a fair value of $0.785 cents per share, (30 June 2010-$0.785):

ASSUMPTIONS	31 DEC 2010	30 JUN 2010
Future expected dividends	**5.5**	5.5
Inflation rate	**2.5**	2.5
Nominal pre-tax discount rate	**9.46**	9.40

The table below summarises the impact of increases/decreases on the group's equity. The analysis is based on the assumption that the future expected dividends had increased/decreased by 5% with all other assumptions held constant.

	IMPACT ON ASSETS	
	31 DEC 2010 $'000	30 JUN 2010 $'000
Increase in expected future dividend of 5%	**1,821**	1,815
Decrease in expected future dividend of 5%	**(1,821)**	(1,815)

ii 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 profit after tax and 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.

	IMPACT ON PROFIT AFTER TAX		IMPACT ON EQUITY	
	31 DEC 2010 $'000	30 JUN 2010 $'000	31 DEC 2010 $'000	30 JUN 2010 $'000
Increase of 5% sugar price	**(118)**	53	**(785)**	153
Decrease of 5% sugar price	**118**	(53)	**785**	(153)

ii Foreign Exchange Risk

The group is exposed to fluctuations in the U.S. Dollar (USD) against the Australian Dollar (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 end of reporting period 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 an increase in equity and vice versa.

	IMPACT ON EQUITY	
	31 DEC 2010 $'000	30 JUN 2010 $'000
AUD strengthened by 5% against USD	**141**	(62)
AUD weakened by 5% against USD	**(141)**	62

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

a Market risk (continued)

iv Cash flow and fair value interest rate risk

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 31 December 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.

	31 DEC 2010		30 JUN 2010	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'000	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'000
Bank overdrafts and bank loans	**7.68**	**36,501**	7.17	26,500

An analysis of securities is provided in Note 24e.

The table below summarises the impact of increases/decreases in interest rates on the group's post-tax profit for the period. The analysis is based on the assumption that interest rates had increased/decreased by 1%. The group also holds variable rate cash on deposit.

	IMPACT ON PROFIT AFTER TAX	
	31 DEC 2010 $'000	30 JUN 2010 $'000
Increase in interest rates of 1%	**(71)**	(72)
Decrease in interest rates of 1%	**71**	72

b Credit risk

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

All derivative transactions are executed with financial institutions with 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.

	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
31 DECEMBER 2010						
Non-derivatives						
Non-interest bearing	24,685	–	–	–	**24,685**	**24,685**
Variable rate	5,265	36,862	–	–	**42,127**	**39,500**
Fixed rate	105	105	343	–	**553**	**456**
Total non-derivatives	**30,055**	**36,967**	**343**	**–**	**67,365**	**64,641**
Derivatives						
– (inflow)	(13,102)	(19)	(165)	–	**(13,286)**	**(13,286)**
– outflow	24,230	3,452	842	–	**28,524**	**28,524**
Total derivatives	**11,128**	**3,433**	**677**	**–**	**15,238**	**15,238**
30 JUNE 2010						
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)

d Fair value measurement

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.

AASB 7 *Financial Instruments: Disclosures* 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 assets or liabilities that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the group's assets and liabilities measured and recognised at fair value at 31 December 2010 and 30 June 2010.

	NOTES	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
31 DECEMBER 2010					
Assets					
Derivatives used for hedging	15	–	13,286	–	**13,286**
Available for sale financial assets	20b	–	–	37,803	**37,803**
Other financial assets	17	–	–	7,700	**7,700**
Total assets		**–**	**13,286**	**45,503**	**58,789**
Liabilities					
Derivatives used for hedging	15	–	28,524	–	**28,524**
Total liabilities		**–**	**28,524**	**–**	**28,524**
30 JUNE 2010					
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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and quoted 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 31 December 2010; (30 June 2010: nil).

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives, available for sale securities, and options) 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 following table provides a reconciliation of the group's Level 3 assets measured and recognised at fair value at 31 December 2010.

LEVEL 3 ASSETS	TOTAL $'000
Available for sale assets and other financial assets	
At 31 December 2010	
Opening net book amount 1 July 2010	**36,408**
Plus Purchases	**9,095**
Less Disposals	**–**
Gain/(Loss) changes in fair value	**–**
Closing net book amount 31 December 2010	**45,503**

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, as at 31 December 2010; (30 June 2010: nil).

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	31 DEC 2010 $'000	30 JUN 2010 $'000
Ordinary share capital	28	**116,033**	91,123
Add: Financial liabilities			
Trade and other payables	23	**24,684**	8,385
Interest bearing liabilities	24	**39,956**	33,901
Total financial liabilities		**64,640**	42,286
Less: Financial assets			
Cash and cash equivalents	12	**(24,314)**	(22,695)
Trade and other receivables	13	**(3,017)**	(2,337)
Available for sale financial assets	20	**(37,803)**	(36,408)
Other financial assets	17	**(7,700)**	–
Total financial assets		**(72,834)**	(61,440)
Total net debt and capital		**107,839**	71,969

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a Standing crops valuation

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

b Water allocation valuation

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

c Property, plant and equipment valuation

With the exception of non-industrial land and farm buildings, property, 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-generative units when testing for impairment.

d Land Valuation

In valuing the group's non-industrial 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).

The company has used these valuations; its knowledge of the local market and recent sales transactions in arriving at the view that the fair value of non-industrial land included in the financial statements is appropriate.

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:

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

Refer to Note 20b for further information.

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
  3,600,000 tonnes – 4,600,000 tonnes
- sugar price
  $460 – $515 (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.

Inter-segment 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.

	NOTES	SUGAR MILLING $'000	CANE FARMING $'000	SUGAR TERMINALS LIMITED INVESTMENT $'000	OTHER $'000	TOTAL $'000
31 DECEMBER 2010						
Segment revenue						
Revenue from external customers		92,740	532	1,344	–	94,616
Intersegmental sales		–	4,769	–	–	4,769
Total sales revenue		92,740	5,301	1,344	–	99,385
Total segment revenue		**92,740**	**5,301**	**1,344**	**–**	**99,385**
Intersegmental elimination						(4,769)
Consolidated revenue						**94,616**
Segment result						–
Segment result		12,898	(1,176)	742	(189)	12,275
Unallocated Revenue less Unallocated expenses						(3,868)
Profit before income tax						**8,407**
Income tax expense						(1,622)
Profit for the period						**6,785**
Segment assets and liabilities						
Segment assets		**95,915**	**63,582**	**37,687**	**77**	**197,261**
Unallocated assets						52,735
Total assets						**249,996**
Segment liabilities	4i	**41,774**	**6,706**	**20,000**	**–**	**68,480**
Unallocated liabilities	4ii					33,778
Total liabilities						**102,258**
Other segment information						
Acquisition of property, plant and equipment		1,342	465	–	1	1,808
Acquisitions of available for sale financial assets		–	–	1,395	–	1,395
Depreciation and amortisation expense		1,870	416	–	–	2,286

	NOTES	SUGAR MILLING $'000	CANE FARMING $'000	SUGAR TERMINALS LIMITED INVESTMENT $'000	OTHER $'000	TOTAL $'000
4 SEGMENT REPORTING (CONTINUED)						
30 JUNE 2010						
Segment revenue						
Revenue from external customers		153,470	835	5,502	–	159,807
Intersegmental sales		–	5,186	–	–	5,186
Total sales revenue		153,470	6,021	5,502	–	164,993
Total segment revenue		**153,470**	**6,021**	**5,502**	**–**	**164,993**
Intersegmental elimination						(5,186)
Consolidated revenue						**159,807**
Segment result						
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 expense						**(1,689)**
Profit for the period						**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
Acquisitions of available for sale financial assets		–	43	–	–	43
Depreciation and amortisation expense		2,185	754	–	–	2,939

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
i Segment liabilities			
Derivative financial liabilities		**28,524**	6,145
Plant and equipment loan facility		**455**	929
Farm loan facilities		**6,251**	6,472
Cash advance line		**6,250**	6,500
Working capital facility		**7,000**	–
STL facility		**20,000**	20,000
		68,480	40,046
ii Unallocated liabilities			
Current liabilities			
Trade and other payables		**26,515**	9,990
Current tax liabilities		**–**	997
Provisions		**2,173**	2,076
		28,688	13,063
Non-current liabilities			
Trade and other payables		**2,222**	2,296
Deferred tax liabilities		**2,490**	5,938
Provisions		**378**	292
		5,090	8,526
Unallocated liabilities		**33,778**	21,589
5 REVENUE			
Revenue from operating activities			
Proceeds from sugar sales		**77,881**	167,952
Commodity related risk management activities		**5,270**	(37,575)
Net foreign exchange hedging gains		**3,294**	12,272
Proceeds from molasses sales		**4,463**	7,496
Proceeds from other operating activities		**733**	699
Revenue from operating activities		**91,641**	150,844
Other revenue			
Lease revenue		**279**	398
Interest revenue		**326**	1,432
Dividends received		**1,344**	5,502
Rebates and allowances		**240**	457
Marketing and other recoveries		**–**	431
Contract works revenue		**–**	16
Other		**786**	727
		2,975	8,963
		94,616	159,807

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
6 OTHER INCOME			
Net gain on disposal of property, plant and equipment		**32**	29
Government grants*		**71**	140
		103	169
* *Government grants include Australian Government SIRP funding for Regional and Community Partnership projects and Regional Partnerships Program funding as well as Queensland Government funding under Sugar Industry Innovation Fund. There are no unfulfilled conditions or other contingencies attached to these grants.*			
7 EXPENSES			
Profit before income tax includes the following specific expenses:			
Depreciation and amortisation:			
Buildings		**123**	242
Plant and equipment		**2,163**	2,694
Infrastructure contribution		**–**	3
		2,286	2,939
Net loss on disposal of property, plant and equipment		**35**	–
Finance costs – interest and finance charges		**2,075**	2,963
Rental expense relating to operating leases – minimum lease payments		**139**	235
Defined contribution superannuation expense		**1,185**	1,934
Research and development expenditure		**14**	222
8 OTHER ADMINISTRATIVE COSTS			
Accounting, audit, legal and other professional fees		**2,103**	2,982
Insurance		**421**	833
Motor vehicle expenses (including registrations)		**230**	252
Computer software		**156**	272
Rates and land taxes		**461**	499
Telephone, internet and facsimile expenses		**96**	195
Travelling		**267**	328
Joint Venture – stamp duty		**1,036**	–
Other		**1,011**	1,691
		5,781	7,052

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
9 INCOME TAX			
a Income tax expense			
Current tax		**–**	997
Deferred tax		**1,609**	535
Adjustment for current tax of prior periods		**13**	157
Income tax attributable to profit from operating activities		**1,622**	1,689
Deferred income tax expense included in income tax expense comprises:			
(Increase) decrease in deferred tax assets		**(211)**	863
Increase (decrease) in deferred tax liabilities		**1820**	(328)
Increase in adjustment for current tax prior periods		**13**	157
		1622	692
b Reconciliation of income tax expense to prima facie tax payable			
Profit from ordinary activities before income tax		**8,407**	8,704
Tax effect at 30% (30 June 2010: 30%)		**2,522**	2,611
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Research and development		**(17)**	(16)
Non-deductible expenses		**7**	11
Share-based payments		**49**	108
Investment allowance		**(27)**	(140)
Tax offset for franked dividends		**(576)**	(1,127)
Adjustment for current tax of prior periods		**13**	157
Other items and adjustments		**(349)**	85
Income tax expense		**1,622**	1,689
c Tax losses			
Unused tax losses for which no deferred tax asset has been recognised		**23,753**	23,753
Potential tax benefit at 30%		**7,126**	7,126

	NOTES	31 DEC 2010 CENTS	30 JUN 2010 CENTS
10 EARNINGS PER SHARE			
Basic earnings per share		**12.58**	13.85
Diluted earnings per share		**12.49**	13.80

	31 DEC 2010 NUMBER	30 JUN 2010 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	**53,924,829**	50,667,297
Adjustments for calculation of diluted earnings per share:		
Options	**395,544**	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	**54,320,373**	50,817,297
Changes in the number of issued shares are set out in Note 28.		

	31 DEC 2010 $'000	30 JUN 2010 $'000
11 DIVIDENDS		
a A dividend of 4 cents per share was paid during the period ended 31 December 2010 (June 2010 – 2.5 cents)	**2,129**	1,331
b Balance of franking credits available to frank future dividends based on a tax rate of 30%	**6,113**	5,537
The above amounts represent the balance of the franking account at the end of the financial period, 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 period.		
c Dividends not recognised at period end:	**1,726**	2,129
Since period end the directors have declared a fully-franked dividend of 2.5 cents per share (June 2010 – 4.0 cents). The aggregate amount of the dividend expected to be paid on 31 March 2011 out of retained profits at 31 December, but not recognised as a liability at period end.		
12 CURRENT ASSETS – CASH AND CASH EQUIVALENTS		
Cash on hand and at bank	**24,314**	22,695
	24,314	22,695
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.		
13 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES		
Other current receivables	**3,017**	2,337
Prepayments	**13,906**	1,707
	16,923	4,044

Other current receivables as at 31 December 2010 are non-interest bearing.

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
14 INVENTORIES			
Raw sugar, molasses and sugar in progress, at cost		**27,622**	13,504
Stores and mill supplies, at cost*		**2,779**	3,060
Less provision for diminution in value		**(19)**	(20)
		30,382	16,544
Current		**29,183**	15,260
Non-current		**1,199**	1,284
		30,382	16,544
** 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.*			
15 DERIVATIVE FINANCIAL INSTRUMENTS			
Current assets			
Sugar price hedge assets		**8,880**	6,648
Sugar options assets		**1,155**	–
Foreign exchange hedge assets		**3,067**	17
		13,102	6,665
Current liabilities			
Sugar price hedge liabilities		**(23,085)**	(3,805)
Sugar options liabilities		**(1,118)**	–
Foreign exchange hedge liabilities		**(27)**	(1,254)
		(24,230)	(5,059)
Non-current assets			
Sugar price hedge assets		**184**	2,353
		184	2,353
Non-current liabilities			
Sugar price hedge liabilities		**(4,294)**	(1,086)
		(4,294)	(1,086)

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.

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.

b Risk exposure

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

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
16 CURRENT ASSETS – BIOLOGICAL ASSETS			
Standing crops			
Carrying value at beginning of period		**4,291**	3,435
Net (losses) gains arising from changes in quantity of standing crop and in fair value less estimated point of sale costs		**(2,190)**	856
Carrying value at end of period		**2,101**	4,291

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:

ASSUMPTIONS	31 DEC 2010	30 JUN 2010
Crop size (tonnes)	187,506	170,873
CCS (sugar content)	13.16	13.50
Final sugar price (per IPS tonne)	$450	$435
Nominal pre-tax discount rate*	24.90%	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% ($450 to $428) the carrying value at 31 December 2010 for the group would decrease by $254,104 to $1,846,523.

	CONSOLIDATED	
	31 DEC 2010 $'000	30 JUN 2010 $'000
17 OTHER CURRENT ASSETS		
Other financial assets*	**7,700**	–
Borrowing costs	**62**	62
Less provision for amortisation	**(61)**	(24)
Infrastructure contribution	**150**	150
Less provision for amortisation	**(8)**	(7)
	7,843	181
**Option valuation in respect of Northern Milling Joint Venture.*		
Current	**7,701**	12
Non-current	**142**	169
	7,843	181
18 NON-CURRENT ASSETS – RECEIVABLES		
Loans to growers/employees (secured)*	**70**	44
	70	44

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

		CONSOLIDATED		PARENT ENTITY	
	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000	31 DEC 2010 $'000	30 JUN 2010 $'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 Company Ltd	19f	**–**	–	**54,429**	54,429
M.S.F. North Pty Ltd	19g	**–**	–	**–**	–
		–	–	**71,533**	71,533
		–	–	**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 (30 June 2010 – $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 (30 June 2010 – $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 (30 June 2010 – $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 (30 June 2010 – $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 (30 June 2010 – $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 (30 June 2010–$54,429,672).

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 (30 June 2010 – $10).

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
20 NON-CURRENT ASSETS – AVAILABLE FOR SALE FINANCIAL ASSETS			
At beginning of period		**36,408**	36,365
Additions		**1,395**	43
Return of capital payment		**–**	(1,618)
Revaluation surplus transfer to equity	29a	**–**	1,618
At end of period		**37,803**	36,408
Listed securities		**27,210**	27,048
Unlisted securities		**10,593**	9,360
		37,803	36,408

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 (30 June 2010 – $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 (30 June 2010 – $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 (30 June 2010 – $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 (30 June 2010 – $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 (30 June 2010 – $42,900).

b Other available for sale financial assets

The group holds investments in Sugar Terminals Limited, 'G' class shares and 'M' class shares at the carrying value of $37,687,126. 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 inputs 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:

ASSUMPTIONS	31 DEC 2010	30 JUN 2010
Future expected dividends per share per year	**5.5 cents**	5.5 cents
Inflation rate per year	**2.5%**	2.5%
Nominal pre-tax discount rate	**9.46%**	9.40%

The fair value of 'G' and 'M' class shares at 31 December 2010 was $0.785 per share (30 June 2010: $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

	NOTES	INDUSTRIAL LAND $'000	OTHER FREEHOLD LAND $'000	BUILDINGS $'000	PLANT & EQUIPMENT $'000	MOBILE EQUIPMENT $'000	TOTAL $'000
Period 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
Period Ended 31 December 2010							
Opening net book amount		8,358	58,412	7,860	35,902	4,006	**114,538**
Additions		–	148	75	1,391	194	**1,808**
Disposals		–	–	–	(139)	(104)	**(243)**
Depreciation charge	21b	–	–	(123)	(1,751)	(412)	**(2,286)**
Closing net book amount		**8,358**	**58,560**	**7,812**	**35,403**	**3,684**	**113,817**
At 31 December 2010							
Cost or fair value		8,358	58,560	10,350	80,596	9,875	**167,739**
Accumulated depreciation		–	–	(1,838)	(29,893)	(6,191)	**(37,922)**
Write-down of assets		–	–	(700)	(15,300)	–	**(16,000)**
Net book amount		**8,358**	**58,560**	**7,812**	**35,403**	**3,684**	**113,817**

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'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		**1,906**	2,305

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

c A valuation of the group's land portfolio was carried out by independent valuers as at 31 December 2010. In valuing the group's land assets, the valuers have made certain assumptions based on recent sales data and their knowledge of the relevant market in the local area. The independent valuation for these assets supports the current carrying value of $66.9 million.

The company has used these valuations; its knowledge of the local market and recent sales transactions in arriving at the view that the fair value of non-industrial land included in the financial statements is appropriate.

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	31 DEC 2010 $'000	30 JUN 2010 $'000
Other freehold land			
Cost		**31,504**	31,356
		31,504	31,356
Buildings			
Cost		**9,891**	9,816
Accumulated depreciation		**(1,837)**	(1,715)
Write-down of assets		**(700)**	(700)
		7,354	7,401
22 INTANGIBLE ASSETS			
a Water allocations			
Balance at the beginning of the financial period		**2,096**	2,048
Additions		**–**	48
Balance at the end of the financial period		**2,096**	2,096
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 period		**1,360**	1,360
Additions	3c	**–**	–
Balance at the end of the financial period		**1,360**	1,360
Total		**3,456**	3,456

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
23 TRADE AND OTHER PAYABLES			
Current			
Trade payables		**24,338**	8,212
Other payables		**346**	173
Employee entitlements		**1,689**	1,465
Deferred income – grants		**142**	140
		26,515	9,990
Non-current			
Other payables		**1**	2
Deferred income – grants		**2,221**	2,294
		2,222	2,296
24 INTEREST BEARING LIABILITIES			
Current – secured			
Commercial bill facility	24a	**–**	3,707
Operating facility	24c	**3,000**	–
Other loan facilities	24b	**72**	508
		3,072	4,215
Non-current – secured			
Loan facilities	24b	**36,884**	29,686
		36,884	29,686
Total		**39,956**	33,901
Unrestricted access was available at balance date to the following lines of credit:			
Total facilities			
Flexible finance facility – commercial bill		**–**	4,000
Operating facility		**3,000**	3,500
Bank overdraft facility		**11,000**	7,500
Loan facilities		**36,956**	33,901
		50,956	48,901
Used at end of reporting period		**39,956**	33,901
Unused at end of reporting period		**11,000**	15,000
Facilities used at end of reporting period			
Operating facility		**3,000**	–
Loan facilities		**36,956**	33,901
		39,956	33,901
Facilities unused at end of reporting period			
Flexible finance facility – commercial bill		**–**	4,000
Operating facility		**–**	3,500
Bank overdraft facility		**11,000**	7,500
		11,000	15,000

24 INTEREST BEARING LIABILITIES (CONTINUED)

a The bank overdraft facility may be drawn at any time and has a termination date of 3 January 2012. Interest rate on the overdraft facility is variable.

b The loan facilities are in the form of commercial bill lines. The terms of the five facilities are:

- Cash Advance Facility expiring 3 January 2012
- 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 Company Limited has elected to reduce the working capital requirements of $20 million to $3 million. This reduced facility terminates on 31 March 2011 or the date on which the facility limit is cancelled in full, or permanently reduced to zero.

d Post 31 December 2010 and as a consequence of exercising the option to acquire the Bundaberg Sugar Limited assets that were included in the joint venture arrangements, the group has reviewed its finance facilities. New finance facilities are being finalised with three banks. A summary of these facilities is as follows:

- Term Debt – $75 million, $5 million repayable April 2012 and April 2013, remainder repayable April 2014
- Working Capital Debt – $50 million available until April 2012.

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 Company Limited 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	31 DEC 2010 $'000	30 JUN 2010 $'000
Current			
Floating charge			
Cash and cash equivalents	12	**24,314**	22,695
Receivables	13	**16,923**	4,044
Inventories	14	**29,183**	15,260
Biological assets	16	**2,101**	4,291
Other financial assets	17	**7,700**	–
Other current assets	17	**1**	12
Total current assets pledged as security		**80,222**	46,302
Non-current			
First mortgage			
Freehold land and buildings	21	**59,765**	59,355
Fixed charge			
Freehold land and buildings	21	**14,964**	15,275
Plant and equipment and mobile equipment	21	**23,824**	24,780
Available for sale financial assets	20	**7,533**	7,462
		46,321	47,517
Floating charge			
Receivables	18	**70**	44
Inventories	14	**1,199**	1,284
Available for sale financial assets	20	**30,270**	28,946
Plant and equipment and mobile equipment	21	**15,264**	15,128
Intangible assets	22	**2,096**	2,096
Other non-current assets	17	**142**	169
		49,041	47,667
Total non-current assets pledged as security		**155,127**	154,539
Total assets pledged as security		**235,349**	200,841

f Interest rate risk exposures

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

	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	TOTAL CONTRACTUAL CASH FLOWS $'000
31 December 2010 Financial Liabilities								
Payables	23	–	–	–	–	24,685	**24,685**	**24,685**
Interest bearing liabilities	24	3,071	36,577	308	–	–	**39,956**	**42,680**
		3,071	**36,577**	**308**	**–**	**24,685**	**64,641**	**67,365**
Average interest rate (%)		**7.88**	**8.19**	**8.36**	**7.17**	**–**		
30 June 2010 Financial Liabilities								
Payables	23	–	–	–	–	8,387	8,387	8,387
Interest bearing liabilities	24	4,215	4,067	12,619	13,000	–	33,901	41,884
		4,215	4,067	12,619	13,000	8,387	42,288	50,271
Average interest rate (%)		7.46	7.43	7.33	7.17	–		

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
25 CURRENT LIABILITIES – PROVISIONS			
Employee entitlements		**2,173**	2,076
26 NON-CURRENT LIABILITIES / ASSETS – DEFERRED TAX (LIABILITIES) ASSETS			
The balance comprises temporary differences attributable to:			
Amounts recognised in the income statement			
Biological assets		**(671)**	(1,287)
Other inventories		**–**	(56)
Accrued expenses		**2,184**	1,120
Depreciation		**(201)**	(1,411)
Employee entitlements		**1,272**	1,150
Deferred income – grants		**709**	730
Professional fees		**1,440**	1,156
Realised cash flow hedge transactions		**(1,894)**	3,336
Other		**269**	(22)
		3,108	4,716
Amounts recognised directly in equity			
Revaluation of property, plant and equipment		**(9,249)**	(9,249)
Revaluation of available for sale financial assets		**(226)**	(226)
Derivative financial instruments		**3,877**	(1,179)
		(5,598)	(10,654)
Net deferred tax		**(2,490)**	(5,938)
Movements			
Balance at the beginning of the period		**(5,938)**	3,535
Credited to the income statement		**(1,622)**	(1,689)
Prior period adjustment		**14**	–
Current tax liability		**–**	997
Credited (charged) to equity		**5,056**	(8,781)
Balance at the end of the period		**(2,490)**	(5,938)

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
27 NON-CURRENT LIABILITIES – PROVISIONS			
Employee entitlements		**378**	292

	31 DEC 2010 NUMBER	31 DEC 2010 $'000	30 JUN 2010 NUMBER	30 JUN 2010 $'000
28 CONTRIBUTED EQUITY				
a Issued Capital				
Fully paid ordinary shares	**61,531,371**	**116,033**	53,235,669	91,123

The company does not have 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
31.12.08	**Balance**		**46,493,419**		**77,922**
10.11.09	Share placement	i	6,500,000	$2.00	12,753
16.12.09	Share purchase plan	ii	242,250	$2.00	448
30.06.10	**Balance**		**53,235,669**		**91,123**
30.09.10	Dividend reinvestment plan	iii	269,871	$2.50	672
20.12.10	Share placement	iv	8,025,831	$3.15	24,238
31.12.10	**Balance**		**61,531,371**		**116,033**

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

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

iii On 30 September 2010, a total of 269,871 shares were issued under the company's dividend reinvestment plan increasing the company's issued capital by $671,264.

iv On 20 December 2010, a total of 8,025,831 shares were issued following a private placement increasing the company's issued capital by $24,238,103 after transaction costs of $1,043,265.

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
29 RESERVES AND RETAINED EARNINGS			
a Reserves			
Property, plant and equipment revaluation reserve	29c i	**22,727**	22,727
Available for sale financial assets revaluation reserve	29c ii	**1,878**	1,878
Cashflow hedge reserve	29c iii	**(20,457)**	11,119
Share-based payments reserve	29c iv	**1,327**	1,162
		5,475	36,886

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
29 RESERVES AND RETAINED EARNINGS (CONTINUED)			
Movements			
i Property, plant and equipment revaluation reserve			
Balance 1 July 2010		**22,727**	22,781
Realisation of revalued assets		**–**	(284)
Deferred tax		**–**	229
Balance 31 December 2010		**22,727**	22,727
ii Available for sale financial assets revaluation reserve			
Balance 1 July 2010		**1,878**	298
Revaluation	20	**–**	1,618
Deferred tax		**–**	(38)
Balance 31 December 2010		**1,878**	1,878
iii Cashflow hedge reserve			
Balance 1 July 2010		**11,119**	(22,071)
Revaluation – gross		**(26,189)**	28,847
Ineffective hedging transactions		**1,295**	1,059
Realised (losses) gains		**(10,067)**	12,256
Deferred tax		**3,385**	(8,972)
Balance 31 December 2010		**(20,457)**	11,119
iv Share-based payments reserve			
Balance 1 July 2010		**1,163**	801
Options and performance rights expense		**164**	362
Balance 31 December 2010		**1,327**	1,163
b Retained Earnings			
Balance 1 July 2010		**21,575**	15,607
Dividend paid		**(2,130)**	(1,331)
Net profit attributable to members		**6,785**	7,015
Realisation of revalued assets, net of tax		**–**	284
Balance 31 December 2010		26,230	21,575

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 financial assets 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 financial assets revaluation reserve, as described in Note 1o. Amounts are recognised in the income statement when the associated assets are sold or impaired.

iii Cashflow 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 recognise the grant date fair value of options issued to employees but not exercised.

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
30 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES			
Profit after income tax		**6,785**	7,015
Depreciation and amortisation		**2,286**	2,939
Unrealised loss (profit) on sugar option contracts		**977**	(222)
Unrealised loss on ineffective hedging activities		**1,650**	1,059
Cashflow hedge settlements		**(21,149)**	12,256
Net loss (profit) on sale of non-current assets		**3**	(29)
Rights/options issues		**164**	362
Other		**–**	(47)
Decrease (increase) in standing crops		**2,190**	(856)
Change in operating assets and liabilities			
Decrease (increase) in interest receivable		**30**	(28)
(Increase) decrease in trade and other debtors		**(709)**	1,802
Decrease (increase) in prepayments		**101**	(367)
(Increase) in inventories		**(13,837)**	(1,726)
Decrease in other current assets		**37**	11
Increase (decrease) in trade and other creditors		**16,519**	(1,411)
Increase in provisions		**183**	65
(Decrease) increase in current tax liabilities		**(997)**	997
Increase in deferred tax liability		**1,608**	692
(Decrease) increase in deferred income – grants		**(71)**	–
Net cash (outflow) inflow from operating activities		**(4,230)**	22,512

31 COMMITTED EXPENDITURE

a Committed Expenditure

As at 31 December 2010, the group had contractual commitments in the next year for the acquisition of property, plant and equipment totalling $101,443 (30 June 2010: $191,047). These commitments are not recognised as liabilities as the relevant assets have not yet been received. The parent entity has no contractual commitments beyond the twelve month period. Refer to Note 38d.

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
Within one year		**101**	191
Later than one year but not later than 5 years		**–**	–
Later than 5 years		**–**	–
		101	191

b Operating Leases

The group 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	31 DEC 2010 $'000	30 JUN 2010 $'000
Within one year		**252**	232
Later than one year but not later than 5 years		**779**	797
Later than 5 years		**1,769**	1,863
		2,800	2,892

There are no other material commitments as at 31 December 2010 which have not been provided for in these financial statements.

	NOTES	31 DEC 2010 $	30 JUN 2010 $
32 REMUNERATION OF AUDITORS			
During the year the following fees were paid or payable for services provided by the auditor of the company and non-related audit firms:			
PricewaterhouseCoopers			
a Assurance Services			
Audit services			
Audit and review of financial reports (annual and half year)		**238,466**	310,254
Other assurance services			
Due diligence services		**51,345**	366,177
Total remuneration for assurance services		**289,811**	676,431
b Taxation Services			
Tax compliance services, including review of company income tax returns		**58,026**	122,600
Total remuneration for taxation services		**58,026**	122,600
c Other Services			
Hedge accounting review		**20,000**	–
Total remuneration for other services		**20,000**	–
d Non-PricewaterhouseCoopers audit firms			
Total remuneration of non-PricewaterhouseCoopers audit firms		**10,475**	19,740

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
33 KEY MANAGEMENT PERSONNEL DISCLOSURES			
a Key management personnel compensation			
Short-term employee benefits		**1,552**	2,180
Post-employment benefits		**107**	385
Other long term employee benefits		**21**	35
Share-based payments		**164**	362
		1,844	2,962

Detailed remuneration disclosures are provided in sections A to C of the remuneration report on pages 12 to 20.

33 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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 17 to 20.

ii Options and performance rights holdings

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

NAME	BALANCE AT START OF THE PERIOD	GRANTED AS COMPENSATION	EXERCISED	OTHER CHANGES	BALANCE AT END OF THE PERIOD	VESTED AND EXERCISABLE	UNVESTED
31 DECEMBER 2010							
M J Barry	560,000	45,544	–	–	605,544	–	**605,544**
C L Lobb	–	–	–	–	–	–	**–**
W M Massey	200,000	–	–	–	200,000	–	**200,000**
S W Norton	25,000	–	–	–	25,000	–	**25,000**
P I Flanders	25,000	–	–	–	25,000	–	**25,000**
T D Crook	25,000	–	–	–	25,000	–	**25,000**
G B Crimmins	25,000	–	–	–	25,000	–	**25,000**
B G Mahony	25,000	–	–	–	25,000	–	**25,000**
D F Kaye	25,000	–	–	–	25,000	–	**25,000**
H J Cook	–	–	–	–	–	–	**–**
30 JUNE 2010							
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

iii Shareholdings

The number of shares in the company held during the financial period 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:

NAME	BALANCE AT START PERIOD	ACQUISITIONS DURING PERIOD	DISPOSALS DURING PERIOD	BALANCE AT END PERIOD
31 DECEMBER 2010				
Directors				
J A Jackson	840,000	–	–	**840,000**
J E Burman	10,000	160	–	**10,160**
R A Burney	15,000	240	–	**15,240**
S J Palmer	–	–	–	
J F Hesp	344,202	5,507	–	**349,709**
W B Moller	71,151	1,138	–	**72,289**
Other key management personnel				
M J Barry	–	–	–	**–**
C L Lobb	–	–	–	**–**
H J Cook	–	–	–	**–**
W M Massey	–	–	–	**–**
S W Norton	4,000	–	–	**4,000**
P I Flanders	–	–	–	**–**
T D Crook	2,690	–	–	**2,690**
G B Crimmins	–	–	–	**–**
B G Mahony	–	–	–	**–**
D F Kaye	–	–	–	**–**

NAME	BALANCE AT START PERIOD	ACQUISITIONS DURING PERIOD	DISPOSALS DURING PERIOD	BALANCE AT END PERIOD
33 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)				
iii Shareholdings (continued)				
30 JUNE 2010				
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	800	–	800	**–**
C L Lobb	–	–	–	**–**
H J Cook	–	–	–	**–**
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	–	–	–	**–**

c Other transactions with key management personnel

During the period, a director-related entity of Mr J A Jackson, a director, was engaged by the group, on normal commercial terms, to conduct work on certain projects. Consulting fees of $37,500 (30 June 2010: $9,000) were paid in respect of this work.

During the period Dr J E Burman, a director, did not receive any Consulting fees (30 June 2010: $9,000).

During the period, related entities of Mr J F Hesp, a director, were contracted with the group, on normal commercial terms, to deliver cane. Cane payments to the value of $1,029,423 (30 June 2010: $1,518,772) were paid in respect of these deliveries. No Consulting fees were paid to conduct work on projects this period (30 June 2010: $9,000).

During the period related entities of Mr W B Moller, a director, were contracted with the group, on normal commercial terms, to deliver cane, and conduct work on certain projects. Cane payments to the value of $8,512 (30 June 2010: $20,648) were paid in respect to the deliveries of cane and legal fees of $1,634 (30 June 2010: $78,117) 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 12.

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	31 DEC 2010 $'000	30 JUN 2010 $'000
35 EMPLOYEE BENEFITS			
Employee benefits and related on-cost liabilities			
Provision of employee benefits –			
Current	23,25	**3,862**	3,541
Non-current	27	**378**	292
Aggregate employee benefit liability		**4,240**	3,833
Employee numbers		**Employees**	Employees
Number of employees at balance date		**245**	312
(30 June 2010 employee numbers include seasonal workers)			

Employees' superannuation funds

The group 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 group contributes the amounts required either by the fund rules or by the legislation, whichever is the greater.

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 group's executives to deliver long-term shareholder returns. Under the plan, participants are granted options and performance rights which only vest if certain performance standards are met. Participation in the plan is at the discretion of the Board. The chief executive officer, Mr 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:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE $	FAIR VALUE PER OPTION $	BALANCE AT START OF PERIOD	GRANTED DURING PERIOD	EXERCISED DURING PERIOD	LAPSED DURING PERIOD	BALANCE AT END OF PERIOD	VESTED & EXERCISABLE AT END OF PERIOD
31 DECEMBER 2010									
18.11.2006	18.11.2011	–	–	–	–	–	–	–	–
01.03.2007	01.03.2012	–	–	–	–	–	–	–	–
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	150,000	–	–	–	150,000	–
20.09.2010	24.10.2011	0.00	2.3742	–	45,544	–	–	45,544	–
Total at 31 December 2010				**910,000**	**45,544**	**–**	**–**	**955,544**	**–**
30 JUNE 2010									
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**	**–**

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 period ended 30 June 2010 or the period ended 31 December 2010.

36 SHARE-BASED PAYMENTS (CONTINUED)

During the period, no performance rights lapsed.

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.

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%

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%

For options issued on 20 September 2010

- 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: 20 September 2010
- d expiry date: 24 October 2011
- e share price at grant date: $2.45
- f expected price volatility of the company's shares: 36.34% (based on annualised standard deviation for the 1 year period to 20 September 2010)
- g expected dividend yield: 0.0%
- h risk-free rate: 5.057%

Expenses arising from share-based payment transactions

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

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
Options and performance rights issued under OPRP		**164**	362

37 EVENTS OCCURRING AFTER BALANCE SHEET DATE

Northern Milling Joint Venture

On 19 July 2010, the company entered into the Northern Milling Joint Venture (NMJV) Agreement with Bundaberg Sugar Ltd (BSL) to establish a 50/50 joint venture of the northern sugar cane milling operations of both parties. The NMJV commenced operations on 1 January 2011 (Effective Date). On execution of the Joint Venture Agreement, the company paid a non-refundable amount of $20 million to BSL as consideration for an entitlement to 50% of the future sugar production of the NMJV from the Effective Date and a call option to acquire BSL's 50% of the NMJV for a $50 million cash payment. As a result of this option, MSF has control over the NMJV and therefore will consolidate its results from the Effective Date.

The company exercised the option to acquire BSL's 50% participating interest in the NMJV, effective on 25 February 2011 for a consideration of $50 million (plus settlement adjustments). The NMJV includes the following assets: Mulgrave, Tableland and South Johnstone Mills, together with the Babinda and Mourilyan Sites.

The NMJV announced on 8 February 2011 its intention to close the Babinda Mill, subject to agreement being reached with employees affected by the closure. Agreement has now been reached with these employees and the mill will not be recommencing operations.

At the time this report was authorised for issue, the group had not yet completed the accounting for the acquisition of the NMJV. In particular, the fair values of the assets and liabilities acquired have not yet been finalised.

Capital Raisings

On 17 January 2011, shareholder approval was received to issue a further 4,012,916 ordinary shares in the company at $3.15 per share. These shares were issued on 20 January 2011.

On 25 January 2011, the company issued a further 3,484,726 ordinary shares at $3.15 per share under a Share Purchase Plan.

These share issues increased the company's issued capital by approximately $27,690,000 after transaction costs of approximately $930,000.

Dividend Declaration

Since the end of the financial period, directors have declared a fully franked final dividend of 2.5 cents per share (30 June 2010: 4 cents per share). Shareholders have the option to participate in the company's Dividend Reinvestment Plan, for the six months ended 31 December 2010. The directors have declared the Record Date for determining entitlements to this dividend to be 8 March 2011. Payment of this dividend is expected to be made on 31 March 2011.

Finance Facilities

As a consequence of exercising the option to acquire the Bundaberg Sugar Limited assets that were included in the joint venture arrangements, the group has reviewed its finance facilities. New finance facilities are being finalised with three banks. A summary of these facilities is as follows:

- Term Debt – $75 million, $5 million repayable April 2012 and April 2013, remainder repayable April 2014
- Working Capital Debt – $50 million available until April 2012.

38 PARENT ENTITY FINANCIAL INFORMATION

a Summary financial information

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

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
Balance sheet			
Current assets		**57,582**	29,246
Total assets		**221,115**	185,951
Current liabilities		**32,521**	13,922
Total liabilities		**75,051**	52,247
Shareholders' equity			
Contributed equity		**116,033**	91,123
Reserves			
Property, plant and equipment revaluation reserve		**22,502**	22,502
Available for sale financial assets revaluation reserve		**2,267**	2,267
Cash flow hedge reserve		**(9,922)**	8,724
Share-based payments reserve		**1,162**	1,162
Retained earnings		**14,022**	7,926
		146,064	133,704
Loss for the period		**(4,203)**	(2,523)
Total comprehensive (loss)/income		**(18,811)**	17,609

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 31 December 2010 or 30 June 2010. For information about guarantees given by the parent entity, refer to Note 38b.

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

As at 31 December 2010, the parent entity had contractual commitments for the acquisition of property, plant and equipment totalling $101,443 (30 June 2010: $191,047). These commitments are not recognised as liabilities as the relevant assets have not yet been received. Refer to Note 31a.

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 earnings

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 earnings for the period ended 31 December 2010 of the Closed Group consisting of The Maryborough Sugar Factory Limited and The Mulgrave Central Mill Company Limited.

INCOME STATEMENT	NOTES	SIX MONTHS TO 31 DEC 2010 $'000	TWELVE MONTHS TO 30 JUN 2010 $'000
Revenue		**93,948**	156,671
Other income		**71**	171
Movement in valuation of biological assets		**(1,314)**	480
Changes in inventories of finished goods and work in progress		**13,995**	1,226
Cost of cane and other materials used		**(61,268)**	(102,663)
Distribution costs		**(11,470)**	(13,953)
Employee benefits expense		**(15,176)**	(22,302)
Depreciation and amortisation expense		**(2,232)**	(2,824)
Finance costs		**(2,075)**	(2,963)
Other administrative costs		**(5,608)**	(6,754)
Other expenses		**(809)**	(1,409)
Profit before income tax expense		**8,062**	5,680
Income tax (expense)		**(1,714)**	(1,367)
Net profit attributable to owners		**6,348**	4,313
Summary of movements in consolidated retained earnings			
Retained earnings at the beginning of the financial period		**18,499**	15,233
Profit for the period		**6,348**	4,313
Realisation of revalued assets		**–**	284
Dividends provided for or paid		**(2,129)**	(1,331)
Retained earnings at the end of the financial period		**22,718**	18,499

39 DEED OF CROSS GUARANTEE (CONTINUED)

b Balance Sheet

Set out below is a consolidated balance sheet as at 31 December 2010 of the Closed Group consisting of The Maryborough Sugar Factory Limited and The Mulgrave Central Mill Company Limited.

	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
Current assets			
Cash and cash equivalents		**24,314**	22,665
Trade and other receivables		**19,793**	7,988
Inventories		**29,183**	15,261
Derivative financial instruments		**13,102**	6,665
Biological assets		**1,612**	2,926
Other current assets		**1**	12
Total current assets		**88,005**	55,517
Non-current assets			
Trade and other receivables		**45**	7
Inventories		**1,199**	1,284
Other financial assets		**24,804**	17,104
Available for sale financial assets		**19,576**	18,344
Property, plant and equipment		**109,380**	110,093
Intangible assets		**3,213**	3,213
Other non-current assets		**142**	169
Derivative financial instruments		**184**	2,353
Total non-current assets		**158,543**	152,567
Total assets		**246,548**	208,084
Current liabilities			
Trade and other payables		**26,591**	10,209
Interest bearing liabilities		**3,072**	4,215
Tax liabilities		**–**	997
Provisions		**2,173**	2,076
Derivative financial instruments		**24,230**	5,059
Total current liabilities		**56,066**	22,556
Non-current liabilities			
Trade and other payables		**2,182**	2,252
Interest bearing liabilities		**36,884**	29,686
Derivative financial instruments		**4,294**	1,086
Deferred tax liabilities		**2,346**	5,530
Provisions		**378**	292
Total non-current liabilities		**46,084**	38,846
Total liabilities		**102,150**	61,402
Net assets		**144,398**	146,682
Equity			
Contributed equity		**116,033**	91,123
Reserves		**5,647**	37,060
Retained profits		**22,718**	18,499
Total equity		**144,398**	146,682

DIRECTORS' DECLARATION

In the directors' opinion:

a the financial statements and Notes set out on pages 23 to 70 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 group's and the consolidated entity's financial position as at 31 December 2010 and of their performance for the financial period ended on that date;

b there are reasonable grounds to believe that the group 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 12 to 20 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 in accordance with a resolution of the directors.

J A Jackson
Chairman

Maryborough, 17 March 2011

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 31 December 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 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 period's end or from time to time during the financial period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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pwc

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

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the period 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.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the period ended 31 December 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 period ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Simon Neill
Partner

17 March 2011

STATEMENT OF SHAREHOLDINGS

Twenty largest shareholders at 7 March 2011

	NAME	ORDINARY SHARES HELD	HELD TO ISSUED CAPITAL %
1	MITR SIAM INTERNATIONAL PTE LTD	13,102,302	18.98
2	NATIONAL NOMINEES LIMITED	6,766,879	9.80
3	CITICORP NOMINEES PTY LIMITED	3,326,964	4.82
4	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	2,368,693	3.43
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,492,541	2.16
6	BERNE NO 132 NOMINEES PTY LTD <353342 ACCOUNT>	1,477,356	2.14
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,326,875	1.92
8	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	1,096,576	1.59
9	LIPPO SECURITIES NOMINEES (BVI) LTD <CLIENT A/C>	1,029,000	1.49
10	MIRRABOOKA INVESTMENTS LIMITED	948,715	1.37
11	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	879,103	1.27
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	755,739	1.09
13	GPG NOMINEES PTY LTD	727,003	1.05
14	ANZ TRUSTEES LIMITED <QUEENSLAND COMMON FUND A/C>	384,164	0.56
15	CS FOURTH NOMINEES PTY LTD	365,000	0.53
16	MR THOMAS EDWARD BRADDOCK	350,637	0.51
17	HEGFORD PTY LTD	350,162	0.51
18	AUSTOCK NOMINEES PTY LTD <CUSTODIAN A/C>	312,262	0.45
19	EVELIN INVESTMENTS PTY LTD	310,000	0.45
20	MR VINCENT ANGELO REGHENZANI AND MRS OLIVIA DIANA REGHENZANI	305,612	0.44

Distribution as at 7 March 2011

RANGES	INVESTORS	SECURITIES	ISSUED CAPITAL %
1 to 1000	350	141,374	0.21
1001 to 5000	667	1,970,673	2.85
5001 to 10000	394	3,014,729	4.37
10001 to 100000	676	18,152,091	26.30
100001 and Over	69	45,750,146	66.28
Total	2,156	69,029,013	100.00
Unmarketable parcels	114	2,264	0.00

Quoted Securities

Quoted Securities – 69,029,013 ordinary shares as at 7 March 2011.

There are 2,156 registered shareholders as at 7 March 2011.

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 – 955,544 options and performance rights are held by 8 executives as at 7 March 2011.

Restricted Securities

As at 7 March 2011, the company has on issue 32,800 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 7 March 2011, 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
Mitr Phol Sugar Corporation and Its Associates	10,695,757	18.98
Telstra Super	4,786,145	7.78
Perpetual Limited	4,532,869	6.57

FIVE YEAR STATISTICS

CANE HARVEST SEASON

	2010	2009	2008	2007	2006
Sugar Cane					
Cane crushed					
Maryborough region (tonnes)	**538,214**	661,606	614,549	626,583	917,884
Sunshine coast region (tonnes)	**36,946**	25,862	–	17,690	67,347
Mulgrave region (tonnes)	**1,116,341**	1,078,704	1,083,216	–	–
Total cane crushed (tonnes)	**1,691,500**	**1,766,172**	**1,697,765**	**644,273**	**985,231**
Area harvested (ha)					
Maryborough region (ha)	**8,036**	9,809	9,657	9,434	11,892
Sunshine coast region (ha)	**435**	230	–	313	830
Mulgrave region (ha)	**13,156**	12,843	13,096	–	–
Total area harvested (ha)	**21,628**	**22,882**	**22,753**	**9,747**	**12,722**
Tonnes cane/ha					
Maryborough region tonnes cane/ha	**66.97**	67.45	63.64	66.42	77.18
Sunshine coast region tonnes cane/ha	**84.87**	112.44	–	56.52	81.14
Mulgrave region tonnes cane/ha	**84.85**	83.99	82.71		
Total tonnes cane/ha	**78.21**	**77.19**	**74.62**	**66.42**	**77.18**
Sugar					
Sugar production					
Maryborough region (tonnes)	**72,554**	94,742	83,109	78,296	127,595
Sunshine coast region (tonnes)	**2,455**	2,313	–	1,474	4,792
Mulgrave region (tonnes)	**137,015**	160,681	158,028	–	–
Total sugar produced (tonnes)	**212,024**	**257,736**	**241,137**	**79,770**	**132,387**
CCS (units)					
Maryborough region CCS (units)	**13.20**	14.05	13.47	12.45	13.49
Sunshine coast region CCS (units)	**11.38**	13.94	–	13.26	11.91
Mulgrave region CCS (units)	**11.79**	14.35	14.07		
Company Plantations					
Cane harvested (tonnes)					
Maryborough region (tonnes)	**112,324**	122,499	59,888	70,477	108,662
Isis region (tonnes)	**1,602**	434	1,351	–	–
Mulgrave region (tonnes)	**18,529**	13,747	15,659	–	–
Area harvested (ha)					
Maryborough region (ha)	**1,689**	1,878	1,125	975	1,325
Isis region (ha)	**37**	7	22	–	–
Mulgrave region (ha)	**300**	243	221	–	–

CANE HARVEST SEASON (CONTINUED)

	2010	2009	2008	2007	2006
CCS (units)					
Maryborough region (units)	**13.14**	14.12	13.38	12.49	12.99
Isis region (units)	**13.82**	14.90	13.85	–	–
Mulgrave region (units)	**10.01**	12.34	11.64	–	–
Company Leased Farms					
Cane harvested (tonnes)	**39,025**	76,081	88,301	108,126	137,001
Area harvested (ha)	**679**	1,157	1,557	1,427	1,769
Sugar Price ($/tonne)	**455.99**	427.73	331.11	261.96	366.51

FINANCIAL DATA

Financial Period	DEC 10	2009/10	2008/09	2007/08	2006/07
Revenue ($'000)	**94,616**	159,807	138,402	27,007	49,345
Profit (loss) after tax ($'000)	**6,785**	7,015	(783)	(4,734)	1,456
Dividend out of the period's profits (cents/share)	**2.5**	6.5	–	–	5.0
Earnings/share (cents)	**12.58**	13.85	(1.72)	(22.28)	9.77
NTA backing ($/share)	**2.34**	2.74	1.98	2.80	2.14
Share Price ($) – high	**3.75**	2.50	2.35	3.28	3.20
– low	**1.68**	1.64	1.35	2.30	2.50

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 1300 554 474 (Toll free)
T +61 2 8280 7454 (Outside Australia)
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 Friday 20 May 2011 commencing at 11.00am.

The venue will be The Mulgrave Rambler, Gordon Street, Gordonvale, Queensland.

Key dates

31 DECEMBER 2010	End of financial period
8 MARCH 2011	Record date for determining entitlements to dividend
31 MARCH 2011	Payment of dividend
20 MAY 2011	Annual General Meeting
30 JUNE 2011	End of interim financial period

CORPORATE DIRECTORY

DIRECTORS

J A Jackson
Chairman, Non-executive

J E Burman
Non-executive director

R A Burney
Non-executive director

J F Hesp
Non-executive director

W B Moller
Non-executive director

S J Palmer
Non-executive director

EXECUTIVES

M J Barry
Chief Executive Officer

W M Massey
Chief Financial Officer

H J Cook
Business Development Manager

G B Crimmins
Group Manager – Market Risk

T D Crook
Agriculture Manager

P I Flanders
General Manager – Mulgrave

D F Kaye
Property Asset Manager

C L Lobb
Company Secretary

B G Mahony
General Manager – Sales & Marketing

S W Norton
General Manager – Maryborough

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SHARE REGISTER

Please quote your Holder Identification Number (HIN) or Security Reference Number (SRN) on all communication with the share registry.

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1300 554 474 (Toll free)
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Brisbane
Queensland 4000

BANKERS

Westpac Banking Corporation
Macquarie Group Limited
Rabobank

AUDITOR

PricewaterhouseCoopers
Chartered Accountants
Riverside Centre
123 Eagle Street
Brisbane
Queensland 4000

Stock Exchange Listing
Australian Securities Exchange code: MSF
www.asx.com.au

MSF website
www.marysug.com.au
Visit this site if you wish to register for email alerts about MSF.

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