There’s more to our business than just sugar
We also produce renewable energy

Pictured: We completed the construction of our 38 megawatt Racecourse Cogeneration Plant in September 2012 and commenced the export of renewable energy from the plant to the national electricity grid two months later (November 2012). See Business on page 34 for further information. To find out more about the various other products we create from sugarcane, see page 6.
About us

Who we are and what we do

We are Australia’s second largest sugar milling company with over 130 years’ experience. We are a farmer-owned company with three operating milling sites in Mackay - Farleigh, Marian and Racecourse, and one in Far North Queensland – Mossman (which we acquired on 4 June 2012). Our Corporate Office is located in Mackay, at Racecourse Mill.

Mackay Sugar was formed as a co-operative in 1988, when five formerly independent milling co-operatives (Marian, Racecourse, Cattle Creek, North Eton and Farleigh mills) merged and acquired Pleystowe Mill from CSR Limited. As part of our strategy for greater efficiency, the North Eton, Cattle Creek and Pleystowe mills were closed in 1988, 1990 and 2009 respectively and their plant and equipment integrated into the remaining mills.

The need to be flexible and to maximise our business opportunities led shareholders to vote in favour of converting Mackay Sugar Limited to an unlisted public company in July 2008.

Our revenue base includes raw and refined sugar, molasses and electricity (made from the sugar by-product - bagasse). From the sugar manufacturing process, we also produce mill mud, which is distributed to our growers and applied to their cane paddocks as a beneficial soil conditioner.

For more information on our products see page 6.

We hold a 25% interest in the Sugar Australia Joint Venture, comprising Sugar Australia and New Zealand Sugar Company. Wilmar (previously known as Sucrogen) holds the remaining 75% stake in these refining businesses. Products from the joint venture’s three refineries, located at Mackay’s Racecourse Mill, Yarraville in Victoria and Auckland, are marketed by Sugar Australia Limited and New Zealand Sugar Company.

As at 31 May 2013, we employed 765 people across a variety of roles to carry out our operations. These include all planning, procurement, information technology, human resources, accounting, administrative, trade, technical and processing roles. Approximately 310 people are employed on a seasonal basis to assist permanent staff with our crushing season (May–November) operations. The 2012 season saw our total employee numbers rise to approximately 952. See People pages 53 to 63 for more details.

The above information and content within this report reflects our business as at 31 May 2013; please visit our website at www.mkysugar.com.au for a current status of our Company.
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We’ve included these handy navigation tabs to make it quicker and easier for you to navigate this year’s annual report.
Our highlights and challenges for the year ended 31 May 2013

Our highlights
- Our net profit before income tax was $16.3 million (a $28.8 million improvement over the $12.5 million loss incurred last year). See pages 19 and 107.
- Successfully commissioned Racecourse Cogeneration Plant – our first large-scale renewable energy project. See page 35.
- Milled a total of 5.6Mt and 508,867t of cane in Mackay and Mossman respectively (2011 season: 4.3Mt; 411,012t). See page 25.
- Produced 888,491t of raw sugar across our operations (2011 season: 558,180t) See page 30.
- Yielded an average of 80.6t/ha and 71.6t/ha in Mackay and Mossman respectively (2011 season: 60.3t/ha; 56.2t/ha). See page 25.
- A total of 803 ha and 571 ha of new land committed to cane production in Mackay and Mossman region respectively. See page 27.
- Cogeneration Efficiency Project undertaken, with completion of Marian No3 Boiler Upgrade at 96.6% and other sub-projects at 74.9% as at 31 May 2013. See page 36.
- Average sugar price of A$441.01 per IPS tonne. See page 39.
- Completed review of marketing activities and received Board approval for January 2014 implementation of new marketing company - Queensland Commodity Services Pty Ltd. See page 39.
- Introduced quarterly Community Update in Mackay. See page 68.
- $12.4 million received as share of combined profit from SAJV and NZSC (2011: $8.9 million). See pages 19 and 43.
- Implemented a Reward and Recognition Program for our people. See page 55.
- Held inaugural Mackay Sugar Classical in the Cane Fields. See page 67.
- Introduced quarterly Community Update in Mackay. See page 68.

Our challenges
- Unseasonal wet weather and resulting wet field conditions attributed to increased outside lost time during the 2012 season. See page 31.
- Two unfortunate incidents occurred during the season, whereby a member of the public was fatally injured by one of our locomotives travelling to Hampten from Marian and a locomotive collision incident took place within the Marian cane transport network. See page 26.
- A total of 13 lost time injuries (LTIs) were recorded within our Mackay operations during the year (2012: 7), and 7 LTIs within our Mossman operations. See page 61.
- In preparation for the anticipated poor 2014 crop and low sugar prices, we structured our organisation in May 2013, which resulted in a reduction of 35 salary positions. See page 55.

Five-year summary

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tonnes cane milled</strong></td>
<td>5,222,449</td>
<td>5,289,031</td>
<td>4,555,765</td>
<td>4,182,422</td>
<td>6,125,002</td>
</tr>
<tr>
<td><strong>Tonnes sugar produced (IPS)</strong></td>
<td>756,225</td>
<td>797,315</td>
<td>605,175</td>
<td>558,180</td>
<td>888,491</td>
</tr>
<tr>
<td><strong>Operating revenue</strong></td>
<td>299,706</td>
<td>400,818</td>
<td>315,217</td>
<td>296,997</td>
<td>406,689</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>121,514</td>
<td>160,361</td>
<td>135,366</td>
<td>125,870</td>
<td>181,856</td>
</tr>
<tr>
<td><strong>Net interest expense</strong></td>
<td>5,214</td>
<td>3,809</td>
<td>4,210</td>
<td>6,317</td>
<td>8,078</td>
</tr>
<tr>
<td><strong>Net profit after tax</strong></td>
<td>6,251</td>
<td>44,279</td>
<td>502</td>
<td>(12,520)</td>
<td>16,311</td>
</tr>
<tr>
<td><strong>Net operating cash flow</strong></td>
<td>1,581</td>
<td>79,221</td>
<td>119</td>
<td>10,848</td>
<td>16,390</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>360,508</td>
<td>402,599</td>
<td>414,299</td>
<td>434,767</td>
<td>562,683</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>179,165</td>
<td>143,642</td>
<td>183,379</td>
<td>210,954</td>
<td>283,702</td>
</tr>
<tr>
<td><strong>Net assets / Total equity</strong></td>
<td>181,343</td>
<td>258,950</td>
<td>230,920</td>
<td>223,813</td>
<td>278,981</td>
</tr>
<tr>
<td><strong>Capital expenditure</strong></td>
<td>17,087</td>
<td>31,604</td>
<td>30,890</td>
<td>56,255</td>
<td>54,540</td>
</tr>
</tbody>
</table>
There’s more to our business than just sugar

- Sugarcane from our growers
- Our mills
- Raw sugar
- Molasses
- Electricity
- Mill mud/ash
- Our farmers’ cane fields
- Livestock feed
- Export
- Ethanol plant
- National electricity grid
- Our mills and Racecourse Refinery (Mackay)
- Racecourse Refinery (Mackay)

Pictured: Cane is hauled to the siding for delivery to the mill.
The year in review

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Pictured: Racecourse Mill at sunset, with advanced cane in the foreground. Racecourse Mill is home to our first large-scale renewable energy plant, Racecourse Cogeneration Plant, which was completed in September 2012.
The year in review

Mackay Sugar Annual Report 2013

Chairman’s review

The past year has delivered a number of positive outcomes for our Company. In June 2012, we celebrated the acquisition of the Mossman Mill (in Far North Queensland) and, in September 2012, the completion of the Racecourse Cogeneration Plant - our first large-scale renewable energy plant. Combined with a reasonable crop of 5.6 million tonnes (Mt) and 508,867 tonnes (t) in Mackay and Mossman respectively (2011 season: 4.2Mt; 411,012t), these outcomes have assisted us to turn our business around during the year, to create a profit of $16.3 million. This is a $28.8 million improvement on the $12.5 million loss recorded in the 2012 financial year. See The Year in review on page 19 and Business on page 35 for further details.

Growing our milling sector

Our acquisition of Mossman Central Mill’s milling and related assets was completed on 4 June 2012 at a cost of $25.3 million. The transaction involved our Company issuing Mossman Central Mill approximately $11.3 million in shares (approximately 3.3% of the issued capital of Mackay Sugar), and refinancing $13 million in debt. This was a key accomplishment for the Company during the year, as the Mossman Mill has contributed to the growth of our core business.

Growing the future cane supply

In line with our Strategic Plan, cane supply growth remains vital to the future of our Company. Since the introduction of a dedicated Cane Development Business Plan, in December 2011, we have seen a positive response to cane development initiatives, via yield improvement and increased area under cane.

Throughout the year, we continued to implement various grower support schemes aimed at increasing our area under cane and improving productivity. In 2012, Mackay growers committed to planting 1,005 hectares (ha) of new land, with 803 ha eventually being planted.

Support schemes were also offered to growers within the Mossman and surrounding areas, soon after our acquisition of the Mossman Mill. As a result, 145 ha and 426 ha of new land was planted on the coast adjacent to Mossman and in the Tablelands area respectively. In addition, Mossman growers undertook a significantly expanded replant of their assigned area that, together with the new land, has substantially increased the size of the crop to be delivered to Mossman in the 2013 season.

Furthermore, in April 2013, we entered into cane supply agreements with Tableland Canegrowers Limited and cane growers on the Atherton Tablelands, which will result in an additional 7,000 ha (or approximately 700,000t of cane) being delivered to Mossman Mill from the start of the 2014 season. This arrangement will bolster cane supply to the Mossman Mill, which will enable the mill to regain its former production capacity of over 1Mt.

During the year, we concluded a Shareholders’ Agreement with Black River Asset Management to create a new investment entity, Racecourse Projects Pty Ltd. We invested $1 million for a 15% shareholding in the entity, with the partnership establishing a well capitalised farming business with the resources to invest capital in cane land development within the Mackay region. Racecourse Projects exercised an option in February 2013 to purchase the Marwood Farm, situated south of Mackay (with the settlement to occur on 2 June 2013). Marwood is the largest farm within our Mackay cane supply area with 714 ha of fully irrigated cane land. Racecourse Projects also entered a leasing agreement for a 270 ha cane property and concluded an Operating Partner Agreement with a local farmer who will provide all the necessary farm management services for both farms. Together with Black River, we are committed to growing Racecourse Projects, with a specific focus on the development of new cane land. See Business on page 26 for further details.

Supporting farm productivity

We continue to support research and development (R&D) activities, so as to enhance productivity within our cane supply network and improve technology within our operations. We remained a strong advocate for the sugar research reform throughout the year, working with other sugar industry stakeholders to establish Sugar Research Australia (SRA) – a company to be formed through the amalgamation of the existing sugar research bodies. The SRA legislation is anticipated to be passed in Parliament in July 2013. Delivering a greater focus on the performance and coordination of sugar research, the new company will also have certainty of funding via a statutory levy. The SRA will build on Australia’s reputation as a world-class producer of sugar. See Business on page 27 for further details.

An issue shared with the entire Queensland sugar industry throughout the year, was the electricity price hike, released by the Queensland Competition Authority on 31 May 2013. This will have a huge impact on irrigation cost. We will work with our growers and fellow industry representatives to challenge the price hike in the coming year.

About 430 people attended our annual Productivity Awards on 13 April 2012, with more than 30 awards presented in recognition of farming excellence within our Mackay cane supply network. The event is successful in showcasing the region’s most outstanding farming practices, as award-recipients exemplify the innovation and commitment that sustains our local sugar industry. We have commenced plans to introduce a productivity awards night in Mossman in 2014. See Business on page 28 for further details.

Adding value through our marketing

Following an extensive review of our existing price risk management activities in late 2012, the Board approved the implementation of a new marketing entity – Queensland Commodity Services (QCS) in March 2013. QCS, to be operational by 1 January 2014, will provide greater sophistication to extract more value from pricing activities whilst maintaining a robust framework of risk management. QCS will become a licensed entity under ASIC as part of the commitment to maintaining the highest reporting and compliance standards.

We have long been a supporter of the Queensland Sugar Limited (QSL) marketing model. However, with the risk that other parties may wish to market their sugar independently of QSL, we have needed to investigate alternative marketing arrangements in the event that QSL no longer meets our requirements. As such QCS has been configured to accommodate the marketing aspects in the future to ensure we have an alternative to fall-back on. See Business on page 39 for further details.
Chairman’s review
continued

Strengthening our stakeholder relationships
We are committed to improving our partnership with growers and shareholders. Through regular communications, we keep our growers and shareholders informed of our current and future activities, crushing details, and business performance. However we know that our field communications can improve further, so this is something we continue to work on within our operations.

During the year, we continued to engage with various local industry and government representatives to enhance our industry partnerships and community facilities and prevent cane land from being lost to urban and industry development. In particular, we maintained our support of the Mackay Regional Council’s 20-year Community Plan, to foster a collaborative approach to delivering the plan’s objectives and growing the Mackay region.

Furthermore, we understand the need for detailed planning of the future road infrastructure for the Mackay region and actively participated in the Mackay Ring Road Planning Study throughout the year. During the course of our involvement with the study, various alignment options were proposed. We provided feedback as to the suitability of those alignments and the impact we saw them having on our sugar milling operations; in particular around the Racecourse Mill site. Whilst we continue to support the Ring Road concept, we have expressed our reservations as to the suitability of the proposed alignment. We will continue to work with the Department of Transport and Main Roads, Mackay Regional Council and other stakeholders with a view to securing a preferred route which meets the needs of all stakeholders. See Business on page 28 for further details.

We keep our communities informed of our business activities on a regular basis, using various communication tools such as general media coverage (via media releases), community ‘pre-crush’ meetings, project information sheets, the corporate website, and our Annual Report.

We continue to support various local community groups and organisations and, as at 31 May 2013, had provided $90,792 in sponsorships and donations via our Community Support Program (2012: $55,550). We are proud to see our funds go towards essential community services, activities and events that benefit the Mackay and Mossman regions.

Looking ahead
The coming year will be characterised by poor crop results and lower sugar prices. There is no denying that these issues will challenge our grower community and our Company. In times like these, a strong support system is required, so it is imperative that our focus remains on our critical success factors to safeguard the Company. These factors (outlined on page 4) are the fabric of our corporate vision. They will assist us to get the best performance out of every facet of our business and create greater shareholder value.

We will maintain a disciplined approach to the financial management of the Company and will continue to work with our growers and industry partners to manage the impact of the electricity price hike. We will support the implementation of the IPA and will remain committed to providing benefits back to our Mackay and Mossman communities.

Acknowledgements
I thank our grower community and shareholders for their ongoing commitment to the Company, and their valuable support during the challenges experienced throughout the year.

I also thank each member of our workforce for their valuable contribution to the Company’s progress throughout the year.

Thank you to our Chief Executive Officer Quinton Hildebrand and the Executive team for delivering against the Strategic Plan, whilst maintaining a strong focus on safety across their teams.

Thank you to our grower leadership for their commitment to sustaining a collaborative approach towards developing our industry.

I also thank my fellow Board Directors, particularly Deputy Chairman Ray Magill, for their professional contribution to the direction of the Company throughout the year.

Andrew Cappello
Chairman

Pictured: Cane is unloaded for processing at Marian Mill. We milled a total of 5.6Mt and 508,867t of cane in Mackay and Mossman respectively in our 2012 season (2011 season: 4.2Mt; 411,012t).
Chief Executive Officer’s review

The Company delivered a solid financial performance for the year ending May 2013. This was complemented with two major growth milestones through the acquisition of Mossman Mill and the completion of our RacecourseCogeneration Plant. We also refinanced our business, via a successful corporate bond and unsecured notes offer and commenced an additional major project at our Marian Mill, to enhance operational performance and increase the production of bagasse. Each of these outcomes will contribute to the Company’s operational and financial performance in the future.

Integrating Mossman Mill into our business

Significant work was required to integrate our systems, standards and procedures into Mossman Mill, soon after our acquisition of the mill in June 2012. Through the centralisation of services, we captured over $1 million in savings. Further systems are to be integrated throughout the coming year, with associated benefits.

A logistic review of the mill was completed in November 2012. The review identified the need to optimise the supply of cane to the mill while utilising the current assets and reducing costs. The review also recommended a 2020 master plan that details how logistics for the site can be developed from the current crop through to over 1Mt. With the April 2013 cane supply agreement with Tablelands cane growers to supply approximately 700,000t of cane to Mossman Mill as of the 2014 season, we have met our maximum cane supply target for the mill in half the expected timeframe. See Business on page 32 for further details.

Delivering on operational expectations

The 2012 crushing season commenced at Farleigh on Friday 8 June, Racecourse on Tuesday 12 June, Marian on Wednesday 13 June and Mossman on Tuesday 19 June. The season ceased at Mossman on 26 October and, due to wet weather events during late June and early July 2012, finished on 11 December in the Mackay region.

The season saw a total of 5.6Mt of cane crushed from a harvested area of 69,686 ha in Mackay, and a total of 508,867t from a harvested area of 7,107 ha in Mossman. Each region delivered improved yield and sugar content results. See Business on page 25 for further details.

Throughout the season, we experienced bin delivery issues, which resulted in downtime across the harvesting sector. Upon conducting a review of the bin delivery system in late 2012, it was evident that changes were required to be made to our bin delivery strategy and harvesting hours. A new Bin Delivery and Harvest Strategy was prepared in early 2013, with the implementation to take place at the commencement of the 2013 season.

Isis Central Sugar Mill Company Limited purchased three mills and the associated equipment from our Pkeystone Mill milling train on 15 November 2012. The transaction involved Isis Central Sugar Mill Company Limited providing us with 4,265,698 fully paid M class Sugar Terminals Limited (STL) shares, valued at 67.5 cents each in exchange for the three mills and a cash payment of $1 million. See Year in review on page 20 for further details.

Maintaining value for our sugar

We respectively produced 824,999t and 63,492t of raw sugar in Mackay and Mossman during the 2012 season (2011 season: 558,180t; 46,617t).

The ICE (Intercontinental Exchange) No.11 sugar futures reached a high of 24.00 US c/lb in July 2012, before falling steadily to reach 16.52 US c/lb as at 31 May 2013. This represents a drop in value of ~31%. This was a result of the global sugar market being over supplied, due to both the previous higher sugar prices incentivising production increases, and generally good production conditions in key sugarcane and beet growing regions.

In the 2012 season, we sold raw sugar domestically to the Sugar Australia Joint Venture (Sugar Australia) refinery in Mackay and to Mossman Sugar, and (for export) to QSL. A total of 52.5% of our 2012 season production was sold to Sugar Australia, 1.3% to Mossman Sugar and 46.2% was sold via QSL. This compares with 62.8% and 37.2% sold to Sugar Australia and QSL respectively in the previous season.

We entered into a new raw sugar supply contract with Sugar Australia in June 2012. This contract contained a set volume per season of 450,000t, created cash flow benefits due to earlier payments for raw sugar, and extended supply arrangements to the end of the 2013 season. See Business on page 39 for further details.

Strong demand for bagged sugar resulted in strong sales volumes to the Mossman Sugar Company in the 2012 season. Mossman Mill’s sales to QSL totalled 49,982t (81.6%).

Sugar prices during the 2012 season were lower than the previous year. The average sugar price was A$441.01 per IPS tonne.

Business prices account for sugar sales both domestically and for export, less the costs incurred by our marketing department, and our share of QSL’s marketing costs. It is anticipated that the QCS initiative will extract greater value from the ICE No.11 once established. See Business on page 39 for further details.
Completing our Racecourse Cogeneration Plant
The final stages of our $120 million Racecourse Cogeneration Project were carried out during the reporting period. Construction of the 38 megawatt Power Plant was completed in September 2012, with the Balance of Plant work in the mill, the construction of the Marian bagasse storage pad, and the commissioning to be completed ahead of the 2013 crush. The project entered commissioning stage shortly after the Power Plant’s construction (September 2012), with the lighting of the first furnace warming fire, and on 8 November the new steam turbine generator (STG) was synchronised with the national electricity grid.

The Racecourse Cogeneration Plant has enabled us to produce renewable energy on a large scale, reduce carbon emissions by 200,000t equivalent carbon dioxide (CO2e) each year, establish a new revenue stream for the Company and enhance boiler reliability for our Racecourse Mill and Racecourse Refinery.

The Racecourse Cogeneration Plant was officially opened by the Parliament’s Secretary for Climate Change, Industry and Innovation the Hon Yvette D’Ath on 27 March 2013. See Business on page 35 for further details.

Building on our cogeneration efficiency
In August 2012, we were awarded a $9.1 million grant under the Clean Technology Food and Foundries Investment Program (CTFFIP) for our cogeneration efficiency project at Marian Mill. The project comprises a number of elements, centred around an upgrade of Marian Mill’s No3 Boiler. The project will promote increased efficiency within the factory, reduce carbon emissions from the mill, and produce more bagasse for the Racecourse Cogeneration Plant.

Racecourse Mill has a carbon liability due to combustion emissions while burning coal during the non-crush, and the projected outcomes from the combined Racecourse Cogeneration Plant and Cogeneration Efficiency Projects are a 71% reduction in carbon emissions and 19% reduction in energy use in sugar production across our factories during a normal season. See Business on page 26 for further details.

Investing in our people
Safety
The health and safety of our employees remains a primary focus for our Company. However, unfortunately, we saw an increase in the total number of injuries in key operational areas throughout the year. A total of 13 (2012: 7) lost time injuries (LTI’s) were recorded within our Mackay operations during the year, and 7 LTIs within our Mossman operations. Our lost time injury frequency rate (LTIFR) for the year ending May 2013 was 8.51 in Mackay, up 0.15 from the previous year’s figure of 8.36. Mossman’s LTIFR was 3.8.

Since the completion of the 2012 crush a significant amount of effort has been made in improving these poor figures, through risk assessment training and improved post injury management. This was reflected in our maintenance season figures, with the business (including Mossman) LTI free for 193 days as at 31 May 2013. Our overall injury frequency rate ranks well within the industry even though our AFR (including Mossman) for the year increased on last year.

In October 2012, we had a significant incident within our Mackay cane rail network, involving a head on collision between two trains at Mossmate, near Juras Junction. Three of the four crew members were injured, resulting in three LTIs. Significant damage occurred to both locomotives along with minor damage to the surrounding infrastructure. Workplace Health and Safety Queensland (WHSQ) were notified within one hour of the event and a detailed incident investigation was undertaken by an external facilitator. The learnings from the collision were shared amongst transport employees and participants at the Australian Sugar Milling Council Safety Conference, held in March 2013. See Business on page 26 and Health and Safety on page 62 for further details.

People
Our Company is structured around Cane Supply, Milling, Maintenance and Services. As at 31 May 2013, we had approximately 765 employees working across our four sites. However, during our 2012 crushing season operations (June to November), we employed 952 people. Approximately 310 people are employed on a seasonal basis (for our crush) each year.

We currently employ 64 apprentices in the boilermaking, mechanical, electrical, instrumention, and machining trades, as well as in drafting and business traineeships. Between June and December 2012, nine of our apprentices graduated and commenced work as fully qualified tradespersons.

In late 2012, Mackay’s Enterprise Bargaining Agreement (EBA) was renegotiated to provide a three-year agreement with wage increases of 3.3% each year. Mossman’s Agreement was endorsed by a valid majority of employees in May 2013. The two-year Agreement will provide a 3.5% annual wage increase for Mossman’s weekly paid employees.

In May 2013, we restructured our business to reduce our cost base to face the year ahead, which will involve a poor 2013 crop and low sugar prices. This process saw a number of changes in roles and responsibilities and a reduction of 35 salary positions. See People on page 53 for further details.

Maintaining our focus on environmental sustainability
Our reportable equivalent carbon dioxide (CO2e) emissions (Scope 1 and 2) for 2011/12 were 89,078 tonnes (t) (2010/11: 129,003). The 2011/12 reporting data was slightly lower than the 2010/11 figures as a result of a more favourable crop and the ability to generate additional bagasse to offset coal.

In early May 2012, we were audited by KPMG on behalf of the Clean Energy Regulator. The audit report confirmed the reported emissions, energy production and energy consumption in accordance with Section 19 of the NGER Act, in all material aspects for the period 30 June 2011 to 1 July 2012.

During the year we had one reportable incident to the Department of Environment and Heritage Protection (DEHP), relating to a broken effluent pipe between Marian Mill and the Marian effluent ponds; however, no actions were taken by DEHP.

During the crushing season, all mills participated in two rounds of boiler emission testing for particulates. As a result of elevated emission results at both Farleigh and Marian mills in 2012, we entered into a voluntary Transitional Environmental Program (TEP) for Marian Mill and an Environmental Evaluation (EE) for Farleigh Mill.

No penalty infringement notices or prosecutions were received during the year.

See Environment on page 47 for further details.

Restructuring our financing arrangements
In early 2013, we took advantage of accessing debt financing outside of that provided by our banks, with the aim of reducing our borrowings from the banks and securing a longer tenure. Through the issue of Wholesale Corporate Bonds and Unsecured Notes, we were able to raise $50 million for a five-year term, at a 7.25% interest rate, and realise a 30% reduction in funding costs.

Looking ahead
The coming year will be challenging for us and will demand our continued resilience. We will implement changes to our cane supply operations in an attempt to improve efficiency and service to the harvesting sector and will focus on containing costs across the business. We will introduce OGIS to enhance our returns from the ICE No.11. We will establish the necessary logistics to handle the Tablelands cane from 2014 and prepare for the introduction of continuous crushing at our Mossman Mill. We will also commission the Marian Cogeneration Efficiency Project and run the Racecourse Cogeneration Plant in crushing mode for the first time. Both these projects are expected to improve our environmental performance and provide greater reliability within our Marian and Racecourse operations.

Acknowledgements
My thanks go to our grower community for their commitment to the growth of our business as we strive to build a stronger future for all stakeholders. I also thank my fellow Executive team members and each member of our workforce for their guidance and commitment to the Company.

Quinton Hildebrand
Chief Executive Officer
The year in review

Financial snapshot

The year has delivered good financial results for the Company due to improved weather and growing conditions, which resulted in a significant improvement in the crop. The results are largely driven by the highest tonnage of cane crushed at our Mackay mills since the 2007 season and reasonable raw sugar pricing.

Significant changes during the year which affected the financial results

On 4 June 2012, the Company acquired Mossman Mill, an additional raw sugar milling operation. This increased the Company’s primary operations from three mills in the 2012 financial year to four mills in the 2013 financial year. The Mossman Mill operations crushed 598,867 tonnes of cane and contributed additional revenue of $31.7 million and additional expenses of $31.5 million during the 2013 financial year. See Business on page 32 for further details.

The Company commenced the operation of the Racecourse Cogeneration Plant during the 2013 financial year. This brought about the formation of the Cogeneration business unit, which resulted in changes in the allocation of electricity related income and expenses in the 2013 financial year compared to the 2012 financial year. See Business on page 35 for further details.

Income statement

Our net profit before income tax for the year ended 31 May 2013 was $16.3 million. This represents a $28.8 million improvement over the $12.5 million loss incurred in the 2012 financial year. The 2012 season crop of 6.125 million tonnes (Mt) was up 47.1% on the 2011 season crop. The Mossman Mill operation accounted for 12.2% of the increase and the Mackay mills accounted for 34.9% of the increase. The increase in cane tonnage, combined with an increase in the sugar content in the crop, resulted in a 59.2% increase in sugar production. The sugar price decreased on the previous financial year to $441.01 per tonne (t) IPS sugar compared with the 2011 season price of $463.20/t IPS sugar. The net effect of the higher sugar production, offset by the $22.19/t decrease in the sugar price, resulted in an increase of $103.7 million in total sugar revenue.

Molasses production for the 2012 season increased by 40.4% as a result of the higher crop tonnage, offset by a minor reduction in the molasses yield compared to the 2011 season. The molasses price for the 2012 season decreased by 3.4%. The net effect was an increase in molasses revenue of $3.9 million compared to the previous year.

Electricity sales increased by $11.1 million on the previous year to $12.8 million due to the realisation of income as part of the operation of the new Racecourse Cogeneration Plant and the increase in bagasse arising from the increase in cane tonnages processed.

The net effect of the combined revenue items resulted in an increase in gross profit of $56.2 million or 44.7% for 2013, compared to the 2012 financial year. Revenue from non-operating activities in 2013 included a gain on the Mossman Mill acquisition of $0.1 million and profit on disposal of property, plant and equipment of $0.3 million.

Controllable maintenance and operating expenses for the 2013 financial year were $193.9 million compared to $185.6 million incurred in the previous year. The $14.3 million increase was due to the longer 2012 crushing season compared to the previous season and the additional milling operation (Mossman Mill). Administration expenses increased from $39.6 million in the 2012 financial year to $50.1 million in the 2013 financial year.

The $10.6 million increase was mainly due to the additional milling operation (Mossman Mill), employee bonuses of $2.0 million, employee redundancy costs of $1.3 million, carbon tax of $1.5 million, and increases in employee wage rates.

The profit from equity accounted investments of $12.4 million represents the Company’s share of profit in the Sugar Australia and New Zealand Sugar refinery investments. This increased by $3.5 million compared to the previous year as a result of a decrease in refining manufacturing expenses.

Finance costs increased by $1.6 million on the previous year as a result of increased funding requirements, primarily associated with the Mossman Mill acquisition and the construction of the Racecourse Cogeneration Plant.

Depreciation is mainly a function of the tonnage of sugarcane crushed and accordingly increased by $4.7 million to $13.6 million for the 2013 financial year. The higher cane tonnages in the Mackay district and the new Racecourse Cogeneration Plant accounted for $3.7 million of the total increase in depreciation and the additional milling operation (Mossman Mill) accounted for $1.0 million of the total increase in depreciation for the 2013 financial year.

Other expenses decreased by $2.4 million on the previous year to $1.5 million for the 2013 financial year. The decrease was mainly due to an impairment loss on Pleystowe Mill plant and equipment held-for-sale of $3.5 million incurred in the previous year, offset by an increase in capital working expenses of $1.1 million.

Statement of financial position

Our total equity increased by $55.2 million on the previous year to $279.0 million as at 31 May 2013. This was mainly due to the profit for the year of $16.3 million, an increase in reserves of $27.3 million and shares issued in relation to the acquisition of Mossman Mill of $11.9 million. The reserve movements reflect an increase in the hedge reserve of $25.9 million and an increase in the foreign currency translation reserve of $1.4 million.

The hedge reserve states the valuation of the Company’s hedging positions as at the year-end date. It is an accounting requirement that the sugar pricing, foreign exchange forward contracts and interest rate hedging contracts be valued at the end of the financial year.

The foreign currency translation reserve reflects the effect of the movement in exchange rates on the value of our investments in foreign associated companies (New Zealand Sugar Company).

Net debt increased by $58.8 million to $156.3 million, primarily to fund the construction of the Racecourse Cogeneration Plant, the Marian Steam Efficiency Project and the Mossman Mill acquisition.

This comprised bank loans of $88.0 million, other loans of $2.5 million, fixed-rate medium-term unsecured notes of $50.0 million, interest bearing deposits of $13.1 million and selected-term unsecured notes of $25.0 million, offset by cash of $20.5 million.

Receivables increased by $16.7 million to $32.0 million, mainly due to seasonal timing factors associated with the sugar revenue receivables. Payables increased by $4.2 million to $47.7 million, primarily due to the accrual of employee bonuses of $2.0 million and carbon tax liability of $1.7 million. Other liabilities increased...
Financial snapshot

Operating revenue ($’000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>299,706</td>
</tr>
<tr>
<td>2010</td>
<td>400,818</td>
</tr>
<tr>
<td>2011</td>
<td>315,217</td>
</tr>
<tr>
<td>2012</td>
<td>296,997</td>
</tr>
<tr>
<td>2013</td>
<td>406,689</td>
</tr>
</tbody>
</table>

Net operating cash flow ($’000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>1,581</td>
</tr>
<tr>
<td>2010</td>
<td>79,221</td>
</tr>
<tr>
<td>2011</td>
<td>119</td>
</tr>
<tr>
<td>2012</td>
<td>10,848</td>
</tr>
<tr>
<td>2013</td>
<td>16,390</td>
</tr>
</tbody>
</table>

Net assets / total equity ($’000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>181,343</td>
</tr>
<tr>
<td>2010</td>
<td>258,950</td>
</tr>
<tr>
<td>2011</td>
<td>230,920</td>
</tr>
<tr>
<td>2012</td>
<td>223,813</td>
</tr>
<tr>
<td>2013</td>
<td>278,981</td>
</tr>
</tbody>
</table>

The year in review

by $29.8 million to $40.9 million, due to additional deferred grant income of $4.9 million and deferred sugar income of $24.9 million. Inventories increased by $30.3 million, primarily as a result of an increase in finished goods stock (raw sugar and molasses). Assets held-for-sale decreased by $2.1 million as a result of the sale of the Pleystowe Mill assets held-for-sale during the year. Other financial assets include Sugar Terminals Limited shares of $18.6 million.

Cash flow statement

Net cash flow from operating activities increased by $5.5 million to $16.4 million. Capital expenditure decreased by $1.7 million to $54.5 million. This includes $41.5 million on the construction of the Racecourse Cogeneration Plant and the Marian Steam Efficiency Project, with the balance being stay-in-business capital. Net proceeds of $1.7 million were received on the sale of some Pleystowe Mill assets held-for-sale and $2.7 million was paid for some additional Sugar Terminals Ltd shares purchased during the year. The Mossman acquisition resulted in a net cash outflow of $10.7 million. We also invested $4.0 million into the Sugar Australia Joint Venture during the year.

Movements from financing activities were a combination of the following:

• new borrowings of $48.6 million (after issue expenses) from the issue of fixed-rate medium-term unsecured notes;
• an increase in loans to growers of $1.6 million;
• a decrease in interest bearing deposits of $0.1 million;
• an increase in selected-term unsecured notes of $3.3 million, and
• dividends paid of $0.4 million.

As a result of the above cash movements, cash on hand decreased by $4.2 million to $20.5 million.

The year ahead

The lower crop and price forecast for the 2013 season will present some challenges for the Company. We will focus on maintaining the Company’s business assets and will continue to manage costs in the current low profit environment.
Our cane supply 24
Our milling 30
Our diversification 34
Our marketing 38
Our refining 42

Pictured: A cane train approaches Racecourse Mill's unloading station, with an approximate payload of 1,000t of sugarcane. In a 24-hour period, Racecourse Mill handles about 25 cane train deliveries.
Almost 1,600 predominantly family owned and operated sugarcane farms supply our four mills throughout each season. The cane is crushed in our mills primarily to make sugar; however, from the sugar manufacturing process we create various other products such as electricity. See Business on page 34 for further details on how we create electricity.

### Outcomes for year ended 31 May 2013

- Milled a total of 5,687 Mt and 508,867 tonnes of cane in Mackay and Mossman respectively (2011 season: 4,387 Mt, 411,026 tonnes)
- Yielded an average of 60.6 tonnes and 71.6 tonnes in Mackay and Mossman respectively (2011 season: 60.3 tonnes, 56.2 tonnes)
- Recorded 14.69 units PRS in Mackay (2011 season: 13.46 units) and 12.6 units CCS in Mossman (2011 season: 13.1 units)
- A total of 803 hectares and 571 hectares of new land committed to cane production in Mackay and Mossman region respectively
- Completed implementation of ‘TrackSafe II’ train management and early warning system for cane transport network
- Completed audit of cane railway network and bridge infrastructure to manage risk and develop maintenance and capital plan
- Developed 2013 Bin Delivery and Harvest Strategy

### Targets for year ending 31 May 2014

- Improve customer service and communication with all stakeholders
- Improve bin delivery service to harvesting sector
- No lost time injuries
- 350,000 and 100,000 cane crushed per week in Mackay and Mossman respectively
- Increase area under cane
- Implement ‘Focused Improvement’ initiative through the Operational Excellence Program
- Finalise logistics requirements for transport of Tablelands cane to Mossman Mill

### Providing optimum harvest and transport operations

#### Mackay

The 2012 season saw a total of 5,687 Mt of cane crushed from a harvested area of 69,696 hectares (ha). This resulted in an average yield of 60.6 tonnes per hectare (t/ha), which was an improvement of 20t/ha on the 2011 crushing result of 60.3t/ha. See Business on page 31 for details on our milling performance. The average sugar content (PRS) for the 2012 season was 14.69 units which was 1.65 units higher than the 2011 figure of 13.46 units. Mackay’s average sugar per hectare figure of 11.84 tonnes was a 3.77 improvement on the 2011 season of 8.07t/ha.

#### Mossman

A total of 508,867 tonnes of cane was harvested from a harvested area of 7,107 hectares. This resulted in an average yield of 71.6 tonnes per hectare, which was an improvement of 15.4t/ha on the 2011 crushing result of 56.2t/ha. See Business on page 32 for details on our milling performance. Mossman’s system utilises the Commercial Cane Sugar (CCS) measurement to establish the recoverable sugar per cent in the cane. The CCS recorded in Mossman in the 2012 season was 60.6 units (2011 season: 51.0 units).

#### Cane yield (t/ha) and cane crushed (t) – Mackay

<table>
<thead>
<tr>
<th>Year</th>
<th>Cane yield (t/ha)</th>
<th>Cane crushed (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>71.6 / 5,220,449</td>
<td>5,220,449</td>
</tr>
<tr>
<td>2009</td>
<td>74.3 / 5,287,689</td>
<td>5,287,689</td>
</tr>
<tr>
<td>2010</td>
<td>73.3 / 4,554,944</td>
<td>4,554,944</td>
</tr>
<tr>
<td>2011</td>
<td>60.3 / 4,162,521</td>
<td>4,162,521</td>
</tr>
<tr>
<td>2012</td>
<td>60.6 / 5,616,134</td>
<td>5,616,134</td>
</tr>
</tbody>
</table>

#### Cane yield (t/ha) and cane crushed (t) – Mossman

<table>
<thead>
<tr>
<th>Year</th>
<th>Cane yield (t/ha)</th>
<th>Cane crushed (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>72.35 / 530,300</td>
<td>530,300</td>
</tr>
<tr>
<td>2009</td>
<td>66.28 / 468,143</td>
<td>468,143</td>
</tr>
<tr>
<td>2010</td>
<td>75.18 / 539,568</td>
<td>539,568</td>
</tr>
<tr>
<td>2011</td>
<td>56.17 / 411,026</td>
<td>411,026</td>
</tr>
<tr>
<td>2012</td>
<td>71.60 / 508,867</td>
<td>508,867</td>
</tr>
</tbody>
</table>

### Enhancing our operations

The three Mackay mills are serviced by 850 kilometres (km) of narrow gauge rail network, with 80 km of rail network supporting the Mossman Mill. In Mackay, we operate 46 cane haulage locomotives with a fleet of 8,100 cane bins, and, in Mossman, we operate seven locomotives with a fleet of 452 bins. Growers deliver their cane to one of Mackay’s 500 sidings or Mossman’s 50 sidings to access our railway network that transports cane to the mills. Road transport is also used in areas where access to the rail line is limited.

#### Harvest and transport operations for Mackay’s 2012 crush were particularly challenging, with one of the bigger crops of recent years to harvest and transport in a year hampered by extreme unseasonal rainfall early in the season. The delayed start to the 2012 season pushed the crushing finish date to mid-December. Given the size of the crop and the wet weather disruptions at the start of the season, grower equity was well managed throughout the season with more than 97% of groups finishing within four days of their rostered finish dates. Overnight delivery errors for the season were only 0.4%. Derailments for the 2012 season were greatly improved with a rate of 1 to 13,901t hauled. This was a 20% improvement on the 2011 crushing season result of 1 to 11,562t hauled. Operations were well supported by the Rolling Stock Maintenance team with locomotive availability at 95.2% which was a 1.6% improvement on the 2011 season. Brakevan availability of 97.8% was also an improvement from the 95.7% recorded for the 2011 season.

### Number of derailments and derailment frequency (derailments per 100,000t cane) – Mackay

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of derailments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>251 / 100,000t cane</td>
</tr>
<tr>
<td>2009</td>
<td>207 / 100,000t cane</td>
</tr>
<tr>
<td>2010</td>
<td>195 / 100,000t cane</td>
</tr>
<tr>
<td>2011</td>
<td>136 / 100,000t cane</td>
</tr>
<tr>
<td>2012</td>
<td>124 / 100,000t cane</td>
</tr>
</tbody>
</table>

Mossman Mill does not record derailment data.

During the 2012/13 maintenance period, various major projects and interventions were implemented. The most significant of these was the 2013 Bin Delivery and Harvest Strategy, which was formulated earlier in the year and approved for implementation by the Board at the end of March 2013.

A total of nine shed meetings were held throughout the Mackay district during April 2013, whereby harvester operators (growers and contractors) were presented with the proposed strategy to improve the reliability of bin deliveries to the harvesting sector and to reduce waiting time for bins. A rostered spread of harvesting hours will improve the utilisation of the loco and bin fleet and reduce morning peak demand for bins to enable more reliable delivery throughout the day. The new Bin Delivery and Harvest Strategy (to be introduced in the 2013 season) will deliver savings to the grower/harvester sector as well as to our consumers.
Throughout the year, we upgraded our main cane transport network. We aim to prevent the re-occurrence of such events across our rail networks and, in accordance with this, will continue to identify and implement the appropriate additional operational procedures. Interventions introduced throughout the reporting period include the deployment of additional resources in our Mackay Operations Centre Traffic Office and the setting up of new procedures to improve the effectiveness of managing train separation protocols. Throughout the year, we upgraded our main cane transport management software tool ‘TrackSafe’ to ‘TrackSafe II’. The installation of 55 additional GPS units to various harvesters was also completed throughout the year, with the technology expected to deliver more accurate harvest and inter-group equity management. It will also reduce the workload of Field Office staff by removing the need for manual harvest verification inspections.

During the maintenance period (non-cane), long-term agreements for cane and molasses logistics were finalised for the Blue Mountain area (situated 30 km south-west of Mackay). These contracts will contribute to the long-term viability of growing cane in the Blue Mountain area which has potential for significant expansion.

As part of a cost reduction program implemented for 2013, we have reviewed our bin delivery strategy and reduced the size of the Field Office department. The reduction and re-assignment of activities in the Field Office will provide essential harvest management, grower liaison and grower administration services. Ongoing monitoring of these changes and performance may require further ‘focused improvement’ initiatives to be implemented throughout the coming year.

Mossman

During the 2011/2012 maintenance period, Mossman Mill focused on increasing bin payload by extending bins from 9t to 11t. These works are intended to standardise the Mossman bin fleet to 11 tonne payloads.

Six new bin stands were constructed in the Tolga and Atherton area to accommodate the new cane supply areas planted under the Secure the Future scheme. This cane land will begin supplying the mill in mid-August 2013.

Our cane supply continued

Growing the area of land under cane

The Mackay Sugar cane supply area has reduced by approximately 10,000 ha over the past 10 years, with the loss in cane widely distributed across the supply area and attributed to a number of factors.

In line with our Strategic Plan, cane supply security has been identified as one of our critical success factors. A significant focus has been on increasing our cane supply through yield improvement and increased area under cane. A strong cane supply is essential to the continued growth of our business and for the successful implementation of our diversification projects identified in our 20-year Diversification Plan.

Throughout the year, we continued to implement various grower support schemes aimed at increasing our area under cane. A number of lease agreements were facilitated between land owners and growers, as part of the Company’s promotion of leasing within the cane supply area.

Growers were offered the ‘Secure the Future’ scheme, a guaranteed four-year forward pricing scheme for any new land planted to cane. This scheme has been available since 2009 and, for planting in 2012, offered a fixed price of $500 per International Poll Scale (IPS) tonne, for up to 80 t/ha. This scheme was fully subscribed, with growers making use of the full 800 ha forward priced by Mackay Sugar.

Our Plant Loan Scheme was offered to growers for new planting as well as for growers planting in excess of 10% of their assigned area. The loan of $2,500 per hectare (pha) of new land planted attracts interest at 7% per annum and is repayable over three seasons. In 2012, Mackay growers committed to planting 803 ha of new land under the support schemes.

The requirement for the growth in cane supply is particularly relevant for Mossman Mill. Mossman Mill was acquired by Mackay Sugar in 2012 and the tonnage of cane currently supplied to the mill is well below its design capacity (1.3 Mt). Shortly after our acquisition of Mossman Mill, grower support schemes were offered to growers within the Mossman and surrounding areas, with the aim of securing additional cane for the mill. Resulting from this initiative, 145 ha and 426 ha of new land was planted on the coast adjacent to Mossman and in the Tablelands area respectively. In addition, Mossman growers undertook a significantly expanded replant of their assigned area that, together with the new land, has substantially increased the size of the crop to be delivered to Mossman in the 2013 season.

In April 2013, we entered into cane supply agreements with Tableland Canegrowers Limited and cane growers on the Atherton Tablelands that will result in an additional 7,500 ha (or approximately 720,000 t of cane) being delivered to Mossman Mill from the start of the 2014 season. This arrangement is a major step in our strategy to increase the cane supply for Mossman Mill. The mill will move from a five-day week crushing program to a continuous crushing program, over a longer season. This additional cane will fully utilise the available crushing capacity at Mossman Mill.

During the year, we concluded a Shareholders’ Agreement with Black River Asset Management to create a new investment entity, Racecourse Projects. Our Company invested $1 million for a 15% shareholding in Racecourse Projects. Black River is a global alternative asset management firm, and an independently managed subsidiary of international agribusiness Cargill. Racecourse Projects exercised an option in February 2013 to purchase the Marwood Farm, situated south of Mackay (with the settlement to occur on 2 June 2013). Marwood is the largest farm within our cane supply area with 2,526 ha, is fully irrigated and is supplied with a 2,143 megalitre licensed dam. Racecourse Projects also entered a leasing agreement for a 270 ha cane property and concluded an Operating Partner Agreement with a local farmer who will provide all the necessary farm management services to Racecourse Projects.

The arrangement with Black River establishes a well capitalised farming business in the Mackay region with the resources to invest capital in cane land development. Together with Black River, we are committed to growing Racecourse Projects with a specific focus on the development of new cane land. Racecourse Projects continues to investigate further investment opportunities.

Supporting industry research and development

Funding of both internal and external research and development (R&D) activities remains a priority for our Company.

We continued our research into sugar quality control at all three Mackay mills throughout the 2012 crushing season, with some significant gains in separation and filtration technology achieved. This work undertaken by the Technical Services Group will lead to further developments for sugar quality solutions for the Company.

We continued to promote, fund and participate in sugar research through the Sugar Research and Development Corporation (SRDC) model throughout the year. We remained a strong advocate for the sugar research reform, working with other sugar industry stakeholders to establish Sugar Research Australia (SRA) – a company to be formed through the amalgamation of the existing sugar research bodies. The SRA is anticipated to be passed in Parliament in July 2013. The SRA will see an improvement in performance and coordination of sugar research, with the new company also having certainty of funding via a statutory levy.

We participated in seven industry projects during the year, in areas such as rail transport schedule optimisation and process focussed research.

We continue to promote the participation of our staff in the Australian Society of Sugar Cane Technologists. Additionally, on a local level, we increased our support and participation in the Mackay Institute of Sugar Technologists (MIST) this year. Our staff assisted in conducting a MIST workshop where technologists from the Mackay Region sugar mills collaborated on the topic of water usage and efficiency in factories. Raw water reduction is currently a focus for staff at each of the Mackay region mills. Similar workshops are planned during 2013.

Mossman staff members also participate in the Far North Queensland Institute of Sugar Mill Engineers (FNIQME) and attend technical visits to mills and other industries on a monthly basis.

To support farm productivity within our cane supply network, we continue to provide mill mud and ash (by-products of our sugar manufacturing process) to our farmers each year, with the beneficial soil conditioners applied to cane fields to assist with the growth of a new crop. We offer a delivery service to our growers, whereby, the nutrient rich mill mud and ash is delivered to their farms and distributed on their cane fields. In Mackay and Mossman, we use a three-row banded applicator to distribute the mud and ash on the fields. This application method targets mud rates of 50/ha, below the nutrient reporting threshold levels of the Reef Regulations. Approximately 25% of our growers take the products via ‘bulk delivery’ and the remaining 75% use the “three-row banded applicator” delivery method. We delivered approximately 325,542 t and 112,080 t of mill mud and ash, respectively, to our growers during the 2012 season (2011 season: 399,804 t; 128,160 t). We reviewed our mud and ash logistics strategy throughout the year, with valuable feedback gained from the review’s grower surveys. From this process, we will reduce the price of our mud for the 2013 season and will offer broadcast application to replant blocks.
Our cane supply continued

Engaging growers, shareholders and industry representatives

We ensure our growers and shareholders are kept informed of our current and future activities, crushing details, and business performance via regular communication measures, including:

- Company Updates (to growers, shareholders and unsecured noteholders) – detailing announcements and important business outcomes and activities
- Text (SMS) messages and two-way radio broadcasts (to growers/harvest groups) – providing advice of harvesting matters, approximately twice daily.
- Corporate website – providing reports and general information and access to our secure ‘grower’ site containing personal farm/harvesting statistics
- Interactive Grower Information Service – a dial-in service providing access to the latest updates on harvesting, cane payments and other general information
- Shed Meetings (for growers and shareholders) – providing a presentation and discussion on crushing, operations and maintenance, and future activities from the Board and management. These forums, held across three venues prior to the crush each year, foster a collaborative approach to the way in which we conduct our business
- Face-to-face meetings – enabling growers and shareholders the opportunity to either meet with our Directors, management, and Cane Supply department personnel on a mill site, or have them visit them on their farms to discuss any grower/shareholder issues and concerns
- Shareholder Briefing Meeting – a meeting typically held in April each year to review the Company’s performance
- Annual Report – providing an in-depth review of our business performance for each year
- Annual General Meeting – a meeting held every year to provide our shareholders with the opportunity to review our financial performance for the year, elect the Board of Directors, and discuss previous and future activities

Throughout the year, we continued our focus on improving communication in the Cane Supply Operations Centre, so as to ensure our harvesting groups are informed of operational delays or unplanned stoppages.

We commenced the upgrade of our grower website in late 2012, with the new site to be launched by early 2014. The new-look website will have a modern and user-friendly focus on increasing the area under cane in the Mackay region. We will also continue our focus on increasing the area under cane in the Mackay region.

Creating awareness about cane train safety hazards

We have a responsibility to ensure our communities are aware of the dangers associated with our cane train activity during the crushing season, so each year employ various advertising mediums to remind motorists within the Mackay and Mossman regions to remain vigilant when approaching railway crossings.

The advertising also encourages parents to educate their children about the dangers associated with cane train crossings and railway networks. The campaign commences in the weeks leading up to the crush and continues throughout the season. During the crush, we also utilise two billboards located alongside the Bruce and Peak Downs Highway, targeting drivers with a message around safety at crossings. Furthermore, in the weeks leading up to the start of each season, we distribute electronic cane train safety awareness kits to our regional schools, comprising activity sheets for school students and safety messaging for inclusion in newsletters. These awareness kits help us to extend our safety messaging to the families within our communities.

We continue to explore other methods of communicating our safety messages and aim to introduce additional communication tools in the coming year. See Community on page 68 for further details.

Looking ahead

In the year ahead, we will strive to improve customer service and communication with our stakeholders. We will also continue to improve bin delivery service to our harvesting sector, and maintain a strong focus on safety within our cane supply operations. We will finalise the cane transport logistics plan for Mossman Mill’s 2014 season, in preparation for the mill’s substantial increase in cane supply (from 508,867t to more than 1Mt). We will also continue our focus on increasing the area under cane in the Mackay region.

About 400 people attended our annual Productivity Awards on 13 April 2012, with more than 30 awards presented in recognition of farming excellence within our Mackay cane supply network. The event is successful in showcasing the region’s most outstanding farming practices, as award recipients exemplify the innovation and commitment that sustains our local sugar industry.

Winners (for the 2012 season) included:

- Reef Rescue Practice Adoption Award: Graeme Blackburn
- In Appreciation for on Farm Research Award: Dave Roberts
- Harvesting Award – Under 30,000t Award: Ivan Birckett
- Harvesting Award – 30,000 – 50,000t Award: Russell Eden
- Harvesting Award – Over 50,000t Award: Craig Keating
- Young Grower Award: Andrew Camilleri
- Sustainable Management Practices Award: Simon Mattsson
- Best Average Producer Over Five Years Award: GJ Galea
- Harvesting Award – Over 50,000t Award: Craig Keating
- Young Grower Award: Andrew Camilleri
- Sustainable Management Practices Award: Simon Mattsson
- reef Rescue Practice Adoption Award: Graeme Blackburn
- In Appreciation for on Farm Research Award: Dave Roberts
- Harvesting Award – Under 30,000t Award: Ivan Birckett
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- Best Average Producer Over Five Years Award: GJ Galea
- Harvesting Award – Over 50,000t Award: Craig Keating
- Young Grower Award: Andrew Camilleri
- Sustainable Management Practices Award: Simon Mattsson
- Best Average Producer Over Five Years Award: GJ Galea
- Harvesting Award – Over 50,000t Award: Craig Keating

A full list of award recipients (including ‘Best Productivity’ for zones 1 – 24) is available via the Mackay Sugar website: www.mkysugar.com.au (under Cane Supply).
Our milling

The 2012 crushing season commenced at Farleigh on Friday 8 June, Racecourse on Tuesday 12 June, Marian on Wednesday 13 June and Mossman on Tuesday 19 June.

The season was hampered by wet weather delays in both Mackay and Mossman in late June and July, which caused an extension of crushing into the month of December. Drier weather conditions through November and December enabled all mills to process the entire crop.

The season ceased at Mossman on 26 October and 11 December in the Mackay region, after Farleigh Mill processed the final ‘wash up’ cane, resulting in a 26-week crush season.

A total of 6,125,001t of cane was processed by our four factories.

We respectively produced 824,999t and 63,492t of raw sugar in Mackay and Mossman during the 2012 season (2011 season: 558,180t; 46,617t).

Crushing rate and lost time

The unseasonal wet weather and resulting wet field conditions contributed to a total of 1,794 hours of outside lost time for the 2012 crush for the three Mackay mills. This downtime was in excess of 700 hours higher than the disruptive crushing in 2010. Factory availability improved in the 2012 crushing season, up 1.8% from the previous year with a season average of 88.0%. This was an improvement over previous years, and slightly below the target set early in the season of 89%.

Farleigh

Farleigh Mill processed 1,714,157t of cane through a nominal crushing rate of 492tph over the 26.6 week season (2011 season: 1,253,617t). The crushing rate was 492tph, 261 higher than the 2011 season figure of 466tph.

Plant availability for the 2012 crush was unchanged from the previous year at 88%. Farleigh experienced two significant stoppages which included a 22-hour stoppage to clear and repair a choked dust screw on No4 Boiler. The second major stoppage caused 19 hours of lost time to repair failed hydraulics on an Intermediate Pusher Unit in the full yard.

Capital upgrades to the bagasse and sugar load out stations were completed during the 2012/2013 maintenance period. The sugar load up upgrade was necessary for the sugar load out station to accommodate the larger 45t payload vehicles procured by our contractor to achieve a reduced freight rate. The upgraded bagasse load out facility will deliver efficiencies in larger payloads and improved environmental aspects in this area of the factory.

Targeted maintenance efforts for the 2012/2013 shutdown period included work on No3 boiler to improve the integrity of the super heater tube bank. Repeated failures of the super heater tubes through the 2012 crushing season warranted a full replacment along with structural improvements to the roof section of the boiler.

Farleigh achieved the highest recovery of the group with a figure of 90.55% (2011 season: 89.1%). This was achieved by Farleigh having the lowest molasses losses across the group again at 6.41% (2011 season: 6.82%).

Marian

Marian Mill processed 2,295,373 tonnes of cane in a 25.7 week season (2011 season: 1,758,231t), averaging a nominal crush rate of 723tph (2011 season: 725tph). Marian was impacted by various bottlenecks during the year including, evaporator capacity, high PRS levels affecting pan-stage and high-grade fugal capacities, and mud loadings at various times throughout the year.

Factory availability of 85.9% was a 5% improvement on the 2011 performance of 80.9%.

Three major stoppages contributed to the factory availability for the 2012 season. In July an 18-hour stop occurred to repair a failed mill cap on 2A Mill. Production was also affected for 15 hours to repair a pulley on No1 Bagasse Belt due to cracking to the pulley drum. The third major stoppage of 15 hours, to replace No2 Bagasse Belt, was attributed to a defective deflector plate failing and damaging the belt. Improved compliance to preventive maintenance inspections became a focus for the group after these two related incidents.

Additional maintenance and capital funding was secured for Marian during the 2011/2012 maintenance period. The B Side Shredder drive was replaced and significant upgrades to the boiler area carried out to increase reliability. Concerns with structural integrity also required the replacement of the secondary juice tank, due to internal corrosion. A major focus was also placed on technical support for the site, effective plant inspections and improved work quality as part of the maintenance program. These initiatives delivered an improved performance of the mill during the 2012 crushing season.

During the 2012/2013 maintenance period, significant work was also completed in the boiler area, with the focus to deliver improved reliability and increased efficiency. Over $16 million was spent to upgrade the No3 Boiler and decrease the factory’s reliance on the aging No2 Boiler. Refurbishment of No3, 4 and 10 Pans were necessary to bring the vessels back to compliant standards in regards to pressure rating. This work will also improve the reliability of the station in the coming seasons.

Marian staff continued to reduce mud losses, which have followed on from previous maintenance projects and operational focus. The factory mud losses for the year averaged 0.94%, the best performance in the last five years. This improvement resulted in over $1 million in recovered sugar throughout the season.

Racecourse

Racecourse Mill crushed a total of 1,606,605t for the season (2011 season: 1,150,612t) and achieved a nominal crushing rate of 481tph for the 25.7 season length. This was a 49tph improvement on the 2011 performance of 436 tonnes per hour.

Racecourse staff focused on evaporator performance and process/sugar and route throughout the 2011/12 maintenance period and the 2012 season. Improved evaporator cleaning schedules and chemical treatment resulted in enhanced performance, which achieved increased production rates and longer periods between cleans.

Factory availability increased 1.4% from 88.7% in 2011 to 90.1% in 2012, which was the highest in the group. This result was achieved through improved attention to detail and focus to preventive maintenance inspections through the maintenance period.

Racecourse experienced two major outages in the season, including a 17-hour stoppage to replace the drive motor on the Main Sugar Conveyor Belt and a 17-hour stoppage to repair No2 Boiler feedwater isolation valves. The main sugar conveyor had been a significant contributor to factory downtime and reduced factory throughput, and through a problem solving exercise staff have now implemented solutions that should allow for higher reliability going forward.

Racecourse’s milling losses continue to be the best in the group, recording a bagasse loss of 0.3%.
The main contributing factors affecting plant availability for the 2012 season, which was up 3% on the 2011 season of 89.8%.

Factory availability of 88% was achieved for the 2012 season, down 0.6% from the previous year’s result of 88.7%. This was a result of the lower recovery rate and the effectiveness of molasses re-heaters and crystalliser coils, due to leaking tubes. With the rebuilding of the molasses re-heater during the 2012/13 maintenance period and further work during the 2013/14 capital program, the mill will see improved recoveries in these areas going forward.

Mackay Sugar Annual Report 2013

Sugar production (tonnes IPS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1695.00 / 88.37</td>
</tr>
<tr>
<td>2009</td>
<td>1627.29 / 86.05</td>
</tr>
<tr>
<td>2010</td>
<td>1729.86 / 87.65</td>
</tr>
<tr>
<td>2011</td>
<td>1695.00 / 88.37</td>
</tr>
<tr>
<td>2012</td>
<td>888,491</td>
</tr>
</tbody>
</table>

Improving operational performance

A particular focus for the year has been the central development of processes and systems to manage our assets in a sustainable manner to meet both operational requirements and our compliance obligations.

A restucture of the site-based reliability function will deliver improved plant reliability through common defect elimination and preventive maintenance type processes. With this change, the site-based activities have been handed over to the individual sites with the central asset group offering technical support and assistance.

Our Asset Group continues to provide technical support to all operational business units by continuing to build on the SAP maintenance management system and provide effective measurement of our asset management performance through reports, metrics and KPIs.

Substantial work has also been completed at Mossman Mill during the year, assisting Mossman staff to integrate SAP and implement our maintenance management system.

Operational Excellence

Throughout the year, we continued to focus on Business Improvement initiatives and the delivery of the Operational Excellence program throughout the business. The goal is to engage our people in identifying improvement opportunities within the business, in eliminating waste and improving efficiencies within operations.

Our milling continued

Crushing rate (tph) and availability (%) – Mackay

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate (tph)</th>
<th>Availability (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2099.36 / 90.3</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>1728.36 / 91.08</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>1729.86 / 87.65</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>1627.29 / 86.05</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>1695.00 / 88.37</td>
<td></td>
</tr>
</tbody>
</table>

Ensuring factory efficiency

Mackay

The overall sugar recovery (measure of sugar recoverable from the cane supplied) for the 2012 season was 89.8%. This was 1.9% higher than the 2011 season figure of 87.9%. Improved attention to the sugar production within the mills, and an increased CCS in the incoming cane, contributed to this outcome.

Sugar loss to molasses was 6.71% which was 0.81% better than the previous year’s result of 7.52%.

Sugar loss to bagasse was 3.46% versus the previous year’s result of 3.27%. This was due to a 4.5% higher throughput of cane compared to the previous year.

Losses to mud decreased to 0.69% compared to the previous year’s value of 1.21%. This is due to greater attention to the mud station as well as reduced ash in cane.

Mossman

The overall sugar recovery (Co-efficient of Work) for the 2012 season was 99.8%. This was 1.7% lower than the 2011 season figure of 101.5%.

Higher molasses losses contributed to this result, in particular leaking molasses re-heaters. Sugar loss to molasses was 8.47% which was 1.6% higher than the previous year’s result of 6.87%.

Sugar loss to bagasse of 4.08% was a 0.13% improvement on the previous year’s result of 4.21%.

Losses to mud decreased by 0.43%, reaching 0.82% compared to the previous year’s value of 1.25%. This was due to target maintenance on the filter stage during the 2011/12 maintenance period and reduced ash levels in cane during the 2012 season.
Outcomes for year ended 31 May 2013

- Completed construction of Racecourse Cogeneration Plant
- Secured federal government grant through Clean Technology Fund and Foundries Investment Program to undertake Cogeneration Efficiency Project
- Cogeneration Efficiency Project undertaken, with completion of Marian No 3 Boiler Upgrades at 98.6% and other sub-projects at 74.9% as at 31 May 2013
- Continued participation in Stage 2 of the UQ managed Queensland Sustainable Aviation Fuel Initiative
- Commenced pre-feasibility studies into energy efficiency benefits of boiler upgrades at Farleigh and Mossman Mill
- Entered agreement with Guildford Coal and various local, state and federal government departments and agencies to commence Pentland Power Feasibility Study

Targets for year ending 31 May 2014

- Commission Racecourse Cogeneration Plant in crushing mode by July 2013
- Commission Cogeneration Efficiency Projects by July 2013
- Complete Queensland Sustainable Fuel Initiative-2 (QSAFI-2) study
- Complete Farleigh and Mossman Mill boiler upgrade study
- Undertake Pentland Study and identify further energy efficiency projects

Our diversification

**The cogeneration process**

- Sugarcane from our growers
- From our sugar milling process, we produce a valuable biomass energy source called bagasse. This is the fibre left over from crushing the sugarcane to extract sugar.
- The bagasse is conveyed to our sugar mill's boiler where it's used as fuel for combustion to heat water and produce steam.
- The steam drives the steam turbine, which is connected to the electrical generator.
- High voltage electricity (renewable energy) is produced by the electrical generator.
- The renewable energy is distributed to Mackay households via the national electricity grid.

**Racecourse Cogeneration Plant**

Our mills have generated their own electricity from the sugar manufacturing process since their establishment, powering the milling operations and providing excess energy initially to local communities, and then to the national electricity grid. However, the Racecourse Cogeneration Plant, which was successfully constructed during the year, is the first large-scale cogeneration facility for our Company. At full capacity, the Racecourse Cogeneration Plant produces enough electricity to meet approximately 30% of the Mackay region’s annual electricity consumption, while also providing energy to the Racecourse Mill and adjacent Racecourse Refinery. The plant provides significant environmental benefits. Not only does it produce green energy, it is also expected to reduce greenhouse gas emissions by 200,000t equivalent carbon dioxide (CO2e) each year.

Construction of the 38 megawatt (MW) cogeneration plant involved the replacement of one of Racecourse Mill's traditional boilers and the installation of a new steam turbine generator. The traditional boiler was designed to incinerate bagasse (fibre left after crushing sugarcane); however, the new high pressure boiler maximises the steam generation from the bagasse. The high efficiency plant is fuelled by Racecourse Mill's bagasse during the crushing season and stored bagasse from other Mackay Sugar mills during the non-crushing season. The Racecourse Cogeneration Plant was officially opened by the Parliamentary Secretary for Climate Change, Industry and Innovation the Hon Yvette D’Ath on 27 March 2013.

**The final stages of construction**

The final stages of our $120 million Racecourse Cogeneration Project were carried out during the reporting period. Construction of the 38 megawatt Power Plant was completed in September 2012, with the Balance of Plant work in the mill, the construction of the Marian bagasse storage pad, and the commissioning to be completed ahead of the 2013 crush. The project entered commissioning stage shortly after the Power Plant’s construction (September 2012), with the lighting of the first furnace warming fire, and on 8 November the new steam turbine generator (STG) was synchronised with the national electricity grid. This followed Ergon Energy’s completion of the 5.5 km powerline from Racecourse to Glenella and subsequent testing of electrical protection systems.

Commissioning of the new high pressure boiler and STG continued well until a lubrication problem during December 2012 halted proceedings, and replacement bearings were fitted to the STG and generator. The lubrication issue was rectified and commissioning recommenced in late December. Commissioning progressed uninterrupted as plant performance was fine-tuned on both bagasse and coal fuel, culminating in a successful four-week reliability run finishing on 14 March 2013.

Balance of Plant contracts were completed on schedule by 10 May 2013, in preparation for the 2013 crushing season. These included energy efficiency modifications around the factory evaporators and heaters to reduce factory steam loads and allow energy to be diverted to electricity production.

As at 31 May 2013, a portion of work remained on the construction of the Marian bagasse storage pad, following wet weather interruptions. The facility will have the capacity to store up to 42,000t of bagasse during the crush (May to November) and supply the bagasse to our Racecourse Cogeneration Plant during the non-cush (December to April). Mill mudwash will also be stored at the facility.

Extensive electrical tests were completed on the STG and achievement of stringent Ergon Energy and Australian Energy Market Operator (AEMO) performance standards have been demonstrated. Some work remains on the procurement of mechanical and electrical spares, while the operational focus now shifts to the commissioning of the plant in crushing mode, which involves the energy balance of the whole Racecourse site.

**Contracts and project management**

The Racecourse Cogeneration Project was successfully completed following the execution of 143 supply or construction contracts over the three-year project period. Site entailed 410,000 construction man-hours with the recording of one lost time injury and eight medical treatment injuries. Major items of plant were designed, manufactured and shipped from many countries including Thailand, China, Korea, Japan, Netherlands, Germany, Israel, India, Vietnam and the USA. Major site construction contracts were completed by local companies such as G&S Engineering (Mechanical, Electrical and Instrumentation Installation), Epocha Constructions (Power Plant Civil Works), DGH Engineering (Mechanical and Electrical Installation) and Vassallo Constructions (Marian bagasse storage pad and Ergon Energy Switchyard Civil Works). Ergon Energy was responsible for the design and construction of the connecting powerline.

Approximately 50% of the project budget was awarded to Mackay-based businesses, another 30% awarded to other Australian businesses, and the balance being paid to overseas-based suppliers. The final payment of the $9 million Queensland Renewable Energy Fund grant was received in May 2013.

Overall project management has been undertaken by our staff. As at 31 May 2013, only a few staff members remained on the project to complete performance testing and commissioning in crushing mode.
Our diversification

continued

Performance

Full power plant performance tests will be completed by July 2013 on both bagasse and coal to verify that the plant’s outputs, energy conversion efficiency, and stack emissions meet the specified design conditions. These tests will coincide with maximum plant loads imposed in crushing mode.

The plant’s export and renewable generation outputs during the non-crushing months were below anticipated levels due to a number of reasons. Bagasse quantities remaining after commissioning were less than expected and moisture levels were higher than predicted following extended wet weather events. The lower average refinery steam load and a longer than normal three-week refinery shutdown also meant reduced electricity generation.

With consideration of high coal costs and the Carbon Pricing Mechanism, it is more economical to operate the plant in minimum output mode while burning coal. Some of these conditions are likely to change in the next financial year and, with our current focus on surplus bagasse production and the availability of the new Marian pad for covered bagasse, outputs are expected to improve significantly in the next non-crushing season.

Clean Technology Food and Foundries Investment Program

In August 2012, we were awarded a $8.1m grant under the Clean Technology Food and Foundries Investment Program (CTFFIP). This program operates under the federal government’s Clean Energy Future Plan with revenue derived from the Carbon Pricing Mechanism (CPM). The completion of the Racecourse Cogeneration Project received 43% of the awarded grant funds, while the balance was attributable to the Cogeneration Efficiency Project.

Racecourse Mill has a carbon liability due to combustion emissions while burning coal during the non-crush, and the projected outcomes from the combined Racecourse Cogeneration Plant and Cogeneration Efficiency Projects are a 71% reduction in carbon emissions and 15% reduction in energy use in sugar production across our factories.

Cogeneration Efficiency Project

The Cogeneration Efficiency Project, comprising a suite of six sub-projects totalling $17.2 million, was approved in September 2012 following the awarding of a CTFFIP grant. The sub-projects are:

1) Upgrade of Marian No3 Boiler
2) Marian Bagasse Outloading Facility
3) Farleigh Bagasse Outloading Facility
4) Racecourse Pressurised Feedwater
5) Energy Metering, and
6) Energy Efficiency Training.

The Marian No3 Boiler upgrade is the main component of the Cogeneration Efficiency Project and has involved the replacement of the boiler heat recovery plant with a large feedwater economiser, a series of hot water air heaters, and the installation of four wet centrifugal dust collectors. The improved No3 Boiler efficiency, together with targeted maintenance expenditure on Marian No1 Boiler, should allow the closure of Marian Mill’s inefficient No2 Boiler and the production of an extra 55,000 tonnes per annum (tpa) bagasse for the Racecourse Cogeneration Plant. DGH Engineering is the main site contractor and, as of 31 May 2013, the No3 Boiler upgrade was 91.6% complete.

The bagasse outloading facilities at Marian and Farleigh are designed to maximise bagasse truck payloads, reduce loading time, and improve dust management. With over 140,000tpa bagasse movements predicted from Farleigh and Marian to the Racecourse Cogeneration Plant, efficient facilities were needed to replace old plant. WDT Engineers is the main contractor and, as of 31 May 2013, these projects were 74.9% complete.

The Racecourse pressurised feedwater system and energy metering are designed to improve energy management at Racecourse Mill, with training provided to both operating and supervising personnel throughout the year.

Queensland Sustainable Aviation Fuel Initiative (QSAFI)

The second phase of the state government sponsored QSAFI research project is being managed by the University of Queensland (UQ) in collaboration with four partners including our Company, Boeing Defence, General Electric and IOR Energy. Phase 1 saw various feedstocks analysed for aviation fuel production. The second phase will investigate a business case for biodiesel/aviation fuel production in Mackay.

This study utilises leading edge U.S.-based technology in yeast engineering and is primarily funded under the state government’s Research Partnerships Program. UQ is investigating the suitability of the Racecourse Renewable Biocommodities Pilot Plant to further develop ‘drop in’ biodiesel from sugar substrates.

Farleigh and Mossman Energy Efficiency Projects

Prefeasibility studies have been completed at Farleigh and Mossman Mill, examining the viability of boiler efficiency upgrades, similar to the current Marian No3 Boiler project. In both cases, the outcomes would be the production of more surplus bagasse for other uses. More detailed studies will be completed in the next financial year.

Pentland Power Feasibility Study

Over the coming year, we will participate in a feasibility study to examine the potential to develop a sugarcane-based sustainable power industry hub in the North West Queensland Pentland area. Supported by GulfPort Coal, the Pentland Power Feasibility Study will examine the potential to develop up to 120,000 ha of sugarcane farming land and associated milling, ethanol and cogeneration infrastructure in the area.

The study, which is supported by a $2.5 million funding grant from the federal government, will explore the potential of water capture and the establishment of reticulation water, the suitability of land for sugarcane farming and land area restrictions, and the feasibility of establishing a base-load power station within the North Queensland region.

The study is also supported by North Queensland regional councils and peak organisations including Townsville Enterprise Limited (TEL) and the Mount Isa Townsville Economic Zone (MITEZ). This is a preliminary investigation; however the study aligns with our long-term diversification plan.

Looking ahead

The coming year will see us commission the Racecourse Cogeneration Plant in crushing mode. We will also commission the Cogeneration Efficiency Projects and complete the QSAFI-2 study. We will finalise our investigations into the viability of boiler upgrades at Farleigh and Mossman Mill and participate in the Pentland Study to identify further energy efficiency projects that complement our diversification focus.
Our marketing

The New York No.11 sugar futures (basis the spot contract) reached a high of 24.00 US c/lb in July 2012, before falling steadily to reach lows of 16.52 US c/lb as at 31 May 2013, representing a drop in value of ~31%. This was a result of the global sugar market being well supplied, due to both the previous higher sugar prices incentivising production increases, and generally good production conditions in key sugarcane and beet growing regions. Prices are currently at a level that incentivises Brazilian producers to make ethanol from sucrose, at the expense of sugar. This is expected to somewhat reduce the current surplus in global sugar stocks, with ethanol markets also well supplied as a result. It is expected that sugar prices will remain under pressure for at least the remainder of the Brazilian harvest period, or until late 2013.

## Sugar sales

### Sugar sales per customer

<table>
<thead>
<tr>
<th>Year</th>
<th>QSL 28.7%</th>
<th>Other 6.7%</th>
<th>SAPL 64.6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2009</td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
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</tr>
</tbody>
</table>

### Sugar price (AUD per IPS tonne) and volume sold (IPS tonnes)

<table>
<thead>
<tr>
<th>Year</th>
<th>QSL 28.7%</th>
<th>Other 6.7%</th>
<th>SAPL 64.6%</th>
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<tbody>
<tr>
<td>2008</td>
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<td>$756.22</td>
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<tr>
<td>2009</td>
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<td>2010</td>
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<tr>
<td>2012</td>
<td>$441.01</td>
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<td>$1,255.68</td>
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</table>

Note: The above sugar prices reflect the actual sugar price per IPS tonne achieved by Mackay Sugar for the financial year as included in the financial accounts, rather than the seasonal prices.

## Molasses markets

Molasses export prices improved over the 2012 season due mainly to the increased demand for molasses as a feedstock to the ethanol producing industry of Thailand. Domestically, good rainfall over the 2012/13 summer period has not followed through in the Western regions of Queensland and NSW and, as a result, domestic demand for molasses as a stock feed has been lower than expected. These factors have combined to result in higher prices and higher volume off take of molasses for the 2012 season. Molasses production per tonne of cane crushed was slightly lower in the 2012 season, due primarily to the higher sugar content in the cane. This reduction in molasses yield per tonne of cane was somewhat offset by the larger than initially expected cane harvest tonnage in the Mackay region. See Business on page 31 for further details.

In the 2012 season, 21.6% of sales were via Champion Liquid Feeds into the domestic stock feeding industry, with 58.3% sold as feedstock to Wilmar Sugar Australia's Bio-ethanol plant at nearby Sarina and the remaining 20.1% sold for export by Australian Molasses Trading Pty Ltd (AMT) and shipped via the Mackay Bulk Sugar Terminal. As per previous seasons, we had an agreement with Wilmar Sugar Australia whereby all molasses supplied to the Sarina distillery received the AMT export price equivalent.

Under the previous molasses swap arrangements with Wilmar Sugar Australia, Wilmar controlled and paid for the freight on molasses from our sites to the Wilmar ethanol distillery in Sarina. Under the new arrangement, established in the reporting period, we now control and pay for the freight on molasses to Sarina, giving us greater control of the logistics of our molasses, all the while reducing operational risks around site specific storage limits.

Molasses exports for Mossman Mill were 15,147t (92.5%), with domestic sales of 1,226t (7.5%). Net revenue from molasses sales in the 2012 season, compared with the 2011 season displayed a 27.2% increase, with total molasses tonnes sold in the 2012 season, compared with 2011 season increasing by 23.8%.

### Molasses sales per customer

<table>
<thead>
<tr>
<th>Year</th>
<th>SBE 71.5%</th>
<th>CLF 21.5%</th>
<th>AMT 7%</th>
</tr>
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<tbody>
<tr>
<td>2008</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>SBE 58.1%</td>
<td>CLF 28.7%</td>
<td>AMT 13.2%</td>
</tr>
<tr>
<td>2010</td>
<td>SBE 63.3%</td>
<td>CLF 13.1%</td>
<td>AMT 23.6%</td>
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<tr>
<td>2011</td>
<td>SBE 70.4%</td>
<td>CLF 9.6%</td>
<td>AMT 11.0%</td>
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<tr>
<td>2012</td>
<td>SBE 58.3%</td>
<td>CLF 21.6%</td>
<td>AMT 20.1%</td>
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</table>

### Molasses price (AUD/Mt) and volume sold (Mt)

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<thead>
<tr>
<th>Year</th>
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<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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<td>$113.69</td>
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<td>$95.98</td>
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<td>/168,282</td>
<td>/174,036</td>
<td>/146,097</td>
<td>/157,322</td>
<td>/196,493</td>
</tr>
</tbody>
</table>

Note: The above molasses prices reflect the actual molasses prices achieved by Mackay Sugar for the financial year as included in the financial accounts, rather than the seasonal prices.

## Other outcomes

- Average sugar price of A$441.01 per IPS tonne
- Domestic Short Term Pool price of A$437.43 per IPS tonne
- Raw sugar sales to Queensland Sugar Limited (QSL) of 3,967,731 actual (46.2%), Sugar Australia of 4,603,601 actual (52.9%) and Mossman Sugar Company of 11,245 actual (1.3%) (2011 season: QSL 37.2%; Sugar Australia 62.8%)
- Increased volume of molasses sold to Champion Liquid Feeds (domestic market) of 38,933,966 (2011 season: 27,100)
- Supplied 104,967t of molasses to Wilmar Sugar Australia (previously Bicropoli) via a swap arrangement (2011 season: 102,347)
- Mossman molasses exports of 15,147t (92.5%) and domestic sales of 1,226t (7.5%)
- Implemented new raw sugar supply contract with Sugar Australia
- Completed review of marketing activities and received Board approval for January 2014 implementation of new marketing company - Queensland Commodity Services Pty Ltd

### Targets

- Renegotiate Sugar Australia raw sugar supply contract for the 2014 season
- Renegotiate current Raw Sugar Supply Agreement with QSL to gain access to Mackay Sugar's Miller Economic Interest share of sugar for export marketing
- Improve domestic sales to Champion Liquid Feeds
- Integrate Tablelands cane growers onto Long Term Banded (LTB) Pricing platform for 2014 season and beyond
- Implement new sugar price risk management program, Kiodex Risk Workbench
- Review overall molasses marketing strategy
- Commission new molasses export facility at Mackay bulk sugar terminal
- Implement new marketing company - Queensland Commodity Services Pty Ltd

### Financials

<table>
<thead>
<tr>
<th>Year</th>
<th>Sugar sales</th>
<th>Molasses sales</th>
</tr>
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<tbody>
<tr>
<td>2008</td>
<td>$437,433,655</td>
<td>$947,113,790</td>
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<tr>
<td>2009</td>
<td>$463,202,180</td>
<td>$1,051,300,800</td>
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<td>2010</td>
<td>$491,590,000</td>
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<tr>
<td>2011</td>
<td>$519,880,000</td>
<td>$1,096,698,900</td>
</tr>
<tr>
<td>2012</td>
<td>$548,170,000</td>
<td>$1,142,796,800</td>
</tr>
</tbody>
</table>

Note: The above figures reflect the actual sugar and molasses sales achieved by Mackay Sugar for the financial year as included in the financial accounts.
Queensland Commodity Services (QCS)

In September 2012, we commenced a review of our marketing and price risk management of raw sugar production. Following the consideration of several strategies regarding the best marketing model for our Company going forward, management presented its initial findings and recommendations relating to the creation of a new marketing entity at the December 2012 Board Meeting. Further work was then conducted in the form of financial modelling; the development of documents required for the Australian Financial Services License (AFSL) application process, and the provision of detailed legal advice on establishing the necessary structure, with a subsequent report provided to the Board in February 2013. A final report was presented at the March 2013 Board Meeting, with the new entity approved for implementation. QCS is expected to be fully operational by 1 January 2014. The new marketing model is set to provide pricing flexibility and active hedge management in order to improve returns.

Looking ahead

The current low sugar prices are expected to reduce sugarcane and beet production in several key producing regions, as they are currently at or below the cost of production. Current expectations are for a balanced supply and demand picture to persist for the molasses markets in the 2013 season, again due largely to Thailand’s demand for molasses as a feedstock for ethanol production, as well as continuing dry conditions in western Queensland and NSW leading to continued demand for molasses as stockfeed. AMT are currently expecting 2013 season molasses prices to be similar to the final molasses export price for the 2012 season.

Pictured: Raw sugar is loaded into a ship’s vessel for export. A total of 52.5% of our 2012 season production was sold to Sugar Australia, 1.3% to Mossman Sugar and 46.2% was sold via QSL.
Outcomes
for year ended 31 May 2013

Our refining
We hold a 25% interest in sugar refining in Australia and New Zealand in a joint venture arrangement with Wilmar (previously known as Sucrogen Limited). Under the joint venture, raw sugar is refined at refineries located at Mackay’s Racecourse Mill (Racecourse Refinery), Yarraville in Victoria, and Auckland. This sugar is marketed by Sugar Australia and New Zealand Sugar Company.

Financial performance
Our share of the combined profit from the Sugar Australia Joint Venture (SAJV) and New Zealand Sugar Company (NZSC) amounted to $12.4 million (2012: $8.9 million), with the share of combined distributions $8.4 million (2012: $3.1 million). This result reflects an improvement in profit, mainly due to cost savings in manufacturing operations and the receipt of $4.5 million in dividends from NZSC during the reporting period.

Retail
The business maintained leading market shares by value for its retail brands of CSR (Australia) and Chelsea (New Zealand) of between 38-45%. Sugar sales in supermarkets declined in the year, from 122ktpa to 119ktpa (-3.3%) in Australia. This reflects the negative consumer sentiment that has been fuelled by debate around the impact of sugar in the diet. Sugar Australia has proactively engaged in the discussion and debate with regulatory bodies and media to try to provide a balanced viewpoint to this situation. Supermarket brands continue to grow in size and now account for 70% of all sugar sold in Australian supermarkets.

Exports
New export success was achieved, with very high quality nutraceutical sugar being sold to infant formula manufacturers in Asia. South Korea emerged as our largest market for export container sales ahead of traditional destinations such as China, Hong Kong and Taiwan. During the year, there was continued focus on the development of bulk container sales into Europe, including the first sale to one of the world’s largest chocolate manufacturers. Sales to new markets, such as Turkey and Ecuador, also aided performance. A total of 8 export shipments (2012: 9), totalling 150,000t (2012: 166,500t) of bulk refined sugar were made to Singapore via Sugar Australia’s bulk refined sugar vessel the MV Pioneer, primarily for distribution in the Singapore market and re-export to markets including the Middle East.

Foodservice
The Foodservice channel delivered another strong performance, with further volume growth (122%), although overall margins were under pressure mainly as a result of an increase in bulk volumes. The continued focus on independent distributors, and improvements in the channel’s promotional activities with the major distributor groups, continue to be effective. Overall, the distribution of Equal in the Foodservice channel proved challenging throughout the year, with margins coming under pressure from a range of new entrants and a stronger price focus within key customer segments. However, volumes grew slightly to 101% of the prior year.

New business activities included the investigation into non-sugar growth markets in imported glucose and stevia, with consideration also afforded to future trends and synergistic product opportunities. There was also a focus on promising non-food markets such as waste water treatment and industrial non-traditional uses for sucrose.
Our refining continued

Operations
New operational benchmarks and Operational Equipment Effectiveness (OEE) records were established at many of the business sites. A continued focus on reduced energy and water consumption, in line with the business’ sustainability plan, was demonstrated by the group’s total year-on-year energy megajoules per tonne reduction of 8% and water kilolitres per tonne of 6%.
Operating costs continued to be challenged during the reporting period, with the introduction of the Carbon Tax in Australia. This was closely managed with customers in a transparent manner, to reduce liability and ultimately pass these costs through to the consumer.
Cost savings of $4.1 million from Operational Improvement Programs (OIPs) were achieved for Sugar Australia throughout the year.

Refined Sugars Upgrade Project
Construction of the Refined Sugars Upgrade Project at the Yarraville Refinery continued during the year, with the project expected to be completed and commissioned in late 2013.
The upgrade is expected to deliver improved quality, storage, and food grade handling of the sugar produced at Yarraville, along with greater plant efficiencies and sugar export opportunities.

Looking ahead
Pressure on domestic refining margins will continue, as multinationals seek imported refined sugars, taking advantage of surplus supplies of refined sugar in Malaysia and Thailand and cheap container freight rates to Australia and New Zealand from these destinations. The business will aim to further enhance and differentiate the Sweeteners CVP, whilst leveraging market leading positions through the execution of the 2013 branding and innovation programs.
The coming year will also see the completion and commissioning of the Refined Sugars Upgrade project at Yarraville.
A continued energy efficiency focus with water, waste and carbon reduction projects will remain a priority, with the business seeking further reductions through a capital works program, targeted in particular at maximising steam efficiency and substituting coal with bagasse at Racecourse Refinery.

Pictured: Racecourse Refinery’s phosphation clarifier removes sediment from the refinery syrup. The syrup then enters the activated carbon columns, which removes the colour from the syrup.
Our environmental management

Pictured: The Marian bagasse storage pad was constructed during the year, with the facility to be available for storage during the 2013 crush. The pad was constructed in a way in which the facility would have minimal impact on the community.
We are committed to improving environmental performance within our operations and conduct a range of activities to ensure our business is carried out in an environmentally responsible manner.

We have an Environmental Management System (EMS) that assists us in ensuring a collaborative approach to environmental management is sustained across our milling operations. Our EMS enables us to improve our environmental performance through an enhanced understanding of environmental risks, incidents, complaints and changes in legislation. We are continually improving this system to align it with all elements of the international standard for Environmental Management Systems ISO 14001:2004.

Enhancing our environmental performance
Our Environmental Policy, to which we must adhere, includes the following objectives:

- Comply with or surpass all applicable environmental legislation, regulations and standards to which the Company subscribes
- Identify potential impacts and develop mitigation programs and controls which are regularly monitored and reviewed
- Implement and maintain an Environmental Management System (EMS)
- Promote sustainability through efficient use of natural resources and energy, including reuse or recycling of waste resources where appropriate
- Prevent pollution through adoption of practical waste and emissions reduction practices and technologies
- Continual improvement by establishing environmental objectives and targets and a performance evaluation system with associated indicators
- Ensure our employees and stakeholders are appropriately informed of our policies, management system and performance.

Our Environmental Policy is promoted to all employees through various training programs, toolbox meetings, specific work procedures and our intranet. Contractors are also required to review the policy to ensure their activities are conducted in an environmentally responsible manner. The policy is also available to the public via our website – www.mkysugar.com.au.

Working collaboratively with industry and government
Each year we are required to report to federal and state regulators on environmental performance, energy efficiency and emissions. These include the National Pollutant Inventory (NPI), the National Greenhouse and Energy Reporting (NGER) scheme and the Energy Efficiency Opportunities Act (EEO). As members of the Australian Sugar Milling Council (ASMC), we also regularly participate in industry forums.

NERG
We are a mandatory participant under the NGER scheme and submitted our fourth NGER report in October 2012. This report details our greenhouse gas emissions for the previous financial year. Reportable equivalent carbon dioxide (CO2e) emissions (Scope 1 and 2) for 2011/12 were 99,078 tonnes (t) (2010/11: 123,033t). The 2011/12 reporting data was slightly lower than the 2010/11 figures as a result of a more favourable crop and the ability to generate additional bagasse to offset coal usage.

In early May 2012, we were audited by KPMG on behalf of the Clean Energy Regulator with the primary objective to provide assurance on the completeness and accuracy of our NGER data set provided for the 2010/11 reporting period. We were selected for the audit under Section 74 of the National Greenhouse and Energy Reporting Act 2007, which allows the regulator to initiate audits against registered corporations under the scheme. The audit process examined the integrity of our data and identified where additional improvement or support may be required. The audit report was finalised on 15 June 2012.

The report found that except for some limitations on reporting quantities of bagasse produced and consumed, and testing of operational control of facility boundaries, such as transport contractors, we reported emissions, energy production, and energy consumption in accordance with Section 19 of the NGER Act, in all material aspects for the period 30 June 2011 to 1 July 2012.

Energy efficiency opportunities
The Energy Efficiency Opportunities (EEO) program is a federal government initiative, of which we have been a mandatory participant since 2008. Our annual public reports on energy efficiency obligations under the EEO Act can be found on our website – www.mkysugar.com.au. We measure our energy consumption through various methods and continuously strive to improve energy consumption across our sites.

In December 2012, we submitted our second cycle assessment plan to the Department of Resources, Energy and Tourism (DRET). The approval of this plan had not yet been received as at 31 May 2013.
Meeting environmental expectations

During the year we had one reportable incident to the Department of Environment and Heritage Protection (DEHP), relating to a broken effluent pipe between Marian Mill and the Marian effluent ponds. The effluent was contained and did not enter any creeks or streams. No actions were taken by DEHP in regards to this incident.

During the crushing season, all mills participated in two rounds of boiler emission testing for particulates. As a result of elevated emission results at both Farleigh and Marian mills in 2012, we entered into a voluntary Transitional Environmental Program (TEP) for Marian Mill and an Environmental Evaluation (EE) for Farleigh Mill. The TEP at Marian Mill has been linked to funding received from the Clean Energy Fund to upgrade our efficiencies at the mill, which will maximise bagasse generation, offset coal usage at Racecourse Mill and improve our particulate emissions. For further details on the upgrade works at Marian Mill (Cogeneration Efficiency Project see Business on page 36.

The Farleigh EE involves the study of emissions, the impact on the receiving environment, and solutions to reduce current emissions. The final report on the EE is due to the DEHP by 30 October 2015. No penalty infringement notices or prosecutions were received during the year.

Promoting sustainability

The efficient use of natural resources is promoted within our Company, with an emphasis on minimising surface water and groundwater usage where possible and managing bagasse to reduce the reliance on coal during the non-crush period. During the crush, all mills run their boilers on bagasse to generate steam. Some bagasse is stored at each site at the end of each crush in readiness for the commencement of the following crushing season. A significant volume is also progressively transferred to the Racecourse Mill to run the boilers during the non-crush period. During the non-crush period there is a requirement to supplement the bagasse with coal once the bagasse has been used. To reduce our reliance on coal, practices are employed to maximise bagasse generation, maximise the efficiency of each tonne of bagasse burnt, and minimise loss of bagasse quality. While every effort is made to maximise efficiency, bagasse availability is largely impacted by the size of the crop and the quality of cane received.

As part of our Racecourse Cogeneration Project, we gained approval from Mackay Regional Council and DEHP to develop and operate a new bagasse storage facility at Marian. The facility will provide additional bagasse storage capacity, supplying the renewable fuel to the cogeneration plant for a portion of the non-crush period. Construction on this facility commenced during the year, yet was hampered by rain in early 2013. The facility is expected to be operational in August 2013. As part of the approval process, we installed stormwater detention basins, bunding and fencing to reduce noise, and vegetation screens to improve the amenity and minimise potential fugitive dust emissions. See Business on page 35 for further details.

Working with the community

Community engagement with residents is undertaken within communities in which we operate on a regular basis, primarily via face-to-face meetings with individual residents and community information sessions, which are typically held prior to the start of each crush. Additional sessions are held in the instance of escalating community concerns or complaints around our operations. The pre-crush meetings provide nearby residents with details of each mill’s activities in the past and coming year, and permits them to raise any concerns regarding our operations. We understand it is important to keep the local community informed of our environmental initiatives and projects and, with this in mind, produce media releases and information/fact sheets about such activities when the opportunities arise. See Community on page 68 for further details.

Looking ahead

Over the coming year we will continue our focus of enhancing our environmental performance. In particular we will work towards improving efficiencies in our mills and maximising the generation of bagasse to offset the use of coal. We will also continue to integrate our EMS at Mossman Mill.
Our employees

Health and safety

Pictured: Rolling Stock Trades Coordinator Terry Hayes has his blood pressure checked by Health Advisor Karen Bedford. We have various initiatives in place to encourage employee health and wellbeing.
People
Our employees

People are key to our performance and success, and therefore we encourage the development of our talented and motivated individuals. We strive to create a sense of accomplishment and purpose among all our people through the implementation of Operational Excellence and working with a common vision and set of values. Our values are a reference point through every facet of our business.

Our organisation is structured around Cane Supply, Milling, Maintenance, and Services. As at 31 May 2013, we had approximately 765 employees working across our four main locations (Farleigh, Marian, Racecourse and Mossman). However, during our 2012 crushing season operations (May to November), we employed a total of 952 people. Approximately 310 people are employed on a seasonal basis (for our crush) each year.

Our permanent employees comprise 150 salaried personnel in a variety of management, planning, procurement, information technology, human resources, accounting and administrative roles, and 450 wages personnel in a variety of trade, technical and processing roles.

We operate in an economy that is dominated by mining and mine service industries. This has created a highly competitive labour market environment, and in order to overcome this situation we continue to develop specific initiatives to retain our workforce.

We recognise that each employee plays an important part in the growth of our business and our associated triumphs. We are dedicated to providing various training and development initiatives that improve our employees’ skills and knowledge, as we appreciate these opportunities will foster growth within the employee and ultimately our business. We support and develop the capabilities of our people through the provision of apprenticeships, traineeships, post trade studies, tertiary education assistance, professional development, job skills and health and safety training.

In May 2013, we restructured our business to address the various challenges that we expect to face in the year ahead, which will involve a poor 2013 crop and low sugar prices. These changes will ensure we are better equipped to deliver on the various objectives set out in our Strategic Plan, despite the anticipated setbacks. This process saw a number of changes in roles and responsibilities and the reduction of 35 salary positions.

Recognising and rewarding our people
A Reward and Recognition Program for all employees was implemented in early 2013, in order to acknowledge and appreciate contributions, improvements, innovation or excellence within the business – a message to employees that they are valued. We understand that the act of recognising an employee affirms the values and spirit underlying the achievement. It also reinforces desired behaviours and increases their occurrence.

Communicating this to the rest of the organisation, via informal award presentations and internal announcements, creates role models and sets the standards of desired performance.

Categories for the Reward and Recognition Program include the following:

- Informal rewards – these may be monetary or non-monetary and are spontaneous and sincere appreciation of individual group efforts, for example, by way of a site barbeque or morning tea
- Formal financial rewards – are pre-determined rewards. They form part of the overall conditions of service of staff and are used to recognise employee performance achievement, contributions and accomplishments and cover the following:
  - Demonstrated leadership
  - Training
  - Community
  - Innovation
  - Customer satisfaction
  - Development, preservation or dissemination of knowledge
  - Safety and environment
  - Operational Excellence
- Formal Company-wide rewards – are for excellence, and are awarded by nomination which, once received, are assessed by a committee, with selection primarily evidence-based. Some of these awards are presented at an annual end of year celebration
- Extraordinary awards – these awards fall outside of the formal range of rewarding mechanisms and are awarded for performance and achievement that has brought significant value to the Company
- Years of service recognition – for the following categories:
  - 25 years
  - 35 years
  - 35 years plus

We welcomed five new members into our 35-year Service Club at the Club’s annual induction celebration, held in May 2013. The Club’s member tally is now 115 (2012: 110). The annual induction celebration represents a token of our gratitude to the Club’s members, particularly for their contribution towards the growth of our business.

Pictured: Head Rigger John Orchard celebrated 50 years of service with the Company in June 2012. John commenced at Flavestowe Mill on 26 June 1962 as a seasonal ‘Juice Boy’ (Laboratory Assistant) at the age of 16.
Our employees
continued

Promoting leadership
The Executive team and the Business Unit Managers were introduced to Lominger Leadership Competencies during the year. These resources are known worldwide for their research-based universally applicable competencies that can be tailored to suit any organisation regardless of its current activities or its current state of development.

From this process, the Executive team determined a set of competencies they deemed as relevant to all leaders within our organisation and determined the competencies that specifically apply to their own level in the business. The combination resulted in a set of 21 detailed competencies that provided a full set of assessable descriptors.

These competencies and the Company’s values were combined to form the basis for the Executive Team’s first 360 degree feedback analysis, to be held in June 2013. The outcomes of this work will provide the information necessary to highlight the most critical needs for leadership development in the Executive Team. This will cascade through the business to establish specific standards of behaviour and performance, resulting in improved leadership which will be visible throughout the business, by our stakeholders and the community in general.

Managing performance
Salaried staff are recognised through a Performance Management Development System (FMDS) which aligns employees with our vision and values through formal assessments. This process also provides guidance for salary reviews, learning and development needs, and career planning.

The Enterprise Bargaining Agreement (EBA) (for weekly paid employees) for the Mackay mills had a 1% bonus payment removed in the last negotiations, held in late 2012. The Enterprise Bargaining Agreement (EBA) for the Mackay mills remains competitive with local industries of a similar nature. The Enterprise Agreement (EBA) was renegotiated in June 2013 to provide a three-year agreement with wage increases of 3.3% each year.

Mackay
In late 2012, Mackay’s EBA was renegotiated to provide a three-year agreement with wage increases of 3.3% each year. This ensures that employees in Mackay mills remain competitive with local industries of a similar nature.

One new and significant feature of the new Agreement was the inclusion of the revised Process Training Agreement which saw the establishment of a single Reclassification Committee.

This committee offers faster and objective assessment of reclassification applications, providing appropriate access to higher levels of pay for those who use higher levels of skills in the business. This has proven to be a significant improvement on the previous process.

Mossman
Mossman's EBA was endorsed by a valid majority of employees in May 2013. It is a two-year Agreement, providing 3.5% per year wage increases for Mossman’s weekly paid employees.

The approval of the Agreement by the Fair Work Commission (FWC) is expected to be received early in the year ending May 2013. Since the Agreement was endorsed, we have re-established the Training Committee and the Consultative Group as required by the Agreement. Additionally, some of the minor elements of the Agreement have commenced prior to the approval from FWC being received. This has been done in a show of good faith and to assist in restoring relationships after what was a particularly difficult negotiation.

Determining wages and conditions
Our employees have a Consultative Group responsible for monitoring the implementation and operation of the EBA and forming specific sub-committees to facilitate improvements and resolve issues predominantly of an industrial nature across the business.

The major sub-committee of the Consultative group is the Enterprise Agreement Negotiating Team (EANT). This team comprises approximately 23 people who represent weekly paid employees across the business and includes six management (salaried) employees representatives.

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Encouraging industrial harmony
We actively work with the three unions that represent our employees. These unions are:
- The Electrical Trades Union (ETU);
- The Australian Manufacturing Workers’ Union (AMWU); and
- The Australian Workers’ Union (AWU).

The organisers from each union are also representatives on the EANT. We are committed to identifying potential disputes and to working co-operatively to resolve them as soon as practicable. This approach ensures that the focus for our employees and the unions remains the conduct of safe, satisfying, and productive work. This is executed through:
- Consultative groups;
- Training and reclassification committees;
- Payroll query resolution processes;
- Disputes avoidance procedure;
- Regular employee information sessions; and
- EBA education sessions for managers and supervisors.

Providing flexible working arrangements
In order to accommodate the diverse needs of our business, we provide flexible working arrangements for our employees. These include:
- Job sharing (through individual part-time employment contracts);
- Tapered retirement, which allows older employees an opportunity to scale back to a part-time arrangement, facilitating their transition to full retirement, while at the same time encouraging them to take advantage of their ability to pass on their skills and knowledge to the newer members of our workforce.
- Reverse seasonal employees who work the maintenance season in factory roles.

Creating equal employment opportunities (EEO)
We provide employment opportunities for a diverse range of people, utilising the criteria of ‘best person for the job’.

The key objective of our EEO Policy and network of Contact Officers is to ensure our workplace is free of harassment and discrimination. Our EEO Policy incorporates legislative requirements from various Acts including the Anti-Discrimination Act 1991. Furthermore, our Harassment Contact Officers receive training by the Anti-Discrimination Commission of Queensland to enhance their capabilities in handling such situations.

Providing opportunities to our female employees
For the year ending May 2013, females accounted for 20.94% of our entire workforce, representing a 0.65% increase from 2012. Female employee numbers typically increase during our crushing season, with 129 females appointed to positions across both the Cane Supply and Factory areas out of the 310 seasonal positions filled for the 2012 season (or 41.61% of seasonal positions).

Our female employees continue to be part of our coaching and leadership skill development initiatives through an in-house program titled ‘Leader of Teams’, which is targeted to our front line managers and supervisors. In early 2013, this program included two female participants out of a total of 10 participants who commenced. Female employees are also provided with self-development and improved qualification opportunities, with two females out of a total of five employees being granted tertiary study assistance during the year.

Pictured: Fitter and Turner Theresa Jones completed her Fitting and Turning apprenticeship at the end of 2012 and received the 2012 Mackay Sugar Apprentice of the Year award.
Fostering personal and professional development

Our mandatory induction process for all employees and contractors includes training on our Company vision and values and our approach to health and safety. We are committed to providing world-class personal and professional training opportunities through our Apprenticeship Program, traineeships, leadership development opportunities, and our Tertiary Study Assistance, Tertiary Development Opportunity, and Work Experience schemes.

Assisting our employees in accessing further education

Our employees are encouraged to participate in tertiary education in recognised courses. We provide financial assistance towards the costs of tertiary education which is aimed at providing self-development and improved qualifications that benefit the employee and our business. We provide additional professional development to our employees through a range of selected programs, including a ‘Leaders of Teams’ program for our front line managers or supervisors. This program is targeted at the first level of supervision and leadership inside our organisation and is the minimum professional development standard required of supervisors. Eight people completed the program at Mackay this year with six commencing with Block A – HSE Leadership at Mossman. Topics covered in the program include:

- Health, safety and environment leadership
- General communication skills
- General leadership skills
- Specific education on our business operating systems
- Specific self-management skills, such as:
  - Time management
  - Planning and prioritisation
  - Problem-solving and decision making
  - Conducting meetings
  - Customer Service
  - Change management, and
  - Coaching for success

A Training Opportunity Scheme has been implemented to provide our employees with dedicated training opportunities in areas such as dogging, rigging, scaffolding, forklift operations and mobile crane operations. Three of these opportunities are being offered in 2013 with a projected completion date of 2015.

Training and developing our future workforce

We currently employ 64 apprentices in the boilermaking, mechanical, electrical, instrumentation, and machining trades, as well as in drafting and business traineeships. Thirteen of these are new apprentices who were employed from our 2013 intake. Between June and December 2012, nine of our apprentices graduated and commenced work as fully qualified tradespersons. Of a total 64 apprentices, 29 are Adult Apprentices, two are female and four are seasonal.

Work experience

During the year, we hosted 31 work experience participants across various trade disciplines (2012: 40).

Keeping our employees informed

We continue to provide our employees with regular information on our current and future business activities via our quarterly internal newsletter (Mill Mag). Now sent electronically (as of early 2013), with limited hardcopies printed for crib rooms and reception areas, the newsletter provides information about operational performance, safety and health initiatives, historical facts, projects, new employees, and employee and community events. Other media utilised to provide regular updates to our employees include memos from the CEO and other managers, toolbox talks and safety bulletins and alerts, all of which are also available on our internal website. Media releases are also distributed to our employees to keep them up-to-date with any announcements and activities as they occur. Policies and other important work-related documents are made regularly available to our employees in various locations throughout our business sites and via our intranet.

Promoting employment opportunities

Our employees were actively involved with regional career and education events throughout the year, promoting the various employment opportunities within our business. These included staffing a booth at the Mackay and District Careers Expo as well as attending a large number of local high school subject selection events and other associated school/career events such as the F1 in Schools program. These events provided the opportunity to promote our Company to those considering their career/study options.

Looking ahead

In the year ahead, we will continue the implementation of our Employee Engagement Strategy and embed a structured process for setting Key Performance Indicators. We will conduct a 360 degree review across the first level of our Company and another at the Executive level. We will work towards improving communications with our employees, through the implementation of various new communication tools and techniques.

Pictured: Mossman Mill’s First Year Apprentice Boilermaker Wade Ives repairs a bogie gooseneck in the mill’s Truck Shop.
Health and safety

We remain dedicated to our mission - to be a leader in safety and environmental management, with a commitment to safe, efficient production.

To ensure we achieve this, the health and safety of our employees remains a primary focus for all sections of the organisation. We constantly monitor our safety performance through a series of checks that involves input from all sections of the workforce.

The type of workplace checks includes:
- Job Observations by all levels of the business including senior management
- Work Order Observations carried out by Planners and other office staff
- Workplace Inspections in all areas of the business involving all employees, including administration

A vital part of the internal framework to ensure a safe workplace is employee communication and consultation. This is largely achieved by having active Health, Safety and Environment (HSE) Committees at each mill site and within Cane Supply. The committees are made up of equal numbers of staff and employees and meet monthly to discuss workplace issues and develop initiatives to assist in maintaining a safe and healthy workplace. A separate ‘Group’ HSE Committee also meets monthly to discuss issues arising from the site committees with representation from each committee.

A ‘Safety Achiever of the Month’ is decided by this committee from nominations received from various workgroups throughout our sites. This award, which is vigorously contested, recognises individual employees who have displayed initiative in safety.

Racecourse Mill Pan Stage Attendant Gerard Zammit was our 2012 Safety Achiever of the Year Award recipient. Gerard identified the steam risk in accessing the receivers within the Racecourse Pan Stage while the pans are in operation and discussed a solution to the risk with the operators and the HSE representative. The agreed solution was that a lock out device be employed to lock the drop doors in a closed position of the pans and the receiver being worked on, rather than locking out all steam valves. In addition, gates would be fitted with a sensor system to show if anyone enters the area. The lock out switches are now fitted in the pan stage control room so personnel waiting to enter the area must see the operators first. The installation of the devices is to be completed during the 2013 crush.

The Lost Time Injury Frequency Rate (LTIFR) is a measure of the number of injuries that occurred per 200,000 man hours worked. Mackay Sugar’s LTIFR in 2012 was 8.51. Despite this increase we have achieved a significant improvement compared to the LTIFR of 5.36 reported in 2011. Mackay Sugar has now achieved a LTIFR below 10 for the past three years.

Our Safety Achiever of the Year Award is fiercely contested within our workforce. The award recognises individual employees who have displayed initiative in safety. Our 2013 recipient is Industrial Maintenance Planner, Peter Coghlan. Peter’s contributions to improving workplace safety include the installation of Heat Baffles in the receivers of both mills, the introduction of safety signs to equipment in the mill and Racecourse Mill, and the installation of safe working systems in the pack area of Racecourse Mill.

When an injury occurs in the workplace, our HSE team and the medical practitioners, focus on ensuring the needs of the injured person are met, and sound rehabilitation procedures are employed, encouraging an early and easy return to work.
Maintaining a high standard of safety

Safety Index
As part of our commitment to safe, efficient production, we maintain a Safety Index, which requires input from the entire workforce in order to achieve the target of 1.00 (100%). The index is linked to performance-based incentive schemes for salaried and wages personnel and is tracked and reported on a monthly basis.

In October 2012, we had a significant incident within our Mackay cane rail network, involving a head-on collision between two trains at Messmate, near Jukes Junction. Three of the four crew members were injured, resulting in three LTIs. Significant damage occurred to both locomotives along with minor damage to the surrounding track infrastructure. WHSQ were notified within one hour of the event and a detailed incident investigation was undertaken by an external facilitator. As a result of the Incident, WHSQ also completed their own investigation and issued two improvement notices. An action plan to address areas of concern was prepared and accepted by WHSQ with a requirement to have these implemented by the commencement of the 2013 crush.

An upgrade from TrackSafe to TrackSafe II was one of the agreed actions. TrackSafe is used by the Traffic Office to manage our trains on our rail network. It is based on Geographic Information System (GIS) mapping and operates in real time. The upgrade to TrackSafe II eliminates the need to run the previous system (Electronic Mimic Board) in parallel with TrackSafe and is more intuitive.

Identifying and managing risks

Hazard identification and risk management training is provided annually to all employees. This training provides them with the necessary skills to successfully complete daily Job Start Risk Analysis Assessments (JSRAs). The JSRA process is an essential tool which is referred to in all our Safety Management Procedures and is also used in conjunction with high-risk tasks that require a permit to perform, such as confined space, hot work and working at heights.

Reducing the spread of Influenza

Each year, our employees are encouraged to voluntarily participate in an immunisation program to reduce the spread of influenza and assist in the reduction of flu-related absenteeism. This service is provided to employees free of charge and is usually conducted at various locations across our sites prior to the commencement of the flu season.

Integrating safety systems at Mossman Mill

During the year a gap analysis was undertaken on the current Mossman Mill Safety System compared to the Mackay Sugar Safety Management System. The analysis was used to prepare a plan to progressively implement the Mackay system into Mossman. As at end of May 2013, we had implemented the Drug and Alcohol Policy, the JSRA process, Job Observations, targets for identification of hazards, and the use of SafetySuite to track incidents. Over the coming year, we will progressively standardise Mossman Mill’s Safety System to comply with our procedures, especially those associated with high-risk activities, such as confined space, working at heights, hot work and asbestos management.

Looking ahead

We will maintain our commitment to continually improving safety across our sites. We will review our Safety Management System and continue to aim for a Safety Index score of at least 1.00. We will also focus on continuing to integrate our Safety Management System into Mossman Mill.

Managing incidents
All personnel are involved in incident management with a rigorous process in place for incident investigation. We continue to work with Workplace Health and Safety Queensland (WHSQ) on interpreting the incident reporting requirements of the harmonised Workplace Health and Safety legislation (introduced in January 2012), and have taken a precautionary approach in notifying all incidents.

In October 2012, we had a significant incident within our Mackay cane rail network, involving a head-on collision between two trains at Messmate, near Jukes Junction. Three of the four crew members were injured, resulting in three LTIs. Significant damage occurred to both locomotives along with minor damage to the surrounding track infrastructure. WHSQ were notified within one hour of the event and a detailed incident investigation was undertaken by an external facilitator. As a result of the Incident, WHSQ also completed their own investigation and issued two improvement notices. An action plan to address areas of concern was prepared and accepted by WHSQ with a requirement to have these implemented by the commencement of the 2013 crush.

An upgrade from TrackSafe to TrackSafe II was one of the agreed actions. TrackSafe is used by the Traffic Office to manage our trains on our rail network. It is based on Geographic Information System (GIS) mapping and operates in real time. The upgrade to TrackSafe II eliminates the need to run the previous system (Electronic Mimic Board) in parallel with TrackSafe and is more intuitive.

The learnings from the head on train collision were shared amongst transport employees and also participants at the Australian Sugar Milling Council Safety Conference, in March 2013.

Providing safety inductions
All personnel, including contractors, who come to work on our sites receive a Mackay Sugar Induction, this is a two-part induction with a computer-based component provided off site and a practical assessment on site. A site familiarisation walk-around is also carried out at the particular site at which they will be working.

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Health and safety continued
Our community involvement

Pictured: Mackay Hospital Foundation General Manager Adrienne Burke and our Communications Manager Lorelei van Dalen. We remain a key partner of the Mackay Hospital Foundation, providing $10,000 annually to enhance local health services and initiatives in the Mackay community.
Outcomes
for year ended 31 May 2013

- Provided $80,792 in sponsorships and donations to Mackay region (2011: $65,550)
- Held inaugural Mackay Sugar Classical in the Cane Fields
- Introduced quarterly Community Update in Mackay
- Introduced annual pre-crush Farleigh Community Information Session
- Facilitated 200 tours of our Farleigh Mill (2012: 203), enabling 1,363 participants to view first-hand how we produce raw sugar (2012: 1,060)
- Commenced review of cane train safety awareness campaign

Our community involvement

We strive to maintain a positive perception of our business within the community each year and continue to explore ways in which to enhance our community engagement and support.

Community Support Program

Donations 29%
Community events 39%
Environmental initiatives 6%
Art, music and cultural activities 6%
Education 8%
Health and welfare 12%

Supporting our communities
Through our Community Support Program, we provided $90,792 in sponsorships and donations to 40 local non-profit community groups and organisations throughout the year, assisting them with their essential community services, activities and events that benefit the Mackay and Mossman regions (2012: $55,550; 30).

Our financial and in-kind support is targeted at activities within the following specific areas:
- Art, Music and Cultural Activities
- Education
- Environmental Initiatives
- Health and Welfare
- Community Events

Recipient of our support included the Mackay Hospital Foundation, Mossman Show and the associated Cane Competition, Pioneer Valley Agricultural Show Society, Mackay Show Society (Cane Court), and the Queensland Cancer Council (Relay for Life).

We also provided a donation of $25,000 towards the restoration of the Marian Community Hall and, in late 2012, we provided six local welfare charity organisations a $9,500 boost to assist them with costs associated with the various community services they each provide over the Christmas/New Year period. The annual donations of $1,500 have been provided to Mackay’s St Vincent De Paul Society, The Salvation Army, Anglicare, Red Cross and Lifeline each year since 2011, and in 2012 Mossman’s Community Centre was included in the annual donations, receiving a $2,000 donation.

We also provide support to various events and community services through the provision of bulk bags of raw and refined sugar, via the Racecourse Refinery. About 150 groups/organisations were provided with bags of sugar throughout the year (2012: 51). In-kind support is also provided on occasions to community events and initiatives.

We also offer the use of our tennis courts, located on the grounds of our Pleystowe Mill, to various school and sporting groups and community members at no cost. The venue is used for at least two days each week for these purposes.

Providing a memorable community event
More than 700 people converged at the Mackay Entertainment and Convention Centre (MECC) on Saturday 14 July 2012, to attend our inaugural Classical in the Cane Fields.

The event, a feature of Mackay’s Festival of Arts, was originally planned to take place on the grounds of Mackay’s Greenmount Homestead; however, was moved to the MECC due to poor weather conditions.

Despite not being held amongst the cane fields, the event still captivated the audience with its unique array of music performances comprising some of the best local and national acts.

Wowing the crowd was electric violinist Shenzo, with his death-defying airborne acrobatics performed on a bungee trapeze, and Sydney-based group Aston, with their classical renditions of modern pop songs. Also a crowd favourite was Quatro. The young female quartet delighted the audience with their angelic voices and energetic instrumental pieces.

We received positive feedback on the event and significant media exposure. Throughout the year we progressed with the planning for the 2013 event, to be held at Mackay’s Greenmount Homestead on 6 July 2013.

The introduction of our acquisitive art competition (initially set for the reporting period) was deferred until late 2014, as other communication and community engagement activities were given priority.

Providing tours of our milling operations
Together with Reeforest Adventure Tours, we provide tours of our Farleigh Mill each day during the crushing season (May–November), enabling participants to view first-hand how we produce raw sugar from sugarcane. A total of 200 (2012: 213) tours were provided throughout the year, which saw 1,363 participants visit our Farleigh Mill (2012: 1,060), including 126 school students from the Mackay region (2012: 130).

Targets
for year ending 31 May 2014

- Introduce Community Update to Mossman region
- Stage 2013 Classical in the Cane Fields in July 2013
- Prepare for 2014 Classical in the Cane Fields
- Introduce quarterly Community Update in Mackay
- Held inaugural Mackay Sugar Classical in the Cane Fields
- Provided $90,792 in sponsorships and donations to local non-profit community groups and organisations through the year

Outcomes for year ended 31 May 2013

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Enhancing our corporate image through communications

We keep our communities informed of our business activities on a regular basis, using various communication tools such as general media coverage (via media releases), community pre-crush meetings, project information sheets, corporate website, and our Annual Report.

We introduced a Mackay Sugar Community Update to the Mackay Daily Mercury in August 2012. The Community Update is the first dedicated community newsletter for our business and is expected to promote a stronger link with our community, providing details of our various operational and community activities, and a history feature, capturing anecdotes of our industry’s early days.

The full-page Update will assist us to increase community awareness around our Company and our region’s rich sugar heritage.

A particular highlight of the year involved our Company being profiled on the ‘7Mate television series, Big Australia. The hour-long ‘Sugar’ episode, which aired nationally on 9 March 2013, took viewers on a tour of Mackay’s sugar industry, taking in the farming, harvesting, transportation, milling and export facets. The episode also featured our Raccourse Cogeneration Plant, explaining how the sugar milling process can produce renewable energy. Filming of the episode took place in September and involved a number of the great people behind our Company, including some of our larrikin farmers. The episode provided viewers with a greater understanding of the significant role that our Company plays in the Australian sugar industry.

With consideration of the extensive rail movement activity commonly experienced during the crushing season, we believe it is important to remind community members of the safety risks associated with this area of our business.

We employ a number of communication tools to ensure our message regarding hazards associated with cane trains reaches our neighbouring communities. A multi-network television advertising campaign, urging drivers to remain vigilant when approaching railway crossings, is employed in the Mackay region in the weeks leading up to the start of crush and during the crush each year, with the campaign to be extended to the Mossman region next year. The commercial also encourages parents to educate their children about the dangers associated with cane train crossings and railway networks. We also utilise two billboards located alongside the Bruce and Peak Downs highways, targeting drivers with a message around safety at crossings and regularly publish ‘safety’ advertisements in Mackay and Mossman newspapers. We also distribute a cane train safety message to our regional schools for them to place in their newsletters, directly targeting the families within our Mackay and Mossman communities. A review of our ‘cane train safety’ campaign commenced in May 2013, with the aim of identifying a unified approach to cane train safety awareness with other sugar mills that operate within the Mackay and Mossman regions.

Engaging with our community

We place great importance on community engagement, particularly within the communities in which we operate our sugar mills. We stage pre-crush meetings (Community Information Sessions) and provide information to residents in the period leading up to the start of the crush at our mills each year, to ensure neighbouring residents are informed of our impending harvesting and milling activities.

Our 2013 Marian pre-crush Community Information Session was cancelled, due to a lack of interest (registrations), yet a Community Information Session was introduced to the Farleigh community, with approximately 12 in attendance. Attendees at the Farleigh session received information about the 2013 season, maintenance projects, and discussed various issues, such as the transportation of products to and from the mill. The three Marian residents that had registered for the Marian 2013 pre-crush session were contacted by phone and provided a face-to-face meeting with the Marian Mill Manager.

Following the April 2013 announcement of our agreement to crush 700,000 tonnes of Tablelands cane at our Mossman Mill from 2014 onwards, we had a number of residents from within the Mt Molloy and Julatten communities (townships within the cane transport route) voice their concerns regarding this activity. In particular, they raised concerns around the potential impact the associated transport would have on their communities. Concerned residents were initially provided a face-to-face meeting with our Mossman Mill Manager and cane Development Manager, and ongoing phone contact with our Communications Manager, to discuss their concerns. As at 31 May 2013, preparations for a Community Information Session (to be held on 4 June 2013) at Mt Molloy were underway, with the event promoted to residents via advertisements and direct mail.

Looking ahead

We will continue our support of community groups, services and events via our Community Support Program in the coming year. We will strive to improve our external communications, introducing a community update and pre-crush Community Information Session to the Mossman region and will make enhancements to our corporate website. We will continue to engage with Mt Molloy and Julatten residents, to plan for the safe and efficient transportation of Tablelands cane to Mossman Mill in a manner that reduces impact on their communities.

We will stage our second Classical in the Cane Fields in July 2013, and will introduce a new cane train safety awareness campaign across our Mackay and Mossman regions.
Corporate governance

Our Board of Directors 72

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Our Board of Directors

The names and profiles of the Directors in office from 1 June 2012 to 31 May 2013 follow. A record of Board Meeting attendance during the year under review is set out on page 84.

Andrew Shane Cappello, MAICD
Chairman
Andrew has been an elected Grower Director since November 2001 and has been a cane producer for 32 years. He was appointed Chairman in February 2010. Andrew is also Chairman of the Pioneer Valley Water Board and Chairman of Pioneer Valley Water Co-operative. He is a Director of the Australian Sugar Milling Council, Sugar Terminals Limited and the Queensland Co-operative Federation, an alternate Director of Sugar Australia Pty Limited and New Zealand Sugar Company, a Mackay Sugar representative on the Board of Mackay Area Productivity Services Pty Limited, and a former Director of the Australian National Committee for Irrigation and Drainage.

Andrew Richard Amer,
BA MSc MBA FAICD
Non-Grower Director
Andrew has been a Non-Grower Director since October 2003. He has wide board level experience across Australia and Asia Pacific in the manufacturing and mining sectors and has also worked at senior management level in the manufacturing and chemical industry, banking and insurance, retailing and strategic management consulting. Previous board roles have included Director of Delta SBD Limited and Airworth Game Technology Limited; Managing Director of Amoco Australia, and Vice-Chairman of the YRFCD BP Amoco Yizheng Chemicals joint venture in China. His management roles have also included Group Manager Strategy and Marketing of Suncorp; General Manager Service Development of Myer Grace Bros; and Management Consultant with Price Waterhouse Uweilck. Currently Andrew is also Chairman of Carabella Resources Limited. He is also a Member of the NSW Council of the Australian Institute of Company Directors (AICD), a Member of the AICD Law Committee, and a Fellow of the AICD. In addition, he is also a Member of the Professional Conduct Tribunal of the Institute of Chartered Accountants in Australia.

Anthony Robert Bartolo (Tony),
BCom DipFS CGPA GAICD JP
Grower Director
Tony is a third-generation farmer and was elected to the Board as a Grower Director in April 2010. In May 2013, after 10 years as a Partner at the accounting firm DSL Accountants, he retired from public practice. Tony specialised in providing taxation and business advice to primary producers. He was granted Fellowship of CPA Australia in 2007 and, in 2012, became a Graduate of the Australian Institute of Company Directors. In June 2013, Tony was appointed to the LMA Interim Board for the Eton Irrigation Scheme. Tony’s previous roles include Chairman of the CPA Mackay Committee, Board Director of the Mackay Show Association, and adviser to one of the largest cane harvesting co-operatives in the region.

Vincenzo Germanotta (Vince),
DipAg
Grower Director
Vince has been an elected Grower Director since November 2004. He has been growing cane in the Mackay district for more than 35 years. He was elected as Grower Representative to Mackay Area Productivity Services Board in June 2004 and is currently a Mackay Sugar representative and Deputy Chairman of Mackay Area Productivity Services Pty Limited.

Sydney Gordon (Syd),
DipFin Markets FAICD
Grower Director
Sydney has been an elected Grower Director since November 2003. He has been growing cane in the Mackay district for more than 33 years. A Fellow of the Australian Institute of Company Directors, he has business experience in financial markets and provides licensed advisory and investment services across a range of asset classes.

Rex Corrado Stroppiana,
AdvDipAg
Grower Director
Rex has been an elected Grower Director since November 2004. He has over 25 years’ experience in developing and managing a cane-growing and harvesting business. Rex is a Mackay Sugar representative on the Board of Mackay Area Productivity Services Pty Limited and holds an Advanced Diploma in Agriculture (Rural Business Management).

Joseph Ray Magill (Ray),
BLLegS FAICD
Deputy Chairman – Non-Grower Director
Ray was appointed as a Non-Grower Director in March 2006 and Deputy Chairman in February 2010. Ray is based in Brisbane and has widespread experience in finance. He is founder and past Chairman of InterFinancial, a company providing corporate advisory services. As a former Director of Palmer Tubs Mills Limited, Ray was responsible for its United States operations before it was taken over by National Industries Limited. Ray has wide experience in agribusiness having worked for Goodman Fielder Limited and is a former Chairman of Carlington Cotton Limited and the Peanut Company of Australia (formerly Peanut Marketing Board). Ray is also Chairman of Harvest Freshcuts Pty Limited, Australia’s largest fresh-cut salad producer.

Maurice Clement Maughan,
FCA FTIA JP (C,Dec)
Non Grower Director
Maurice became a Non-Grower Director of Mackay Sugar in June 2012. Prior to this, he was a Director of Mossman Mill since November 2007. In 2006, after 31 years, he retired from the international accounting firm KPMG as a partner. Maurice was responsible for providing advice to a number of companies including those in the Queensland sugar industry. He has extensive business experience as a result of his time with KPMG and remains actively involved as a Director or advisor to several companies. Maurice was appointed Chairman of the LMA Interim Board for the Bundaberg irrigation scheme in June 2013.

Ray had been an elected Grower Director since November 2004. She has over 35 years’ experience in management and financials and ensures all compliance matters are dealt with expeditiously and as per agreed policies and procedures to meet all legislative requirements. Peter is also responsible for leading and managing the Company’s cane expansion initiatives and property management and provides corporate and commercial advice on Company matters.

Jean-Claude Gassin
General Manager Human Resources, Health, Safety and Environment
Jean-Claude provides strategic and operational support to drive organisational effectiveness and performance. He and his team contribute to the alignment of the Company’s strategic intent by implementing sustainable human resources, health, safety and environment initiatives aimed at enhancing organisational capability and performance.

Quinton Hildebrand
Chief Executive Officer
Quinton’s primary focus is to create and implement development strategies that ensure the Company’s business objectives are achieved and stakeholder expectations are met. He is responsible for managing the business to achieve optimal profitability and effective use of the business’ assets and people.

Peter Gill
Chief Financial Officer
Peter is responsible for the financial and business services, pricing and marketing, information and technology, supply and procurement and business analysis departments. He undertakes all contract and major dealings with banks and financial institutions for the management of borrowings and finances and ensures all compliance matters are dealt with expeditiously and as per agreed policies and procedures to meet all legislative requirements. Peter is also responsible for leading and managing the Company’s cane expansion initiatives, property management and provides corporate and commercial advice on Company matters.

Mark Gayton
General Manager Operations
Mark is responsible for the overall operational aspects of the business, including cane supply, factory operations, maintenance, capital, transport and logistics, diversification projects and business improvement functions.

Sandra Pienaar was Chief Financial Officer for the financial year ending 31 May 2013, but resigned from her position at Mackay Sugar effective 31 May 2013. General Manager Commercial Peter Gill was then appointed Chief Financial Officer, effective from 1 June 2013. Peter retained his cane expansion and property management responsibilities, with the management of diversification projects rehomed to General Manager Operations Mark Gayton.
Our corporate governance practices for the year ended 31 May 2013

The Board of Mackay Sugar Limited maintains a high standard of corporate governance as part of its commitment to maximise shareholder value through promoting effective strategic planning, risk management, transparency and corporate responsibility. The Board fosters a culture that values ethical behaviour, integrity and respect.

Functions of the Board

The Board is responsible for the oversight of the management of the Company and providing strategic direction. The Board believes that operating in accordance with high standards of corporate governance is a key element in the drive to improve the Company’s performance. The Board has adopted a charter and policies and established a number of committees to discharge its duties.

The Board has a formal Charter which documents its membership, operating procedures and the allocation of responsibilities between the Board and management. The Board directs and monitors the business and affairs of Mackay Sugar Limited on behalf of shareholders and is responsible for the Company’s corporate governance.

In addition to matters required by law to be approved by the Board, the following powers are reserved for the Board for decision:

Board responsibilities

Board/executive personnel
- Approve and monitor the progress of major capital expenditure, capital management, and acquisitions and sales
- Approve and monitor annual and half year reports, statements as to future financial performance or changes to the policy or strategy of the Company
- Input into and grant final approval of corporate strategy and performance objectives developed by management
- Monitor industry developments relevant to the Company and its business

Corporate strategy and reporting
- Composition of the Board including the appointment and retirement or removal of Directors
- Board succession planning to ensure an appropriate mix of skills, experience and diversity
- Approve and review succession planning for the CEO and senior executives
- Monitor the implementation of the strategy and performance objectives

Risk and compliance
- Review, ratify and monitor systems of risk management and internal control, codes of conduct and legal compliance
- The overall corporate governance of the Company, including its strategic direction and goals for management, and monitoring the achievement of these goals
- Oversight of committees

Stakeholder communications
- Disclose information in accordance with the Corporations Act to ensure shareholders and other stakeholders are informed of all material developments affecting the Company

Board composition

The Board is currently comprised of eight Directors, with:
- five Grower Directors, including the Chairman; and
- three Non-Grower Directors.

The Board must comprise no less than seven Directors, two of whom must be non-grower Directors, or more than seven where the Board considers that additional expertise is required in specific areas or when an outstanding candidate is identified. The Directors currently holding office at the date of this report are set out on page 72 of this Annual Report.

Board appointment and retirement

The appointment and election of Grower Directors will be in accordance with Rule 15.2 of the Constitution. When a vacancy arises for a Non-Grower Director or where the Board decides a new Director is required with particular skills, the Remuneration and Nominations Committee must prepare a list of candidates considering what may be appropriate for the Company, the skills, expertise and experience required, and the mix of those skills, expertise and experience with those of the existing Directors.

Each appointed candidate will be required to have his or her appointment confirmed by resolution of the shareholders at the first general meeting of shareholders following the appointment of the Non-Grower Director. The terms and conditions of the appointment of all new Non-Grower Directors must be specified in a letter of appointment. The letter of appointment will refer to the Constitution and to the Board Charter document.

Under the Constitution, at least one third of the Grower Directors, being the longest serving Directors, must retire at each Annual General Meeting. Retiring Directors are eligible to be re-elected.

Board meetings

Board meetings are normally held monthly, and must occur not less than ten times in any year. A Board meeting has been scheduled at all of the Company’s sites throughout the year and include a site visit and presentations by management to aid Directors understanding of the business.

Details of Board and Committee meetings held and attendances at those meetings are set out in the Directors’ Report on page 84.
Our corporate governance practices
continued

Corporate governance structure

Shareholders

Board of Directors
Responsible for the oversight of the Company and operating in accordance with the high standards of corporate governance

Chief Executive Officer
The Board delegates management to the Company and the implementation of approved strategies to the Chief Executive Officer

Executive Management Team

Director training
Directors must be provided with information about the Company before accepting the appointment and complete an induction program after their appointment, in each case appropriate for them to discharge their responsibilities in office. Meetings with the Chief Executive Officer and senior executives, information on the strategic plan and key corporate and Board policies are included in the induction process.

Directors are given access to continuing education in relation to the Company, extending to its business, the industry in which it operates, and other information required by them to discharge the responsibilities of their office.

Board evaluation and performance review
A Board evaluation and performance review is conducted by an external consultant every three years. The scope of the evaluation is to determine the level at which the Board is performing, identify the areas in which the Board may improve and provide an opportunity to have a facilitated discussion about enhancing governance practices. The performance review may also provide for improved leadership, greater clarity of roles and responsibilities, improved teamwork, increased accountability, better decision making and more efficient Board operations. An external assessment of the Board’s policies and procedures, and its effectiveness generally must be conducted by independent professional consultants at intervals of three years.

Independent advice
Each Director may seek independent legal or other professional advice at the Company’s expense on matters arising during the course of his or her duties with the prior approval of the Chairman.

Code of Conduct
All Directors and Executives are required at all times to act in accordance with the Company’s Code of Conduct, which prescribes standards of behaviour to be maintained in relation to:
- Obligation to comply with the Code and the law
- General duties of Directors
- The Business Judgment Rule
- Independent decision making and soundness of decisions
- Confidentiality of Board matters and other information
- Improper use of information
- Personal interests and conflicts
- Conduct of Directors
- Performance and review

Trading in securities
The Board has a Code of Conduct for transactions in securities that applies to Directors and Executives of the Company. The Code sets out the legal duties relating to transactions in securities. As a basic principle, the Code states that Directors should not buy or sell securities in the Company when they are in possession of price sensitive information which is not available to the market. In addition, the Code identifies the permitted timeframes for trading in securities and blackout periods during which no Directors are allowed to trade in Company securities.

Permission may be given for trading outside of the specified timeframes if the approving person is satisfied that the transaction would not be contrary to law, for speculative gain, to take advantage of insider knowledge, or seen by the public, press or other shareholders as unfair.

Dealing with conflicts of interest
The Board has conflict of interest guidelines within the Charter which apply if there is a conflict between the personal interests of a Director and the duties the Director owes to Mackay Sugar Limited. Directors have a duty to avoid any conflict between the best interests of the Company and his or her own personal interests or the interests of any third party.

Every Director must be aware of both actual and potential conflicts of interest. The law requires that a Director with a conflict of interest should refrain from voting, or entering into any discussion, at, or even being present during relevant Board discussions. A Director who has any material personal interest in a matter must not be present at a meeting while the matter is being considered and must not vote on the matter. A personal interest may be either direct or indirect and either pecuniary or otherwise. Papers relevant to any matter on which there is a known conflict of interest, or in relation to which there is a material personal interest, will not be provided to any Director concerned.

Board committees
The Board has established five committees to assist in the execution of its duties. These committees are:
- Audit and Financial Risk Committee
- Finance Committee
- Remuneration and Nominations Committee
- Compliance Committee
- Siding Committee

Each committee has a charter, detailing its role, duties and membership requirements. The committee charters are reviewed annually and updated as required.

All Directors have a standing invitation to attend committee meetings. Minutes of the committee meetings are provided to all Directors in the Board papers for the next meeting of the Board and proceedings of each meeting are reported by the Chair of the committee at the next Board meeting. Details of the membership, composition and responsibilities of each committee are detailed below.
Audit and Financial Risk Management Committee

The role of the Audit and Financial Risk Management Committee is to assist the Board to verify the integrity of the Company’s statutory and financial reporting, the effectiveness of external and internal audit functions, the appropriateness of the internal control structure, compliance with the financial risk management systems and the application of corporate governance principles. It also manages the Company’s relationship with the external auditor.

Key activities undertaken by the Audit and Financial Risk Management Committee include:
- make recommendations to the Board on the appointment, reappointment or replacement of the external auditor
- review and approve the external audit plan and audit fees
- review and approve the Company’s accounting policies and practices and monitor compliance with accounting standards that relate to the preparation of the accounts
- review and recommend for approval by the Board the half yearly and annual reports and Directors’ report, and all other related reports which are required by any law, accounting standard or other regulatory body
- review and approve the Company’s business continuity plans, with specific reference to IT and other essential business systems
- assist the Board in the identification and oversight of financial risk
- monitor and review the effectiveness of the financial risk and internal control systems implemented by management
- consider the processes applied by management to comply with the Board approved policies for commodity price risk, foreign exchange risk, liquidity risk, funding risk, credit risk and interest rate risk.

The following Directors were members of the Audit and Financial Risk Management Committee throughout the year:

- Ray Magill: Chairman
- Andrew Cappello: Member
- Sydney Gordon: Member

Finance Committee

The role of the Finance Committee is to provide corporate governance oversight to the Finance Department’s function not covered by the Audit and Financial Risk Management Committee.

Key responsibilities are as follows:
- monitor management’s application of Corporate Governance Guidelines and Principles in respect of the Finance Department’s operating recommendations and reporting
- review operating and capital budgets of Mackay Sugar prior to submission to the Board for approval to ensure that the expenditure proposed is justified, sufficient to support sustainable safety, environment and energy efficiency initiatives, and maintenance and capital projects, and all within the Company’s ability to fund those
- monitor the overall financial position of the Company, in particular the ongoing cash and net debt position
- monitor the risk of exposure to lending rates and interest rate hedging policies and requirements
- monitor the risk management process for financial default or any other default of any of the essential service providers, customers, partners or any other institution delivering a service to the Company
- monitor short term interest rates and set appropriate rates on Interest Bearing Deposits and Unsecured Notes
- monitor compliance with banking facility agreements, Board policies and mandates
- monitor the execution of pricing activities against the Board policies and mandates

The following Directors were members of the Finance Committee throughout the year:

- Rex Stroppiana: Chairman
- Anthony Bartolo: Member
- Andrew Cappello: Member

Remuneration and Nominations Committee

The role of the Remuneration and Nominations Committee is to ensure that the Company has fair and responsible remuneration policies and practices to attract and retain Directors, Executives and staff who will create value to shareholders, and to review Board composition, performance and succession planning.

Key responsibilities are as follows:
- review the ongoing appropriateness and relevance of the Company’s remuneration policy with reference to market comparisons
- approve any major changes in employee benefits structures throughout the Company including superannuation, insurance, indemnities and other benefits
- approve the design of any performance related pay schemes operated by Mackay Sugar Limited and approve the total annual payments made under such schemes
- determine Key Performance Indicators for the Chief Executive before the start of the Company’s financial year, against which his/her performance will be assessed
- determine the total individual remuneration package (including bonuses and incentive payments) and termination arrangements of the Company’s Chief Executive Officer and recommend to the Board for approval any changes prior to implementation
- review the Board structure, size and composition and make any recommendations to the Board with regard to any changes deemed necessary
- evaluate the balance of skills, knowledge and experience of the Board and, in the light of this evaluation, prepare a description of the role and capabilities required by the Board
- provide, via the Company Secretary, a tri-annual performance evaluation of the members of the Board
- recommend to the Board the appointment of Non-Grower Directors and the Chief Executive Officer
- consider succession issues relating to the Chairman, Non-Grower Directors, the Chief Executive Officer, Chief Financial Officer and Company Secretary

The following Directors were members of the Remuneration and Nominations Committee throughout the year:

- Andrew Cappello: Chairman
- Maurice Maughan: Member
- Rex Stroppiana: Member

Compliance Committee

The role of the Compliance Committee is to assist the Board in fulfilling its governance and oversight responsibilities for Occupational Health and Safety and Environmental Management.

Key responsibilities are as follows:
- monitor the Company’s compliance with approved Health and Safety and Environmental policies and legislation
- monitor the adequacy of the Occupational Health and Safety and Environmental Management systems in complying with statutory and regulatory obligations
- monitor the effectiveness of the Company’s Occupational Health and Safety systems in working towards the Company’s objective of an injury free workplace
- monitor the effectiveness of the environmental management systems in meeting the Company’s goal to work towards the elimination of pollution and environmental harm and promote environmental sustainability throughout our operations
- monitor key health, safety and environmental incidents that may have strategic, business and reputational implications for the Company and its operations and reviewing appropriate mitigation strategies.

The following Directors were members of the Compliance Committee throughout the year:

- Andrew Amar: Chairman
- Vince Germanotta: Member
- Sydney Gordon: Member

Siding Committee

The role of the Siding Committee is to provide oversight to the Cane Supply staff in reviewing requests from shareholders for cane delivery siding upgrades, alterations or extensions received in writing.

Key responsibilities are as follows:
- recommend to the Board an annual capital budget amount for approval of siding works by the Siding Committee
- monitor capital expenditure within the Siding Committee’s budget for approved works for siding upgrades, alterations or extensions
- approve the recommendations of Cane Supply staff for requests received in writing from growers and harvesting contractors regarding siding upgrades, alterations or extensions, and, points of delivery or delivery arrangements

The following Directors were members of the Siding Committee throughout the year:

- Vince Germanotta: Chairman
- Anthony Bartolo: Member
Pictured: Ratoon cane grows in a Mackay cane field. Cane supply security remains a key critical success factor for the Company as we require a strong cane supply to facilitate further growth and greater returns to our shareholders.
Directors’ Report
for the year ended 31 May 2013

The Directors present their report and the financial statements of Mackay Sugar Limited for the year ended 31 May 2013.

The Company has complied with the requirements of the Corporations Act 2001 in the presentation of this report and the associated financial statements.

Board of Directors

The names and profiles of the Directors in office from 1 June 2012 to the date of this report follow. A record of Board Meeting attendance during the year under review is set out on page 84.

Andrew Shane Cappello, MAICD
Chairman

Andrew has been an elected Grower Director since November 2001 and has been a cane producer for 32 years. He was appointed Chairman in February 2010. Andrew is also Chairman of the Pioneer Valley Water Board and Chairman of Pioneer Valley Water Co-operative.

He is a Director of the Australian Sugar Milling Council, Sugar Terminals Limited and the Queensland Co-operative Federation, an alternate Director of Sugar Australia Pty Limited and New Zealand Sugar Company, a Mackay Sugar representative on the Board of Mackay Area Productivity Services Pty Limited, and a former Director of the Australian National Committee for Irrigation and Drainage.

Andrew Richard Amer, BA MSc MBA FAICD
Non-Grower Director

Andrew has been a Non-Grower Director since October 2003. He has wide board level experience across Australia and Asia Pacific in the manufacturing and mining sectors and has also worked at senior management level in the manufacturing and chemical industry, banking and insurance, retailing and strategic management consulting. Previous board roles have included Director of Delta SBD Limited and Ainsworth Game Technology Limited, Managing Director of Amoco Australia, and Vice-Chairman of the YAFCO BP Amoco YinCheng Chemicals joint venture in China. His management roles have also included Group Manager Strategy and Marketing of Suncorp, General Manager Service Development of Myer Grace Bros, and Management Consultant with Price Waterhouse Urwick.

Currently Andrew is also Chairman of Carabella Resources Limited. He is also a Member of the NSW Council of the Australian Institute of Company Directors (AICD), a Member of the AICD Law Committee, and a Fellow of the AICD. In addition, he is also a Member of the Professional Conduct Tribunal of the Institute of Chartered Accountants in Australia.

Anthony Robert Bartolo (Tony), BCom DipFS FCPA GAICD JP
Grower Director

Tony is a third-generation farmer and was elected to the Board as a Grower Director in April 2010. In May 2013, after 13 years as a Partner at the accounting firm DGL Accountants, he retired from public practice. Tony specialised in providing taxation and business advice to primary producers. He was granted Fellowship of CPA Australia in 2007 and, in 2012, became a Graduate of the Australian Institute of Company Directors. In June 2013, Tony was appointed to the LMA Interim Board for the Eton Irrigation Scheme.

Tony’s previous roles include Chairman of the CPA Mackay Committee, Board Director of the Mackay Show Association, and adviser to one of the largest cane harvesting co-operatives in the region.

Vincenzo Germanotta (Vince), DipAg
Grower Director

Vince has been an elected Grower Director since November 2004. He has been growing cane in the Mackay district for more than 35 years. He was elected as Grower Representative to Mackay Area Productivity Services Board in June 2004 and is currently a Mackay Sugar representative and Deputy Chairman of Mackay Area Productivity Services Pty Limited.

Sydney Gordon (Syd), DipFin Markets FAICD
Grower Director

Sydney has been an elected Grower Director since November 2003. He has been growing cane in the Mackay district for more than 33 years. A Fellow of the Australian Institute of Company Directors, he has business experience in financial markets and provides licensed advisory and investment services across a range of asset classes.
Directors’ Report
for the year ended 31 May 2013 continued

Joseph Ray Magill (Ray), BLegS FAICD
Deputy Chairman – Non-Grower Director

Ray was appointed as a Non-Grower Director in March 2006 and Deputy Chairman in February 2010. Ray is based in Brisbane and has wide experience in finance. He is founder and past Chairman of Intelligent Financial, a company providing corporate advisory services. As a former Director of Palmer Tube Mills Limited, Ray was responsible for its United States operations before it was taken over by National Industries Limited.

Ray has wide experience in agribusiness having worked for Goodman Fielder Limited and is a former Chairman of Carrington Cotton Limited and the Peanut Company of Australia (formerly Peanut Marketing Board). Ray is also Chairman of Harvest Freshcuts Pty Limited, Australia’s largest fresh-cut salad producer.

Maurice Clement Maughan, FCA FTIA JP (CDec)
Non-Grower Director

Maurice became a Non-Grower Director of Mackay Sugar in June 2012. Prior to this, he was a Director of Mossman Mill since November 2007. In 2006, after 31 years, he retired from the international accounting firm KPMG as a partner. Maurice was responsible for providing advice to a number of companies including those in the Queensland sugar industry. He has extensive business experience as a result of his time with KPMG and remains actively involved as a Director or advisor to several companies. Maurice was appointed Chairman of the LMA Interim Board for the Bundaberg irrigation scheme in June 2013.

Rex Corrado Stroppiana, AdvDipAg
Grower Director

Rex has been an elected Grower Director since November 2004. He has over 25 years’ experience in developing and managing a cane-growing and harvesting business. Rex is a Mackay Sugar representative on the Board of Mackay Area Productivity Services Pty Limited and holds an Advanced Diploma in Agriculture (Rural Business Management).

Company Secretary
Donna Margaret Rasmussen

Company Secretary since 1 August 2006, Donna has worked for Mackay Sugar Limited and its predecessor co-operatives for more than 35 years in senior administrative positions.

Board meeting attendance 2012-2013

Attendances by each Director at Directors’ meetings and Board committee meetings were as follows:

<table>
<thead>
<tr>
<th>Director</th>
<th>Regular Meetings</th>
<th>Special Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. S. Cappello</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>J. R. Magill</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>A. R. Amer</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>A. R. Bartolo</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>V. Germanotta</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>S. Gordon</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>M. C. Maughan</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>R. C. Stroppiana</td>
<td>11</td>
<td>3</td>
</tr>
</tbody>
</table>

* Siding committee is not a statutory committee

Directors’ committee meetings

<table>
<thead>
<tr>
<th>Director</th>
<th>Finance Committee</th>
<th>Audit and Financial Risk Management Committee</th>
<th>Compliance Committee</th>
<th>Nominations Committee</th>
<th>Siding Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. S. Cappello</td>
<td>8</td>
<td>2</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>J. R. Magill</td>
<td>11</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. R. Amer</td>
<td>11</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. R. Bartolo</td>
<td>11</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>V. Germanotta</td>
<td>11</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S. Gordon</td>
<td>11</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>M. C. Maughan</td>
<td>11</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R. C. Stroppiana</td>
<td>11</td>
<td>3</td>
<td>3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Principal activities

Principal activities of the Company are:

(a) to acquire, transport and process sugarcane to produce raw sugar products and by-products; and to transport, store, market, price and distribute those products and by-products;

(b) to manufacture, transport, store, market and distribute refined sugar, syrups, raw sugar for human consumption and similar products and by-products; and

(c) to produce, market and distribute electricity and other value-added commodities through the use of products and by-products arising from the activities in (a) and/or (b) above.

There was no significant change in the nature of the Company’s principal activities during the financial period.

Review of operations

Information on the operational performance of the Company for the year ending 31 May 2013 is discussed in the Business section (pages 23 to 49) of this report.

Operating results

Operating results for the period ending 31 May 2013 are set out in the Year in review (pages 9 to 21) and the Financials section (pages 81 to 112) of this report.

Health, safety and environment

The Company has a comprehensive Health, Safety and Environment Policy and is committed to continuous improvement in this area. The Company is subject to a range of environmental legislation in Australia. Through its Environmental Policy, the Company plans and performs activities so that adverse effects on the environment are avoided or kept as low as reasonably practicable.

Information on the Company’s compliance with environmental legislation is contained in the Environment section (pages 47 to 51) of this report.

Equal employment opportunities

Our recruitment and induction policies are continually reviewed to ensure compliance with governing legislation in the area of equal employment opportunity. The Company continues to achieve compliance with the requirements of the Equal Opportunity for Women in the Workplace Agency (EOWA).

Information on the Company’s compliance with equal employment opportunity legislation is detailed in the People section (pages 53 to 63) of this report.
Dividends paid or recommended

Dividends paid or declared for payment during the financial period were as follows:

- 8% fully franked dividend on B class investment shares paid on 14 June 2012 as declared in last year’s annual report: $190,571.50
- 8% fully franked dividend on B class investment shares declared on 30 November 2012 and paid on 19 December 2012: $190,483.07
- 8% fully franked dividend was declared on B class investment shares on 31 May 2013 and paid on 18 June 2013: $169,872.89
- Total dividends paid during the financial period ended 31 May 2013: $381,054.57
- Total dividends declared during the financial period ended 31 May 2013: $380,355.96

Options

No options over issued shares or interests in the Company were granted during the financial period or since the end of the financial period and there were no options outstanding at the date of this report.

Significant changes in state of affairs

The following significant changes in the state of affairs of the entity occurred during the financial period:

- The following significant changes in the state of affairs of the Company, other than those advised in other sections of this report, or in the accounts or in the notes thereto.

Events after the reporting period end date

- During the year the Company acquired a 15% share in Racecourse Projects Pty Ltd for $15. On 3 June 2013, the Company proportionally subscribed for further shares in Racecourse Projects Pty Ltd in the amount of $964.125. An investment company unrelated to Mackay Sugar Ltd acquired the remaining 85% share of Racecourse Projects Pty Ltd on the same basis. Racecourse Projects Pty Ltd is a newly formed company, created to acquire and operate sugarcane farms in regions in which the Company operates raw sugar mills. The additional subscription amount of the investment is not included in the financial accounts for the year ended 31 May 2013. The investment is expected to be accounted for as an available-for-sale financial asset in the year ended 31 May 2014 financial accounts.
- On 5 August 2013, the Board of Directors determined to declare a fully franked dividend of two cents per share on investment shares. The dividend will be paid on 30 August 2013 to all shareholders on the shareholder register as at 2 August 2013. The total amount of the dividend is $4.26 million.
- In the opinion of Directors, no other matter or circumstance has arisen in the interval between the end of the financial period and the date of this report, which significantly affected, or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Future developments

- During the year, the Company established two wholly owned subsidiaries, Mackay Commodity Services Pty Ltd (MCS) and Queensland Commodity Services Pty Ltd (QCS). These companies were established to enable the Company to supply customers, provide pricing alternatives to growers and to position the Company to be able to manage the export of its raw sugar production should the current arrangements with Queensland Sugar Limited change.
- The Board continues to explore ideas and projects to advance the Company. Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as until any such project becomes a firm commercial proposal, untimely and early disclosure of such information is likely to result in unreasonable prejudice to the Company.

Remuneration Policy

The Board's policy to remunerate non-executive Directors is based on market rates for time, commitment and responsibilities. The level of payments to the non-executive Directors is reviewed annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting.

The objective of Mackay Sugar’s remuneration structure is to attract, retain and reward key management personnel who contribute positively to the success and growth of the business. Mackay Sugar is committed to providing equitable and competitive remuneration to support this objective.

The Company’s salary program is designed to reinforce the ‘pay for performance’ philosophy, based on three key principles:

- **Externally competitive**
  - Mackay Sugar’s total remuneration needs to be competitive with the market to attract and retain well-qualified and capable personnel, who will contribute to the achievement of the business’ objectives. Independent salary surveys are periodically considered to compare Mackay Sugar’s salary levels to those offered by other companies for similar positions.

- **Internal equity**
  - Mackay Sugar continually strives for consistency in the way salaries are administered and positions are classified. A salary range is provided for each position that reflects its value relative to other positions in the Company.

- **Performance driven**
  - Mackay Sugar believes that an individual’s performance and overall contribution should determine her/his salary and career advancement in the Company. Mackay Sugar has established a salary system that recognises and rewards an individual’s effort and performance.

The Board’s policy for determining the nature and amount of remuneration for key management personnel is based on the concept of total reward (base pay plus benefits). Total reward reflects the level of job responsibilities, expertise and performance. Base pay is the most important element of an employee’s total reward and represents the cash remuneration paid on a monthly basis. In addition to basic benefits such as superannuation, other non-cash benefits such as the use of Company vehicles and housing are also offered.

The company has a Performance Management and Development System (PMDS) which is applicable to all salaried staff. The performance of the Chief Executive Officer is assessed by the Board against agreed targets. The performance of other key management personnel is assessed by the Chief Executive Officer in the same manner and approved by the Remuneration and Nomination Committee.

This system, in addition to other factors, is used to determine annual adjustments to base pay as well as the calculation of incentive bonuses.

The Board may, however, exercise its discretion in relation to approving incentives or bonuses and may make changes to the Remuneration and Nomination Committee’s recommendations. Any changes must be justified by reference to various performance criteria as discussed below.

A superannuation guarantee contribution of 9% is made on behalf of key management personnel, as stipulated by law. There are no other retirement benefits. Upon retirement, key management personnel are paid all employee-benefit entitlements accrued to the date of retirement. All remuneration paid to key management personnel is valued at the cost to the Company and immediately expensed.

Remuneration Report for the year ended 31 May 2013

This report details the Company’s remuneration framework and reward for the financial year ending May 2013 for key management personnel and executives.

Key management personnel are those individuals, including Directors who have authority and responsibility for the planning, directing and controlling of the activities of the Company.

Executives are defined to include the Directors of the Company, the Company Secretary and senior managers who make, or participate in making, decisions that affect the whole, or a substantial part of the business or have the capacity to affect significantly the entity’s financial standing.

All references to key management personnel include executives.
Performance-based remuneration

Many factors are involved in determining the level of remuneration. Apart from a variety of factors such as budget, promotion history, position in salary range and market skill demand, an individual’s performance is a critical component in determining any salary adjustments.

The PMDS reflects Mackay Sugar’s management philosophy and is the tool used to communicate performance expectations and to assess performance outcomes.

The three main components of the PMDS are:
- adherence to or display of behavioural competencies (Company values);
- delivery of key performance indicators (KPIs), which are aligned to the Company’s strategic plan and critical success factors; and
- progress in respect to skills development plans.

Individual performance on these components is assessed annually, with annual salary adjustments and incentive payments being awarded depending upon the achievement against the established goals.

Relationship between remuneration policy and Company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and Executives. PMDS and targets are aligned with the Company’s vision and mission and strategic plan.

The Board considered that the current PMDS has been effective in determining salary adjustments. The following table shows the revenue from operating activities, profits and retained profits for the last five periods.

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from operating activities</td>
<td>$299.7</td>
<td>$400.8</td>
<td>$315.2</td>
<td>$297.0</td>
<td>$456.7</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>6.3</td>
<td>44.3</td>
<td>0.5</td>
<td>12.5</td>
<td>16.3</td>
</tr>
<tr>
<td>Retained profits</td>
<td>0</td>
<td>199.5</td>
<td>243.7</td>
<td>244.0</td>
<td>231.1</td>
</tr>
</tbody>
</table>

Performance conditions linked to remuneration

Mackay Sugar has a salaried staff performance incentive plan. This is in the form of a cash incentive which is based on the profitability of the business in the first instance and thereafter the individual’s contribution to the Company’s goals as assessed in the PMDS. To qualify for the bonus, the individual is required to be employed in the Company at the end of the assessment period.

The performance-related proportions of the remuneration are included in the table below. The objective of the reward schemes is to both reinforce the short and long-term goals of the Company and to provide a common interest between management and shareholders. There has been no change to the terms of the bonuses since grant date.

Each year the board of Directors endorses and approves the key performance indicators (KPI’s) for the Company. The Executive management team in turn cascades those KPIs through the business via the PMDS process. KPIs include financial, people, health, safety and environment, operational, strategy and risk measures. These measures are selected to directly align the individual’s reward to the KPIs of the Company and to its strategy and business performance.

The board of Directors has established the basis for payment of bonuses being, firstly a minimum profit after tax level is achieved and, secondly a safety index target is met. The non-financial objectives vary with position and responsibility and typically include measures such as achieving strategic outcomes, operational targets, safety and environmental performance, budgetary control, shareholder relations and employee engagement. Financial and non-financial objectives as described above, including the achievement of the safety index, account as achieving strategic objectives, operational targets, safety and environmental performance, budgetary control, shareholder relations and employee engagement. Financial and non-financial objectives as described above, including the achievement of the safety index, account

At the end of the financial year the Remuneration and Nominations Committee assesses the actual performance of the Company and determines if bonuses are payable. The allocation of bonus payments to key personnel is made on the basis of a matrix that combines the rating of actual performance against individual KPIs as well as performance against company values and behaviours. Bonus payments are made on the basis of a set percentage of annual base salary and is payable in July of the new financial year. No bonus is awarded where performance falls below the minimum. The performance evaluation in respect of the year ended 31 May 2013 has taken place in accordance with this process.

Employment details of members of key management personnel

The following table provides employment details of persons who were, during the financial period, key management personnel of the Company.

<table>
<thead>
<tr>
<th>Executive/</th>
<th>Position held as at 31 May 2013 and any change during the period</th>
<th>Contract details (duration &amp; termination)</th>
<th>Proportions of elements of remuneration related to performance</th>
<th>Proportions of elements of remuneration not related to performance</th>
<th>Total remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr A S Cappello</td>
<td>Chairman (non-executive)</td>
<td>3 year term from 1 December 2010</td>
<td>0</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Mr J R Magill</td>
<td>Director (non-executive)</td>
<td>No fixed term. Independent</td>
<td>Director Appointed 1 March 2006</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Mr A R Amer</td>
<td>Director (non-executive)</td>
<td>No fixed term. Independent</td>
<td>Director Appointed 23 Oct 2008</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Mr A R Bartolo</td>
<td>Director (non-executive)</td>
<td>3 year term from 1 December 2011</td>
<td>0</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Mr V Germanotta</td>
<td>Director (non-executive)</td>
<td>3 year term from 1 December 2011</td>
<td>0</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Mr S Gordon</td>
<td>Director (non-executive)</td>
<td>3 year term from 31 October 2012</td>
<td>0</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Mr P C Stroppiana</td>
<td>Director (non-executive)</td>
<td>3 year term from 1 December 2010</td>
<td>0</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Mr M C Maughan</td>
<td>Director (non-executive)</td>
<td>Fixed 3 year term. Independent</td>
<td>Director Appointed 28 June 2012</td>
<td>0</td>
<td>100</td>
</tr>
</tbody>
</table>

Management

<table>
<thead>
<tr>
<th>Executive/</th>
<th>Position held as at 31 May 2013 and any change during the period</th>
<th>Contract details (duration &amp; termination)</th>
<th>Proportions of elements of remuneration related to performance</th>
<th>Proportions of elements of remuneration not related to performance</th>
<th>Total remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr G L Hildebrand</td>
<td>Chief Executive Officer</td>
<td>No fixed term. 6 months notice required to terminate. 12 months payment if termination results from redundancy.</td>
<td>31</td>
<td>69</td>
<td>100</td>
</tr>
<tr>
<td>Mrs S Pinear</td>
<td>Chief Financial Officer</td>
<td>No fixed term. 3 months notice required to terminate. 12 months payment if termination results from redundancy.</td>
<td>26</td>
<td>74</td>
<td>100</td>
</tr>
<tr>
<td>Mr J-C Gassin</td>
<td>General Manager, HR and HS&amp;E</td>
<td>No fixed term. 3 months notice required to terminate. 12 months payment if termination results from redundancy.</td>
<td>26</td>
<td>74</td>
<td>100</td>
</tr>
<tr>
<td>Mr M L Gayton</td>
<td>General Manager Operations</td>
<td>No fixed term. 12 months payment if termination results from redundancy.</td>
<td>26</td>
<td>74</td>
<td>100</td>
</tr>
<tr>
<td>Mr D A Langham</td>
<td>General Manager Property and Stakeholder Engagement</td>
<td>No fixed term. 3 months notice required to terminate. 12 months payment if termination results from redundancy.</td>
<td>26</td>
<td>74</td>
<td>100</td>
</tr>
<tr>
<td>Mr P J Gill</td>
<td>General Manager Commercial</td>
<td>No fixed term. 12 months payment if termination results from redundancy.</td>
<td>26</td>
<td>74</td>
<td>100</td>
</tr>
</tbody>
</table>

The terms and conditions of employment for key management personnel are formalised in contracts of employment. Non-executive Directors are not subject to similar contracts.
Non-executive Directors’ remuneration

Total compensation for all non-executive Directors, last voted upon by shareholders at the 2012 Annual General Meeting was set at $108,400. The fees are set based on advice from external advisors and a review of companies of similar structure and size with reference to fees paid to other non-executive Directors. Directors’ base fees are presently set at $49,000 per annum.

The Board Remuneration and Nominations Committee recommends the Board the division of fees for all Board members on an annual basis. Non-executive Directors do not receive performance-related compensation. The Directors’ fees cover all main Board activities and commitments. The Board Committee fees are paid separately. The Chairman of each Committee receives $8,000 per annum and members of the Committees $4,000 per annum.

The following table reflects the components of the remuneration for each of the directors included in the key management personnel:

Benefits and payments for the period ended 31 May 2013: Directors

<table>
<thead>
<tr>
<th>Director name</th>
<th>Salary &amp; fees (excludes leave paid)</th>
<th>Profit share and bonuses</th>
<th>Non-monetary</th>
<th>Other current LSL &amp; AL*</th>
<th>Super-annuation</th>
<th>Non-current LSL &amp; AL*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr A S Cappello</td>
<td>2013</td>
<td>88,119</td>
<td>-</td>
<td>18,783</td>
<td>-</td>
<td>7,931</td>
<td>-</td>
</tr>
<tr>
<td>Mr J R Magli #</td>
<td>2012</td>
<td>87,064</td>
<td>-</td>
<td>18,783</td>
<td>-</td>
<td>7,836</td>
<td>-</td>
</tr>
<tr>
<td>Mr A R Amer</td>
<td>2013</td>
<td>76,548</td>
<td>-</td>
<td>-</td>
<td>6,990</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr A R Bartolo</td>
<td>2012</td>
<td>100,780</td>
<td>-</td>
<td>-</td>
<td>6,370</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr A R Bartolo</td>
<td>2012</td>
<td>50,830</td>
<td>-</td>
<td>-</td>
<td>4,575</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr A R Bartolo</td>
<td>2012</td>
<td>61,239</td>
<td>-</td>
<td>-</td>
<td>5,511</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr A R Bartolo</td>
<td>2012</td>
<td>48,532</td>
<td>-</td>
<td>-</td>
<td>4,368</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr V Germanotta</td>
<td>2013</td>
<td>53,440</td>
<td>-</td>
<td>-</td>
<td>4,810</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr V Germanotta</td>
<td>2012</td>
<td>52,202</td>
<td>-</td>
<td>-</td>
<td>4,698</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr S Gordon #</td>
<td></td>
<td>2013</td>
<td>53,771</td>
<td>-</td>
<td>-</td>
<td>4,479</td>
<td>-</td>
</tr>
<tr>
<td>Mr R C Strippiana</td>
<td>2013</td>
<td>48,532</td>
<td>-</td>
<td>-</td>
<td>4,368</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr M C Maughan</td>
<td>2013</td>
<td>53,440</td>
<td>-</td>
<td>-</td>
<td>4,810</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr M C Maughan</td>
<td>2012</td>
<td>52,202</td>
<td>-</td>
<td>-</td>
<td>4,698</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr M C Maughan</td>
<td>2013</td>
<td>39,916</td>
<td>-</td>
<td>-</td>
<td>3,592</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr J R Magli #</td>
<td>2013</td>
<td>53,771</td>
<td>-</td>
<td>-</td>
<td>4,479</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr P J Gill #</td>
<td>2013</td>
<td>48,532</td>
<td>-</td>
<td>-</td>
<td>4,368</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr M C Maughan</td>
<td>2013</td>
<td>53,440</td>
<td>-</td>
<td>-</td>
<td>4,810</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Executive directors

Total directors’ remuneration 2012 2013 | 465,835 | - | 18,783 | - | 41,565 | - | 526,183 |

Executive directors

Total directors’ remuneration 2012 2013 | 465,835 | - | 18,783 | - | 41,565 | - | 526,183 |

Financials

90

Services from remuneration consultants

The Company engaged Hay Group as a remuneration consultant to assist with the provision of annual market remuneration data and salary trends advice. Hay Group was paid $8,000 in total for the provision of the above services. They have not provided any other additional services to the Company during the year.

The engagement of Hay Group for market remuneration data is for an annual subscription service to an online database which includes access to economic market and reward commentary.

As the remuneration recommendations did not relate directly to key management personnel, the Board is satisfied that the remuneration recommendations were made free from undue influence by members of the key management personnel.

Executive remuneration details for the period ended 31 May 2013

The following table reflects the components of the remuneration for each executive included in the key management personnel:

<table>
<thead>
<tr>
<th>Executive name</th>
<th>Salary &amp; fees (excludes leave paid)</th>
<th>Profit share and bonuses</th>
<th>Non-monetary</th>
<th>Other current LSL &amp; AL*</th>
<th>Superannuation</th>
<th>Non-current LSL &amp; AL*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr G R Liddle</td>
<td>2013</td>
<td>488,844</td>
<td>167,282</td>
<td>-</td>
<td>51,263</td>
<td>-</td>
<td>24,999</td>
</tr>
<tr>
<td>Mr P J Gill</td>
<td>2012</td>
<td>484,986</td>
<td>-</td>
<td>9,878</td>
<td>55,943</td>
<td>-</td>
<td>25,000</td>
</tr>
<tr>
<td>Mrs S Pleana</td>
<td>2013</td>
<td>233,086</td>
<td>54,270</td>
<td>-</td>
<td>5,500</td>
<td>25,130</td>
<td>24,422</td>
</tr>
<tr>
<td>Resigned 31 May 2013</td>
<td>2012</td>
<td>249,123</td>
<td>-</td>
<td>-</td>
<td>19,305</td>
<td>-</td>
<td>23,599</td>
</tr>
<tr>
<td>Mr J C Beal</td>
<td>2013</td>
<td>2012</td>
<td>221,025</td>
<td>-</td>
<td>-</td>
<td>21,862</td>
<td>-</td>
</tr>
<tr>
<td>Mr D A Langham</td>
<td>2013</td>
<td>18,719</td>
<td>-</td>
<td>7,332</td>
<td>27,875</td>
<td>-</td>
<td>145,259</td>
</tr>
<tr>
<td>Resigned 7 July 2012</td>
<td>2012</td>
<td>153,809</td>
<td>-</td>
<td>31,466</td>
<td>18,384</td>
<td>-</td>
<td>24,376</td>
</tr>
<tr>
<td>Mr P J Gill</td>
<td>2013</td>
<td>238,441</td>
<td>66,614</td>
<td>4,793</td>
<td>25,453</td>
<td>331,453</td>
<td>2,499</td>
</tr>
<tr>
<td>Mr G R Liddle</td>
<td>2012</td>
<td>1,342,954</td>
<td>394,462</td>
<td>58,474</td>
<td>108,037</td>
<td>170,389</td>
<td>125,625</td>
</tr>
<tr>
<td>Total directors &amp; executive officers’ remuneration</td>
<td>2012</td>
<td>1,283,500</td>
<td>87,064</td>
<td>138,139</td>
<td>-</td>
<td>123,643</td>
<td>131,867</td>
</tr>
</tbody>
</table>

- Salary and fees include gross salaries and Directors fees. Excludes any annual or long service leave paid.
- Non-monetary benefits are all reportable FBT benefits including housing, motor vehicles and electricity.
- *LSL – Long service leave  *AL – Annual leave
Pre-employment payments
No payments were made prior to the appointment of an individual as consideration for agreeing to assume a position at Mackay Sugar.

Securities received that are not performance related
No key management personnel are entitled to receive securities as part of their remuneration package whether related to performance or not.

Options and rights granted
No key management personnel are entitled to receive options or rights as part of their remuneration package.

Cash bonuses and performance-related bonuses
The terms and conditions relating to bonuses granted as remuneration during the period to key management personnel are as follows:

### Bonus details of management

<table>
<thead>
<tr>
<th>Management</th>
<th>Remuneration type</th>
<th>Bonus amount included in remuneration (note a)</th>
<th>Reason for grant (note b)</th>
<th>Percentage vested/paid during year %</th>
<th>Percentage forfeited during year (note c) %</th>
<th>Expiry date for vesting of payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Q L Hildebrand</td>
<td>Cash</td>
<td>167,282</td>
<td>(b)</td>
<td>67</td>
<td>33</td>
<td>31/05/13</td>
</tr>
<tr>
<td>Mrs S Planaar</td>
<td>Cash</td>
<td>54,270</td>
<td>(b)</td>
<td>57</td>
<td>43</td>
<td>31/05/13</td>
</tr>
<tr>
<td>Mr J-C Gassin</td>
<td>Cash</td>
<td>51,479</td>
<td>(b)</td>
<td>57</td>
<td>43</td>
<td>31/05/13</td>
</tr>
<tr>
<td>Mr M L Gayton</td>
<td>Cash</td>
<td>54,816</td>
<td>(b)</td>
<td>57</td>
<td>43</td>
<td>31/05/13</td>
</tr>
<tr>
<td>Mr D A Langham</td>
<td>Cash</td>
<td>-</td>
<td>(b)</td>
<td>0</td>
<td>100</td>
<td>31/05/13</td>
</tr>
<tr>
<td>Mr P J Gill</td>
<td>Cash</td>
<td>66,614</td>
<td>(b)</td>
<td>71</td>
<td>29</td>
<td>31/05/13</td>
</tr>
</tbody>
</table>

Note (a) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the bonus schemes for the 2013 financial year.

Note (b) For the 2013 financial year payments were made under the incentive plan owing to the achievement of profitability and safety targets.

Note (c) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

Options and rights granted
No key management personnel are entitled to receive options or rights as part of their remuneration package.

Proceedings on behalf of the Company
No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the period.

Indemnification of Officers
The Company has paid premiums to insure Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting for the Company, other than conduct involving a wilful breach of duty in relation to the Company.

Rounding of amounts
The Company has applied the relief available to it in Australian Securities Investment Class Order 98/100 and, accordingly, amounts in this report and associated financial statements have been rounded to the nearest thousand dollars where appropriate.
Auditor’s Independence Declaration

Under section 307c of the Corporations Act 2001
To the Directors of Mackay Sugar Limited:

I declare that, to the best of my knowledge and belief, during the year ended 31 May 2013, there have been:

1. No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

BENNETT PARTNERS
Chartered Accountants

DARRYL CAMILLERI
Partner

Dated: 22 August 2013
At: First Floor
122 Wood Street
MACKAY Qld 4740

Pictured: Cane billets.
The concise financial report is an extract from the full financial report for the year ended 31 May 2013. The financial statements and disclosures in the concise financial report have been derived from the 2013 financial report of Mackay Sugar.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report. A copy of the full financial report and auditor’s report will be sent to any shareholder upon request.

A discussion and analysis of the financial statements has been included in the ‘Financial Snapshot’ in the Annual report. This has been provided to assist shareholders in understanding the concise financial report. The information contained in this discussion and analysis has been derived from Mackay Sugar’s full 2013 financial report.

**Income statement**

for the year ended 31 May 2013

<table>
<thead>
<tr>
<th>Note</th>
<th>May 2013 $’000</th>
<th>May 2012 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>2(a)</td>
<td>406,689</td>
</tr>
<tr>
<td>Finance revenue</td>
<td>2(b)</td>
<td>736</td>
</tr>
<tr>
<td>Total revenue</td>
<td></td>
<td>407,425</td>
</tr>
<tr>
<td>Changes in inventories of finished goods</td>
<td></td>
<td>29,808</td>
</tr>
<tr>
<td>Cost of sales</td>
<td></td>
<td>(255,377)</td>
</tr>
<tr>
<td>Gross profit</td>
<td></td>
<td>181,856</td>
</tr>
<tr>
<td>Revenue from non-operating activities</td>
<td>2(c)</td>
<td>406</td>
</tr>
<tr>
<td>Maintenance expenses</td>
<td></td>
<td>(39,815)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td>(60,069)</td>
</tr>
<tr>
<td>Administration expenses</td>
<td></td>
<td>(50,115)</td>
</tr>
<tr>
<td>Distribution and marketing expenses</td>
<td></td>
<td>(4,449)</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td>(13,571)</td>
</tr>
<tr>
<td>Finance costs</td>
<td></td>
<td>(8,814)</td>
</tr>
<tr>
<td>Other expenses</td>
<td></td>
<td>(1,509)</td>
</tr>
<tr>
<td>Share of profits of associate and joint venture</td>
<td></td>
<td>12,391</td>
</tr>
<tr>
<td>Profit/(loss) before income tax</td>
<td></td>
<td>16,311</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Profit/(loss) for the period</td>
<td></td>
<td>16,311</td>
</tr>
<tr>
<td>Profit attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders of the Company</td>
<td></td>
<td>16,311</td>
</tr>
</tbody>
</table>

The accompanying notes form part of this concise financial report.
### Statement of comprehensive income

for the year ended 31 May 2013

<table>
<thead>
<tr>
<th>Note</th>
<th>May 2013 $’000</th>
<th>May 2012 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit/(loss) for the period</td>
<td>16,311</td>
<td>(12,520)</td>
</tr>
<tr>
<td><strong>Other comprehensive income or loss</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of property, plant and equipment</td>
<td>-</td>
<td>(224)</td>
</tr>
<tr>
<td>Gain on sale of financial assets transferred to income statement</td>
<td>-</td>
<td>(1,191)</td>
</tr>
<tr>
<td>Fair value movements on cash flow hedges</td>
<td>22,614</td>
<td>8,332</td>
</tr>
<tr>
<td>Gain/(loss) on translation of foreign associated company</td>
<td>1,438</td>
<td>119</td>
</tr>
<tr>
<td>Share of other comprehensive income/(loss) of associated company</td>
<td>470</td>
<td>(885)</td>
</tr>
<tr>
<td>Share of other comprehensive income/(loss) of the joint venture</td>
<td>2,800</td>
<td>(275)</td>
</tr>
<tr>
<td></td>
<td>27,322</td>
<td>5,781</td>
</tr>
<tr>
<td>Income tax expense relating to components of other comprehensive income/(loss)</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other comprehensive income/(loss) for the period</strong></td>
<td>27,322</td>
<td>5,781</td>
</tr>
<tr>
<td><strong>Total comprehensive income/(loss) for the period</strong></td>
<td>27,322</td>
<td>5,781</td>
</tr>
<tr>
<td><strong>Total comprehensive income/(loss) attributable to:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders of the Company</td>
<td>43,633</td>
<td>(6,739)</td>
</tr>
</tbody>
</table>

The accompanying notes form part of this concise financial report.

### Statement of financial position

as at 31 May 2013

<table>
<thead>
<tr>
<th></th>
<th>May 2013 $’000</th>
<th>May 2012 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>20,543</td>
<td>24,746</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>30,491</td>
<td>16,385</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>7,544</td>
<td>824</td>
</tr>
<tr>
<td>Inventories</td>
<td>40,764</td>
<td>10,426</td>
</tr>
<tr>
<td>Assets held-for-sale</td>
<td>40</td>
<td>2,177</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,646</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>99,382</td>
<td>56,204</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>1,554</td>
<td>-</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>22,451</td>
<td>15,885</td>
</tr>
<tr>
<td>Investments accounted for using the equity method</td>
<td>106,810</td>
<td>97,997</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>330,240</td>
<td>262,575</td>
</tr>
<tr>
<td>Investment properties</td>
<td>2,246</td>
<td>2,106</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>463,301</td>
<td>378,563</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>562,683</td>
<td>434,767</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>47,684</td>
<td>43,481</td>
</tr>
<tr>
<td>Interest bearing liabilities</td>
<td>38,942</td>
<td>67,752</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>25,475</td>
<td>233</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>3,715</td>
<td>6,549</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>4,290</td>
<td>4,131</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>120,106</td>
<td>122,146</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest bearing liabilities</td>
<td>136,023</td>
<td>54,432</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>15,472</td>
<td>10,903</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>136,023</td>
<td>54,432</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>9,356</td>
<td>9,279</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>163,379</td>
<td>88,808</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>283,702</td>
<td>210,954</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>278,981</td>
<td>223,813</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued capital</td>
<td>16,498</td>
<td>4,584</td>
</tr>
<tr>
<td>Reserves</td>
<td>15,453</td>
<td>(11,869)</td>
</tr>
<tr>
<td>Retained profit</td>
<td>247,030</td>
<td>231,098</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>278,981</td>
<td>223,813</td>
</tr>
</tbody>
</table>

The accompanying notes form part of this concise financial report.
Statement of changes in equity
for the year ended 31 May 2013

<table>
<thead>
<tr>
<th>Note</th>
<th>Ordinary share capital $’000</th>
<th>Retained profit $’000</th>
<th>Financial assets reserve $’000</th>
<th>Asset revaluation reserve $’000</th>
<th>Foreign currency translation reserve $’000</th>
<th>Hedging reserve $’000</th>
<th>Total $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 1 June, 2011</td>
<td>4,584</td>
<td>243,986</td>
<td>1,191</td>
<td>8,097</td>
<td>(1,592)</td>
<td>(25,346)</td>
<td>230,920</td>
</tr>
<tr>
<td>Dividends</td>
<td>3</td>
<td>-</td>
<td>(686)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(686)</td>
</tr>
<tr>
<td>Transactions with owners</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loss attributable to shareholders of the Company</td>
<td>-</td>
<td>-</td>
<td>(12,520)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(12,520)</td>
</tr>
<tr>
<td>Other comprehensive income/(loss):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of property, plant and equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(224)</td>
<td>-</td>
<td>(224)</td>
</tr>
<tr>
<td>Gain on sale of financial assets to income statement</td>
<td>-</td>
<td>-</td>
<td>(1,191)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,191)</td>
</tr>
<tr>
<td>Adjustments from translation of foreign associated company</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>119</td>
<td>-</td>
<td>119</td>
<td>119</td>
</tr>
<tr>
<td>Cash flow hedges: gains allocated to equity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,232</td>
<td>8,232</td>
</tr>
<tr>
<td>Share of associated company’s hedging reserve movements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(880)</td>
<td>(880)</td>
</tr>
<tr>
<td>Share of joint venture’s hedging reserve movements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(275)</td>
<td>(275)</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>-</td>
<td>(12,520)</td>
<td>(1,191)</td>
<td>(224)</td>
<td>119</td>
<td>7,077</td>
<td>(12,520)</td>
</tr>
<tr>
<td>Balance at 31 May, 2012</td>
<td>4,584</td>
<td>231,098</td>
<td>-</td>
<td>7,873</td>
<td>(1,473)</td>
<td>(18,269)</td>
<td>223,813</td>
</tr>
<tr>
<td>Shares issued</td>
<td>11,914</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,914</td>
<td>11,914</td>
</tr>
<tr>
<td>Dividends</td>
<td>3</td>
<td>-</td>
<td>(379)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(379)</td>
</tr>
<tr>
<td>Transactions with owners</td>
<td>11,914</td>
<td>(379)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,535</td>
</tr>
<tr>
<td>Profit attributable to the shareholders of the Company</td>
<td>-</td>
<td>16,311</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16,311</td>
</tr>
<tr>
<td>Other comprehensive income/(loss):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustments from translation of foreign associated company</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,438</td>
<td>1,438</td>
</tr>
<tr>
<td>Cash flow hedges: gains allocated to equity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>22,614</td>
<td>22,614</td>
</tr>
<tr>
<td>Share of associated company’s hedging reserve movements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>470</td>
<td>470</td>
</tr>
<tr>
<td>Share of joint venture’s hedging reserve movements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,800</td>
<td>2,800</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>-</td>
<td>16,311</td>
<td>-</td>
<td>-</td>
<td>1,438</td>
<td>25,884</td>
<td>43,833</td>
</tr>
<tr>
<td>Balance at 31 May, 2013</td>
<td>16,498</td>
<td>247,030</td>
<td>-</td>
<td>7,873</td>
<td>(35)</td>
<td>7,615</td>
<td>278,981</td>
</tr>
</tbody>
</table>

The accompanying notes form part of this concise financial report.
## Statement of cash flow
for the year ended 31 May 2013

<table>
<thead>
<tr>
<th>May, 2013</th>
<th>May, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td></td>
</tr>
<tr>
<td>Receipts from sugar sales and other sales</td>
<td>455,657</td>
</tr>
<tr>
<td>Payments to cane suppliers</td>
<td>(294,037)</td>
</tr>
<tr>
<td>Payments to other suppliers and employees</td>
<td>(160,027)</td>
</tr>
<tr>
<td>Distributions received from associated entities</td>
<td>12,397</td>
</tr>
<tr>
<td>Interest received</td>
<td>735</td>
</tr>
<tr>
<td>Other revenue</td>
<td>10,479</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(8,814)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>16,390</td>
</tr>
<tr>
<td><strong>Cash flow from investing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Purchase of financial assets - shares</td>
<td>(2,744)</td>
</tr>
<tr>
<td>Payment for business acquisition, net of cash acquired</td>
<td>(10,660)</td>
</tr>
<tr>
<td>Proceeds from sale of investment</td>
<td>-</td>
</tr>
<tr>
<td>Contributions made to associated entities</td>
<td>(4,042)</td>
</tr>
<tr>
<td>Payments for purchases of property, plant and equipment</td>
<td>(54,540)</td>
</tr>
<tr>
<td>Proceeds on sale of property, plant and equipment</td>
<td>90</td>
</tr>
<tr>
<td>Proceeds on sale of property held-for-sale</td>
<td>1,667</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(70,229)</td>
</tr>
<tr>
<td><strong>Cash flow from financing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Proceeds from issue of shares</td>
<td>-</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(381)</td>
</tr>
<tr>
<td>Proceeds from interest bearing activities</td>
<td>157,417</td>
</tr>
<tr>
<td>Repayment of interest bearing activities</td>
<td>(157,635)</td>
</tr>
<tr>
<td>Increase/decrease in growers’ loans</td>
<td>(1,590)</td>
</tr>
<tr>
<td>Decrease in interest bearing deposits</td>
<td>(132)</td>
</tr>
<tr>
<td>Increase in selected-term unsecured notes</td>
<td>3,252</td>
</tr>
<tr>
<td>Issue of fixed-rate medium-term unsecured notes (bonds)</td>
<td>48,605</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>49,636</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td>(4,203)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the beginning of the period</strong></td>
<td>24,746</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the period</strong></td>
<td>20,543</td>
</tr>
</tbody>
</table>

The accompanying notes form part of this concise financial report.

## Notes to the concise financial report
for the year ended 31 May 2013

### Note 1: Basis of preparation of the concise financial report
The concise financial report is an extract from the full financial report for the year ended 31 May 2013. The concise financial report has been prepared in accordance with Accounting Standard AASB 1039: Concise Financial Reports and the Corporations Act 2001.

The financial statements, specific disclosures and other information included in the concise financial report are derived from and are consistent with the full financial report of Mackay Sugar. The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investing activities of Mackay Sugar as the full financial report.

The financial report of Mackay Sugar complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. The presentation currency used in this concise financial report is Australian dollars.

The Company has applied for relief available to it under ASIC Class Order 98/100 and accordingly amounts in this concise financial report have been rounded to the nearest $1,000.

The accompanying notes form part of this concise financial report.
Notes to the concise financial report
for the year ended 31 May 2013

Note 2: Revenue

<table>
<thead>
<tr>
<th>Note</th>
<th>May, 2013 $’000</th>
<th>May, 2012 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Revenue from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of goods</td>
<td>402,107</td>
<td>283,344</td>
</tr>
<tr>
<td>Services revenue</td>
<td>484</td>
<td>11,287</td>
</tr>
<tr>
<td>Dividends received – other corporations</td>
<td>1,573</td>
<td>1,486</td>
</tr>
<tr>
<td>Government subsidies received</td>
<td>259</td>
<td>246</td>
</tr>
<tr>
<td>Rental revenue</td>
<td>574</td>
<td>404</td>
</tr>
<tr>
<td>Royalties</td>
<td>245</td>
<td>73</td>
</tr>
<tr>
<td>Insurance claims</td>
<td>524</td>
<td>156</td>
</tr>
<tr>
<td>Recoveries</td>
<td>896</td>
<td>-</td>
</tr>
<tr>
<td>Other revenue</td>
<td>27</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>406,689</td>
<td>296,997</td>
</tr>
<tr>
<td>(b) Finance revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank interest received – other corporations</td>
<td>603</td>
<td>821</td>
</tr>
<tr>
<td>Loan interest received – other persons</td>
<td>133</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>736</td>
<td>880</td>
</tr>
<tr>
<td>(c) Revenue from non-operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on disposal of property, plant and equipment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gain on disposal of assets held-for-sale</td>
<td>218</td>
<td>215</td>
</tr>
<tr>
<td>Gain on business acquisition</td>
<td>108</td>
<td>-</td>
</tr>
<tr>
<td>Gain on disposal of financial assets – shares</td>
<td>1,382</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>406</td>
<td>1,748</td>
</tr>
<tr>
<td>(d) Government subsidies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government subsidies received or receivable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government subsidies received in relation to capital projects</td>
<td>5,087</td>
<td>3,051</td>
</tr>
<tr>
<td>Government subsidies received allocated directly to income</td>
<td>68</td>
<td>91</td>
</tr>
<tr>
<td></td>
<td>5,155</td>
<td>3,142</td>
</tr>
<tr>
<td>Government subsidies received included in income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government subsidies received allocated directly to income</td>
<td>68</td>
<td>91</td>
</tr>
<tr>
<td>Deferred government subsidies allocated to income</td>
<td>191</td>
<td>155</td>
</tr>
<tr>
<td></td>
<td>259</td>
<td>246</td>
</tr>
</tbody>
</table>

Various government grants have been received for research and development projects. There are no unfulfilled conditions or contingencies relating to these grants as at 31 May, 2013.

Note 3: Dividends

<table>
<thead>
<tr>
<th>Note</th>
<th>May, 2013 $’000</th>
<th>May, 2012 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Dividends declared during the year: 8% fully franked dividend (6.39 cents per share) on B class investment shares franked at the tax rate of 30%</td>
<td>379</td>
<td>368</td>
</tr>
<tr>
<td>(ii) Dividends paid during the year: 8% fully franked dividend (6.40 cents per share) on B class investment shares franked at the tax rate of 30%</td>
<td>381</td>
<td>319</td>
</tr>
<tr>
<td>(iii) Dividends declared but not paid at year-end: 8% fully franked dividend (3.19 cents per share) was declared on B class investment shares on 31 May, 2013 (paid 18 June, 2013)</td>
<td>190</td>
<td>191</td>
</tr>
<tr>
<td>(iv) Balance of the franking account at the end of the year</td>
<td>5,431</td>
<td>4,920</td>
</tr>
<tr>
<td></td>
<td>(81)</td>
<td>(82)</td>
</tr>
<tr>
<td></td>
<td>5,350</td>
<td>4,838</td>
</tr>
</tbody>
</table>

Note 4: Events after the end of the reporting period

Investment in Racecourse Projects Pty Ltd

During the year the Company acquired a 15% share in Racecourse Projects Pty Ltd for $15. On 3 June 2013 the Company proportionally subscribed for further shares in Racecourse Projects Pty Ltd in the amount of $964,125. An investment company unrelated to Mackay Sugar Ltd acquired the remaining 85% share of Racecourse Projects Pty Ltd on the same basis. Racecourse Projects Pty Ltd is a newly formed company, created to acquire and operate sugarcane farms in regions in which the Company operates raw sugar mills. The additional subscription amount of the investment is not included in the financial accounts for the year ended 31 May 2013. The investment is expected to be accounted for as an available-for-sale financial asset in the year ended 31 May 2014 financial accounts.

Dividend declaration

On 5 August 2013, the Board of Directors determined to declare a fully franked dividend of two cents per share on investment shares. The dividend will be paid on 30 August 2013 to all shareholders on the shareholder register as at 2 August 2013. The total amount of the dividend is $4.26 million.

Cash flow hedges

Since the end of the financial period, movements in the ICE No.11 Raw Sugar Futures prices and exchange rates have resulted in significant variances to the “mark-to-market” values reported as cash flow hedges in the financial statements. As the Company has entered into commodity swap transactions, unrealised gains or losses on those swaps fluctuate over time in line with changes to future prices and exchange rates. As at 31 May 2013 the accounts reported a net unrealised gain on sugar pricing derivatives of $7.7 million; however as at 19 August 2013, in anticipation of the Board meeting, this amount is calculated to be an unrealised gain of $5.6 million, based on quoted rates of the day. The change is mainly due to movements in the sugar price, AUD/USD exchange rate and open contracts. On settlement of these swaps the reported gains or losses are used to adjust the proceeds from the sale of raw sugar, resulting in the Company receiving the fixed contracted swap price for the sale of that sugar.

Other matters

No other matters or circumstance has arisen in the interval between the end of the financial period and the date of this report, which has significantly affected, or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.
Note 5: Acquisition of raw sugar milling operation

On 4 June, 2012 the Company acquired the raw sugar milling assets and liabilities of Mossman Central Mill Company Ltd. The acquisition will enhance the Company’s core business operations and progress the Company’s strategy of diversification and increasing the sources of sugarcane supply.

Details of the purchase consideration and the net assets acquired are as follows:

<table>
<thead>
<tr>
<th>Purchase consideration</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>13,339</td>
</tr>
<tr>
<td>Investment shares (6,926,742 shares)</td>
<td>11,914</td>
</tr>
<tr>
<td><strong>Total purchase consideration</strong></td>
<td><strong>25,253</strong></td>
</tr>
</tbody>
</table>

The assets and liabilities recognised as a result of the acquisition are as follows:

<table>
<thead>
<tr>
<th>Fair value</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>212</td>
</tr>
<tr>
<td>Inventories</td>
<td>584</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>26,297</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>69</td>
</tr>
<tr>
<td>Loans receivable</td>
<td>2</td>
</tr>
<tr>
<td>Trade payables</td>
<td>(912)</td>
</tr>
<tr>
<td>Provision for employee benefits</td>
<td>(891)</td>
</tr>
<tr>
<td><strong>Identifiable assets acquired and liabilities assumed</strong></td>
<td><strong>25,361</strong></td>
</tr>
</tbody>
</table>

No amounts were recognised for contingent liabilities at the time of the acquisition or subsequently.

There were no acquisitions in the year ending 31 May, 2012.

(i) Contingent consideration

There was no contingent consideration included in the acquisition contract.

(ii) Investment share consideration

Investment shares totaling 6,926,742 were issued to Mossman Central Mill Company Ltd for a total fair value of $11,913,997. As the Company’s shares do not trade on an open market, the fair value of $1.72 per share was determined by calculating the fair value of the Company’s net assets per share prior to the acquisition as follows:

| Fair value of Mackay Sugar Ltd net assets prior to acquisition | $344 million |
| Number of investment shares issued prior to acquisition       | 200 million  |
| Fair value of net assets per investment share prior to acquisition | $1.72 |

(iii) Acquired receivables

The fair value of acquired trade receivables is $212,000. The gross contractual amount for trade receivables due is $212,000 which was all received subsequent to the acquisition.

(iv) Non-controlling interests

The Company acquired 100% of the raw sugar milling assets and there were no non-controlling interests included in the acquisition.

(v) Revenue and profit contribution

The acquired business contributed revenues of $31,673,567 and net profit of $146,376 to the Company for the period from 4 June, 2012 to 31 May, 2013. The net profit amount excludes interest and some other overheads such as corporate overheads which have not been allocated to the business unit.

(vi) Acquisition-related funding

The acquisition was funded by the drawdown of $14.2 million through an acquisition term debt facility established with NAB/RABO. The loan facility was refinanced on 31 May, 2013 into the new term debt facilities.

(vii) Acquisition-related costs

Acquisition-related costs of $1,851,414 are included in administration expenses in the income statement for the year ended 31 May, 2013. The statement of cash flow includes acquisition-related costs of $2,122,664 in cash flow from operating activities for the year ended 31 May, 2013.
Note 6: Segment reporting

The Company has a single reportable operating segment – Sugar Manufacturing Operations. This has been identified based on the internal reports that are reviewed and used by the Board of Directors and Chief Executive Officer (chief operating decision makers) in assessing performance and determining the allocation of resources. The principal activity of the Company is the processing of sugarcane to produce and sell raw sugar and refined sugar, electricity and by-products such as molasses. The Company operates predominately in Australia, but also has a share in a sugar refining investment which operates in New Zealand.

(a) Revenue from external customers for each product and service

<table>
<thead>
<tr>
<th>Product</th>
<th>May, 2013</th>
<th>May, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw sugar sales</td>
<td>368,949</td>
<td>265,250</td>
</tr>
<tr>
<td>Electricity sales</td>
<td>12,768</td>
<td>1,679</td>
</tr>
<tr>
<td>Molasses sales</td>
<td>19,941</td>
<td>16,004</td>
</tr>
<tr>
<td>Sundry sales</td>
<td>450</td>
<td>411</td>
</tr>
<tr>
<td>Refinery services revenue</td>
<td>484</td>
<td>11,287</td>
</tr>
<tr>
<td>Rental revenue</td>
<td>574</td>
<td>404</td>
</tr>
<tr>
<td>Dividends received</td>
<td>1,573</td>
<td>1,486</td>
</tr>
<tr>
<td>Royalties revenue</td>
<td>245</td>
<td>73</td>
</tr>
<tr>
<td>Other revenue</td>
<td>1,705</td>
<td>403</td>
</tr>
<tr>
<td>Finance revenue</td>
<td>736</td>
<td>880</td>
</tr>
<tr>
<td>Total revenue from operating activities</td>
<td>407,425</td>
<td>297,877</td>
</tr>
</tbody>
</table>

(b) Revenue by geographical region

<table>
<thead>
<tr>
<th>Region</th>
<th>May, 2013</th>
<th>May, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>407,425</td>
<td>297,877</td>
</tr>
<tr>
<td>New Zealand</td>
<td>12,391</td>
<td>8,941</td>
</tr>
</tbody>
</table>

(c) Assets by geographical region

<table>
<thead>
<tr>
<th>Region</th>
<th>May, 2013</th>
<th>May, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>540,917</td>
<td>414,938</td>
</tr>
<tr>
<td>New Zealand</td>
<td>21,766</td>
<td>19,829</td>
</tr>
<tr>
<td>Total assets</td>
<td>562,683</td>
<td>434,767</td>
</tr>
</tbody>
</table>

(d) Major customers

The Company has two major customers which make up a significant portion of the Company’s total revenue. Sugar sales to Queensland Sugar Limited for the financial year of $179,949,865 (2012: $108,086,966) make up 44.2% (2012: 36.3%) of the total revenue for the year. Sugar sales and other services to Sugar Australia Pty Ltd for the financial year of $192,177,851 (2012: $168,423,346) make up 47.2% (2012: 56.5%) of the total revenue for the year.

Notes: The decrease in Refinery services revenue corresponds largely with the increase in electricity sales as a result of an internal reallocation as part of the establishment of the new cogeneration operations.
Note 7: Taxes

Unrecognised tax losses
The Company has accumulated tax losses for income tax purposes that are currently able to be carried forward to future years. The gross accumulated tax losses that have not been recognised in the Company’s statement of financial position as a deferred tax asset are as follows:

<table>
<thead>
<tr>
<th>May 2013</th>
<th>May 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Gross accumulated tax losses at the beginning of the year</td>
<td>130,190</td>
</tr>
<tr>
<td>Add: Tax losses incurred during the year</td>
<td>-</td>
</tr>
<tr>
<td>Less: Tax losses utilised during the year</td>
<td>(41,223)</td>
</tr>
<tr>
<td>Available gross accumulated tax losses for income tax purposes at the end of the year</td>
<td>88,967</td>
</tr>
<tr>
<td>Less: Gross tax losses recognised as a deferred tax asset to offset deferred tax liability</td>
<td>(83,630)</td>
</tr>
<tr>
<td>Remaining gross tax losses not yet recognised as a deferred tax asset</td>
<td>5,337</td>
</tr>
</tbody>
</table>
Independent Auditor’s opinion
for the Concise Financial Report

Independent Auditor’s Report 22 August 2013

To the members of Mackay Sugar Limited


We have audited the accompanying concise financial report of Mackay Sugar Limited, which comprises the statement of financial position as at 31 May 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes derived from the audited financial report of Mackay Sugar Limited for the year ended 31 May 2013 and the discussion and analysis. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Directors’ Responsibility for the Concise Financial Report

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 Concise Financial Reports, and the Corporations Act 2001, and for such internal control as the directors determine are necessary to enable the preparation of the concise financial report.

Auditor’s Responsibility

Our responsibility is to express an opinion on the concise financial report based on our procedures which were conducted in accordance with Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Mackay Sugar Limited for the year ended 31 May 2013. We expressed an unmodified audit opinion on that financial report dated 22 August 2013. The Australian 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 for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the concise 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. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts, discussion and analysis and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with AASB 1039 Concise Financial Reports and whether the discussion and analysis complies with the requirements laid down in AASB 1039 Concise Financial Reports.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Mackay Sugar Limited, would be in the same terms if given to the directors as at the time of this auditor’s report.

Opinion

In our opinion, the concise financial report of Mackay Sugar Limited is in accordance with Accounting Standard AASB 1039 Concise Financial Reports.

Report on the Remuneration Report

The following paragraphs are copied from our Report on the Remuneration Report for the period ended 31 May 2013. We have audited the Remuneration Report included in the directors’ report for the year ended 31 May 2013. 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.

Opinion

In our opinion, the Remuneration Report of Mackay Sugar Limited for the year ended 31 May 2013 complies with section 300A of the Corporations Act 2001.

Dafydd Gamilleri Mackay

Glossary

<table>
<thead>
<tr>
<th>Glossary</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB</td>
<td>Australian Accounting Standards Board</td>
</tr>
<tr>
<td>AIFR</td>
<td>All Injury Frequency Rate</td>
</tr>
<tr>
<td>AIFRS</td>
<td>Australian International Financial Reporting Standards</td>
</tr>
<tr>
<td>AMT</td>
<td>Australian Molasses Trading Pty Ltd</td>
</tr>
<tr>
<td>AMWU</td>
<td>Australian Manufacturing Workers’ Union</td>
</tr>
<tr>
<td>ASMC</td>
<td>Australian Sugar Milling Council</td>
</tr>
<tr>
<td>AWU</td>
<td>Australian Workers’ Union</td>
</tr>
<tr>
<td>BSES</td>
<td>BSES Limited</td>
</tr>
<tr>
<td>CCS</td>
<td>Commercial Cane Sugar</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>DEEDI</td>
<td>Department of Employment, Economic Development and Innovation</td>
</tr>
<tr>
<td>DEHP</td>
<td>Department of Environment and Heritage Protection</td>
</tr>
<tr>
<td>DRET</td>
<td>Department of Resources, Energy and Tourism</td>
</tr>
<tr>
<td>EANT</td>
<td>Enterprise Agreement Negotiating Team</td>
</tr>
<tr>
<td>EBA</td>
<td>Enterprise Bargaining Agreement</td>
</tr>
<tr>
<td>EE</td>
<td>Environmental Evaluation</td>
</tr>
<tr>
<td>EEO</td>
<td>Energy Efficiency Opportunities Act</td>
</tr>
<tr>
<td>EMS</td>
<td>Environmental Management System</td>
</tr>
<tr>
<td>ETU</td>
<td>Electrical Trades Union</td>
</tr>
<tr>
<td>ha</td>
<td>Hectares</td>
</tr>
<tr>
<td>IPS</td>
<td>International Pol Scale</td>
</tr>
<tr>
<td>ISO 14001</td>
<td>An international standard for environmental management systems</td>
</tr>
</tbody>
</table>

Glossary and index

<table>
<thead>
<tr>
<th>Glossary</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSRA</td>
<td>Job Start Risk Analysis Assessments</td>
</tr>
<tr>
<td>km</td>
<td>Kilometres</td>
</tr>
<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
</tr>
<tr>
<td>kW</td>
<td>Kilowatts</td>
</tr>
<tr>
<td>LTI</td>
<td>Lost Time Injury</td>
</tr>
<tr>
<td>LTIFR</td>
<td>Lost Time Injury Frequency Rate</td>
</tr>
<tr>
<td>ML</td>
<td>Megawatts</td>
</tr>
<tr>
<td>Mt</td>
<td>Million tonnes</td>
</tr>
<tr>
<td>MW</td>
<td>Megawatt</td>
</tr>
<tr>
<td>NGERs</td>
<td>National Greenhouse and Energy Reporting System</td>
</tr>
<tr>
<td>NPI</td>
<td>National Pollutant Inventory</td>
</tr>
<tr>
<td>PMDS</td>
<td>Performance Management and Development System</td>
</tr>
<tr>
<td>PRS</td>
<td>Per cent Recoverable Sugar</td>
</tr>
<tr>
<td>QCS</td>
<td>Queensland Commodity Services</td>
</tr>
<tr>
<td>QSAFI</td>
<td>Queensland Sustainable Aviation Fuel Initiative</td>
</tr>
<tr>
<td>QSL</td>
<td>Queensland Sugar Limited</td>
</tr>
<tr>
<td>QUT</td>
<td>Queensland University of Technology</td>
</tr>
<tr>
<td>RAD</td>
<td>Research &amp; Development</td>
</tr>
<tr>
<td>SRI</td>
<td>Sugar Research Institute</td>
</tr>
<tr>
<td>STL</td>
<td>Sugar Terminals Limited</td>
</tr>
<tr>
<td>T</td>
<td>Tonnes</td>
</tr>
<tr>
<td>TEP</td>
<td>Transitional Environmental Program</td>
</tr>
<tr>
<td>t/ha</td>
<td>Tonnes per hectare</td>
</tr>
<tr>
<td>tph</td>
<td>Tonnes per hour</td>
</tr>
<tr>
<td>TPM</td>
<td>Total Productive Manufacturing</td>
</tr>
<tr>
<td>A</td>
<td>Per tonne</td>
</tr>
</tbody>
</table>

Economic Development and Innovation

Environmental Management Systems

Australian Cane Farmers Association

Chief Executive Officer

Department of Environment and Heritage Protection

Department of Resources, Energy and Tourism

Enterprise Agreement Negotiating Team

Enterprise Bargaining Agreement

Environmental Evaluation

Energy Efficiency Opportunities Act

Environmental Management System

Electrical Trades Union

Hectares

International Pol Scale

An international standard for environmental management systems

Information Technology

Kilometres

Kilowatts

Lost Time Injury

Lost Time Injury Frequency Rate

Megawatts

Million tonnes

Megawatt

National Greenhouse and Energy Reporting System

National Pollutant Inventory

Performance Management and Development System

Per cent Recoverable Sugar

Queensland Commodity Services

Queensland Sustainable Aviation Fuel Initiative

Queensland Sugar Limited

Queensland University of Technology

Research & Development

Sugar Research Institute

Sugar Terminals Limited

Tonnes

Transitional Environmental Program

Tonnes per hectare

Tonnes per hour

Total Productive Manufacturing

Per tonne

ISO 14001

AASB

AIFR

AIFRS

AMT

AMWU

ASMC

AWU

BSES

CCS

CEO

DEEDI

DEHP

DRET

EANT

EBA

EE

EEO

EMS

ETU

ha

IPS

ISO 14001
Mackay Sugar Limited
ABN: 12 057 463 671

Corporate Office
Peak Downs Highway
RACECOURSE via Mackay
PO Box 5720
Mackay Mail Centre
Queensland Australia 4741
Phone: +61 7 4953 8300
Fax: +61 7 4953 8340
Web: www.mkysugar.com.au
Email: info@mkysugar.com.au

Farleigh Mill
Armstrong Street
FARLEIGH
Queensland Australia 4741

Marian Mill
Anzac Avenue
MARIAN
Queensland Australia 4753

Pleystowe Mill
Eungella Road
PLEYSTOWE
Queensland Australia 4741

Racecourse Mill
Peak Downs Highway
RACECOURSE via Mackay
Queensland Australia 4740

Mossman Mill
Mill Street
MOSSMAN
Queensland Australia 4873