This report depicts our corporate, environmental and social activities that underpin our commitment to growing the future of shareholders, employees and the wider community through sound management of a sustainable sugar and energy business.

In an effort to align income and expenditure to the crop harvested for the year, our report presents an annual overview of our operations and financial statements for the year ended 31 May 2011. With this report, we aim to enhance the awareness of our stakeholders and continue our business approach to reflect that we have the management, environmental and innovative capacities to deliver fresh revenue streams and a sustainable and profitable business.

We are determined to meet our shareholders’ expectations, provide them with a return on their investment and position our business as a leading player in the sugar industry. To do this effectively, we need to ensure our operations are conducted in a professional and responsible manner and that industry development is well-managed.

We also demonstrate our relationship with shareholders, growers, employees, the community, government, and other industry stakeholders, as these partnerships ensure that our business operations are conducted in a professional and responsible manner and that industry development is well-managed.

We continue to grow our organisation, particularly through diversification projects such as cogeneration. Appropriately, we have adopted growth as our theme for this report.

We invite your feedback. We encourage you to provide us feedback as it will assist us to not only ensure we improve our reporting standards but also provide you with the information you require as a stakeholder.

Please provide your comments or suggestions about the content or design of this report via our Communications Manager on +61 7 4953 8543 or via our website – www.mkysugar.com.au (Contact Us).

Communication Objective

This annual report is printed on a paper stock which is made from recycled sugar cane.
Vision

To be THE innovative, world class, diversified sugar cane based business in Australia delivering exceptional value to stakeholders.
About Us

Who we are and what we do

We are Australia’s second largest sugar milling company with over 120 years experience. We have three operating milling sites at Farleigh, Marian and Racecourse.

Mackay Sugar was formed as a co-operative in 1988, when five formerly independent milling co-operatives in the Pioneer Valley (Marian, Racecourse, Cattle Creek, North Eton and Farleigh mills) merged and acquired Pleystowe Mill from CSR Limited. As part of its 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 incorporating Mackay Sugar Limited to a restricted public company in July 2008.

Our revenue base includes raw and refined sugar, molasses and electricity.

We hold a 25% interest in the Sugar Australia Joint Venture; Sugar Australia, and New Zealand Sugar Company. Sucrogen Limited and its subsidiaries currently hold the remaining 75% stake in these refining businesses. Product from the joint venture refineries, located at Mackay’s Racecourse Mill, Yarraville in Victoria and Auckland, is marketed by Sugar Australia Limited and New Zealand Sugar Company.

Our people

We employ 560 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. An additional 260 people are employed on a seasonal basis to assist permanent staff with our crushing season (May – November) operations, which sees our total employee numbers rise to approximately 820.
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Our Highlights and Challenges for the year ended 31 May 2011

The 2010 season was significantly affected by the continuous wet weather experienced throughout the region during the year. Mackay experienced 3,386 millimetres (mm) of rain from end of May 2010 to end of May 2011, with record rainfall levels of 239mm, 597mm and 737mm experienced over September, November and December 2010 respectively.

Total rainfall – Mackay

Source: Bureau of Meteorology – Mackay
Our performance at a glance

<table>
<thead>
<tr>
<th>Financial year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue ($m)</td>
<td>347.70</td>
<td>313.94</td>
<td>299.71</td>
<td>400.82</td>
<td>308.38</td>
</tr>
<tr>
<td>Operating profit ($m)</td>
<td>3.42</td>
<td>5.52</td>
<td>6.25</td>
<td>44.28</td>
<td>0.50</td>
</tr>
<tr>
<td>Cane processed (tonnes)</td>
<td>6,340.036</td>
<td>6,633,389</td>
<td>5,222,449</td>
<td>5,289,031</td>
<td>4,555,765</td>
</tr>
<tr>
<td>Sugar production (tonnes IPS)</td>
<td>861,747</td>
<td>926,037</td>
<td>756,225</td>
<td>797,315</td>
<td>605,175</td>
</tr>
<tr>
<td>Sugar price ($ per IPS tonne)</td>
<td>367.59</td>
<td>300.34</td>
<td>346.22</td>
<td>465.62</td>
<td>435.20</td>
</tr>
<tr>
<td>Net assets ($m)</td>
<td>228.40</td>
<td>214.32</td>
<td>181.34</td>
<td>258.95</td>
<td>230.92</td>
</tr>
</tbody>
</table>

Total operating revenue was $308.4m and compares to $400.8m recorded for 2010.

An operating profit of $0.5m was recorded for the year, compared to $44.28m for 2010.

The 2010 season saw a crop of 4.56Mt processed at the three mills for the year ended 31 May 2011 (YEM2010: 5.29Mt).

605,175t IPS of sugar was produced in the 2010 season (2009: 797,315t), with a sugar content of 13.04 PRS (2009: 14.95).

Miller’s average raw sugar price was $452.10 per IPS tonne (2010: $466.27).

Net assets was $230.92m as at 31 May 2011, compared to $258.95m as at 31 May 2010.
The extreme weather experienced throughout the year presented many challenges, affecting operational performance and cane supply. Pictured: A storm lights up the sky; Racecourse Mill in foreground. (Supplied by Mackay Sugar employee Frank Marchetti).

The Year in Review

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It was an extremely challenging year for not only our operations but also our growers. We experienced one of the wettest seasons on record, which of course led to harvesting, supply and milling difficulties, ultimately presenting us with disappointing performance results. Nevertheless, with our commitment to growth, this year has seen the Board and Management pursue business opportunities involving diversification and business consolidation that will bolster our Company for any future challenges.

**Our financial performance**

Resulting from the unfavourable circumstances the season delivered, we posted a profit of $0.5 million (m), representing a $43.8m decrease in net profit from the 2010 financial year.


**Managing a challenging season**

The 2010 season will be etched in the memories of our shareholders for all the wrong reasons – we experienced unprecedented rainfall in the last three months of our crush (September – November) that was four times the monthly average. This saw approximately 10,000 hectares (ha) (13%) with a nominal estimate of 750,000 tonnes (t) of cane left unharvested, an event that has not occurred since 1998. Consequently, we saw a disappointing 4.56 million tonnes (Mt) of cane milled for the 2010 season (2009: 5.29Mt); the preseason estimate was 5.5Mt. However, an early start to the season saw us perform comparatively well, as the rest of the industry saw an average 20% of cane left behind.

A combination of the extremely wet season, the industry’s 20% of stand-over, and the subsequent shortage of sugar to cover hedging, meant our Company and our growers were required to absorb $10.8m in crop reduction costs this year. Yet, in consultation with our Bargaining Agents, Canegrowers Mackay and the Australian Cane Farmers Association (ACFA), we were able to pass on to growers the financing benefits by increasing the season and our Company financing it over three seasons, we were able to provide 10% of the cost, being $10.8m. By absorbing the costs in the last three months of our crush (September – November) for all the wrong reasons – we experienced unprecedented rainfall during the wettest season on record.

Results for cane yield were also down, averaging only 73.3t of cane per hectare compared to 74.3t in 2009.

Our average sugar content (PRS) for the 2010 season was 13.04 units, a reduction of 1.91 units (or 12.8%) on the 2009 figure of 14.95 units. The sugar per hectare average was 9.83t, representing a 12.23% decrease on the 2009 season, which was 11.20t of sugar per hectare.

Our commitment to improving farm productivity continued throughout the year, with a particular focus on increasing the area of land under cane. We continue to identify ways in which to incentivise our growers to grow more cane, because we know we must do everything we can to capitalise on the increasing demand for Australian sugar. An initiative aimed at achieving this is our ‘Secure the Future’ Scheme, which we continued to provide to our growers throughout the year. First introduced in 2009, the Scheme provides growers a fixed price for sugar up to 80t of cane per hectare every year, for the following four years. As at 31 May 2011, the scheme had facilitated the planting of more than 400ha of additional land. We also commenced the development of a Plant Loan Scheme to be introduced in July 2011, to assist growers experiencing difficulties following 2010’s disappointing season. See Business on page 16 for further details.

**Focussing on industry rationalisation**

International interest in Queensland’s sugar industry is escalating, which can only demonstrate a strong sentiment of faith in the future of our industry. A priority throughout the year for us was to further develop our strategy for creating a larger Australian grower owned sugar business with other grower owned mills, so as to allow our business to prosper from the anticipated growth in the market.

We saw the opportunity of being part of a larger sugar company to be in the best interest of our shareholders and, throughout the year, chose to pursue a partnership with Tully Sugar and Mossman Sugar with the aim of merging the three businesses. As at 31 May 2011, we had acquired 296,831 Tully Sugar shares, which represented 9.61%. See Events after the reporting period end date on page 70 for details of activities occurring after the financial period.

With a view to re-establishing merger discussions with Proserpine Sugar Mill (which were previously terminated by the Proserpine Sugar Mill in November 2009) and in response to Proserpine Sugar Mill’s invitation to express an interest in their business in March 2011, we sent an expression of interest letter to the Chairman of the Proserpine Sugar Mill before the end of March 2011. As at 31 May 2011, we had not received any further correspondence from the Proserpine Sugar Mill, however we will continue our efforts to merge the two businesses in the coming year. We will also seek merger opportunities with other grower owned mills throughout Queensland.
In July 2010, CSR announced that it had sold its sugar and renewable energy business, Sucrogen, to Wilmar International Limited. Included within this transaction was Sucrogen’s 75% stake in Sugar Australia Limited and New Zealand Sugar Limited.

External equity

To assist us in our efforts to grow the business, we have explored the possibility of introducing external investment into our Company on our terms and conditions. Toward the end of the financial period, we had an arrangement with Louis Dreyfus Commodities in which we can expand our business to include other grower owned mills.

Strengthening our business through diversification

We understand the importance of diversifying our business as it will generate significantly more income from the same sugarcane crop, which will result in more value for our shareholders. In August 2010, we implemented our 20-year Diversification Plan that identifies the potential growth opportunities for the business. The plan highlights our “nothing wasted” approach to our business and illustrates sustainability at the highest level – a fully renewable cycle with a carbon positive footprint that provides a platform for our Company to expand.

The Plan’s first project – the Racecourse Cogeneration Plant, currently under construction, is expected to boost our earnings by $20 million per annum, once operational in late 2012.

We continue to work with local authorities, with the aim of securing good quality agricultural land, mill buffer zones, water, transport and effluent infrastructure to facilitate the Plan’s projects. See Business on page 16 for further details.

Enhancing our relationships with growers, shareholders and the community

We understand the importance of maintaining strong partnerships with our growers and shareholders, and our regional communities. We continue to improve on our communications, to ensure they are kept up-to-date of our current and future activities and business performance.

We also strive to be a good corporate citizen and provide financial and in-kind support to various regional community groups and non-profit organisations each year. See Community on page 38 for further details.
Changing our Constitution

A Special General Meeting was held on 12 April 2011 to seek shareholder approval to amend the Constitution. The amendments were primarily to include a new ‘Permitted Shareholders’ rule to allow a variety of investors associated with the Company to be able to hold Investment Shares. This included individual members of partnerships, shareholders of corporations, unit holders of unit trusts, self managed superannuation funds and employees. These changes came from requests from our shareholders during the capital raising process, held in 2010. Other amendments voted on by shareholders were housekeeping changes and changes required following amendments to the Corporations Act. Any amendments to the Constitution require 75% approval of shareholders and unfortunately all three resolutions were narrowly defeated.

Supporting research and development

We continued our support of local research and development (R&D) bodies, Mackay Area Productivity Service (MAPS), BSES and AgriServe, throughout the year as part of our commitment to identifying new initiatives that will benefit our region’s cane farms. A particular focus throughout the year was yield decline, with findings, as at 31 May 2011, revealing some of the main contributing factors were the effects of weather impacts, under-performing varieties, aging grower population, and growers pursuing off-the-farm work. These studies will continue throughout the coming year, with our full support, and will assist us in identifying ways of improving farm productivity.

We also introduced a more efficient method of distributing mill mud, using a three-row banded application. This unique method of applying mud at much lower rates than previously possible was recognised at the 2011 Australian Society of Sugar Cane Technologists (ASSCT) Conference, held in May 2011, winning the Rod Rookwood Design Award.

We are also an active participant in a mill mud application study that commenced during the 2010 season, involving Independent Ag Services and Ag Innovate. The project aims to quantify rates of release and availability of key nutrients from mill mud produced by the districts mills. See Business on page 16.

We also played a leading role in the development of AgDat. This map based program allows growers and productivity service providers to record farming related activities in an easy to use application on our website. AgDat remote is an application that can be used from inside the tractor cab and records farming activities as they are being performed, and AgDat Pro is used by AgriServe, assisting them with their ongoing research activities. See Business on page 16 for further details.

The year ahead

The effects of the excessive rainfall in the 2010 season and the early months of 2011 will have adverse impacts on the crop in the 2011 season, but I am confident that we will sustain our commitment to delivering exceptional value to our stakeholders. We are committed to bringing more cane land back into production to increase tonnage through our factories and have set up a new Cane Expansion department dedicated to making this happen.

We will remain committed to creating a larger Australian sugar entity for the betterment of our shareholders and the Queensland sugar industry, and will seek further business partnerships with this in mind. Research, development and extension will continue to be a major focus, and we will maintain our support of these services throughout the coming year to realise further potential in farming practices.

Every effort will be made to further promote our Company and the benefits we provide to the community, through employment, procurement and community support.

Acknowledgements

Firstly, I would like to thank our growers for their efforts and perseverance afforded to the challenges of the 2010 season.

I also thank Management and employees for their hard work and determination to overcome the many challenges the year presented.

Thank you to our grower leadership who have engaged constructively to work through the difficult year.

I would also like to acknowledge the efforts of AgriServe (MAPS and BSES) who, despite the uncertainty within the industry research and development structures, have remained focussed on improving productivity in our region.

I would also like to thank my fellow Board Directors for their significant commitment and valuable contribution during the year.

Andrew Cappello
Chairman
It was undoubtedly one of the most trying seasons on record for our growers and operations, and not surprisingly a season that presented disappointing financial results. Nevertheless, with the dedication of Management and employees we overcame the challenges of the year and delivered against operational, environmental and safety expectations – favourably positioning the business for the future.

**Our operational performance**

The 2010 crushing season commenced at Farleigh and Marian Mill on 7 June 2010, and Racecourse Mill on 9 June 2010, with the season coming to a close on 1 December 2010. The extreme rainfall experienced throughout the season, led to considerable factory lost time, with a total of 3,016 hours (or 6.4 weeks) lost due to outside stoppages and high dirt loadings. However, although handling dirty cane throughout our operations, we were still able to increase our crushing rate at both Farleigh and Marian Mill. Farleigh Mill achieved a nominal crushing rate of 502 tonnes per hour (tph) for the 2010 season, which was 6tph higher than the 2009 season (496tph) and Marian Mill’s nominal crushing rate was 744tph, 17tph higher than the 2009 crushing season (727tph). Racecourse Mill saw a nominal factory crushing rate of 483tph, which was 22tph lower than the 2009 season (505tph).

In a reduced 2010/11 maintenance season we completed maintenance and capital works across our three mills and cane supply operations. Targeted maintenance projects included improvements to the mud filtration system at Marian Mill and the molasses tank at Farleigh Mill; the replacement of the evaporator switch room at Farleigh Mill and process cooling tower at Marian Mill, and the repair and re-lining of a chimney stack at Racecourse Mill. These were performed in readiness for the 2011 season.

We saw an early start to the 2011 season, with Farleigh Mill commencing their crush on 23 May and Marian and Racecourse mills on 30 May. We commenced the season earlier in order to supply raw sugar to the Racecourse Refinery.

In February 2010, the Board considered the long term future of Pleystowe Mill and approved its permanent closure. However we have utilised plant and equipment from the mill to enhance our operations at Farleigh, Marian and Racecourse Mills. We have made the remaining plant and equipment available for other industries to purchase and will look to demolish the remaining infrastructure to allow for the development of a central Cane Supply facility as capital funding is made available over the next five years.

**Managing price risk**

Our average raw sugar price for the 2010 season was $452.10 (2009: $466.27) per International Pol premium Scale (IPS) tonne. This price represented a high proportion of hedging undertaken ahead of the commencement of the Racecourse Cogeneration Project, to underwrite our ability to repay our debt commitments. A lesser portion of the pricing comprised of hedging undertaken during the year, during which the volatile raw sugar futures traded between $388 and $588 per IPS tonne. See Business on page 16 for further details.

**Developing our Racecourse Cogeneration Plant**

When the Racecourse Cogeneration Project commenced in January 2010, the Power Plant Engineering, Procurement and Construction (EPC) contract was awarded to the Australian subsidiary of Austrian Energy and Environment (AE&E). In October 2010, as a result of the fall out from the global financial crisis, the parent company for AE&E filed for reorganisation proceedings with self administration in Vienna, Austria. Following this announcement, we sought legal and commercial advice and developed a Contingency Plan in the event of AE&E Australia being unable to complete the contract. On 25 November 2010, AE&E Australia filed for voluntary administration and an administrator was appointed. Given our level of preparedness with the Contingency Plan, and with the support of our lenders, by 24 December 2010 we had negotiated to take over the EPC contract and manage it ourselves. Consequently, we employed many of the key staff of AE&E and established an office in Sydney, whereby these personnel continue to complete the execution of the Power Plant EPC works. We also have a Mackay based team delivering on the Balance of Plant contracts.

During the year our Racecourse Cogeneration Project progressed from 1.6% complete to 41.1% complete as of end of May 2011 – 3% ahead of program and under budget. More than 50,351 hours have gone into the site works throughout the year, and this was achieved with no Lost Time Injuries or Major Incidents. Works carried out during the year involved the commissioning of Boiler No 2 on the new Distributed Control System (DCS) in February 2011, and the commissioning of the existing Boiler No 3 on the new DCS in May 2011, in preparation for the 2011 crushing season. A new feedwater system and the installation of a new motor control centre and control room was also carried out during scheduled outages with minimal impact on mill or refining operations. Site preparation works for the new power station boiler and turbine were completed in May 2011 and the site released for the commencement of civil works, scheduled for July/August 2011. See Business on page 16 for further details.
We implemented our Operational Excellence Program within the factory and cane supply areas throughout the year, with some aspects of the Program also being adopted by other service functions within the business. The Program, which was developed in early 2010, is designed to engage individuals and teams of people within our organisation, by increasing ownership and levels of accountability through rigorous focus on the most important deliverables. The methodology also provides tools for teams which enable short-cycle tracking of performance against targets, and highlights areas where improvement is required or possible. See Business on page 16 for further details.

**Investing in our people**

**Safety**

Safety remains a top priority across our sites and we continued to improve on our safety performance throughout the year, recording a decrease in injuries by greater than 50% in key operational areas. For the last three years, our organisation has been recognised in Queensland as one of the industry leaders for safety, demonstrated by industry statistics published by the Australian Sugar Milling Council. Our overall injury frequency rate (AIFR) ranks well within the industry, with us achieving 133.36 for the year, an improvement of 18% on last year. We recorded 7 Lost Time Injuries (LTI) during the year, compared with 12 for the previous year. The Lost Time Injury Frequency rate (LTIFR) at year ending May 2011 was 4.94, down 1.48 from the previous year’s figure of 6.42. See People on page 30 for further details.

**People**

In March 2011, we restructured our business to ensure we are better equipped to deliver on the various objectives set out in our Strategic Plan. From this process, we saw a change in responsibilities and roles within Management to position us for growth opportunities. A particular focus will be applied to the expansion of cane supply, the delivery of the Racecourse Cogeneration Project, the engagement with the authorities to secure access to resources and infrastructure, the enhancement of our price risk management, the revitalising of our interface and communication with growers, and the maintenance of operational efficiencies and reinvestment in our assets. See People on page 30 for further details.
Maintaining our focus on environmental sustainability

During the year we placed a priority on improving our environmental risk management.

In September 2010, we reviewed our Environmental Policy, with it also being adopted by the Board. We also reviewed each of our operating mills’ Environmental (Risk) Aspect Registers and, in February 2011, implemented a new system involving more rigorous environmental inspections. See Environment on page 27 for further details.

Looking ahead

We will maintain our focus to grow our business throughout the coming year, as we participate in industry rationalisation opportunities and progress the Racecourse Cogeneration Project.

Poor weather conditions have lead to us facing a small crop in the 2011 season, which will impact on our profitability. Nevertheless, we will continue to invest in initiatives that stimulate cane production and undertake the necessary maintenance and capital programs to return the business to full production potential.

Acknowledgments

Our growers displayed enormous strength throughout the challenging 2010 season. I would like to thank them for their support during a year that challenged our respective businesses.

I would also like to thank the Management team and our entire workforce for their efforts displayed throughout the year and for the various positive outcomes that were achieved against all odds.

I also thank our Board of Directors for their valued contribution afforded to our business. Their dedication and experience continue to assist us in realising our goals.

Quinton Hildebrand
Chief Executive Officer
Chief Financial Officer’s Review

The financial results for the Company this year were below expectations as a result of the season’s extreme weather events having a negative impact across all areas of our operations.

Income Statement

Our profit before income tax for the year ended 31 May 2011 was $0.5 million (m). This represents a $43.8m decrease from the 2010 financial period.

The 4.556 million tonnes (Mt) of cane harvested in the 2010 season was 13.9% less than the 2009 season crop of 5.289Mt. The decrease in cane crushed, combined with a decline of the sugar content in the cane, resulted in a 24.1% reduction in sugar production. The miller’s average sugar price for the 2010 season was $452.10 per tonne (t) IPS sugar compared with the 2009 season price of $466.27/t IPS sugar. The net effect of the decrease in the sugar price, together with the lower sugar production, resulted in a decrease of $88.337m in total sugar revenue.

Molasses production for the 2010 season decreased by 19.8% as a result of lower cane tonnage and reduced molasses yield compared to the 2009 season. The molasses price for the 2010 season decreased by 8.1%. The net effect was a decrease in molasses revenue of $5.220m to $18.532.

Electricity sales decreased by $0.300m to $2.233m, mainly due to the reduction in bagasse tonnages processed.

Also included in revenue is the service fee Mackay Sugar receives from Sugar Australia’s Racecourse Refinery. These fees increased by 4.6% to $3.663m in line with expenses incurred in the delivery of this service. We received dividends of $1.486m from our investment in Sugar Terminal Limited (STL) and were reimbursed through our insurance policy for $2.444m for damages caused by Cyclone Ului in March 2010.

The gross profit of $128.527m, which is the revenue as discussed, less the cost of the sugar cane, was $31.834m or 19.9% less than what was reported in the 2010 financial period.

Revenue from non-operating activities in 2011 included the profit of $1.012m on the sale of excess land.

Maintenance and operating expenses for the 2011 financial year totaled $78.694m. This was significantly higher than the $59.260m incurred in the previous period. The $9.434m increase was primarily due to the unseasonal wet weather during the year, which interrupted and extended the crushing season. One should also remember that the crushing conditions in the 2009 season were extraordinarily dry and that the 2010 financial comparative period was only 11 months. All of the factors contribute to explain the larger than expected variances when comparing the 2011 financial year results to the 2010 reporting period.

Administration expenses increased from $32.507m to $38.817m. In addition to the 11 month versus 12 month consideration as discussed above, the $6.310m increase was also due to increases in employment costs.

Distribution and marketing expenses include the raw sugar storage costs paid to Queensland Sugar Limited (QSL) as well as direct costs paid to market our sugar in the domestic and export markets. These costs of $3.846m were $0.117m higher in 2011.

Depreciation is mainly a function of the tonnage of sugar cane crushed and reduced by $0.587m to $8.929m for the 2011 financial year, as a result of the lesser amount of cane tonnages processed through the mills.

Finance costs increased by $0.541m as a result of increases in interest rates as well as the additional month in the reporting period.

Other expenses include expenditure related to capital programs which was required to be expensed during the year, and any losses on disposals and the write-down of assets.

The profit from equity accounted investments of $8.385m represents our 25% share of the profit in the Sugar Australia and New Zealand Sugar investments.

We have losses carried forward for tax purposes; hence no provision was made for any tax expenses.

Balance Sheet

Our total equity as at 31 May 2011 of $230.920m was $28.030m less than what was reported at 31 May 2010. This was mainly due to the movements in the cash flow hedging reserves. This represents the mark-to-market valuations of our sugar pricing and foreign exchange hedging positions as at the year-end date, which is only an accounting entry.

The total assets of $414.299m were $11.707m higher at 31 May 2011 than at 31 May 2010. We invested $10.900m in capital projects relating to our core business and $19.990m in the Cogeneration Project. The investment in the Sugar Australia Joint Venture and New Zealand Sugar Company of $33.160m was $5.370m more than in the previous period. The total cash contribution received from these investments, in the form of profit sharing and dividends, was $7.719m, which represents a 92.0% cash payment of profits. The other non-current financial assets included our investment in the shares in STL. This investment remained at $15.885m.

The current assets of $88.016m were $13.020m less on 31 May 2011 than what was reported at the end of the previous financial period.
We did not produce enough sugar to supply the Racecourse Refinery up to the end of the financial year and our sales to the export market were also diminished. These resulted in the lower trade and other receivables and inventories balances. Our cash on hand at the end of the financial year was $20.601m, compared to $39.834m as at 31 May 2010.

Our investment in shares in Tully Sugar Limited, which was included in other financial assets, was valued $12.764m. This was $1.191m more than the costs of the shares owned as at 31 May 2011. Assets held-for-sale of $6.331m consists of property, plant, equipment and inventories that are planned to be sold or scrapped as a result of the closure of Pleystowe Mill. These assets have been separated from the normal inventories and property, plant and equipment and are recognised as a current asset.

Our liabilities were $183.379m at 31 May 2011 (2010: $143.642m). Provisions, such as provision for leave payments, and the corresponding entries to the mark-to-market valuations, as discussed in the equity section, equalled $48.485m of this amount. Trade and other payables were $42.266m. This amount included $23.001m which was due to our growers. Our trade payables and accruals of $18.766m was $1.294m less than in 2010.

Our total interest bearing liabilities of $83.336m was $21.674m higher than the balance at 31 May 2010. This included the investments from our unsecured note holders of $29.388m, $25m in term debt from our financiers, and a margin loan also from our financiers, which is a short term loan of $13.992m. As at 31 May 2011, we also owed both Louis Dreyfus Commodities Asia $4.519m, which was used to purchase shares in Tully Sugar, and OSL $8.727m for the crop reduction loan; these funds were made available to our growers in the form of increased advance payments at the start of the 2011 crushing season.

We reported the $20m loan with our financiers, which is repayable after 31 May 2012, as a current liability in the financial statements. We had to amend the disclosure due to the fact that we did not reach our covenant targets as at 31 May 2011. Subsequent to our reporting of these matters, our financiers waived the covenant requirements as at 31 May 2011.

The year ahead

As the Company continues to grow throughout the coming financial year, we will undoubtedly encounter further challenges, including securing the appropriate funding to support additional business opportunities. At the same time, the finance team will continue to support the business with appropriate budgets controls, systems, procedures and financial acumen to assist in the decision making process in the business.

Sandra Pienaar
Chief Financial Officer
Business

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The 2010 crop

The relentless wet weather, experienced throughout the second half of the season (September – November), led to a disappointing result of only 4.56 million tonnes (Mt) of cane milled for the 2010 season (2009: 5.29Mt); the preseason estimate was 5.5Mt.

Also affected by the season’s rainfall was cane yield – averaging only 73.3 tonnes (t) of cane per hectare compared to 74.3t in 2009. Approximately 10,000 hectares (ha) of cane remained unharvested with a nominal estimate of about 750,000t.

The average sugar content (PRS) for the 2010 season was 13.04 units which was down 1.91 units (or 12.8%) on the 2009 figure of 14.95 units. The sugar per hectare average was 9.83t, representing a 12.23% decrease on the 2009 season, which was 11.20t of sugar per hectare.

We commenced the 2011 season at Farleigh Mill on 23 May 2011 and Marian and Racecourse mills on 30 May 2011 in order to supply raw sugar to the Racecourse Refinery.

Providing optimum harvest and transport operations

The extensive wet weather experienced from September 2010 until November 2010 caused disruptions to harvesting, transport and milling operations, resulting in a lot of stops and restarts.

Locomotive availability was 94%, which was down slightly on the 95% achieved in 2009. However, brake van availability improved significantly on 2009 results (84.9%), reaching 98.3 in 2010. The derailment frequency rate of 1 to 12,177t hauled improved by 6% compared to 2009 (11,447t). There were less major derailments recorded, with 15 occurring during the season (2009: 19).

The challenge to keep the aging 5t and 6t bin fleet in sufficient numbers to service the largely ‘daylight’ harvesting schedule continues and results in bin delivery delays on a more regular basis. We will continue to monitor this issue in the 2011 season and identify means of improving delivery delays, should they continue.

Engaging with our growers

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 circulars from the Chairman, harvesting updates via text messages, two-way radio broadcasts, shed meetings, etc.

Outcomes for year ended 31 May 2011

- Milled a total of 4.56Mt of cane for the 2010 season (2009: 5.29Mt)
- Yielded an average of 73.3t of cane per hectare (2009: 74.3t)
- Recorded 13.04 units PRS (2009: 14.95 units)
- Delivered 94% locomotive availability (2009: 95%)
- Improved brake van availability, reaching 98.3% (2009: 84.9%)
- Recorded derailment frequency rate of 1 to 12,177t hauled (2009: 11,447t)
- Implemented the AgDat recording system to assist growers to record, report and manage their inputs and farming activities
- Instigated three-row banded mud application
We continue to work with our growers to ensure they receive exceptional value for their cane supplied to our mills.

Our efforts towards increasing the area of land under cane and improving farm productivity throughout the Mackay region was enhanced in April 2011, with the appointment of a General Manager Cane Expansion, Property and Stakeholder Engagement. This role will also manage our property portfolio and stakeholder relationships and assist us to secure the necessary resources and infrastructure required to continue to grow the business.

We continued to offer our ‘Secure the Future’ Scheme to growers throughout the year. First introduced in 2009, the Scheme currently provides growers a fixed price of $420 per tonne (t) International Pol premium Scale (IPS) for up to 80t of cane per hectare produced from land under the Scheme every year, from 2012 to 2015. This ensures our growers receive $36/t of cane annually for the next four years. As at 31 May 2011, the scheme had facilitated the planting of more than 400 hectares of land.

Delivering value

Revenue from the 2010 season raw sugar sales was derived from domestic sales to the Sugar Australia Joint Venture (Sugar Australia) and from exports via Queensland Sugar Limited (QSL). A total of 62% of the 2010 season production was sold to Sugar Australia with the balance of production allocated to export. No other domestic sales were made this year.

The average raw sugar price for the miller for the 2010 season was $452.10 per International Pol premium Scale (IPS) tonne (2009: $466.27). This price was due to the high amount of hedging undertaken ahead of our commencement of the Racecourse Cogeneration Project, to underwrite our ability to repay our debt commitments. A lesser portion of the pricing comprised of hedging undertaken during the year during which the volatile raw sugar futures traded between $388 and $588 per IPS tonne.

While our mills aim to produce premium customer grade raw sugar for all markets, only sugar declared for export is assessed for compliance with QSL’s sugar quality incentive scheme. For the 2010 season, 217,195t of export raw sugar was assessed under that scheme, yielding A$0.17/t quality bonus.

Molasses yield from cane was close to 3% of cane crushed, which is in line with the long term average. Approximately 32% of the molasses production was exported, with the balance either sold as distillery feedstock or as domestic stock feed via the Champion Liquid Feeds facility located at Marian Mill. Molasses continues to be exported by AMT and returned a record price as a result of regional shortages and strong demand for molasses during the year. Under arrangements with AMT and Sucrogen, all molasses supplied to the Sarina Distillery received the AMT export price.
Our commitment and investment into the region’s research, development and extension programs continued throughout the year.

Maintaining a collaborative approach to research and development (R&D)

Our commitment and investment into the region’s research, development and extension programs continued throughout the year. We provide significant financial support to the Mackay Area Productivity Service (MAPS), as they assist us in providing valuable extension knowledge to our growers, all the while assisting them to be more productive, profitable and sustainable into the future.

We also provide considerable funding to BSES to fund both their core activities and the local extension program as part of AgriServe. The BSES core activities include plant breeding, pest and disease research, biosecurity operations and farming systems improvements, all of which are vital for the long-term future of the Australian sugar industry.

We further demonstrated our commitment to innovation and development during the year, through the introduction of a more efficient method of distributing mill mud, using a three-row banded application. This innovative application method targets mud rates of 50 tonnes per hectare (t/ha), below the nutrient reporting threshold levels of the new Reef Regulations and makes mud available to more cane land (up to three times more cane growing land is expected to receive the benefit of mill mud). This unique method of applying mud at much lower rates than previously possible was recognised at the 2011 Australian Society of Sugar Cane Technologists (ASSCT) Conference, held in May 2011, winning the Rod Rookwood Design Award. The applicators are now being used in several other cane growing regions throughout Australia.

We are also an active participant in a mill mud application study that commenced during the 2010 season, involving Independent Ag Services and Ag Innovate. The research sees different rates of mill mud applied in strip trials covering the predominant soil types on several locations throughout the region. The study was set up to quantify rates of release and availability of key nutrients from mill mud produced by the districts mills. The extreme wet weather events during the 2010 season severely curtailed this study, but fortunately through the ongoing support of the Reef Rescue Program, it will continue during the 2011 harvest season.

During the year, we implemented the AgDat recording system to assist growers to record, report and manage their inputs and farming activities. With the assistance of funding through Reef Catchments (Mackay) as part of the Federal Government’s Caring for Our Country – Reef Rescue Program, three separate means of recording information into the AgDat system have been developed. AgDat Remote allows our growers to directly enter information from a remote unit installed on farm equipment, with 40 units already distributed to our growers for this application since its introduction. About 60 growers are currently using AgDat Web, which allows them to enter information via our web site. AgDat Pro allows AgriServe staff to also record information relating to growers farms, providing them with data relevant to their ongoing research.

Looking ahead

During the year we will continue to seek opportunities that will assist us to increase the area of land under cane and improve farm productivity. We will also continue to work with our growers to facilitate the 2011 crush, and deliver on shareholder expectations.

BSES Plant Breeder Dr George Piperidis and Mackay Sugar Cane Supply Officer Neil Lamb discuss one of the cane varieties researched at Mackay’s BSES.
Factory performance

The 2010 crushing season was one of the wettest on record for the Mackay district, resulting in many disruptions across our operations. A total of 3,016 hours were lost due to outside stoppages for the season.

The 2010 crushing season commenced at Farleigh and Marian Mill on 7 June 2010, and Racecourse Mill on 9 June 2010, with the season closing on 1 December 2010.

The effects of Cyclone Ului and then wet weather during the crushing period created unfavourable harvesting conditions. This resulted in a lot of factory downtime and high dirt loadings which limited crushing rates and reduced recoveries.

Crushing rate and lost time

Farleigh Mill

Farleigh Mill achieved a nominal crushing rate of 502 tonnes per hour (tph) for the 2010 season, which was 6tph higher than the 2009 season figure of 496tph.

Plant availability of 89.9% at Farleigh Mill was 1.7% lower than the 2009 crushing season performance of 91.6%. The major stoppages for the season included a 20 hour stoppage in August 2010 (Week 10), to replace the failed DC motor drive on the main cane belt to the shredder, and a 15 hour stoppage in September 2010 (Week 13), to replace a hydraulic motor drive on the cane tippler.

As a result of the wet season, high mud loadings also attributed to 20 hours factory lost time.

Outcomes for year ended 31 May 2011

- Wet weather extended the crushing season by 6 weeks
- High mud loadings affected throughput and efficiencies
- Initiated our Operational Excellence Program

Total Outside Lost Time - 2010 season

![Total Outside Lost Time Graph](image-url)
Cane is unloaded for processing at Farleigh Mill.

The capital works undertaken during the 2009/10 maintenance period, which involved the refurbishment of the primary clarifier, saw a marked improvement in clarification rates and decreased carryover to the evaporator set during the 2010 season. This also resulted in the reduction of chemical cleaning intervals and increased crushing rates.

Maintenance works carried out at Farleigh during the year included the refurbishment of the molasses tank in early 2011, and the development of a new Effet switchroom.

**Marian Mill**

Marian Mill achieved a plant availability of 82.4%, which was 8.2% lower than the 2009 season performance of 90.6%. This result was due to the plant’s inability to process the high mud loadings through the clarification and mud filter stages. Both the quantity and quality of the mud entering the factory (caused by wet weather), at times above 9% on cane, stopped operations for periods up to 8 hours on various occasions. A total of 186 hours were lost throughout the season due to mud processing difficulties.

Other major factory lost time at Marian Mill included a 26 hour stoppage to repair the ‘A’ clarifier stirrer in the first week of operations (early June 2010), and a 29 hour stoppage in July 2010 (Week 8), to isolate, inspect and repair the A2 Mill steam turbine.

The nominal crushing rate of 744tph was 17tph higher than the 2009 crushing season (727tph).

After investigations by Queensland University of Technology (QUT), Sugar Research Institute (SRI) and our staff, significant improvements were made to the mud filtration system at Marian Mill during the 2010/11 maintenance period, to enhance clarification and mud filtration rates. These improvements were also identified as a means to achieve higher fibre ratios to process mud during high loading events. Works at the mill also included the replacement of the process cooling tower.

**Racecourse Mill**

Plant availability at Racecourse Mill was the highest of the group, reaching 91%. However, this result was 0.1% lower than the 2009 season (91.1%).

Similar to that of Marian Mill and Farleigh Mill, factory downtime experienced at Racecourse Mill was again due to the difficulties experienced with processing mud. A total of 0.1% lost time occurred for the season. The other two major factory stoppages for the season included a 10 hour stoppage in early September (Week 15) to repair a leaking boiler tube in No 3 Boiler, and a 9 hour stoppage for a blackout in mid September 2010 (Week 16), due to an electrical trip.

The nominal factory crushing rate of 483tph was 22tph lower than the 2009 season rate of 505tph.

Milling train and mud losses at Racecourse Mill were the lowest for the mill group, at 2.62% and 0.58% respectively (2009: 2.55% and 0.47%). However, molasses losses at Racecourse were the highest in the mill group, recording 7.46% (2009: 7.02).

Targeted maintenance at Racecourse Mill, conducted throughout the year, included the repair and re-lining of a chimney stack. These works were performed in readiness for the 2011 season.

Planning is underway for the 2011/12 maintenance and capital programs, to improve low-grade efficiencies and increase recovery.

**Factory efficiency**

The overall sugar recovery (measure of sugar recoverable from the cane supplied) for the 2010 season was 89.28%, 1.27% lower than the 2009 season figure of 90.55%. Sugar loss to molasses was 7.22% which was 0.13% higher than the predicted result of 7.09%. Sugar loss to bagasse was 3.19%, reflecting a 0.07% increase on the 2009 result of 3.12%. Due to the extreme weather conditions and associated high mud loadings, losses to mud increased to 1.41% which was 0.63% higher than the 2009 crushing figure of 0.78%.

**Maintaining our operations**

The maintenance function in the business has progressed significantly in recent years with the systems and processes employed proving to be invaluable in the prioritising of capital and maintenance expenditure.
In order to improve the efficiency and effectiveness in our people, we initiated our Operational Excellence Program during the year.

The Program was introduced to the factory and cane supply areas, with some aspects of the Program also adopted by other service functions within the business.

Looking ahead

In the next year, we will seek to develop our people further to enhance our operational performance. We will continue to improve our systems and processes to ensure that we allocate maintenance and capital expenditure in accordance with the priorities in our business.
Our Refinery Operations

We maintain a 25% interest in sugar refining in Australia and New Zealand in a joint venture arrangement with Sucrogen Limited. Under the Joint Venture, 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 Limited and New Zealand Sugar Company.

The refining business experienced a challenging year, with wet weather events in Queensland affecting raw sugar supply into the refineries. Setting aside these one-off issues, on an operational basis the businesses continued to perform well.

Safety, Health and Environment remains of paramount importance to the everyday operations of the business. New Zealand Sugar and Sugar Australia maintained a strong safety performance with only one lost time injury recorded each during the financial period.

The largest channel, food and beverage, maintained its high valued customers and strong margins and the retail channel, Sugar Australia’s CSR brand, increased its market share with our “Better for You” range performing exceedingly well. The Chelsea brand in New Zealand maintained its market leadership positions in both sugar and sweeteners.

This year the refineries consolidated the sweetening portfolio, with Glucose and Stevia now embedded into the offering. The natural sweetener, Stevia, is derived from a native herb in Paraguay and is 200-300 times sweeter than sucrose. As the fastest growing sweetener category, it is expected the participation in Stevia will generate future growth for the business.

The focus on strategic export opportunities was reflected in record container sales for the financial period. Despite the volatility in the market, regional opportunities still exist for the business and every effort will be made to continue to drive these initiatives going forward.

Total Productive Manufacturing (TPM) is now entrenched in all of the major operation sites, and this is reflected with the Glebe TPM team achieving a level 3 certification, the first of any organisation in Australia to receive such recognition in close to 10 years.

With the difficult weather events now behind us, we are looking forward to sustaining the success of New Zealand Sugar and Sugar Australia in the next year, delivering improved contributions to the overall business.
Although the soft commodity markets are expected to continue to strengthen as agricultural products become more valuable to feed the growing global population, raw sugar prices are expected to continue to be volatile. With the push to create renewable energy, we have the ability to introduce additional revenue streams into our business by utilising our by-products that not only deliver prosperity to our stakeholders but also contribute to an environmentally sustainable future.

Our long-term strategic plan incorporates a number of promising diversification projects utilising our renewable energy resource. Already, our operations are powered by renewable energy created through the burning of bagasse (fibre waste from crushing cane) in our boilers. Additionally, about 10 megawatts (MW) of excess electricity from this process is fed into the Mackay city network.

Our three mills produce about two million tonnes (Mt) of bagasse each year and this is increasing in value as a source for renewable energy production. This amount of bagasse has the equivalent energy value of approximately 700,000 tonnes (t) of coal.

Our 20-year Diversification Plan ‘Growing the Future’ was implemented in August 2010. The plan highlights the importance of the local sugar industry to the regional economy and outlines the various projects that will better utilise all the by-products of our cane crop. The 20-year Diversification Plan outlines the potential for:

- A Cogeneration Plant at Racecourse Mill (under construction)
- An Ethanol Plant at Racecourse Mill (molasses based)
- A Cogeneration Plant at Farleigh Mill and Marian Mill
- A Yeast Plant at Marian Mill
- An Ethanol Plant at Racecourse Mill (cellulosic based)
- A Citric Acid or Amino Acid Plant at Farleigh Mill

Our Diversification Plan has been presented to regulatory authorities, highlighting the importance of securing cane supply, mill buffer zones, water, transport and effluent infrastructure. These requirements will be assessed with respect to the draft Mackay, Isaac and Whitsunday Regional Plan, published in May 2011.

We are also participating in an Industry Review Group investigating opportunities for the Australian Sugar Industry in greenhouse gas abatement and carbon trading.

Cogeneration

Progress

The last financial year has seen the Racecourse Cogeneration Project progress from 1.6% complete to 41.1% complete as of May 2011, which reflects the significant achievements made throughout the year and puts the project 3% ahead of program. As at 31 May 2011, the man hours expended on site executing the works totaled 50,351 hours and this was achieved with no Lost Time Injuries or Major Incidents.

The project has maintained tight fiscal controls, with the budget to completion still forecast to be within the original estimate of $120 million.

The existing Boiler No 2 was commissioned on the new Distributed Control System (DCS) in February 2011, as part of the annual Racecourse Refinery shutdown, while the existing Boiler No 3 was commissioned on the new DCS in May 2011, in preparation for the 2011 crushing season.

This preparation and commissioning work included a new feedwater system and installation of a new motor control centre and control room. All works were completed during scheduled outages with minimal impact on mill or refining operations.
The site for the new Ergon Energy substation was developed and handed over to Ergon Energy in June 2011 for the commencement of their foundation works. Preparation of the site for the new power station boiler and turbine were completed in May 2011 and the site released for the commencement of civil works.

Contracts

In November 2010, the original Power Plant Engineering, Procurement and Construction (EPC) contractor, Austrian Energy and Environment (AE&E), filed for voluntary administration and, through negotiations with the administrators, an agreement was signed on 24 December 2010, permitting us to take-over the works. Consequently, we employed many of the key staff of AE&E and established an office in Sydney, whereby these personnel continue to complete the execution of the Power Plant EPC works. We also have a Mackay based team (comprising Mackay Sugar employees) dedicated to the project, providing the necessary local interface, site management and the review and approval of designs.

Contracts yet to be awarded include the Electrical and Instrumentation Installation and the Bagasse Pad construction at Marian Mill.

Program to completion

Civil works will take place from June 2011 and structural steel and mechanical erection will commence in September 2011. These works will be followed by the electrical and instrumentation installation in November 2011, with the majority of manufactured items to be delivered to site by October 2011.

Ergon Energy will complete the substation and five kilometre 66 kilovolts (kV) grid interconnection by August 2012, enabling the start of the commissioning phase in October 2012. The project is on schedule for full load operation by 1 February 2013.
Cogeneration Operations Overview

Mackay Renewable Biocommodities Pilot Plant (MRBPP)

The MRBPP is a pilot scale collaborative research and development facility for the conversion of cellulosic biomass into biofuels. Built at Racecourse Mill and jointly funded by the Federal and Queensland Government’s and Queensland University of Technology (QUT), it was officially opened on 9 July 2010 by the Premier of Queensland and the Federal Minister for Innovation, Industry, Science and Research. The plant is operated by QUT and services are provided by Racecourse Mill under a Supply Agreement.

We are one of 6 parties supporting the first Biorefinery Development Project at the facility, aimed at commercialising cellulosic ethanol production from bagasse. The final equipment was installed in October 2010, which saw research work by QUT commence.

An economic feasibility report was published in September 2010, highlighting the sensitivity of the project to bagasse prices, and the selling price of ethanol and lignin which is a by-product of the soda technology process.

In recent months the main reactor has operated well and lignin has been produced. Five milestone reports have been completed and we will continue supporting the project, which is scheduled for completion by November 2011.

Queensland Sustainable Aviation Fuel Initiative (QSAFI)

We have entered a collaborative research agreement with 6 other partners to research the feasibility of producing aviation biofuel from three renewable feedstocks, including sugar. Hosted by the Queensland Government’s Department of Employment, Economic Development and Innovation (DEEDI) and managed by the University of Queensland, US-based technology will be developed to a level where the project economics can be assessed.

Other partners include Boeing and Virgin Blue. Sugar cane is regarded as the preferred feedstock for aviation biofuel and we will provide inputs for the techno-economic and life-cycle models.

Looking ahead

The coming year will see us progress the development of the Racecourse Cogeneration Plant and other diversification projects as we grow our business.

Sugar cane is regarded as the preferred feedstock for aviation biofuel and we will provide inputs for the techno-economic and life-cycle models.
Environment

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Our Environmental Management

Outcomes for year ended 31 May 2011

- Reviewed our Environmental Policy in September 2010
- Reviewed mills’ Environmental (Risk) Aspect Registers and implemented a new system of regular monthly mill environmental inspections

Enhancing our environmental performance

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 currently 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 assists 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 capture elements of the international standard for Environmental Management Systems ISO 14001:2004.

In September 2010, we reviewed our Environmental Policy, with it also being endorsed by the Board of Directors.

The primary goal of our Environmental Policy is to ensure we conduct our business operations in ways which minimise adverse environmental impacts, promote sustainability and encourage continual improvement in environmental performance.

Our Environmental Policy is made available 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.

We also reviewed each of our operating mills’ Environmental (Risk) Aspect Registers and, in February 2011, implemented a more rigorous approach to the way in which we manage environmental risks. Any actions identified from the risk reviews or inspections are placed within our Health, Safety and Environment action tracking software – Safety Suite.

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 scheme (NGERs) and the Energy Efficiency Opportunities Act (EEO).

NPI

The NPI is a cooperative program implemented by the Federal, State and Territory governments, identifying emission estimates, the source and location of the emissions. It is an internet database that provides free information to the community, government and industry on the emissions and transfers of substances to our environment. Our 2009/10 NPI report (along with our reports submitted since 1999) is available from the NPI website – www.npi.gov.au.

NGERS

We are a mandatory participant under the NGER scheme and submitted our second NGER report in October 2010. This report details our greenhouse gas emissions for the previous financial year. Reportable CO₂e emissions for 2009/10 were 79,992 tonnes (t) (2008/09: 121,787t). The 34% reduction reflected a drop in the use of coal in our boilers, which is used as a supplementary fuel to bagasse. The 2010/11 reporting data is expected to be finalised in October 2011, however we anticipate it will be higher than the 2008/09 figures as a result of the wet 2010 season and the consequent reduction in the availability of quality bagasse.

EEO

The 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. Further details on energy efficiency is outlined in ‘Promoting sustainability’.

We are also participating in an Industry Review Group investigating opportunities for the Australian Sugar Industry in greenhouse gas abatement and carbon trading.
Meeting environmental expectations

During the year we had three reportable incidents to DERM relating to a derailment at Reliance Creek, an ash slurry storage breach at Marian Mill and an uncontrolled overflow of the Racecourse Mill pond in January. No actions were taken by DERM in regards to these incidents.

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

Promoting sustainability

The efficient use of natural resources is promoted within the business 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.

Each year, we use over 1400 megalitres (ML) of water (river and ground water) throughout our operations. This water is essential for our boilers, water towers, process, cleaning, and on-site dust suppression. In addition to this, water is introduced into the production from the cane, which typically contains up to 68% water. While this is a large amount of water, water is lost through steam to the atmosphere and transferred to the mill effluent ponds, where it is typically reused for irrigation by adjacent cane lands. During wet weather or wet seasons, it is also discharged into the environment via licenced discharge points.

During the crush, all the 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. This assists to power the Racecourse Refinery operations for 50 weeks of the year.

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 Mill Cogeneration Project, we are looking to develop a new bagasse storage facility at Marian. The facility will provide additional bagasse storage capacity, supplying the renewable fuel to the future Cogeneration Plant for a portion of the non-crush period.

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 annual group meetings, held prior to the start of each crush. The pre-crush meetings provide nearby residents with details of each mills’ 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.

Looking ahead

Over the coming year we will continue our focus of enhancing our environmental performance and will prepare a Strategic Environmental Plan to set more detailed quantifiable objectives and targets. The format of the plan will align with our Environmental Policy. We also look to further involve the local communities in which we operate.

In September 2010, we reviewed our Environmental Policy, with it also being endorsed by the Board of Directors.
Electrician Jason Hughes and work experience participant Ben O'Keefe work on a switchboard.

People

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Our Health and Safety ........................................................................35
As at 31 May 2011, we employed 560 employees. However, during our 2010 crushing season operations (May – November), we employed a total of 820 people. Approximately 260 additional people are employed on a seasonal basis (for our crush) each year. Our employees comprise 170 salaried personnel in a variety of management, operational, planning, procurement, information technology, human resources, accounting and administrative roles, and 390 wages personnel in a variety of trade, technical and processing roles.

In March 2011, we restructured our business to ensure we are better equipped to deliver on the various objectives set out in our Strategic Plan. From this process, we saw a change in responsibilities and roles within Management to position us for growth opportunities. A particular focus will be applied to the expansion of cane supply, the delivery of the Racecourse Cogeneration Project, the engagement with the authorities to secure access to resources and infrastructure, the enhancement of our price risk management, the revitalising of our interface and communication with growers, and the maintenance of operational efficiencies and reinvestment in our assets.

Recognising and rewarding our people

Weekly paid employees are recognised for reclassification to higher pay levels through evidence of skills held and used on the job. Three training agreements cover such employees:

- Electrical and Instrumentation employees;
- Engineering and Building Trades employees; and
- Process employees.

These agreements are competency based and provide career paths which contain increments that enable employees to rise to higher levels of pay in the organisation in return for their use of additional skills. A detailed review commenced during the year to examine the
We provide employment opportunities for all people, utilising the criteria of ‘best person for the job’.

Allowances have been approved for all tradespeople, with a higher allowance being made available to Electrical and Instrumentation trades. Process employees, as an occupational group, are also being considered through a formal review process, which will provide them with structured and competitive career and skills acquisition pathways.

An individual performance bonus for employees is also to be implemented as part of the new EBA. The current EBA is a collective bargaining tool in which employees of the same classification receive the same conditions, regardless of their individual performance. One of the objectives of the recent EBA negotiations was to implement a system that rewards people for their continuing compliance with our stated values for individual behaviours. The 2011-2013 EBA has been successfully negotiated with a component that achieves this individual recognition, through holding people accountable for their productivity and behaviours. This effectively injects an individual dimension to what has traditionally been a purely collective arrangement.

**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.

The major sub-committee of the Consultative group is the Enterprise Agreement Negotiating Team (EANT). This team comprises 23 people who represent weekly paid employees across the business and includes 6 Management representatives.

The negotiations for the new EBA commenced in October 2010 and concluded with a majority of employees voting in favour of the agreement on 15 April 2011.

**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.

**Providing flexible working arrangements**

In order to accommodate the diverse needs of our business, we provide flexible working arrangements to our employees such as job sharing, tapered retirement, etc.
Creating Equal Employment Opportunities (EEO)

We provide employment opportunities for all 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 of handling such situations.

Our EEO Policy is made available to all employees through various training programs, toolbox meetings, specific work procedures and our intranet. Contractors are also required to abide by the policy. The policy is also available to the public via our website – www.mkysugar.com.au.

Providing opportunities for our female employees

For the 12 month period ending May 2011, females accounted for 18.05% of our entire workforce, representing a 1.57% increase from 2009. Female employee numbers typically increase during our crushing season, with 99 females appointed to positions across both the Cane Supply and Factory areas out of the 260 seasonal positions filled for the 2010 season (or 38.22% of seasonal positions).

Females 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 line managers and supervisors. In early 2011, this program included one female participant out of a total of 13 participants.

Fostering personal and professional development

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 through the use of a Tertiary Study Assistance Scheme, predominantly available for monthly paid employees, as well as a Tertiary Development Opportunity Scheme for weekly paid employees. Both of these schemes provide financial assistance towards the costs of tertiary education and are aimed at providing self-development and improved qualifications that benefit the employee and our business.

In particular, five weekly and 11 monthly paid employees participated in our Tertiary Development Opportunity Scheme during the year in various areas of study, including engineering, human resources, accounting, information systems and management.

We provide additional professional development to our employees through a range of selected programs, including a ‘Leaders of Teams’ Program for our line managers or supervisors. This Program is targeted at the first level of supervision and leadership inside our organisation and is the mandated minimum educational standard required of supervisors. Fifteen people completed the Program during the year.

We also provide our employees with training opportunities in areas such as dogging, rigging, scaffolding, forklift operations and mobile crane operations. Currently four of our employees are employed under the Training Opportunity Scheme, with two scheduled to complete their training at the end of 2011.

Training our future workforce

We engaged 46 apprentices in the Boilermaking, Mechanical, Electrical, Instrumentation, Machining, Drafting and Business trades throughout the year. Thirteen of these are new apprentices who were employed from our January 2011 intake (including four Boilermakers, four Fitters, four Electricians and one Instrumentation Apprentice). Between June and December 2010, 9 of our apprentices graduated and commenced work as fully qualified tradespersons.

Work Experience

During the year, we hosted 60 work experience participants across various Trade disciplines, as well as Stores, Information Technology and Drafting.
Engaging our employees

In September 2010, we conducted an Employee Engagement Survey, to gain a better understanding of employees’ perceptions of our organisation. We identified a number of opportunities for improvement and are currently using the results from this survey to develop and implement strategies aimed at increasing the level of employee engagement across our business.

We look to enhance our internal communications with the introduction of a new-look internal newsletter in September 2011, replacing the current electronic format with a hard-copy that will be sent to each employee’s home. The newsletter will provide the whole family with further information about operational performance, safety and health initiatives, history facts, projects, new employees, and employee and community events. It will also include fun activities and quizzes.

Promoting employment opportunities

Our employees were actively involved with various career and education events throughout the year, promoting the various employment opportunities within our business. These included:

- the Mackay and District Careers Expo
- the mentoring and participation in the Mackay and District Try a Trade Program
- the careers display at CQ University - Mackay Graduates Careers Fair, Rockhampton Graduates Careers Fair, and Mackay Women in Hard Hats Event
- the Sarina State High Schools Subject Selection Evening - Careers Guidance
- the Holy Spirit College Subject Selection Evening - Careers Guidance

Looking ahead

During the coming year, we look to successfully implement a Process Training Agreement and an Employee Engagement Strategy.
Ensuring a safe workplace for all employees

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 include:

- 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

Our Workplace Health and Safety (WH&S) committees (comprising one at each mill) 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’ WH&S Committee also meet monthly to discuss issues arising from the site committees. 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 that have displayed initiative towards safety.

Working towards a zero Lost Time Injury Frequency Rate (LTIFR)

Our safety performance is managed through our Occupational Health Safety Management System (OHSMS). We recorded a decrease in injuries by greater than 50% in key operational areas throughout the year. For the last three years, our organisation has been recognised in Queensland as one of the industry leaders for safety. This is demonstrated by industry statistics published by the Australian Sugar Milling Council, with details available via the Council’s website – www.asmc.com.au. Our workgroups continue to achieve outstanding results. In particular, one workgroup has realised three years Lost Time Injury (LTI) free and another two workgroups have passed two years LTI free.

Our overall injury frequency rate (AIFR) ranks well within the industry. We recorded 7 Lost Time Injuries during the year, compared with 12 for the previous year. The Lost Time Injury Frequency rate (LTIFR) at year ending May 2011 was 4.94, down 1.48 from the previous year’s figure of 6.42.

Maintaining a high standard of safety

In early 2011, we conducted a Safety Culture Survey of the workforce, with a similar exercise last held in 2008. Approximately 320 employees participated in the survey, enabling us to ascertain their perception of how we manage safety in the workplace. Results from these surveys assist us in determining areas requiring improvements in the workplace. We will continue to utilise these findings in our strategic planning to enhance our safety performance.

Our AIFR continues to trend well, achieving 133.36 for the year, which represents an improvement of 18% on last year, and well below the sugar industry average of 211.14%.

A Daily Management System (DMS) was introduced to most areas of the business in early 2011. This involves the use of a 5 – 10 minute meeting before the start of work, with issues and outcomes reported on a white board for display to all. This initiative has the benefit of focusing the workforce and the potential to have a significant impact on reducing injuries in the workplace.

When an injury occurs in the workplace our Safety department and Rehabilitation Coordinators focus on ensuring the needs of the injured person are met, in conjunction with the medical practitioners, and sound rehabilitation procedures employed, encouraging an early and easy return to work.

Our Health and Safety Outcomes for year ended 31 May 2011

- Lost time injury total of 7, with LTIFR of 4.94
- Implemented Safety Index in June 2010
Safety Index

As part of our commitment to safe, efficient production, in June 2010, we implemented 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. It is comprised of elements which are lead indicators for safety performance, such as attendance at scheduled safety training, monthly toolbox and Safety Committee meetings, completion of required Proactive Safety Initiatives (Job Observations, Workplace Inspections, etc) and incident reporting compliance. The Index is now firmly established and a consistent and proactive performance from all business units during the year enabled us to achieve the target of 1.00 by the end of May 2011.

Encouraging responsible behaviour

Our Drug and Alcohol Policy mandates a zero alcohol reading for all operators of plant. To monitor compliance with the policy, we conduct random drug and alcohol testing at all sites during each year, resulting in between 100 – 200 people typically exposed to this testing. All staff, contractors and visitors are liable to be tested at any given time during work hours.

Providing safety inductions

All persons, including contractors, who come to work on our sites receive a Mackay Sugar induction, this is a two-part induction with a computer-based induction 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.

In late 2010 the Human Resources and Safety departments conducted re-induction sessions for around 380 permanent employees, ensuring compliance with the Workplace Health and Safety Act and Regulations.
Managing incidents

All personnel are involved in incident management with a vigorous process in place for incident investigation. A review of the system, during the year, resulted in changes to the way injuries are reported to ensure confidential information does not become public property. Subsequently, the incident reporting forms were updated after consultation with the workforce, and training was carried out for all workgroups to ensure understanding of the change in process.

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 (JSRA).

In December 2010 emphasis was placed on improving the incident investigation and root cause analysis skills of all supervisors.

Manual handling training is also provided on a yearly basis, equipping our employees with instructions on how to prevent back injuries, strains and sprains and focuses on how to prevent this type of injury in the workplace.

A review of the Dangerous Goods and Hazardous Substance Register is undertaken annually and typically follows a review of site storage; the site register is then updated if necessary. When a new substance is requested for the workplace a strict assessment process of the substance is required prior to approval being granted.

Asbestos registers for the sites are reviewed annually. This information provides the basis for identifying and managing exposure at all sites.

This year, a large undertaking at Racecourse Mill to demolish an old boiler and other associated equipment saw the successful removal of several tonnes of friable asbestos to a council approved landfill. Asbestos at sites is removed as identified by suitably licensed removalists.

Minimising traffic risks

In early 2011, a risk assessment was undertaken by the Safety team at all sites to ascertain the current traffic control measures in place on mill grounds. All areas were assessed and given a risk score, with areas of concern requiring extra controls identified and consultation undertaken with site representatives to mitigate the identified risks. We are developing a Traffic Management Program and expect to complete this by the end of 2011.

An Authority To Operate (ATO) exists at all sites with an assessment and approval required before any person can operate a vehicle or plant on any one of our sites.

Looking ahead

We will strive to maintain our commitment to continually improving safety across our sites. We will review our Safety Management System and aim to achieve a Safety Index score of at least 1.00. We will also introduce a Traffic Management and Employee Wellbeing Program.
Mackay Sugar is a proud supporter of various community initiatives each year, providing both financial and in-kind support. Bulk bags of refined sugar are regularly provided to schools and groups, which is used for making fairy floss for events.

Community

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We continue to support various local non-profit community groups and organisations with their day-to-day activities, services and community events. During the year, we provided $21,000 in support to 16 groups/organisations throughout the Mackay region. Recipients of our support included the 2011 River Rock to Mountain Top Festival, the Pioneer Valley Agricultural Show Society, Mackay Show Society (Cane Court), and the Queensland Cancer Council (Relay for Life).

Additionally, we provide support to various events/community services through the provision of bulk bags of raw and refined sugar, via the Racecourse Refinery. About 60 groups/organisations were provided with bags of sugar throughout the year. In-kind support is also provided to many community events and initiatives. During the year, we continued our financial and in-kind support of the Mackay region’s Formula 1 in Schools Program, providing the service of our employees to assist with event preparation and on the day judging.

We were a major sponsor, and co-organiser of the 33rd annual Australian Society of Sugar Cane Technologists (ASSCT) Conference, held on 4 – 6 May 2011, attracting more than 350 participants to the event, which also featured an industry exhibition. More than 80 peer-reviewed technical papers regarding new and ongoing research, development and extension (R,D&E) were presented over the three day event. Held in conjunction with the conference was the Sugar Research Development Corporation Innovation Annual Awards. Many of our employees are actively involved in the ASSCT as Committee Members.

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 sugar cane. A total of 106 tours were provided throughout the year, which saw 1,222 participants visit our Farleigh Mill.

Enhancing our corporate image
We keep our community 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.

In an effort to ensure the safety of community members, and with consideration of the extensive rail movement activity commonly experienced during the crushing season, we employ a multi-channel television media campaign urging drivers within the Mackay and surrounding areas to remain vigilant when approaching railway crossings. The campaign runs each year and commences in the weeks leading up to the crush and continues throughout the season.

Looking ahead
We will review our Sponsorships and Donations Policy throughout the next year, with the aim of introducing a specific Community Support Program that strategically targets community partnerships that not only benefit the recipients, but align with our organisational values. In particular, we will look to identify and secure ongoing partnerships with community groups and organisations that provide a service, project or event that supports education, environment, community events, health and welfare, and arts, music and cultural activities. These partnerships will also assist us to enhance community awareness of our organisation and our commitment to being a good corporate citizen.
Corporate Governance

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Our Board of Directors

Andrew Shane Cappello
MAICD
Chairman

Andrew has been an elected Grower Director since 2001 and has been a cane producer for 29 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 and 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.

Joseph Ray Magill
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 widespread experience in finance. He is the founder and past Chairman of InterFinancial Limited, a company providing corporate advisory services. As a former Director of Palmaer Tube Mills, Ray was responsible for its United States operations before it was taken over by Australian National Industries Limited.

Ray has wide experience in marketing agricultural products, has been involved with Goodman Fielder Limited and is a former Chairman of Carrington Cotton Corporation Limited and the Peanut Company of Australia Limited (formerly Peanut Marketing Board). Ray is also Chairman of Harvest FreshBites Pty Limited, Australia’s largest fresh cut salad producer.

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 banking and insurance, retailing and strategic management consulting. Previous roles have included Director of Delta SBD Limited, Managing Director of Amoco Australia and Vice-Chairman of the YAFCO BP Amoco Yiheng Chemicals joint venture in China. His other roles have included Group Manager Strategy and Marketing of Suncorp, General Manager Service Development Myer Grace Bros and Management Consultant with PriceWaterhouse Urwick.

Currently, Andrew is also Chairman of Carabella Resources Limited. He is a member of the NSW Council, a member of the Law Committee and a Fellow of the Australian Institute of Company Directors. He is also a member of the Professional Conduct Tribunal of the Institute of Chartered Accountants in Australia.

Sydney Gordon
DipFinMarkets 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 is a director of First Ocean Financial Pty Ltd, AFSL 405652, a financial services company providing advisory and investment services.
Our Board of Directors

Vincenzo Germanotta
Grower Director

Vince has been an elected Grower Director since November 2004. He has been growing cane in the Mackay district for more than 33 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.

Rex Corrado Stroppiana
AdvDipAg
Grower Director

Rex has been an elected Grower Director since November 2004. He has over 25 years experience in the development and management of an expanding 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).

Anthony Robert Bartolo
BCom DipFS FCPA JP
Grower Director

Tony is a third generation farmer and was elected to the Board as a Grower Director in April 2010. He has been a Partner at DGL Accountants since 1999, specialising in taxation and business advice to primary producers, and was granted Fellowship of CPA Australia in 2007.

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.

Anthony Robert Bartolo
BCom DipFS FCPA JP
Grower Director

Tony is a third generation farmer and was elected to the Board as a Grower Director in April 2010. He has been a Partner at DGL Accountants since 1999, specialising in taxation and business advice to primary producers, and was granted Fellowship of CPA Australia in 2007.

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.
Our Management

Quinton Hildebrand  BSc MBA  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.

Sandra Pienaar  MCom CA  Chief Financial Officer
Sandra is responsible for the financial and business services, pricing and marketing, information and technology, supply and procurement and business analysis departments. She undertakes all contract and major dealings with banks and financial institutions for the management of borrowings and financials and ensures all compliance matters are dealt with expeditiously and as per agreed policies and procedures to meet all legislative requirements.

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

Dave Langham  General Manager Cane Expansion, Property and Stakeholder Engagement
Dave is responsible for increasing cane supply, with a commitment to establishing new area and enhancing farm productivity. He also manages our property portfolio and stakeholder engagement, ensuring we foster and maintain strong industry partnerships that enable us to secure the necessary resources and infrastructure required to continue to grow the business.

Jean-Claude Gassin  BA (Hons)  General Manager Human Resources
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.
Our Corporate Governance Practices

The Board is committed to a high level of corporate governance and strives to ensure that the Company meets the highest standards of safety, performance and governance. The Board fosters a culture that values ethical behaviour, integrity and respect.

The Board is responsible for the oversight of the Company and regards corporate governance as a key element in the drive to improve the Company's performance. The Board has adopted a charter and policies, and has established a number of committees to discharge its duties.

Board Charter

The Board has a formal Charter which details the Board's role, powers, duties and functions. The central role of the Board is to set policy, chart the Company's strategic direction, set the financial targets for the business and appoint and oversee the performance of the Chief Executive Officer.

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

- the composition of the Board including the appointment and retirement or removal of Directors;
- oversight of the Group including its control and accountability systems;
- where appropriate, ratifying the appointment and the removal of senior executives;
- reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;
- monitoring the Chief Executive Officer’s implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and sales;
- approving and monitoring annual and half-year reports, statements as to future financial performance or changes to the policy or strategy of the Company;
- performance of investment and treasury functions;
- monitoring industry developments relevant to the Group and its business;
- developing suitable key indicators of financial performance for the Group and its business;
- having input in and granting final approval of corporate strategy and performance objectives developed by Management;
- the overall corporate governance of the Group including its strategic direction and goals for Management, and monitoring the achievements of those goals; and
- oversight of committees.

Board composition

The Board is currently comprised of 7 Directors, with

- five Grower Directors, including the Chairman; and
- two Non-Grower Directors

The Board must comprise of no less than 7 Directors, two of whom must be Non-Grower Directors, or more than 7 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 pages 41 to 42 and 49.

Board appointment and retirement

The appointment and election of Grower Directors will be in accordance with Rule 16.2 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 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. The appointed candidates 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 may 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 10 times in any year. A Board meeting has been held 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 50.
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 performance evaluation was conducted by an external consultant in the last financial year. The scope of the evaluation was to review the performance of the Board and each of its committees against the requirements of their respective charters. The outcome of the evaluation was compiled by the external consultant and provided to the Board for discussion and implementation of improvements in Board processes and overall efficiency.

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 their 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
- 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 Charter 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 Charter 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 discharge of its responsibilities. These committees are:

- Audit and Financial Risk Committee
- Management 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 regularly and updated as required.

All Directors are entitled to attend meetings of the committees. Minutes of the committees 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.

**Audit and Financial Risk Management Committee**

The role of the Audit and Financial Risk Management Committee is to assist the Board in validating 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 principals. 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 Information Technology 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:

- review operating and capital budgets of The Company prior to submission to the Board for approval to ensure that the expenditure proposed is justified, sufficient to support sustainable maintenance and capital projects, and all within the Company’s ability to fund these;
- monitor the overall financial position of the Company in particular the ongoing cash and net debt position;
- evaluate the risk 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;
- annually review the long term financial forecast, including income statements, balance sheets and cash flow statements to ensure that these are consistent with the strategic plan;
- monitor the risk of exposure to lending rates and interest rate hedging policies and requirements;
- monitor compliance with borrowing covenants, 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 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 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;
• provide, via the Company Secretary, an 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
• Ray Magill, 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 review appropriate mitigation strategies.

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

• Andrew Amer, Chairman
• Vince Germanotta, Member
• Sydney Gordon, Member

Ad-hoc committees

The Board may also delegate specific responsibilities to ad hoc committees from time to time including the Siding Committee and Due Diligence Committee.
Raw sugar is stockpiled at Mackay Port for export.

Financials

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The Directors present their report and the financial statements of Mackay Sugar Limited for the year ended 31 May 2011.

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 Directors in office from 1 June 2010 to the date of this report follow. A record of Board Meeting attendance during the year under review is set out on page 50.

Andrew Shane Cappello – MAICD Chairman

Andrew has been an elected Grower Director since 2001 and has been a cane producer for 29 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 and 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.

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 widespread experience in finance. He is the founder and past Chairman of InterFinancial Limited, a company providing corporate advisory services. As a former Director of Palmer Tube Mills, Ray was responsible for its United States operations before it was taken over by Australian National Industries Limited.

Ray has wide experience in marketing agricultural products, has been involved with Goodman Fielder Limited and is a former Chairman of Carrington Cotton Corporation Limited and the Peanut Company of Australia Limited (formerly Peanut Marketing Board). Ray is also Chairman of Harvest FreshCuts Pty Limited, Australia’s largest fresh cut salad producer.

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 banking and insurance, retailing and strategic management consulting. Previous roles have included Director of Delta SBD Limited, Managing Director of Amoco Australia and Vice-Chairman of the YAFCO BP Amoco Yizheng Chemicals joint venture in China. His other roles have included Group Manager Strategy and Marketing of Suncorp, General Manager Service Development Myer Grace Bros and Management Consultant with PriceWaterhouse Urwick.

Currently Andrew is also Chairman of Carabella Resources Limited. He is a member of the NSW Council, a member of the Law Committee and a Fellow of the Australian Institute of Company Directors. 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 JP – Grower Director

Tony is a third generation farmer and was elected to the Board as a Grower Director in April 2010. He has been a Partner at DGL Accountants since 1999, specialising in taxation and business advice to primary producers, and was granted Fellowship of CPA Australia in 2007.

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) – Grower Director

Vince has been an elected Grower Director since November 2004. He has been growing cane in the Mackay district for more than 33 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) - DipFinMarkets FAICD – Grower Director

Syd 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 is a director of First Ocean Financial Pty Ltd, AFSL 405652, a financial services company providing advisory and investment services.

Rex Corrado Stroppiana - AdvDipAg – Grower Director

Rex has been an elected Grower Director since November 2004. He has over 25 years experience in the development and management of an expanding 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 30 years in senior administrative positions.

Board meeting attendance 2010-2011

Attendances by each Director at Directors’ meetings and 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>14</td>
</tr>
<tr>
<td>J. R. Magill</td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td>A. R. Amer</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td>A. R. Bartolo</td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td>V. Germanotta</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>S. Gordon</td>
<td>11</td>
<td>14</td>
</tr>
<tr>
<td>R. C. Stroppiana</td>
<td>11</td>
<td>14</td>
</tr>
</tbody>
</table>

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>Remuneration and Nominations Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. S. Cappello</td>
<td>7</td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>J. R. Magill</td>
<td></td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>A. R. Amer</td>
<td></td>
<td></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>A. R. Bartolo</td>
<td>8</td>
<td></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>V. Germanotta</td>
<td></td>
<td></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>S. Gordon</td>
<td></td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>R. C. Stroppiana</td>
<td>8</td>
<td></td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>
**Principal activities**

Principal activities of the Company are:

(a) to acquire, transport and process sugar cane 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 year.

**Review of operations**

Information on the operational performance of the Company during the year is discussed in the Annual Report (*Business*) on pages 20 to 22.

**Operating result**

The 2010 season’s production was significantly down on the previous season, reflecting a poor result compared to the last few years. Crushing commenced on 7 June 2010 and due to continuing rain the season closed on 1 December 2010. The 2010 season’s crop was down 13.9% on the previous season’s crop at 4.556 million tonnes (2009: 5.289 million tonnes). Average sugar content (PRS) decreased by 12.8% to 13.04 (2009: 14.95). The result being the production of 605,175 tonnes IPS sugar (2009: 797,315 IPS tonnes).

The miller’s average sugar price for the current financial period was $452.10 per tonne IPS sugar. This was a reduction of $30.42 per tonne on the previous year’s sugar price of $466.27. Operating revenue decreased by 23% to $308.4 million (2010: $400.8m). The wet weather experienced during the crushing season directly resulted in the decrease in revenue and the extended crushing season resulted in an increase in production costs. These were the main reasons for the decrease in profit of $43.7m to $502,000. Refer to the Annual Report (*Chief Financial Officer’s Review* on pages 14 to 15 and the *Financial Statements* on pages 62 to 71) for further information.

**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 committed to our target of ‘Zero Harm’. 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 Annual Report (*Environment* on pages 28 to 29).

**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). As at 31 May 2011, women accounted for 18.05% of the general workforce. In addition, we offer equal opportunity for promotion and training in the workplace and our selections are based on ‘the best person for the job’.
Dividends paid or recommended

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

<table>
<thead>
<tr>
<th>Dividends</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>8% fully franked dividend on paid B class investment shares paid on 21 June 2010 as declared in the previous period's report</td>
<td>$8,020.17</td>
</tr>
<tr>
<td>8% fully franked dividend on paid B class investment shares paid on 3 December 2010</td>
<td>$109,079.15</td>
</tr>
<tr>
<td>Total dividends paid during the financial year ended 31 May 2011</td>
<td>$117,099.32</td>
</tr>
<tr>
<td>An 8% fully franked dividend was declared on paid B class investment shares on 31 May 2011 and paid on 10 June 2011</td>
<td>$141,851.78</td>
</tr>
</tbody>
</table>

Options

No options over issued shares or interests in the Company were granted during the financial year or since the end of the financial year 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 Company occurred during the financial year:

On 19 May 2011, the Company announced a takeover offer for Tully Sugar Limited (Tully Sugar). The takeover bid was part of the Company’s growth strategy to form a large grower-controlled Australian sugar business. The takeover offer was backed by Louis Dreyfus Commodities Asia (LDC) with debt funding provided to fund the share purchases. As at 31 May 2011, the Company had acquired 9.61% of the issued capital of Tully Sugar. These shares were valued at $12,763,733 at 31 May 2011 ($43 per share). Further developments have occurred subsequent to the financial year-end (refer to the Events after the reporting period end date on page 70 for further information).

On 25 November 2010, AE&E Australia Limited (AE&E) who had the Engineering, Procurement and Construction contract for the Mackay Sugar Cogeneration Plant, filed for voluntary administration and administrators were appointed on the same day. Their parent company, AE&E GmbH filed for reorganisation proceedings with self administration in Vienna, Austria on 24 November 2010. On 24 December 2010, Mackay Sugar concluded an agreement with the administrators of AE&E to take over the construction contract, with access to the intellectual property required to complete the project. In January 2011, Mackay Sugar employed all the key employees on the project and have also novated the sub-contracts previously concluded by AE&E to Mackay Sugar. Following the takeover of the Engineering, Procurement and Construction contract from AE&E, the project is progressing on time and within budget with total expenditure of $32.9m incurred on the project to the end of the financial year 31 May 2011.

There were no other 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

Subsequent to the financial reporting period, the Company acquired further shares in Tully Sugar as part of a takeover bid. The takeover bid offer closed on 8 July 2011. A further 676,250 shares were acquired at $43 per share for a total cost of $29,078,750 between 1 June 2011 and 8 July 2011. As at the bid close date, the Company’s total shareholding in Tully Sugar was 973,081 shares (31.5%). The estimated value of these shares was $42,815,564 ($44 per share) on the basis of an alternative offer that was available at 8 July 2011. Additional borrowings from LDC of $28,324,243 were drawn subsequent to the financial reporting period to fund the further share purchases. The Company’s total borrowings with LDC as at the bid close date were $32,842,984. The shares in Tully Sugar were sold on 18 July 2011 for $44 per share and the LDC loan was fully repaid on 9 August 2011.
On 20 June 2011, the Company issued a Second Supplementary Unsecured Notes Prospectus and on 26 July 2011 a Third Supplementary Prospectus. This was issued to inform the Unsecured Note Holders of the takeover bid for Tully Sugar, the associated funding arrangements with LDC and the subsequent outcome of the processes. The operation of the unsecured notes will remain unchanged and Mackay Sugar’s financial performance, which are within the required benchmarks, were confirmed.

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**

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 Report for year ended 31 May 2011**

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.

**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 our remuneration philosophy is to attract, retain and reward Key Management personnel who contribute positively to the success and growth of the business. We are committed to providing equitable and competitive remuneration to support this objective.

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

- **Externally competitive**

  Our 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 our salary levels to those offered by other companies for similar positions.

- **Internal equity**

  We continually strive 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**

  We believe that an individual’s performance and overall contribution should determine her/his salary and career advancement in the Company. We have 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 performance of the Chief Executive Officer is assessed by the Board through the application of the Company’s Performance Management and Development System (PMDS). The performance of other Key Management personnel is assessed by the Chief Executive Officer in the same manner. This system, in addition to other factors, is used in determining annual adjustments to base pay. The Board may, however, exercise its discretion in relation to approving other 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.

**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 our 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 budgeted 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. Two steps are involved in achieving this relationship, the first being an annual salary adjustment based on performance and the second being a performance based incentive plan based on the PMDS assessment applicable to all salaried employees.

The Board considered that the current PMDS has been effective in determining salary adjustments. A provision was made for a 3% average salary adjustment. The following table shows the revenue from operating activities, profit and retained profit for the last five periods:

<table>
<thead>
<tr>
<th>Revenue from operating activities</th>
<th>2007 $m</th>
<th>2008 $m</th>
<th>2009 $m</th>
<th>2010 $m</th>
<th>2011 $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>347.7</td>
<td>313.9</td>
<td>299.7</td>
<td>400.8</td>
<td>308.4</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>3.4</td>
<td>5.5</td>
<td>6.3</td>
<td>44.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Retained profit</td>
<td>186.2</td>
<td>193.2</td>
<td>199.5</td>
<td>243.7</td>
<td>244.0</td>
</tr>
</tbody>
</table>

Performance conditions linked to remuneration

We have a Staff Performance Incentive Plan. This is in the form of a cash incentive based on the profitability of the business and 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.

As the Company did not achieve its profitability targets for the 2011 financial year, no payments were made or provided for under the Staff Performance Incentive Plan.
Employment details of members of Key Management personnel

The following table provides employment details of persons who were, during the financial year, Key Management personnel of the Company and if different, the five Executives receiving the highest remuneration.

Employment details of members of Key Management personnel and other Executives:

<table>
<thead>
<tr>
<th>Director/Executive name</th>
<th>Position held as at 31 May 2011 and any change during the year</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></td>
<td></td>
<td></td>
<td>Non-salary cash-based incentives</td>
<td>Fixed salary/fees other benefits</td>
<td>%</td>
</tr>
<tr>
<td>Mr A S Cappello</td>
<td>Chairman (non-executive) Director</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 Director. Appointed 1 March 2006</td>
<td>0</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Mr A R Amer</td>
<td>Director (non-executive)</td>
<td>No fixed term. Independent Director. Appointed 22 Oct 2006</td>
<td>0</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Mr A R Bartolo</td>
<td>Director (non-executive)</td>
<td>18 month term from 22 April 2010</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 2007</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 26 November 2009</td>
<td>0</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Mr R 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 Q L Hildebrand</td>
<td>Chief Executive Officer</td>
<td>No fixed term. 6 months notice required to terminate. No additional payments on termination</td>
<td>31</td>
<td>69</td>
<td>100</td>
</tr>
<tr>
<td>Mrs S Pienaar</td>
<td>Chief Financial Officer</td>
<td>No fixed term. 6 months notice required to terminate prior to 1 June 2011, 3 months thereafter. No additional payments on termination</td>
<td>23</td>
<td>77</td>
<td>100</td>
</tr>
<tr>
<td>Mr J-C Gassin</td>
<td>General Manager HR, HS&amp;E</td>
<td>No fixed term. 3 months notice required to terminate. No additional payments on termination</td>
<td>23</td>
<td>77</td>
<td>100</td>
</tr>
<tr>
<td>Mr M L Gayton</td>
<td>General Manager Operations</td>
<td>No fixed term. 3 months notice required to terminate. No additional payments on termination</td>
<td>23</td>
<td>77</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. No additional payments on termination</td>
<td>23</td>
<td>77</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.
Remuneration details for the year ended 31 May 2011

The following table reflects the components of the remuneration for each of the Key Management personnel and, to the extent different, the five Executives receiving the highest remuneration:

Table of benefits and payments for the period ended 31 May 2011:

<table>
<thead>
<tr>
<th>Director/Executive name</th>
<th>Short-term benefits</th>
<th>Post-employment benefits</th>
<th>Long-term benefits</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary &amp; fees (excludes leave paid)</td>
<td>Profit share and bonuses</td>
<td>Non-monetary</td>
<td>Other – current LSL &amp; AL accrual</td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Mr A S Cappello</td>
<td>2011 86,650</td>
<td>-</td>
<td>18,783</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2010 53,006</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr J R Magill</td>
<td>2011 71,733</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2010 55,063</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr A R Amer</td>
<td>2011 60,917</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2010 49,094</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr A R Bartolo</td>
<td>2011 44,233</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2010 4,668</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr V Germanotta</td>
<td>2011 48,233</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2010 39,582</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr S Gordon</td>
<td>2011 44,233</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2010 39,249</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr R C Stroppiana</td>
<td>2011 44,900</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2010 35,860</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr R S M Galea</td>
<td>2011 -</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2010 23,415</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr C E Westcott</td>
<td>2011 -</td>
<td>-</td>
<td>19,898</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2010 45,020</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mr O L Hildebrand</td>
<td>2011 477,051</td>
<td>-</td>
<td>29,757</td>
<td>52,810</td>
</tr>
<tr>
<td></td>
<td>2010 407,339</td>
<td>90,000</td>
<td>23,925</td>
<td>43,629</td>
</tr>
<tr>
<td>Mrs S Pienaar</td>
<td>2011 248,192</td>
<td>-</td>
<td>-</td>
<td>24,573</td>
</tr>
<tr>
<td></td>
<td>2010 210,986</td>
<td>33,170</td>
<td>-</td>
<td>21,365</td>
</tr>
<tr>
<td>Mr J-C Gassin</td>
<td>2011 229,930</td>
<td>-</td>
<td>-</td>
<td>14,336</td>
</tr>
<tr>
<td></td>
<td>2010 220,727</td>
<td>22,463</td>
<td>-</td>
<td>22,208</td>
</tr>
<tr>
<td>Mr M L Gayton</td>
<td>2011 187,682</td>
<td>-</td>
<td>40,280</td>
<td>18,021</td>
</tr>
<tr>
<td></td>
<td>2010 153,690</td>
<td>34,479</td>
<td>30,160</td>
<td>20,595</td>
</tr>
<tr>
<td>Mr D A Langham</td>
<td>2011 187,240</td>
<td>-</td>
<td>38,858</td>
<td>14,284</td>
</tr>
<tr>
<td></td>
<td>2010 149,838</td>
<td>-</td>
<td>30,915</td>
<td>20,652</td>
</tr>
<tr>
<td>Mr W G Kemter</td>
<td>2011 -</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2010 192,246</td>
<td>-</td>
<td>16,026</td>
<td>10,248</td>
</tr>
<tr>
<td>Total Key Management personnel</td>
<td>2011 1,730,994</td>
<td>-</td>
<td>147,576</td>
<td>124,025</td>
</tr>
<tr>
<td></td>
<td>2010 1,679,783</td>
<td>180,112</td>
<td>101,026</td>
<td>139,117</td>
</tr>
</tbody>
</table>

*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.

Cash bonuses and performance-related bonuses

The terms and conditions relating to bonuses granted as remuneration during the period to Key Management personnel and, to the extent different, the five Executives receiving the highest remuneration during the year are as follows:

Bonus details of members of Key Management personnel and other Executives:

<table>
<thead>
<tr>
<th>Director/Executive name</th>
<th>Remuneration type</th>
<th>Reason for grant</th>
<th>Percentage vested/paid during year</th>
<th>Percentage forfeited during year</th>
<th>Expiry date for vesting of payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Q L Hildebrand</td>
<td>Cash</td>
<td>(a)</td>
<td>0</td>
<td>100</td>
<td>31/05/11</td>
</tr>
<tr>
<td>Mrs S Pienaar</td>
<td>Cash</td>
<td>(a)</td>
<td>0</td>
<td>100</td>
<td>31/05/11</td>
</tr>
<tr>
<td>Mr J-C Gassin</td>
<td>Cash</td>
<td>(a)</td>
<td>0</td>
<td>100</td>
<td>31/05/11</td>
</tr>
<tr>
<td>Mr M L Gayton</td>
<td>Cash</td>
<td>(a)</td>
<td>0</td>
<td>100</td>
<td>31/05/11</td>
</tr>
<tr>
<td>Mr D A Langham</td>
<td>Cash</td>
<td>(a)</td>
<td>0</td>
<td>100</td>
<td>31/05/11</td>
</tr>
</tbody>
</table>

Note (a) No payments were made in the 2011 financial year under the incentive plan, due to the non-achievement of profitability targets.
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 financial year.

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
A copy of the Auditor’s Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 60.

This report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

AS Cappello
Director

JR Magill
Director

Dated: 6 September 2011
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 2011, 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: 6 September 2011
At: First Floor
122 Wood Street
MACKAY Qld 4740
Concise Financial Report
for the year ended 31 May 2011

Information on the concise financial report

The concise financial report is an extract from the full financial report for the year ended 31 May 2011. The financial statements and disclosures in the concise financial report have been derived from the 2011 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 Chief Financial Officer’s 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 2011 financial report.
### Income Statement
for the year ended 31 May 2011

<table>
<thead>
<tr>
<th>Note</th>
<th>May 2011</th>
<th>May 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td><strong>Revenue from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>308 378</td>
<td>400 818</td>
</tr>
<tr>
<td>Finance revenue</td>
<td>987</td>
<td>847</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>309 365</td>
<td>401 665</td>
</tr>
<tr>
<td>Changes in inventories of finished goods</td>
<td>(7 128)</td>
<td>(1 103)</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(173 710)</td>
<td>(240 201)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>128 527</td>
<td>160 361</td>
</tr>
<tr>
<td>Revenue from non-operating activities</td>
<td>1 012</td>
<td>493</td>
</tr>
<tr>
<td>Maintenance expenses</td>
<td>(37 053)</td>
<td>(35 041)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(41 641)</td>
<td>(34 219)</td>
</tr>
<tr>
<td>Administration expenses</td>
<td>(38 817)</td>
<td>(32 507)</td>
</tr>
<tr>
<td>Distribution and marketing expenses</td>
<td>(3 846)</td>
<td>(3 729)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(8 929)</td>
<td>(9 516)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(5 197)</td>
<td>(4 656)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(1 939)</td>
<td>(5 274)</td>
</tr>
<tr>
<td>Share of profit of associate and joint venture</td>
<td>8 385</td>
<td>8 367</td>
</tr>
<tr>
<td><strong>Profit before income tax</strong></td>
<td>502</td>
<td>44 279</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>502</td>
<td>44 279</td>
</tr>
<tr>
<td>Profit attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders of the Company</td>
<td>502</td>
<td>44 279</td>
</tr>
</tbody>
</table>

The accompanying notes form part of this concise financial report.
# Statement of Comprehensive Income

for the year ended 31 May 2011

<table>
<thead>
<tr>
<th></th>
<th>May 2011</th>
<th>May 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>502</td>
<td>44 279</td>
</tr>
<tr>
<td>Other comprehensive income or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of property, plant and equipment</td>
<td>(15)</td>
<td>(485)</td>
</tr>
<tr>
<td>Gain on remeasurement of financial assets</td>
<td>1 191</td>
<td>-</td>
</tr>
<tr>
<td>Fair value movements on cash flow hedges</td>
<td>(34 160)</td>
<td>35 050</td>
</tr>
<tr>
<td>(Loss)/gain on translation of foreign associated company</td>
<td>(600)</td>
<td>112</td>
</tr>
<tr>
<td>Share of other comprehensive (loss)/income of associated company</td>
<td>(422)</td>
<td>626</td>
</tr>
<tr>
<td>Share of other comprehensive income/(loss) of the joint venture</td>
<td>5 725</td>
<td>(6 550)</td>
</tr>
<tr>
<td></td>
<td>(28 281)</td>
<td>28 753</td>
</tr>
<tr>
<td>Income tax expense relating to components of other comprehensive income/(loss)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive (loss)/income for the period</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(28 281)</td>
<td>28 753</td>
</tr>
<tr>
<td>Total comprehensive (loss)/income for the period</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(27 779)</td>
<td>73 032</td>
</tr>
<tr>
<td>Total comprehensive (loss)/income attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders of the Company</td>
<td>(27 779)</td>
<td>73 032</td>
</tr>
</tbody>
</table>

The accompanying notes form part of this concise financial report.
## Statement of Financial Position

as at 31 May 2011

<table>
<thead>
<tr>
<th></th>
<th>May 2011</th>
<th>May 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
</tr>
<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>20 601</td>
<td>39 834</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>17 049</td>
<td>24 427</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>21 046</td>
<td>8 997</td>
</tr>
<tr>
<td>Inventories</td>
<td>12 899</td>
<td>19 857</td>
</tr>
<tr>
<td>Assets held-for-sale</td>
<td>6 331</td>
<td>7 921</td>
</tr>
<tr>
<td>Other assets</td>
<td>10 090</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>88 016</td>
<td>101 036</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>-</td>
<td>1 232</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>16 116</td>
<td>18 111</td>
</tr>
<tr>
<td>Investments accounted for using the equity method</td>
<td>93 160</td>
<td>87 790</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>214 863</td>
<td>193 056</td>
</tr>
<tr>
<td>Investment properties</td>
<td>2 144</td>
<td>1 367</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>326 283</td>
<td>301 556</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>414 299</td>
<td>402 592</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>42 266</td>
<td>68 401</td>
</tr>
<tr>
<td>Interest bearing liabilities</td>
<td>67 839</td>
<td>30 036</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>155</td>
<td>-</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>16 530</td>
<td>936</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>3 993</td>
<td>3 453</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>130 783</td>
<td>102 826</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>-</td>
<td>499</td>
</tr>
<tr>
<td>Interest bearing liabilities</td>
<td>15 497</td>
<td>31 626</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>9 137</td>
<td>-</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>19 857</td>
<td>1 404</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>8 105</td>
<td>7 287</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>52 596</td>
<td>40 816</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>183 379</td>
<td>143 642</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>230 920</td>
<td>258 950</td>
</tr>
</tbody>
</table>

**Equity**

<table>
<thead>
<tr>
<th></th>
<th>May 2011</th>
<th>May 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued capital</td>
<td>4 584</td>
<td>4 584</td>
</tr>
<tr>
<td>Reserves</td>
<td>(17 650)</td>
<td>10 631</td>
</tr>
<tr>
<td>Retained profits</td>
<td>243 986</td>
<td>243 735</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>230 920</td>
<td>258 950</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 2011

<table>
<thead>
<tr>
<th>Note</th>
<th>Ordinary share capital</th>
<th>Retained profit</th>
<th>Financial assets reserve</th>
<th>Asset revaluation reserve</th>
<th>Foreign currency translation reserve</th>
<th>Hedging reserve</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td>Balance at 1 July 2009</td>
<td>1</td>
<td>199 464</td>
<td>-</td>
<td>8 597</td>
<td>(1 104)</td>
<td>(25 615)</td>
<td>181 343</td>
</tr>
<tr>
<td>Dividends</td>
<td>3</td>
<td>-</td>
<td>(8)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(8)</td>
</tr>
<tr>
<td>Issue of share capital</td>
<td>4 583</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4 583</td>
</tr>
<tr>
<td><strong>Transactions with owners</strong></td>
<td>4 583</td>
<td>(8)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4 575</td>
</tr>
<tr>
<td>Profit attributable to shareholders of the Company</td>
<td>-</td>
<td>44 279</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>44 279</td>
</tr>
<tr>
<td>Other comprehensive income:</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>(485)</td>
<td>-</td>
<td>-</td>
<td>(485)</td>
</tr>
<tr>
<td>Adjustments from translation of foreign associated company</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>112</td>
<td>-</td>
<td>112</td>
</tr>
<tr>
<td>Cash flow hedges: gains allocated to equity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>35 050</td>
<td>35 050</td>
</tr>
<tr>
<td>Share of associated company’s hedging reserve movements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>626</td>
<td>626</td>
</tr>
<tr>
<td>Share of joint venture’s hedging reserve movements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(6 550)</td>
<td>(6 550)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td>-</td>
<td>44 279</td>
<td>-</td>
<td>(485)</td>
<td>112</td>
<td>-</td>
<td>29 126</td>
</tr>
<tr>
<td>Balance at 31 May 2010</td>
<td>4 584</td>
<td>243 735</td>
<td>-</td>
<td>8 112</td>
<td>(992)</td>
<td>-</td>
<td>3 511</td>
</tr>
<tr>
<td>Dividends</td>
<td>3</td>
<td>-</td>
<td>(251)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(251)</td>
</tr>
<tr>
<td><strong>Transactions with owners</strong></td>
<td>-</td>
<td>(251)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(251)</td>
</tr>
<tr>
<td>Profit attributable to the shareholders of the Company</td>
<td>-</td>
<td>502</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>502</td>
</tr>
<tr>
<td>Other comprehensive income:</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>(15)</td>
<td>-</td>
<td>-</td>
<td>(15)</td>
</tr>
<tr>
<td>Gain on remeasurement of financial assets</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>-</td>
<td>(600)</td>
<td>-</td>
<td>(600)</td>
</tr>
<tr>
<td>Cash flow hedges: losses allocated to equity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(34 160)</td>
<td>(34 160)</td>
</tr>
<tr>
<td>Share of associated company’s hedging reserve movements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(422)</td>
<td>(422)</td>
</tr>
<tr>
<td>Share of joint venture’s hedging reserve movements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5 725</td>
<td>5 725</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>-</td>
<td>502</td>
<td>1 191</td>
<td>(15)</td>
<td>(600)</td>
<td>(28 857)</td>
<td>(27 779)</td>
</tr>
<tr>
<td>Balance at 31 May 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>
</tbody>
</table>
# Statement of Cash Flow
for the year ended 31 May 2011

<table>
<thead>
<tr>
<th></th>
<th>May 2011 $’000</th>
<th>May 2010 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from sugar sales and other sales</td>
<td>290 613</td>
<td>416 142</td>
</tr>
<tr>
<td>Payments to cane suppliers</td>
<td>(185 921)</td>
<td>(224 040)</td>
</tr>
<tr>
<td>Payments to other suppliers and employees</td>
<td>(116 551)</td>
<td>(121 693)</td>
</tr>
<tr>
<td>Distributions received from associated entities</td>
<td>9 041</td>
<td>5 847</td>
</tr>
<tr>
<td>Interest received</td>
<td>987</td>
<td>847</td>
</tr>
<tr>
<td>Other revenue</td>
<td>7 147</td>
<td>6 774</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(5 197)</td>
<td>(4 656)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>119</td>
<td>79 221</td>
</tr>
<tr>
<td><strong>Cash flow from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of financial assets – shares</td>
<td>(11 573)</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>-</td>
<td>912</td>
</tr>
<tr>
<td>Contributions made to associated entities</td>
<td>(1 322)</td>
<td>(8 970)</td>
</tr>
<tr>
<td>Payments for property, plant and equipment</td>
<td>(30 890)</td>
<td>(31 604)</td>
</tr>
<tr>
<td>Proceeds on sale of property, plant and equipment</td>
<td>31</td>
<td>58</td>
</tr>
<tr>
<td>Proceeds on sale of property held-for-sale</td>
<td>1 268</td>
<td>937</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(42 486)</td>
<td>(38 667)</td>
</tr>
<tr>
<td><strong>Cash flow from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from issue of shares</td>
<td>1 574</td>
<td>1 854</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(117)</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from interest bearing activities</td>
<td>69 260</td>
<td>61 510</td>
</tr>
<tr>
<td>Repayment of interest bearing activities</td>
<td>(49 838)</td>
<td>(76 345)</td>
</tr>
<tr>
<td>Decrease in growers’ loans</td>
<td>3</td>
<td>28</td>
</tr>
<tr>
<td>Decrease in interest bearing deposits</td>
<td>(519)</td>
<td>(1 608)</td>
</tr>
<tr>
<td>Increase in unsecured notes</td>
<td>2 771</td>
<td>1 476</td>
</tr>
<tr>
<td><strong>Net cash provided by/(used in) financing activities</strong></td>
<td>23 134</td>
<td>(13 085)</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 2011

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 2011. 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.

Change in reporting period

During the previous financial period, Mackay Sugar changed the annual financial reporting period year-end date from 30 June to 31 May. Therefore, the financial period in this report covers the 12 month period from 1 June 2010 to 31 May 2011. The comparative period in this report covers the 11 month period from 1 July 2009 to 31 May 2010. As a result, the amounts presented for the two periods in these financial statements are not entirely comparable.

The reason for the change in the financial reporting year-end date from 30 June to 31 May was to better align the Company’s operations with the financial reporting period.
### Note 2: Revenue

<table>
<thead>
<tr>
<th>Note</th>
<th>May 2011</th>
<th>May 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td><strong>(a) Revenue from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of goods</td>
<td>299 859</td>
<td>393 574</td>
</tr>
<tr>
<td>Services revenue</td>
<td>3 665</td>
<td>3 513</td>
</tr>
<tr>
<td>Dividends received – other corporations</td>
<td>1 486</td>
<td>3 102</td>
</tr>
<tr>
<td>Government subsidies received</td>
<td>2(d) 544</td>
<td>274</td>
</tr>
<tr>
<td>Rental revenue</td>
<td>347</td>
<td>331</td>
</tr>
<tr>
<td>Royalties</td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td>Insurance claims</td>
<td>2 444 -</td>
<td></td>
</tr>
<tr>
<td>Other revenue</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>308 378</strong></td>
<td><strong>400 818</strong></td>
</tr>
<tr>
<td><strong>(b) Finance revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank interest received – other corporations</td>
<td>987</td>
<td>845</td>
</tr>
<tr>
<td>Loan interest received – other persons</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>987</strong></td>
<td><strong>847</strong></td>
</tr>
<tr>
<td><strong>(c) Revenue from non-operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on disposal of property held-for-sale</td>
<td>1 012</td>
<td>493</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1 012</strong></td>
<td><strong>493</strong></td>
</tr>
<tr>
<td><strong>(d) Government subsidies</strong></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>2 757</td>
<td>1 483</td>
</tr>
<tr>
<td>Government subsidies received allocated directly to income</td>
<td>389</td>
<td>132</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3 146</strong></td>
<td><strong>1 615</strong></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>389</td>
<td>132</td>
</tr>
<tr>
<td>Deferred government subsidies allocated to income</td>
<td>155</td>
<td>142</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>544</strong></td>
<td><strong>274</strong></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 2011.
### Notes to the Concise Financial Report

**for the year ended 31 May 2011**

**Note 3: Dividends**

<table>
<thead>
<tr>
<th>Description</th>
<th>May 2011</th>
<th>May 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Dividends declared during the period:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8% fully franked dividend on B class investment shares franked at the tax</td>
<td>251</td>
<td>8</td>
</tr>
<tr>
<td>rate of 30%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) Dividends paid during the period:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8% fully franked dividend on B class investment shares franked at the tax</td>
<td>117</td>
<td></td>
</tr>
<tr>
<td>rate of 30%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iii) Dividends declared but not paid at the end of the reporting period:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) 8% fully franked dividend was declared on B class investments shares</td>
<td>142</td>
<td>8</td>
</tr>
<tr>
<td>on 31 May 2011 (paid 10 June 2011)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Balance of the franking account at the end of the period</td>
<td>4,420</td>
<td>3,833</td>
</tr>
<tr>
<td>The franking account will be reduced subsequent to the year-end as a result</td>
<td>(61)</td>
<td>(3)</td>
</tr>
<tr>
<td>of the fully franked dividend declared per (a) above</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4,359</td>
<td>3,830</td>
</tr>
</tbody>
</table>
Note 4: Significant changes during the financial year

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

(i) **Purchase of Tully Sugar shares:** On 19 May 2011, the Company announced a takeover offer for Tully Sugar. As at 31 May 2011, 296,831 shares were purchased which represent 9.61% of the issued capital of Tully Sugar. The shares have been valued at $12,763,733 ($43 per share) which was the bid price offered by the takeover bidders as at 31 May 2011.

(ii) **Cogeneration Project:** On 25 November 2010, AE&E Australia Limited (AE&E) who had the Engineering, Procurement and Construction contract for the Mackay Sugar Cogeneration Plant, filed for voluntary administration and administrators were appointed on the same day. Their parent company, AE&E GmbH filed for reorganisation proceedings with self administration in Vienna, Austria on 24 November 2010. On 24 December 2010, Mackay Sugar concluded an agreement with the administrators of AE&E to take over the construction contract, with access to the intellectual property required to complete the project. In January 2011 Mackay Sugar employed all the key employees on the project and have subsequently novated the sub-contracts previously concluded by AE&E to Mackay Sugar. Following the takeover of the Engineering, Procurement and Construction contract from AE&E, the project is progressing on time and within budget with total expenditure of $32.9 million incurred on the project to the end of the financial year 31 May 2011.

Note 5: Events after the reporting period end date (Financial)

**Tully Sugar shares**

Subsequent to the financial reporting period, the Company acquired further shares in Tully Sugar as part of the takeover bid, which closed on 8 July 2011. Between 1 June 2011 and 8 July 2011, 676,250 shares were acquired at $43 per share for a total cost of $29,078,750. As at the bid close date, the Company’s total shareholding in Tully Sugar was 973,081 shares (31.5%). The estimated value of these shares was $42,815,564 ($44 per share) on the basis of an alternative offer that was available at 8 July 2011. Additional borrowings from LDC of $28,324,243 were drawn subsequent to the financial reporting period to fund the further share purchases. The Company’s total borrowings with LDC as at the bid close date were $32,842,984. The shares in Tully Sugar were sold on 18 July 2011 for $44 per share and the LDC loan was fully repaid on 9 August 2011.

**Supplementary Unsecured Notes Prospectuses**

On 20 June 2011 the Company issued a second supplementary Unsecured Notes Prospectus and on 26 July 2011 a third supplementary prospectus. This was issued to inform the Unsecured Note Holders of the takeover bid for Tully Sugar, the associated funding arrangements with LDC and the subsequent outcome of the processes. The operation of the unsecured notes will remain unchanged and Mackay Sugar’s financial performance which are within the required benchmarks, were confirmed.

**Cash flow hedges**

Since the end of the financial year, 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 these swaps fluctuate over time in line with changes to futures prices and exchange rates. As at 31 May 2011 the accounts reported a net unrealised loss on sugar pricing derivatives of $24.1 million; however as at 11 August 2011, the date of the Audit and Financial Risk Management Committee review, this amount changed to an unrealised loss of $48.5 million, based on quoted rates of the day. The change was mainly due to a rising ICE No.11 sugar price.

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 matter 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.
Directors’ Declaration

The Directors of Mackay Sugar Limited declare that the concise financial report of Mackay Sugar Limited for the period ended 31 May 2011, as set out on pages 61 to 70:

(a) complies with Accounting Standard AASB 1039; Concise Financial Reports; and

(b) is an extract from the full financial report for the year ended 31 May 2011 and has been derived from and is consistent with the full financial report of Mackay Sugar Limited.

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

Dated: 6 September 2011

AS Cappello
Chairman

JR Magill
Deputy Chairman
Mackay Sugar Limited
Independent Audit Report to the members of Mackay Sugar Limited

Report on the concise financial report
The accompanying concise financial report of Mackay Sugar Limited comprises the statement of financial position as at 31 May 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and related notes, derived from the audited financial report of Mackay Sugar Limited for the year ended 31 May 2011, and the discussion and analysis. The concise financial report does not contain all the disclosures required by Australian Accounting Standards, 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 and presentation of the concise financial report in accordance with Accounting Standard AASB 1039: Concise Financial Reports (including Australian Accounting Interpretations), statutory and other requirements. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying the appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility
Our responsibility is to express an opinion on the concise financial report based on our audit procedures 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 2011. Our auditor’s report on the financial report for the year was signed on 6 September 2011 and was not subject to any modification. 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.

Our procedures in respect of the concise financial report 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 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 Accounting Standard AASB 1039: Concise Financial Reports and whether the discussion and analysis complies with the requirements laid down in AASB 1039.

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

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Mackay Sugar Limited on 6 September 2011, would be in the same terms if provided to the directors as at the date of this auditor’s report.

Auditor’s opinion
In our opinion, the concise financial report including the discussion and analysis of Mackay Sugar Limited for the year ended 31 May 2011 complies with Accounting Standard AASB 1039: Concise Financial Reports.

D E Camilleri FCA
Partner
Level 1/122 Wood Street
Mackay Qld 4740
6 September 2011
### Glossary

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB</td>
<td>Australian Accounting Standards Board</td>
</tr>
<tr>
<td>ACFA</td>
<td>Australian Cane Farmers Association</td>
</tr>
<tr>
<td>AE&amp;E</td>
<td>Austrian Energy and Environment</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>AgDat</td>
<td>A map based program to assist growers and research body, AgriServe</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>ASSCT</td>
<td>Australian Society of Sugar Cane Technologists</td>
</tr>
<tr>
<td>ATO</td>
<td>Authority to Operate</td>
</tr>
<tr>
<td>AWU</td>
<td>Australian Workers’ Union</td>
</tr>
<tr>
<td>Bargaining Agents</td>
<td>Mackay Sugar, Canegrowers Mackay and Australian Cane Farmers Association</td>
</tr>
<tr>
<td>BSES</td>
<td>BSES Limited</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>DCS</td>
<td>Distributed Control System</td>
</tr>
<tr>
<td>DEEDI</td>
<td>Department of Employment, Economic Development and Innovation</td>
</tr>
<tr>
<td>DERM</td>
<td>Department of Environment and Resource Management (formerly known as the EPA)</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>EEO</td>
<td>Energy Efficiency Opportunities Act Equal Employment Opportunities</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>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<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>Kilovolts</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>LDC</td>
<td>Louis Dreyfus Commodities Asia</td>
</tr>
<tr>
<td>MAPS</td>
<td>Mackay Area Productivity Service</td>
</tr>
<tr>
<td>ML</td>
<td>Megalitres</td>
</tr>
<tr>
<td>MRBPP</td>
<td>Mackay Renewable Biocommodities Pilot Plant</td>
</tr>
<tr>
<td>Mt</td>
<td>Million tonnes</td>
</tr>
<tr>
<td>MW</td>
<td>Megawatts</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>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>R&amp;D</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>tph</td>
<td>Tonnes per hour</td>
</tr>
<tr>
<td>TPM</td>
<td>Total Productive Manufacturing</td>
</tr>
<tr>
<td>/t</td>
<td>Per tonne</td>
</tr>
</tbody>
</table>