

## CHAIRMAN'S REPORT



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

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

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

We have just announced our intention to make a full share offer for Tully Sugar Limited as part of our business development program. We are excited at the prospect of joining with a company with quality sugar assets, which would again

double our sugar production. It also moves us closer to our strategic objective of full consolidation and growth of our business in the Wet Tropics, a high rainfall and naturally low-cost cane growing region.

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

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

We have great capabilities to increase production, and to achieve improved operational and cost efficiencies and pricing outcomes along the entire supply chain. This will translate into enhanced returns for our shareholders and our

grower suppliers alike, in a volatile and competitive global commodity market.

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

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

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

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

A handwritten signature in black ink that reads "James Jackson". The signature is fluid and cursive, written over a white background.

**James Jackson**  
Chairman