

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of The Maryborough Sugar Factory Limited and the entities it controlled at the end of, or during, the year ended 30 June 2009.

PRINCIPAL ACTIVITIES

The principal continuing operational activities of the group during the year under review consisted of growing sugar cane and manufacturing raw sugar. The group also produced molasses as a by-product of the sugar manufacturing process.

In July 2008, the group's operations were enlarged by the acquisition of The Mulgrave Central Mill Co. Ltd in North Queensland.

Acquisition of The Mulgrave Central Mill Co. Ltd resulted in the acquisition of a further 9,505,841 'M' class shares in Sugar Terminals Limited. As at 30 June 2009 the group owned 11,775,965 'M' class shares and 34,455,836 'G' class shares in STL (12.8% of the issued capital).

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

The group's principal business activities are conducted in the Maryborough, Gordonvale and Isis districts in the State of Queensland.

All of the group's raw sugar production is exposed to fluctuations in world sugar prices and exchange rates.

OPERATING RESULTS

The group's operating results for the year ended 30 June 2009 are set out in the table on page 2 of this Annual Report.

DIVIDENDS

No dividend was paid for the year ended 30 June 2008.

Directors have not declared a dividend for the year ended 30 June 2009.

DIRECTORS

The following persons hold office as directors of The Maryborough Sugar Factory Limited during the financial year and up to the date of this report:

J A Jackson

J E Burman

R A Burney

S J Palmer

J F Hesp (appointed 17 July 2008)

W B Moller (appointed 17 July 2008)

I C Sandford was a director from the beginning of the financial year until his retirement on 31 July 2008.

Other information on directors can be found on page 21 of this report.

Retiring Directors

Mr R A Burney retires by rotation in accordance with Article 10.3a of the company's constitution and, being eligible, offers himself for re-election.

Board Committees

Audit Committee

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

Compliance Committee

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

Nomination and Remuneration Committee

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

Market Risk Management Committee

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

CHIEF EXECUTIVE OFFICER

Mr M J Barry was appointed to the position of CEO in February 2007. Mr Barry has a Bachelor of Business (Management) (QUT) and an MBA (UQ).

Mr Barry was previously Managing Director of the private equity-owned Hudson Building Supplies, one of Australia's largest building supply companies. For the prior ten years, Mr Barry held a number of senior management roles within Boral Limited.

COMPANY SECRETARY

The company secretary is G R Clarey, Bachelor of Business (Accounting) (CQU), CPA. Mr Clarey joined the company in 1987 and was appointed to the position of company secretary in 1988.

Mr Clarey has had 28 years experience in the Australian sugar industry as well as previous experience in manufacturing and public accounting.

ATTENDANCE AT MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the company's directors and board committees held during the year ended 30 June 2009 and the number of meetings attended by each director.

	Board		Audit Committee		Compliance Committee		Nomination & Remuneration Committee		Market Risk Committee	
	A	B	A	B	A	B	A	B	A	B
J A Jackson	15	15	-	-	-	-	2	2	12	12
J E Burman	11	15	-	-	2	2	2	2	11	12
R A Burney	14	15	4	4	1	1	-	-	-	-
S J Palmer	14	15	4	4	1	1	-	-	-	-
J F Hesp	11	14	-	-	-	-	2	2	8	11
W B Moller	13	14	4	4	1	1	-	-	-	-
I C Sandford	3	3	-	-	-	-	-	-	-	-

A Number of meetings attended.

B Number of meetings held during the time the director held office or was a member of the committee during the year.

DIRECTORS' REPORT

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REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

The information provided in this report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

A Principles used to determine the nature and amount of remuneration

The objective of the group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

In consultation with external remuneration consultants, the group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has economic performance as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The framework provides both fixed and variable pay components; and a blend of short and long-term incentives.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. The board seeks the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. Non-executive directors do not receive share options.

Directors' fees

The current base remuneration was last reviewed with effect from 1 January 2006. Directors' remuneration is inclusive of committee fees. Superannuation guarantee charges continue to be in addition to these fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The fee level currently stands at \$44,000 per director with the Chairman currently receiving an additional allowance of \$30,000 per annum.

Executive pay

The executive pay and reward framework has four components:

- base pay and benefits
- cash bonus based on individual performance criteria at the discretion of the board
- long-term incentives through participation in The Maryborough Sugar Factory Limited Options and Performance Rights Plan, and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Basis of remuneration

Executive remuneration is reviewed annually by the Nomination and Remuneration Committee having regard to performance against goals, relevant comparative information and independent expert advice as needed. As well as a base salary, remuneration packages may include superannuation, performance-related bonuses and motor vehicles.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the company's operations.

Benefits

Specific executives receive benefits including telephone expenses and provision of a motor vehicle.

Retirement benefits

Retirement benefits are available either under the MSF Staff Superannuation Fund or another complying fund. The MSF Staff Superannuation Fund is an accumulation fund and provides life insurance based on age.

Employee Option Plan

Information on the MSF Options and Performance Rights Plan is set out on pages 27 to 30 of this report.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, other key management personnel (as defined in AASB 124 *Related Party Disclosures*) and specified executives of The Maryborough Sugar Factory Limited and The Maryborough Sugar Factory Group are set out in the following tables.

The key management personnel of the group include the directors of

The Maryborough Sugar Factory Limited as noted on page 25 of this report and the following executive officers who report directly to the CEO and are the highest paid executives of the company and the group:

M J Barry
Chief Executive Officer

W M Massey
Chief Financial Officer

G R Clarey
Company Secretary

S W Norton
General Manager, Maryborough

P I Flanders
General Manager, Mulgrave

T D Crook
Agriculture Manager

G B Crimmins
Group Manager, Market Risk

B G Mahony
General Manager, Sales & Marketing

D F Kaye
Property Asset Manager

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

2009	Short-term benefits			Post-employment benefits	Long term benefits	Share-based payment	Total	
	Cash salary and fees	Cash bonus ⁷	Non-monetary benefits	Super-annuation	Retirement benefits	Long service leave		
Name	\$	\$	\$	\$	\$	\$	Options	\$
<i>Non-executive directors</i>								
J A Jackson ¹ <i>Chairman</i>	71,500	–	–	6,435	–	–	–	77,935
J E Burman ²	44,000	–	–	3,960	–	–	–	47,960
R A Burney ³	44,000	–	–	–	–	–	–	44,000
S J Palmer	44,000	–	–	3,960	–	–	–	47,960
J F Hesp ⁴	42,108	–	–	3,763	–	–	–	45,871
W B Moller	42,108	–	–	3,763	–	–	–	45,871
I C Sandford ⁵	6,458	–	–	581	–	–	–	7,039
Sub-total non-executive directors	294,174	–	–	22,462	–	–	–	316,636
<i>Other key management personnel</i>								
M J Barry	313,132	75,963	41,643	34,500	–	8,066	288,474	761,778
W M Massey	157,051	–	8,666	29,132	–	3,875	–	198,724
G R Clarey	131,750	32,938	7,151	27,574	–	3,235	12,763	215,411
S W Norton	130,557	26,250	9,733	26,232	–	3,250	12,763	208,785
P I Flanders	133,665	–	10,974	22,559	–	3,329	–	170,527
T D Crook	122,863	26,075	8,472	24,925	–	3,020	12,763	198,118
G B Crimmins	130,079	30,600	13,999	26,898	–	3,195	12,763	217,534
B G Mahony	159,069	–	–	12,736	–	3,892	–	175,697
D F Kaye	155,330	35,744	2,383	15,166	–	3,326	12,763	224,712
R T McDowall ⁶	125,650	–	43,087	26,720	574,849	2,979	–	773,285
Sub-total key management personnel	1,559,146	227,570	146,108	246,442	574,849	38,167	352,289	3,144,571
Total	1,853,320	227,570	146,108	268,904	574,849	38,167	352,289	3,461,207

¹ A director-related entity of J A Jackson received \$18,750 in consulting fees during the year in addition to the above payments.

² J E Burman received \$15,000 in consulting fees during the year in addition to the above payments.

³ R A Burney's director's fees of \$44,000 were paid to his employer. He receives no superannuation benefit in respect of these fees.

⁴ J F Hesp received \$10,500 in consulting fees during the year in addition to the above payments.

⁵ I C Sandford retired on 31 July 2008.

⁶ R T McDowall received benefits including accrued annual leave and long service leave on termination of his employment on 27 February 2009.

⁷ Cash bonuses paid at the discretion of directors.

Since the end of the financial year the company has retained a director-related entity of Mr J A Jackson, a director, and Dr J E Burman and Mr J F Hesp, directors, to conduct project work on a commercial consulting basis. No other director has, since the end of the financial year, received or become entitled to receive any benefit (other than a benefit included in this Remuneration Report) by reason of a contract made by the company with the director or with a firm of which he or she is a member, or with a company in which he or she has a substantial financial interest.

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

2008	Short-term benefits			Post-employment benefits	Long term benefits	Share-based payment	Total	
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Retirement benefits	Long service leave		Options
Name	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive directors</i>								
I C Sandford <i>Chairman</i>	74,000	–	–	6,660	–	–	–	80,660
R R Savage ¹	36,134	–	–	3,252	–	–	–	39,386
J A Jackson ²	44,000	–	–	3,960	–	–	–	47,960
J E Burman ³	44,000	–	–	3,960	–	–	–	47,960
R A Burney ⁴	44,000	–	–	–	–	–	–	44,000
S J Palmer ⁵	10,142	–	–	913	–	–	–	11,055
Sub-total non-executive directors	252,276	–	–	18,745	–	–	–	271,021
<i>Other key management personnel</i>								
M J Barry	282,506	78,000 ⁶	7,073	32,446	–	7,492	184,085	591,602
G R Clarey	121,572	–	10,324	21,260	–	3,043	25,382	181,581
G B Crimmins	120,288	–	8,537	20,277	–	2,981	25,382	177,465
S W Norton	115,310	–	15,516	19,602	–	2,889	25,382	178,699
T D Crook	107,857	–	8,538	18,336	–	2,699	25,382	162,812
D F Kaye	137,332	20,000 ⁷	706	12,358	–	2,993	25,382	198,771
Sub-total key management personnel	884,865	98,000	50,694	124,279	–	22,097	310,995	1,490,930
Total	1,137,141	98,000	50,694	143,024	–	22,097	310,995	1,761,951

¹ R R Savage retired on 7 April 2008.

R R Savage received \$4,000 in consulting fees during the year in addition to the above payments.

² A director-related entity of J A Jackson received \$9,750 in consulting fees during the year in addition to the above payments.

³ J E Burman received \$15,000 in consulting fees during the year in addition to the above payments.

⁴ R A Burney's director's fees of \$44,000 were paid to his employer. He receives no superannuation benefit in respect of these fees.

⁵ S J Palmer was appointed on 7 April 2008.

⁶ Cash bonus paid at the discretion of directors.

⁷ Cash bonus paid in accordance with conditions of employment.

C Service agreements

Remuneration and other terms of employment for key management personnel are formalised in letters of appointment. Each of these documents provides details of base salary and other benefits such as telephone expenses and provision of motor vehicle. Major aspects of these appointments relating to remuneration are set out below.

M J Barry

Chief Executive Officer

- Agreement dated 22 January 2007.
- Base salary, inclusive of superannuation and fully maintained motor vehicle, of \$370,000 to be reviewed annually by the Chairman and the Nomination and Remuneration Committee.
- Payment of a termination benefit on termination by the company, other than for gross misconduct, on a pro rata basis in lieu (in whole or in part) of a 6 month notice period.

W M Massey

Chief Financial Officer

- Formerly employed by The Mulgrave Central Mill Co. Ltd.
- Appointed to position of CFO on 11 August 2008.
- Base salary, inclusive of superannuation and fully maintained motor vehicle, of \$196,950 to be reviewed annually by the CEO.

G R Clarey

Company Secretary

- Appointed on 2 November 1987.
- Base salary, inclusive of superannuation and fully maintained motor vehicle, for the year ended 30 June 2009 of \$164,000 to be reviewed annually by the CEO.

S W Norton

General Manager, Maryborough

- Appointed 6 September 1999.
- Base salary, inclusive of superannuation and fully maintained motor vehicle, for the year ended 30 June 2009 of \$166,888 to be reviewed annually by the CEO.

P I Flanders

General Manager, Mulgrave

- Formerly employed by The Mulgrave Central Mill Co. Ltd.
- Appointed to position of General Manager – Mulgrave on 16 February 2009.
- Base salary on appointment, inclusive of superannuation and fully maintained motor vehicle, of \$171,725 to be reviewed annually by the CEO.

T D Crook

Agriculture Manager

- Appointed 1 September 2005.
- Base salary, inclusive of superannuation and fully maintained motor vehicle, for the year ended 30 June 2009 of \$155,000 to be reviewed annually by the CEO.

G B Crimmins

Group Manager, Market Risk

- Appointed 21 March 2006.
- Base salary, inclusive of superannuation and fully maintained motor vehicle, for the year ended 30 June 2009 of \$163,000 to be reviewed annually by the CEO.

B G Mahony

General Manager, Sales & Marketing

- Appointed on acquisition of The Mulgrave Central Mill Co. Ltd.
- Base salary, inclusive of superannuation for the year ended 30 June 2009 of \$168,403 to be reviewed annually by the CEO.

D F Kaye

Property Asset Manager

- Appointed 28 August 2006.
- Base salary, inclusive of superannuation and motor vehicle allowance, for the year ended 30 June 2009 of \$165,000 to be reviewed annually by the CEO.

D Share-based compensation

Performance rights may be granted under the MSF Options and Performance Rights Plan (OPRP) which was approved by shareholders at the 2005 annual general meeting. Employees eligible to participate in the plan are those who are members of the executive staff.

The OPRP is designed to provide long-term incentives for executives to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance criteria are met and the employees remain employed by the company at the end of the vesting period. Participation in the plan is at the discretion of the board. The chief executive officer, M J Barry, has a contractual right to participate in the plan.

The terms and conditions of each grant of options and performance rights affecting remuneration in the previous, this or future reporting periods are as follows:

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Grant date	Number of options granted	Number of performance rights granted	First exercise date	Last exercise date	Option exercise price \$	Fair value per option at grant date \$	Percentage vested %
18.11.2006	440,000	–	18.11.2009	18.11.2011	2.70	0.9370	–
1.3.2007	209,420	–	1.3.2010	1.3.2012	2.90	0.9150	–
11.3.2008	560,000	–	11.3.2011	11.3.2013	2.70	0.8097	–
30.6.2009	50,000	–	30.6.2011	30.6.2014	2.00	0.4044	–
30.6.2009	100,000	–	30.6.2012	30.6.2014	2.00	0.4480	–
30.6.2009	50,000	–	30.6.2013	30.6.2014	2.00	0.4894	–
30.6.2009	–	43,750	30.6.2011	–	0.00	1.5809	–
30.6.2009	–	87,500	30.6.2012	–	0.00	1.5813	–
30.6.2009	–	43,750	30.6.2013	–	0.00	1.5817	–

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

Details of options and performance rights provided as remuneration to each of the key management personnel of the group are set out below.

Name	Number of options granted during the year		Number of performance rights granted during the year		Number of options vested during the year		Number of performance rights vested during the year	
	2009	2008	2009	2008	2009	2008	2009	2008
M J Barry	–	560,000	–	–	–	–	–	–
W M Massey	200,000	–	–	–	–	–	–	–
G R Clarey	–	–	25,000	–	–	–	–	–
S W Norton	–	–	25,000	–	–	–	–	–
P I Flanders	–	–	25,000	–	–	–	–	–
T D Crook	–	–	25,000	–	–	–	–	–
G B Crimmins	–	–	25,000	–	–	–	–	–
B G Mahony	–	–	25,000	–	–	–	–	–
D F Kaye	–	–	25,000	–	–	–	–	–

The assessed fair value at grant date of options and performance rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying shares, the expected dividend yield and the risk-free interest rate for the term of the option.

For options issued on 18 November 2006:

a options were granted for no consideration and vest dependent on the compound annual growth rate (CAGR) of the company's total shareholder returns (TSR)

b exercise price: \$2.70 (post share split basis)

c grant date: 18 November 2006

d expiry date: 18 November 2011

e share price at grant date: \$3.075 (post share split basis)

f expected price volatility of the company's shares: 40.81% (based on annualised standard deviation for the 3 year period to 18 November 2006)

g expected dividend yield: 3.956%

h risk-free rate: 5.91%

For options granted on 11 March 2008:

a options were granted for no consideration and vest dependent on the compound annual growth rate (CAGR) of the company's total shareholder returns (TSR)

b exercise price: \$2.70

c grant date: 11 March 2008

d expiry date: 11 March 2013

e share price at grant date: \$2.48

f expected price volatility of the company's shares: 48.93% (based on annualised standard deviation for the 3 year period to 12 March 2008)

g expected dividend yield: 1.786%

h risk-free rate: 6.25%

For performance rights issued on 30 June 2009:

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

b exercise price: \$0.00

c grant date: 30 June 2009

d expiry date: 30 June 2014

e share price at grant date: \$1.58

f expected price volatility of the company's shares: 35.74% (based on annualised standard deviation for the 3 year period to 30 June 2009)

g expected dividend yield: 0%

h risk-free rate: 4.57%

For options granted on 30 June 2009:

a options were granted for no consideration and vest dependent on the compound annual growth rate (CAGR) of the company's earnings per share (EPS)

b exercise price: \$2.00

c grant date: 30 June 2009

d expiry date: 30 June 2014

e share price at grant date: \$1.58

f expected price volatility of the company's shares: 37.58% (based on annualised standard deviation for the 3 year period to 30 June 2009)

g expected dividend yield: 0%

h risk-free rate: 5.22%

No options or performance rights were exercised under the plan during the year ended 30 June 2009.

E Additional information

Over the past five years, average executive remuneration has grown in line with the market in comparative positions in comparative companies.

The company's executive also participates in a bonus scheme which is linked to performance against key performance indicators.

For each cash bonus and grant of options included in the tables on pages 25, 26 and 28 the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonuses is payable in future years. The options vest only if the vesting conditions are met (see pages 28 and 29). No options will vest if the conditions are not satisfied, hence the minimum value of the options yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

Name	Cash bonus			Options			Minimum total value of grant yet to vest	Maximum total value of grant yet to vest
	Paid %	Forfeited %	Financial Year Granted	Vested %	Forfeited %	Financial years in which options may vest		
M J Barry	80	20	2009	-	-	-	-	-
M J Barry	100	-	2008	-	-	2011-2013	-	255,910
M J Barry	-	-	2007	-	-	2008-2010	-	52,675
W M Massey	-	-	2009	-	-	2011-2013	-	89,405
G R Clarey	85	15	2009	-	-	2011-2013	-	39,495
G R Clarey	-	-	2007	-	-	2008-2010	-	8,497
S W Norton	70	30	2009	-	-	2011-2013	-	39,495
S W Norton	-	-	2007	-	-	2008-2010	-	8,497
P I Flanders	-	-	2009	-	-	2011-2013	-	39,495
T D Crook	75	25	2009	-	-	2011-2013	-	39,495
T D Crook	-	-	2007	-	-	2008-2010	-	8,497
G B Crimmins	80	20	2009	-	-	2011-2013	-	39,495
G B Crimmins	-	-	2007	-	-	2008-2010	-	8,497
B G Mahony	-	-	2009	-	-	2011-2013	-	39,495
D F Kaye	95	5	2009	-	-	2011-2013	-	39,495
D F Kaye	100	-	2007	-	-	2008-2010	-	8,497

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Share-based compensation: Options

Further details relating to options are set out below:

Name	A Remuneration consisting of options %	B Value at grant date \$	C Value at exercise date \$	D Value at lapse date \$
M J Barry	37.9	288,475	–	–
W M Massey	–	85	–	–
G R Clarey	5.9	12,763	–	10,853
S W Norton	6.1	12,763	–	10,853
P I Flanders	–	38	–	–
T D Crook	6.4	12,763	–	10,853
G B Crimmins	5.9	12,763	–	10,853
B G Mahony	–	38	–	–
D F Kaye	5.7	12,763	–	10,853

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

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

C The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

D The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

OTHER MATTERS

Significant changes

Directors are not aware of any significant change in the state of affairs of the group that occurred during the financial year and which has not been dealt with elsewhere in this Annual Report.

Matters subsequent to the end of the financial year

On 27 August 2009, The Maryborough Sugar Factory Limited (Maryborough) announced its intention to make an offer to acquire all the shares of Tully Sugar Limited (Tully).

Maryborough proposes to offer 13 shares in MSF for each Tully share, valuing Tully's equity at approximately \$90.4 million.

The offer is subject to Maryborough acquiring at least 80% of the Tully shares on issue and is also subject to Tully shareholders amending the Tully Constitution.

If the offer succeeds, Maryborough intends to invite the Tully board to nominate three people to become independent directors on the Merged Group Board.

Maryborough believes the proposal offers numerous benefits for Tully and Tully shareholders.

Sugar cane supply contracts with Directors

Mr J F Hesp and Mr W B Moller, directors, have a contractual arrangement to supply sugar cane to the Mulgrave Mill on a normal commercial basis and on the same standard terms which apply to other suppliers to the mill.

Likely developments and expected results of operations

Information on likely developments in the operations of the group is contained in the Chairman's Overview (page 3) and CEO's Review (pages 4 and 5) in this Annual Report.

Further information on likely developments in the operations of the company and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Risk Management Policies

All of the group's raw sugar production for the year under review was sold independently and was exposed to fluctuations in world sugar prices and exchange rates.

At the date of this report there are no significant legal issues outstanding.

Risk management is further addressed in the Corporate Governance Statement.

INSURANCE OF OFFICERS

During the financial year, The Maryborough Sugar Factory Limited paid premiums to insure the directors and senior officers of the company.

The underwriter of this policy does not consent to the publication of the nature of liabilities insured or the amount of the premium.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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

NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

The board of directors has considered the position and, in accordance with the advice received from the Audit Committee,

is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out on pages 77 and 78 of this Annual Report, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

AUDITORS

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

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 32 of this report. This report is made in accordance with a resolution of the directors.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts on the financial report. Amounts in the financial report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.



J A Jackson (Chairman)

Gordonvale, 17 September, 2009