



Mackay
Sugar

ANNUAL REPORT MACKAY SUGAR

2018/2019

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About Mackay Sugar

Mackay Sugar is Australia's second largest sugar milling company, with over 140 years' experience. We have three operating milling sites in Mackay - Farleigh, Marian and Racecourse. Our main office is located at Racecourse Mill, Mackay.

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

With an appetite to maximise our business opportunities, shareholders voted in favour of converting Mackay Sugar Limited to an unlisted public company in July 2008. As at 31 May 2018, we had 977 growers (2018: 979) supplying cane to our mills and 1074 (2018: 1066) shareholders holding investment shares.

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

We hold a 25 per cent interest in the Sugar Australia Joint Venture (SAJV) and New Zealand Sugar Company. Wilmar Sugar holds the remaining 75 per cent stake in these refining businesses. Products from the three refineries, located at Mackay's Racecourse Mill, Yarraville in Victoria and Auckland in New Zealand, are marketed by Sugar Australia Pty Limited and New Zealand Sugar Company.

In July 2019 the Mackay Sugar shareholders approved the proposal for Nordzucker AG to acquire a 70% controlling interest in the share capital of Mackay Sugar through an investment of \$60 million in equity and the provision of a shareholder loan of up to \$60 million to the Company. Nordzucker AG is one of the leading sugar manufacturers in Europe and is headquartered in Braunschweig, Germany. Fundamental to this transaction was the divestment of Mossman mill and on 5 July 2019 the sale of Mossman Mill to Far Northern Milling Pty Ltd (FNM) and Far Northern Infrastructure Pty Ltd (FNI) was completed.

FNM and FNI are entities controlled by the sugar cane growers in the Mossman and Atherton Tablelands area.

As at 31 May 2019, we employed 698 people in a variety of roles across our operations. This includes planning, procurement, information technology, human resources, accounting, administrative, trade, technical and processing roles. Approximately 319 people are employed on a seasonal basis to assist permanent staff with our crushing season (May to November) operations. During the 2018 crushing season our total workforce was approximately 930.



Performance Summary

For the Year Ended 31 May 2019

Five-year summary (operational, financial and people statistics)

	31 May 2019	31 May 2018	31 May 2017	31 May 2016	31 May 2015
Production					
Tonnes cane milled	5,781,859	6,151,356	6,862,864	6,191,429	6,668,039
Tonnes sugar produced (IPS)	807,960	795,756	856,127	863,434	923,242
Tonnes of molasses	211,739	218,022	239,716	211,922	216,046
MSL total average sugar price	\$418.35	\$469.82	\$487.48	\$409.92	\$438.76
Financial (\$'000)					
Operating revenue	405,098	450,894	498,833	432,904	475,165
Gross profit	183,647	198,045	217,847	200,652	208,380
Net interest expense	15,143	12,945	13,014	14,921	12,848
Net profit after tax	(190,192)	(20,427)	(33,414)	(26,063)	(11,391)
Net operating cash flow	(61)	19,996	43,644	(10,914)	33,534
Total Assets	309,461	490,232	522,409	553,531	557,796
Total liabilities	309,461	285,243	306,130	331,188	290,076
Net assets/Total equity	0	204,989	216,279	222,343	267,720
Capital expenditure	13,872	12,281	22,760	28,577	28,042
People					
Total employees	904*	859	908	927	909
*Includes seasonals for the 2019 crushing season					

Executive Director/ CEO's Review

During the year ending May 2019 and the period up to 31 July 2019, Mackay Sugar (MSL) has set a new direction for the future. If we (all the stakeholders) were not able to address the issues facing the Company, the future was very uncertain.

Recapitalisation

For the last two years, we have been seeking a way to recapitalise the business and find a suitable partner to join us for the future. We had an extensive process of seeking out this partner from all the major global sugar players and other capital markets. As we are all aware, the shareholders have now overwhelmingly accepted Nordzucker AG to be that partner at the Extraordinary General Meeting (EGM) on 29 July 2019. Nordzucker now holds a majority shareholding of 70% of the shares of MSL.

The path to this solution was far from easy. We had to develop new long term arrangements with all our senior financiers, sell Mossman mill to another entity, seek significant assistance from the State Government, reintroduce the CCS formula for cane payment and agree to a capital consideration for 70% equity and a loan from Nordzucker. At the same time, we needed agreement to repay the deferred cane payment, as part of the overall transaction. A new constitution had to be developed, an Independent Expert's opinion was required, and then an overall review by ASIC had to be completed. Finally MSL shareholders had to approve the transaction and Nordzucker had to be satisfied with the conditions precedent being adequately met.

We got there! Our senior lenders have agreed to new long-term facilities, supporting the business into the future. Our corporate noteholders agreed to a 50% reduction in the principal repaid of \$25m. The other \$25m has now been repaid.

The State Government agreed to provide financial assistance of up to \$14M. Far Northern Milling acquired Mossman Mill on 5 July 2019 after securing their own financial support from the State and Federal Governments. Growers have overwhelmingly agreed to change back to the CCS formula (currently 99% have approved). ASIC reviewed the Independent Experts Report and the overall transaction. MSL Voting and Investment shareholders approved the four resolutions with overwhelming support of 94% to 95% of the shares voted. Nordzucker then agreed the conditions precedent were adequately satisfied for the transaction to proceed.

As part of this process, we held almost 40 shed (communication) meetings with growers. I believe this was a vital part of this process so that growers and shareholders had adequate time to understand the position of the Company and the proposed transaction. It took a lot of time but it was important so that when we got to the EGM, shareholders had the necessary information to make an informed decision as to their future and the future of the region's sugar industry.

The MSL Board, Management and our advisors Kidder Williams and McCullough Robertson worked tirelessly through this process to find the solution to each challenge along the way. I wish to thank our Board, Managers and advisors who put in an enormous effort to bring this deal together. This effort is continuing now as Nordzucker are becoming fully involved as the controlling shareholder.

Mark Day
Executive Director and CEO



Nordzucker are a very large European sugar company with a very long history in the sugar industry and are grower owned. Their history is very similar to Mackay Sugar, having a grower owned background and industry growth and amalgamation occurring over the decades. The MSL Board believes that Nordzucker is an excellent partner to move forward with to restore the performance of the Mackay sugar industry.

As outgoing Chairman, I want to thank all who have been involved to achieve this outcome. Mackay is a great place to grow cane, make sugar and supply Asia through our world class industry owned ports. What we have here can succeed and be competitive now and for future generations. Very few places in the world have natural and man-made “sugar assets” that the Mackay region has in place for this industry. If we continue to improve the overall industry performance and use the assets wisely, the industry can remain here well into the future for next generations.

Year Ending May 2019 and 2018 Season

In 2018 season, Mackay's three mills crushed 4,671,801 tonnes cane producing 653,738 tonnes sugar, 176,403 tonnes molasses and sold 111,427 MWh of electricity. Mossman mill crushed 819,231 tonnes cane and produced 111,397 tonnes sugar, 35,336 tonnes molasses and sold 1,542 MWh of electricity.

Overall this produced revenues of \$405m which, after costs, resulted in an operating loss of \$29.2m. Additionally, impairments of \$165m were incurred which resulted in a final net loss of \$190.2m. Net cash flow was a surplus of \$2.1m with capital investments of \$13.9m. Net debt at 31 May 2019 was \$194.8m.

In the Mackay region, growing conditions were very dry prior to the 2018 season and then through the season. Across the region, the crop season rainfall was only around 850mm compared to a long-term average of 1600mm. As a result the non/low irrigation areas suffered lower yields and the Mackay regional average was only 69t/ha. With the dry weather, we did crush all of the crop that growers wanted to send to the mill, the first time in three years.

As a comparison, in the 2017 season we crushed 4.97 million tonnes in Mackay and left 275,000 tonnes of standover cane. At Mossman we crushed 875,837 tonnes with an additional 302,643 tonnes toll crushed at the Tablelands Arriga mill. Our total crop was 6.15 million tonnes in 2017.

Sugar prices for MSL averaged \$418/t IPS sugar versus \$470/tonne IPS sugar in 2017 season.

It is worth recognising the efforts of the workforce and staff who perform the best they can in difficult conditions to keep the mills running. There is no lack of commitment from the mill workforce through the season and I would like to thank them for their commitment and efforts.

Sugar Markets

MSL growers now have “grower choice of sugar marketer” and the Board is pleased that growers can now choose their marketer for all or part of their economic interest in the value of the sugar produced. This ability for cane growers to forward price part of their crop and manage their risk themselves through the cycle is unique to Australia. It is a valuable tool for millers and growers alike. Queensland Commodity Services Pty Ltd (QCS) will continue to develop its services for the 67% of the total grower economic interest (GEI) that was allocated to QCS.

Latest market reports are still forecasting a rise in sugar prices in coming seasons. Current prices around US 11.5c/lb are not profitable for anyone in the industry. A couple of years out, the forward curve is at 13.5c/lb and most analysts are forecasting a move to a global deficit of sugar. Two years ago the surplus production was estimated at 19Mt, last year a surplus of 4Mt and now analysts forecasting a sugar deficit in the next year of 4Mt between global production and global consumption. At least the trend is in the right direction pulling down global stocks. There have been a number of mill casualties in the last few years with mills in Brazil and South Africa moving into very high indebtedness.

Unfortunately, Indian export subsidies are propping up their uncompetitive industry and action is being taken by Australia and other exporters with the WTO to seek a termination of the Indian Government's support for exported Indian sugar. Brazil, the largest cane producer, is maximizing the ethanol for fuel make and minimising their sugar make as a response to the low world price.

Capital Investments

Management is very aware that the mill performance is sub-standard and this is one of the prime focus points of the recapitalisation program with Nordzucker.

Prior to the 2018 season, \$2.7m was invested in replacement equipment on the boilers at Racecourse and as a result we have restored No 3 boiler to be able to operate at 100% of its design steam output rating, the first time since 2001 it has been above 90%.

Executive Chairman/ CEO's Review (continued)

This has allowed us to decommission the very old No 2 boiler and make savings on maintenance and increase bagasse production for electricity cogeneration. It is just an example that if we focus on this business in Mackay to restore the equipment, we can get our performance back up. However, there is quite a backlog of work to be done in maintenance and capital and it will take a few years to complete the list of projects.

Across the three Mackay mills and Mossman mill a total of \$68m was spent on maintenance and capital, \$5m more than in the previous year. The aim of this was to focus on items would likely give us reliability issues in the 2019 crushing season.

Other significant capital projects completed were:

— Replace Ash Clarifier – Racecourse	\$1,424,000
— Replace A and B Molasses Tanks - Farleigh	\$ 916,000
— Replace Top Cone Pans 3 and 7 – Racecourse	\$ 566,000

Cogeneration – Renewable energy

With the reduced crop of 4.7Mt and relatively low fibre levels, our electricity generation was down and we required more coal for the final months of the year to supply steam and power to the refinery. This negatively impacted our cogeneration revenue and increased costs.

Every six years the 38MW turbine requires an internal inspection and major overhaul. This was carried out in the first half of 2019 at a cost of approximately \$700,000. The cogeneration boiler, No 4 boiler, also had the grate in the furnace replaced at a cost of around \$1m.

A new electricity offtake agreement was negotiated with Ergon and MSL can now follow the market prices and produce more when prices are higher and conserve fuel when the prices are lower.

Safety and the Environment

As part of management's and the workforce's focus, we want everyone to be able to participate in the industry in an environment where it is safe. This is far more important than any operational or financial performance parameter. All staff are required to conduct safety walks and engage with the workforce on safety matters.

Board and Senior Staff

At the completion of the August 2019 Board meeting, all Grower Directors (Paul Manning, Lee Blackburn, Tony Bartolo, Andrew Cappello and Lawrence Bugeja) offered their resignations, following the completion of the Nordzucker transaction. Maurie Maughan and Richard Findlay, our Independent Directors also offered their resignations. I would like to thank all Directors for their commitment and efforts through the process we went through in the last two years. It was not easy and at many stages we had our own doubts as to whether we would find solutions. We worked closely as a united team and this was vital for success.

Nordzucker have nominated their Controlling Member Directors as Michael Gerloff (Chairman), Sven Buhrmann, Frank Knaelmann, myself (Mark Day) and Maurie Maughan. The Board of MSL have accepted these nominations.

A selection process was held for the new Grower Director positions and Paul Manning, Lee Blackburn and George Williams were recommended to the Board and accepted as Grower Directors. All growers who nominated for the roles were interviewed by the panel. We would encourage other growers to consider nominating for these roles on the MSL Board in the future because growers have a lot to contribute to the direction and success of MSL.

We have a workforce and cane growing community that relies on this industry and there is no shortage of effort to remove the crop each season and wanting to do better. I have enjoyed the challenges as Chairman through this period and the interaction with all industry participants, especially the hours of conversations and exchanges we have had at the shed meetings. You deserve to succeed. I am sure Michael as the new Chairman of the Board will work tirelessly with the Board to ensure the partnership with Nordzucker is progressively strengthened over time to bring success for the sugar industry in Mackay.

Welcome by Michael Gerloff

As the new Chairman, and on behalf of the entire board of directors, I warmly welcome MSL as a member of Nordzucker Group. I have been largely responsible for the Nordzucker investment in MSL and I now head Nordzucker's Cane Sugar business unit.

I am fully convinced that we have both taken a significant step forward towards a successful future for each of our companies, for our shareholders, for our growers and our employees – in Australia and in Europe. It is a major achievement and I would like to say thank you on behalf of all those involved. In particular I would like to thank Mark Day for many months of intensive and trusting negotiations and fruitful exchanges. Mark has been hands on throughout the process and his knowledge of the business and the Australian sugar industry as a whole has greatly assisted in driving the outcome. I look forward to working with Mark as he continues the role of director and CEO of Mackay Sugar.

MSL and Nordzucker are now on a new path. The investment provides MSL with the potential to turn the business around and restore grower confidence that their crops can be crushed in the future, especially when prices rise. Nordzucker are convinced that MSL is the right partner at the right time to enter into cane sugar production. As Nordzucker we fully focus on sugar – from beet and cane. Together we are a global, leading sugar producer supplying the European as well as the Australian and Asian markets.

The way how we learn to work together will be vitally important for our joint future. Our heritages are similar, we are close to our shareholders and growers. Our goals are aligned.

We will focus initially on improving mill performance and the crop - the core business. There will be changes and new ways, but also new possibilities. As a region, there is now a chance to pass the industry on to the next generation, both in the field and in the mills. We are convinced that the investments will generate positive earning contributions in the medium term. We are also convinced that together we will be able to build up a sustainable and efficient international sugar production in the long term. Together we have good prospects for a globally competitive sugar business.

Shareholders and growers, I gladly invite you to join in the next chapter towards a successful and profitable future for Mackay Sugar.

Michael Gerloff
Chairman



Financial Snapshot

The Group incurred a loss of \$190.192 million and an underlying operating loss of \$29.192 million. The underlying operating loss excludes the loss on impairment of milling assets of \$164.404 million, the loss on impairment of investment property of \$0.656 million, and insurance recoveries related to past events of \$4.060 million. Other than the impairment losses, the financial results are largely driven by a decrease in sugar revenue due to lower raw sugar prices and reduced cane tonnages processed through the mills, offset by improved PRS/CCS levels. The year has delivered a cash deficit of \$15.372 million, funded through an increase in debt of \$17.503 million, resulting in an increase of cash and cash equivalents of \$2.131 million.

Consolidated financial accounts

The financial accounts presented in this report are the consolidated financial accounts of Mackay Sugar Limited Group. Mackay Sugar has a wholly owned active subsidiary – Queensland Commodity Services Pty Ltd (QCS) which is required to be included in the financial statements presented by Mackay Sugar. The discussion on the financial statements set out below is in relation to the Group.

Significant items during the year which affected the financial accounts

Impairment of milling and investment property assets

The Directors determined to impair the milling and investment property assets as at 31 May 2019 which resulted in a reduction in the value of property, plant, equipment and investment property assets of \$165.060 million. The impairment was determined on the basis of the recapitalisation transaction on 31 July 2019 and the sale of Mossman mill on 5 July 2019. The Directors consider that these transactions represent the most appropriate fair value of the Company's assets at 31 May 2019. This amount was required to be treated as a loss in the statement of profit or loss for the year and has resulted in net assets (total equity), as reported in the statement of financial position, of \$Nil.

Marian Mill insurable events

The Company received further insurance payments during the year to indemnify the Group as a result of the outgoings incurred in prior years from damage to the Marian No.1 boiler and 5MW turbine alternator. The insurance claims for the repairs and replacement equipment were received in prior financial years. The insurance proceeds received during the 2019 financial year of \$4.060 million related to a business interruption (loss of profits) claim and has been recognised as revenue in the statement of profit or loss for the year.

Changes in Accounting Standards

The Group was required to implement a significant new accounting standard (AASB 15 Revenue from Contracts with Customers) for the year ended 31 May 2019. This standard resulted in some changes to the way revenue is calculated and recognised in the financial statements. It is important to note that in relation to the financial information reported below, comparative information for both the year ended 31 May 2018 and balances as at 31 May 2018 have been updated for changes in the accounting standards required by the application of AASB 15. The details of these changes are explained in notes 1(hh) and 1(ii) of the Company's full 2019 financial report.

Statement of profit or loss

The net profit before income tax for the year ended 31 May 2019 was a loss of \$190.192 million; which represents an increase in loss of \$169.765 million on the \$20.427 million loss in the 2018 financial year. As previously stated, the reported loss includes the write-down of milling assets and investment properties of \$164.404 million and \$0.656 million respectively; and insurance recoveries related to past events at Marian Mill of \$4.060 million. Excluding these extraordinary items, the operating results for the Company would have been a loss of \$29.192 million.

The crop for the 2019 financial year (2018 season) of 5.782 million tonnes (Mt) was down by 6.0 per cent on the 2017 season crop (6.151Mt). The decrease in cane tonnage was offset by an increase in the sugar content and higher sugar recoveries, which resulted in an overall 1.5 per cent increase in sugar production. The average sugar price for the financial year was \$418.35/t IPS sugar compared with the 2017 season price of \$469.82/t IPS sugar. The combination of the increased sugar production and the \$51.47/t decrease in the sugar price resulted in a reduction of \$35.129 million in sugar revenue.

Molasses production for the 2018 season decreased by 2.9 per cent as a result of the lower crop tonnage offset by a 2.8 per cent increase in the molasses yield compared to the 2017 season. The molasses price for the 2018 season decreased by 4.2 per cent. The net effect was a reduction in molasses revenue of \$3.613 million compared to the previous year.

Electricity sales decreased by 25.6 per cent on the previous financial year to \$21.655 million. This was primarily due to the lower cane tonnages processed through the mills, lower fibre in the cane and lower factory energy efficiency. Services revenue, which is primarily made up of transport, storage and handling services supplied under sugar and molasses contracts, increased by 4.6% to \$4.805 million. Other operating revenue remained similar to the previous year at \$7.875 million; the major items being insurance revenue of \$4.060 million and STL dividends of \$2.258 million.

The net effect of the combined revenue items resulted in a decrease in gross profit of \$14.398 million or 7.3 per cent when compared to the 2018 financial year.

Maintenance expenses for the 2019 financial year were \$53.820 million compared to \$50.887 million incurred in the previous financial year. The \$2.933 million increase in expenditure was primarily due to the scheduled 5 year overhaul work required on the cogeneration boiler. Operating expenses were \$83.636 million compared to \$84.584 million incurred in the previous year. The \$0.948 million decrease in this expenditure was mainly due to the lower crop and reduced season length, offset by an increase in coal requirements due to the lower fibre rates and energy efficiency. Administration expenses, which include all operational staff salaries, decreased by \$1.050 million to \$44.335 million, primarily due to a reduction in staff, legal fees and consultancy fees associated with the recapitalisation project.

Distribution and marketing expenses decreased by \$0.244 million to \$8.095 million compared to the previous financial year. The reduction was mainly due to lower QCS overheads and sugar analysis expenses.

The profit from equity accounted investments of \$13.355 million represents the Company's share of profit in its Sugar Australia and New Zealand Sugar refinery investments. This increased by \$2.926 million compared to the previous year due to additional revenue realised from gains on raw sugar pricing and lower depreciation as a result of the impairment of the Sugar Australia investment and the associated write-down of their property, plant and equipment in previous financial years.

Financial Snapshot (continued)

Net finance costs increased by \$2.198 million to \$15.143 million compared to the previous year. An increase in the cost of seasonal financing of \$1.552 million resulted from a change in the advance sugar payment arrangements which meant that the Company utilised more financing during the crushing period. Additional financing costs of \$0.525 million were also incurred for the STL subscription liability due to an increase in the valuation of the STL shares, upon which the financing costs are based, in accordance with the STL subscription agreement.

Depreciation decreased by \$2.014 million to \$14.588 million for the 2019 financial year. This result was attributable to a reduction in the asset base due to the \$51 million devaluation of property, plant and equipment on 30 November 2018; and the decrease in cane tonnages processed through the mills, which is the basis for calculating the depreciation of milling plant and equipment.

Other expenses increased by \$1.916 million on the previous year to \$2.193 million. The increase was mainly due to plant and equipment write-offs due to the replacement of Racecourse boiler components.

Statement of financial position

Total equity decreased by \$204.989 million on the previous year to \$Nil as at 31 May 2019. This was due to the loss for the year of \$190.192 million, including the loss on impairments and a decrease in reserves of \$14.797 million. The asset impairments have resulted in the value of total assets decreasing to \$309.461 million. As total liabilities as at 31 May 2019 are \$309.461 million, net assets (total equity) is \$Nil.

The reserve movements reflect a reduction in the hedge reserve of \$17.283 million, an increase in the financial asset revaluation reserve of \$1.674 million, and an increase in the foreign currency translation reserve of \$0.812 million.

The hedge reserve of \$4.875 million reflects the mark-to-market surplus in the value of the Group's hedging positions as at the year-end date. It is a requirement that the sugar pricing, foreign exchange contracts, and interest rate hedging contracts be valued and taken up in the financial accounts. The hedge reserve decreased by \$17.283 million compared to the previous year. The reduction was mainly due to the settlement of sugar price hedging swaps during the year which resulted in a significantly reduced hedging position as at 31 May 2019. The gains resulting from the settlement of sugar price hedging are recognised as revenue in the current year.

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

Net debt increased by \$15.968 million to \$194.830 million, primarily due to additional bank financing being required to fund negative operating and investing cash flows. The net debt is comprised of bank term debt loans of \$100 million, bank seasonal financing loans of \$30 million, fixed-rate medium-term unsecured notes (bonds) of \$50 million, interest bearing deposits of \$0.098 million, selected-term unsecured notes of \$3.233 million and the STL subscription liability of \$28.423 million, offset by cash of \$16.924 million. The net debt excludes the deferred cane payment liability of \$18.456 million as this liability was required to be accounted for as a provision as at 31 May 2019.

Receivables decreased by \$5.846 million to \$16.088 million, mainly due to a reduction in GST receivables; timing of receipt of the New Zealand Sugar dividend; seasonal timing factors associated with sugar, molasses and electricity revenue receivables; and a reduction in grower plant loans. Payables decreased by \$4.347 million to \$40.708 million, primarily due to the timing of cane payments.

A liability for the deferred cane payments of \$18.456 million has been recognised as at 31 May 2019 (refer note 11 of the financial statements). The liability was recognised as a provision on the same basis as the previous financial year. The Directors' have determined that, based on the terms and conditions under the cane supply and processing agreement, the amounts deferred are to be accounted for as a liability due to their potential repayment under the trigger events included in the agreement.

The long term bank loans with Rabo and NAB of \$100.0 million and the FIIG Securities Bond debt of \$50.0 million, included in interest bearing liabilities, continue to be recognised as current liabilities at 31 May 2019 as these loans were due to expire on 2 March 2020 and 5 April 2020 respectively.

The Group's current ratio, measured as current assets to current liabilities is 21.5% compared to last year of 29.5%. This measure is impacted by the inclusion of bank debt and FIIG bond as current liabilities. The level of this ratio highlights the liquidity risk and the financial dependency on the Group's funding facilities. The Group's gearing ratio, net debt to net debt and equity, is 100% compared to 46.6% for the 2018 financial year. This ratio highlights the level of external debt compared to shareholder's equity.

Statement of cash flows

The net cash flow from operating activities decreased by \$20.057 million to a cash deficit for the year of \$0.061 million. This was mainly due to the decrease in sugar sales as a result of the lower sugar price. Capital expenditure increased by \$1.591 million to \$13.872 million. The majority of the capital expenditure related to stay-in-business capital. An amount of \$1.440 million was invested into the Sugar Australia and New Zealand investments in excess of their profits in cash during the year.

Movements from financing activities were a combination of the following:

- an increase in borrowings of \$25 million (increase in seasonal financing);
- lease liability payments of \$1.160 million;
- a decrease in loans to growers of \$0.441 million; and
- a decrease in selected-term unsecured notes and interest bearing deposits of \$6.778 million.

As a result of the above cash movements, cash on hand increased by \$2.131 million to \$16.924 million.

The year ahead

Subsequent to the year ended 31 May 2019, the Company has undertaken a significant recapitalisation as summarised in note 5 of the concise financial report. The following equity funding and financing facilities have been obtained to fulfil the future funding requirements of the Company:

- Receival of \$60 million in equity funding through the Nordzucker recapitalisation;
- Establishment of a Nordzucker shareholder loan facility of up to \$60 million provided on commercial terms;
- Establishment of new bank financing facilities for a five year term.

Cane Supply

The crushing season commenced at Marian and Farleigh mills on 31 May 2018 with Racecourse mill commencing on the 6 June 2018. As the season progressed the region experienced unusually dry conditions. While this was favourable for harvesting operations, the crop did not receive much needed rainfall to give plant cane and ratoons the moisture required for growth for next season.

The average rainfall over a 10-year period measured at Pleystowe on the Bureau of Meteorology website is 306mm from June to November crush season. Only 98mm was measured for the 2018 season over the same period. Unfortunately, this translated to a decline in the crop estimate and resulted in a total of 4.67m tonnes of cane being crushed across the three Mackay mills. The 2018 crushing season finished on 10 November 2018 at Marian mill with Farleigh and Racecourse mills crushing out on 7 and 8 November 2018 respectively.

Crushing season preparations were completed largely unhindered by any particular weather events. This allowed the rail infrastructure team to complete the normal planned maintenance of track, bridges and sidings, with a large amount of re-railing work carried out prior to the commencement of crushing operations.

In relation to Health, Safety and Environment, it was very pleasing to see the Rollingstock Department celebrate five years Lost Time Injury Free. This is a great achievement for the department and all members of the team are commended for their contribution and effort in achieving this result.

The unseasonably dry conditions across Mackay and the district presented a high fire danger to the region and resulted in one of the largest bush fire events in living memory in the Mackay region. The Mackay region is indebted to those people who volunteered their time and services to aid the fire fighting efforts, your contribution is greatly appreciated.

Cane transport operations faced the challenge of delivering on service level targets with a continuation of lean operating strategies in place to reduce costs and improve efficiencies. The alignment between our harvest and crushing operations is not ideal with harvesting carried out over a 12-hour period, concentrated between 7 a.m. and 4 p.m., and factories crushing over 24 hours. The differential is taken up in the transport system through buffer storage of cane in bins and double handling of bins between empty/full cycles.

The 2018 crushing season proved very difficult in terms of harvest management across the 175 harvesting groups due to the falling crop estimate. A concerted effort was made to align harvest groups prior to the end of the season. In the last week of crushing operations 61.7% of all groups were within the targeted equity position of 3% of the mill.

Another initiative for the harvest management operation was the introduction of a minimum tonnage required to be supplied per harvester per day. This was set out in the amendments to the Cane Supply and Processing Agreement and was set at a minimum of 100 tonnes for two years.

Mackay Crop Performance

The 2018 season resulted in a total of 4.67M tonnes (2017 season: 4.97M tonnes), of cane crushed from a harvested area of 69,435 hectares (2017 season: 66,942 hectares) in the Mackay region. This is an average yield of 67.3 t/hectare, a result of the very dry harvest period, compared to the 2017 season which cut out at 74.3 t/hectare. The average sugar content or PRS, for the 2018 season was 14.33 units, which was an increase of 0.87 units on the 2017 season figure of 13.43 units. The average sugar yield of 9.62 t/hectare was down 0.35 t/hectare on the 2017 season figure of 9.97t/hectare.

**New Loco shed constructed at Racecourse Mill site.
Funded as part of the Mackay Ring Road Project.**



**New A and B Molasses tanks constructed
at Farleigh Mill site. Capital Spend - \$916k.**



Milling

Farleigh Mill

Farleigh mill processed 1.375 million tonnes of cane over a period 23.2 weeks in the 2018 crushing season. The crushing rate was 447 tonnes per hour which was slightly lower than the previous year, but was in line with expectations as a result of two main factors. Firstly the evaporation capacity was reduced when one of the vessels in the set had to be by-passed, when maintenance season inspections confirmed that it was not in a condition that was fit for service. The second issue was a reduction in steam generation capacity from the continued deterioration of the boiler station.

There was a slight reduction in the mill availability at 79.8% for the season compared to the previous year of 81.8%. Whilst this is still well below the desired performance, analysis shows that the baseline reliability excluding a few large events was relatively good. The most significant of these related to No 4 boiler which incurred failures of the boiler tubes.

It was also encouraging to see an increase in the processing efficiency compared to the last few years with a significant improvement in overall season sugar recovery. The improvement showed the benefit of targeted expenditure in a number of key areas. Bagasse loss was the lowest level for eight years following the completion of a full maintenance program in the milling train. There remains however a substantial amount of outstanding refurbishment works required to bring the recovery back to historical levels.

Farleigh Mill produced 194,803 tonnes IPS sugar for the season.

Marian Mill

Marian mill crushed 2,035,290 tonnes of cane throughout the 23.4 week season at a crushing rate of 633 tonnes per hour. Factory availability improved by 13.6% in the 2018 crushing from the 2017 season to 83.9%.

Cane quality throughout the season was predominately good with clean cane significantly assisting the factory in processing.

Issues with the pan stage played a major role in reducing rate within the factory during the season predominately through tube and vacuum leaks. A large amount of tube work has been completed in the 2019 maintenance season to reduce the impact of leaking tubes for 2019 crush.

The 2018 season saw a major improvement in reliability which was reflected in a significant reduction in production costs for the season due to the average weekly throughput being 12,129 tonnes per week greater than the 2017 season.

Marian mill produced 281,623 tonnes IPS sugar for the season.

Racecourse Mill

Racecourse mill crushed a total of 1,261,576 tonnes of cane for the 2018 crushing season and achieved a crushing rate of 412 tonnes per hour in a period of 22.1 weeks. Crushing rate was 25 tonnes per hour lower than the 2017 performance of 437 tonnes per hour.

Racecourse mill produced 177,313 tonnes of IPS sugar for the season. Overall sugar recovery for the 2018 season was 3% higher than the 2017 season due to targeted maintenance of key areas. The dry conditions throughout the 2018 crushing season assisted in achieving the reduced bagasse and mud losses.

Factory availability of 83.8% for the 2018 season was 0.3% lower than the 84.1% achieved in the 2017 season.

A targeted maintenance and capital program during the 2018/19 shutdown period focused on a major refurbishment of No 3 Boiler and several vacuum pans. This program is expected to achieve improved rate and recoveries for the 2019 crushing season.

Mossman Mill

Mossman mill began the season on Tuesday 5 June and crushed a total of 819,231 tonnes over a 22 week season. This was a 57,000 tonne reduction on the previous season. An additional 290,827 tonnes was toll crushed at the MSF Sugar owned Arriga mill, over a 25 week season.

Sugar content was at the highest recorded for the last seven years with a seasonal average of 13.8 CCS, around one unit higher than the five year average. It was notably dry season with only two days lost due to wet weather.

Sugar production was down by 3% against the previous season. Mossman produced 111,397 tonnes of Brand 1 and Japanese Specification Brand 1 (JB1) raw sugar for sale through Queensland Sugar Limited. A further 42,824 tonnes of sugar was produced from toll crushed cane.

Factory availability reduced by 3% compared to the 2017 season, finishing at 75%. It was particularly impacted by multiple tube failures on the JTA boiler, reduced reliability in the pan stage and high grade fugal areas and combined with high CCS throughout the season. A significant reduction in process sugar losses was achieved with the recovery of 87% being over 2% improvement on the five year average.

Stack emissions met Environmental Authority requirements for the second consecutive year. Site discharge water quality improved significantly and BOD did not exceed the Environmental Authority prescribed maximum limit for the first time in many years.

Cogeneration

In the sixth full year of operation for the Racecourse cogeneration plant, power generation was scaled back to balance fuel stock and minimise the coal consumption and associated high cost operating periods. With the poor condition of No 2 and No 3 boilers during the 2018 crush, available bagasse fuel reduced by 140,000 tonnes (22%), requiring an extra 15,000 tonnes coal to be burnt. As a result generation reduced 18% to 147 GigaWatt hours (GWh), power export reduced 23% to 104 GWh.

With reduced bagasse fuel and more reliance on coal, the 2018 LGC production reduced to 86,832 as a result. LGC's were purchased from the market to meet contract minimum volumes. This contract has now been renegotiated.

Availability (excluding planned downtime) of the No 4 boiler and cogeneration alternator for YEM2019 was very good at 97%.

In March/April 2019 the plant was shut down for four weeks to complete overhauls of No 4 boiler grate, the scheduled overhaul of the 38MW turbine and conduct a boiler tube thickness testing survey. The ash clarifier vessel was also replaced, which was the critical path for the annual shutdown.

The inaugural contract for export power and LGC sales to Ergon expired in December 2018, and was replaced with a market based contract. The business is now exposed to gains from Queensland electricity market prices and the LGC market price changes.

Marketing

Outcomes for year ended 31 May 2019

- Weighted average sugar price for both Mackay and Mossman region of AUD \$418.35 per IPS tonne achieved (this number represents the result of all pricing including long term banded pricing completed by both miller and grower, QSL in-season pricing, Queensland Commodity Services (QCS) in-season pricing, and the shared pool results of both QSL and QCS).
- Sold 401,033 tonnes of raw sugar to QSL (2017 season: 350,266 tonnes).
- Sold 380,000 tonnes to Sugar Australia (2017 season: 420,000 tonnes).
- Molasses Revenue Pool Price of AUD\$105.50 per tonne (2017 season AUD\$110.12 per tonne).
- QCS successfully completed the fifth season under its Miller Economic Interest (MEI) marketing agreement with Alvean Sugar covering 141,284 tonnes of raw sugar being marketed into the Far East at a guaranteed premium significantly above QSL returns.

Sugar Markets

Sugar prices were volatile over the past 12 months, ranging from a high of 14.01 c/lb to a low of 9.90 c/lb, and finishing at 12.36 c/lb on 31 May 2019.

The transition from surplus to deficit came on slower than expected during the year. This continues to be reflected in the price of raw sugar. Brazilian mills minimised sugar output during the year as demand for ethanol and firm US Corn prices supported ethanol prices. Ethanol parity was above 13 cents for most of the year. The Indian Government continued to subsidise production in India throughout the year, and Australia has joined other large sugar producing nations in taking this issue to the World Trade Organisation. Looking ahead, we expect sugar prices to trade higher this coming year, however these price increases will remain capped by the Brazilian miller's ability to produce ethanol.

As in the previous seasons, Mackay Sugar sold 100 percent of its raw sugar for the 2018 season to QCS under the Commodity Marketing Agreement. QCS in turn sold raw sugar domestically to the Sugar Australia Joint Venture (Sugar Australia), and for export via QSL.

A total of 60 percent of the sugar sourced in the Mackay region was sold to Sugar Australia and the remaining 40 percent was sold via QSL. (2017 season: 68 percent and 32 percent respectively). Sales to Sugar Australia were destined to be refined at Racecourse refinery. Of MSL's Mossman region raw sugar production, QCS sold 100 percent via QSL (2018 season: 100 percent). The sugar sold via QSL in both Mackay and Mossman regions includes MSL's Miller Economic Interest (MEI) sugar, which was physically priced and marketed by QCS in conjunction with Alvean Sugar, covering 141,284 tonnes, or approximately 35 per cent of all sugar sold via QSL.

The average sugar price achieved in the 2018 season across both the Mackay and Mossman regions was AUD\$418.35 per IPS tonne. This is a weighted average price of all pricing completed by growers, QSL, and QCS and represents the combined decisions of these parties during the 2018 season and previous seasons.

QCS Performance

QCS completed its fifth full financial year in May 2019, posting pricing outcomes that were in line with targets. From a pricing perspective, QCS managed its pricing books in line within Board approved policies. The strategies utilised delivered in-season pricing that was once again attractive when compared to QSL and other GEI marketers in Australia.

QCS completed its fifth year of the marketing agreement with Alvean. The 2018 season saw the shipment of 141,284 tonnes of sugar again sold at a premium over and above the premium achieved by QSL.

In early 2019, QCS again negotiated with Sugar Australia to supply their 2019 season requirements for the refinery at Racecourse. Volumes are 380,000 tonnes for the 2019 season.

During the 2018 season, QCS again worked successfully with Alvean and QSL to market Japanese grade sugar made from Mackay mills in the Mackay district. This resulted in 87,573 tonnes of sugar being successfully produced and marketed to Japan from MSL's mills in Mackay and Mossman.



Environment

Mackay Sugar has a continued focus on environmental protection and sustainability, and ensuring that its operations do not adversely impact the environment. Mackay Sugar's activities are governed by legislative obligations and community expectations.

We utilise our Environmental Management System (EMS) to ensure compliance and to encourage continuous improvement leading to better environmental performance. Through the application of environmental programs and legislative tools, we continue to develop the standards of our operations as we strive to reduce our footprint and minimise our impact on the environment and community.

Mossman Mill

Mossman mill conducted an Environmental Evaluation (EE) to investigate further the reasons for Biochemical Oxygen Demand (BOD) exceedances during the 2017 crush season. The EE report was completed in February and the Department Environment and Science (DES) accepted the report and closed out the evaluation.

Racecourse Mill

A notice to conduct an Environmental Evaluation into odour at Racecourse mill effluent ponds was initiated by DES. The environmental investigation required MSL to conduct a program of odour monitoring at the ponds and at nearby sensitive receptors, during crushing and non-crushing operations. The final EE report was submitted early 2019 with the assistance of environmental consultants. DES have since advised their intention to issue an Environmental Protection Order (EPO) to allow Racecourse mill time to conduct further investigations and complete actions to address odour concerns at the ponds.

Marian Mill

Mackay Sugar was prosecuted as a result of an effluent release incident at Sandy Creek in September 2016. Mackay Sugar entered an early guilty plea to two reduced charges for contravention of the environmental licence; 1, causing serious environmental harm and; 2, contravention of an environmental authority condition. Mackay Sugar was ordered to pay a fine of \$160,000. No conviction was recorded.

Environmental Index

We have continued to use the Environmental Index to measure and understand the effectiveness of the Mackay Sugar Environmental Management System and overall environmental performance of the business. The target score is 0.80, and the YEM19 year result was above this target at 0.89 (YEM18: 0.87). We continue to put a strong emphasis on environmental reporting and hazard identification to reduce the likelihood of an environmental incident.

Environmental Authority

Mackay Sugar has been working with DES since early 2019 to work towards amalgamating all factory environmental licences. The benefit of this is standardising conditions and to bring them up-to-date with common conditions of licences issued in recent times. This allows DES to better regulate our activities and gives Mackay Sugar the opportunity to manage our environmental exposures effectively in line with current practices. We plan to have the licence upgrade by the end of 2019.

Environmental Management System

Our Environmental Management System continues to improve and develop. Monthly compliance inspections are conducted at each site to measure compliance against our Environmental Authorities and our EMS, and the standards across all sites demonstrate progressive growth and improvement. DES continue to proactively assess the compliance of Mackay Sugar operations through regular site inspections and it remains a strong focus to maintain an effective collaborative relationship with the DES across all areas of the business.

It is imperative that we continue to empower all employees and service providers to take responsibility for environmental management; continually risk assess and to proactively report hazards and incidents in the workplace. Environmental Management will remain a continuing focus for improvement, including reduction in water usage and identifying efficiency opportunities, operating within our Environmental Authorities and maintaining our Environmental Management System to ISO 14001.



Our Employees

We have a strong workforce that is employed in a variety of management, technical, trade, operator and administrative roles across a range of business units who are required to be skilled, engaged and motivated to work safely to achieve business success. The structure of our organisation includes: Cane Supply and Logistics, Milling Operations, Projects, Asset Care and Services.

As at 31 May 2019, 698 employees were employed, working across our then four main locations (Farleigh, Marian, Racecourse and Mossman). The majority of seasonal roles were filled after the end of May, bringing the total of employees as at 30 June 2019 to 904 for the 2019 crushing season. At the peak of the 2018 crushing season, 930 people were employed, 319 of whom filled seasonal roles.

Twenty-five apprentices were employed as at 31 May 2019 in Mackay and nine in Mossman.

Valuing Diversity and Inclusion

We provide employment opportunities for a diverse range of people, relying on the criteria of 'best person for the job'. Successful compliance with the completion and submission of the Workplace Gender Equality Report attests to our compliance in that aspect of employment law. We are continuing to build data collection capabilities in accordance with current and future legislative requirements in preparation for continued compliance.

For the 12 month reporting period ending 31 May 2019, females accounted for approximately 15% of our entire workforce. Female employee numbers typically increase during our crushing season with our Cane Transport operations group maintaining a substantially higher proportion of females on a consistent basis during the crushing season.

Apprentice Awards

Our annual Apprentice Awards were held in December 2018 in Mackay and Mossman, formally recognising the achievements of our apprentices.

Our 2018 Apprentice award recipients were:

Mackay

Apprentice of the Year (Frank Marchetti Award)
Best Fitting & Turning Apprentice
Best Electrical Apprentice
Best Boilermaking Apprentice

Trae DiPaolo
Eli Cappello
Kieran Reitano
Brady Smith

Mossman

Apprentice of the Year
Best Electrical Apprentice
Best Boilermaking Apprentice
Best Boilermaking Apprentice

Ryan Melchert
Ryan Melchert
Keel Sorenson
Zach Stewart



Training and developing our future workforce

Mackay Sugar continues to offer apprenticeships in Mackay and currently the Company employs 25 apprentices. Apprenticeships remain offered in four trades: electrical, instrumentation, boilermaking and fitting.



Tertiary Study Assistance Program

Our employees are encouraged to participate in tertiary education in nationally recognised courses to enhance their self-development and qualifications that benefit both the employee and our business. We provide selected employees, aligned to our succession planning goals, financial assistance to undertake study so that tertiary education is more accessible to our workforce. We currently have eleven employees completing tertiary education via this program.

Work experience

Additionally, in the year under review, Mackay Sugar hosted twelve work experience students from secondary schools. As part of adding greater emphasis to encouraging students to think of Mackay Sugar for a career, the work experience program is promoted by key employees so that schools understand the full range of work experience options available.

Fostering Industrial Harmony

We actively work with the three unions that represent our employees.

During this reporting year, the two relevant Enterprise Agreements for Mossman and our Mackay Sugar mills were successfully renegotiated and in the case of Mossman mill, this provided for a transferable document to the new owner.

The Mackay Sugar mills Agreement was approved by the Fair Work Commission in May 2019 and remains current until the nominal expiry date of 28 February 2022.

Health and Safety

Work Health and Safety is a core value for Mackay Sugar and is managed in accordance with the statutory provisions of the *Work Health and Safety Act 2011* (the Act). Our safety management system supports this with a range of work health and safety and return to work policies and initiatives. The Health and Safety team provide guidance and support to the business units in implementing the requirements under the Act and Regulations.

Our safety performance has improved over the year, however we know we must ensure safety is at the forefront of what we do. Overall, we had a significant drop in Lost Time Injuries. It is pleasing that we have completed the year with an LTIFR of 6.16 (YEM2018: 11.75). Our TRIFR performance also decreased slightly on last year ending the year at 54.68 (YEM2018: 58.77). Tragically in the prior season in October 2017, we lost one of our colleagues during shunting operations at our Mirani West 2 Cane Rail Siding. Investigations were conducted in conjunction with Authorities and Workplace Health and Safety Queensland (WHSQ) to determine a root cause. All issues have been considered in relation to the incident and Mackay Sugar has been advised that WHSQ will not be proceeding with any further action.

Across the entire business, we have been focussed on reminding our employees and contractors that safety must come first in everything we do. We will continue to strive to make sure our people prioritise safety in their day-to-day activities. We have made a concerted effort to focus on:

- reinforcing that safety comes before production;
- engaging our employees to work through our safety improvement program;
- allowing further quality time to be spent engaging with our workforce; and
- anyone can stop work or production if it is not safe.

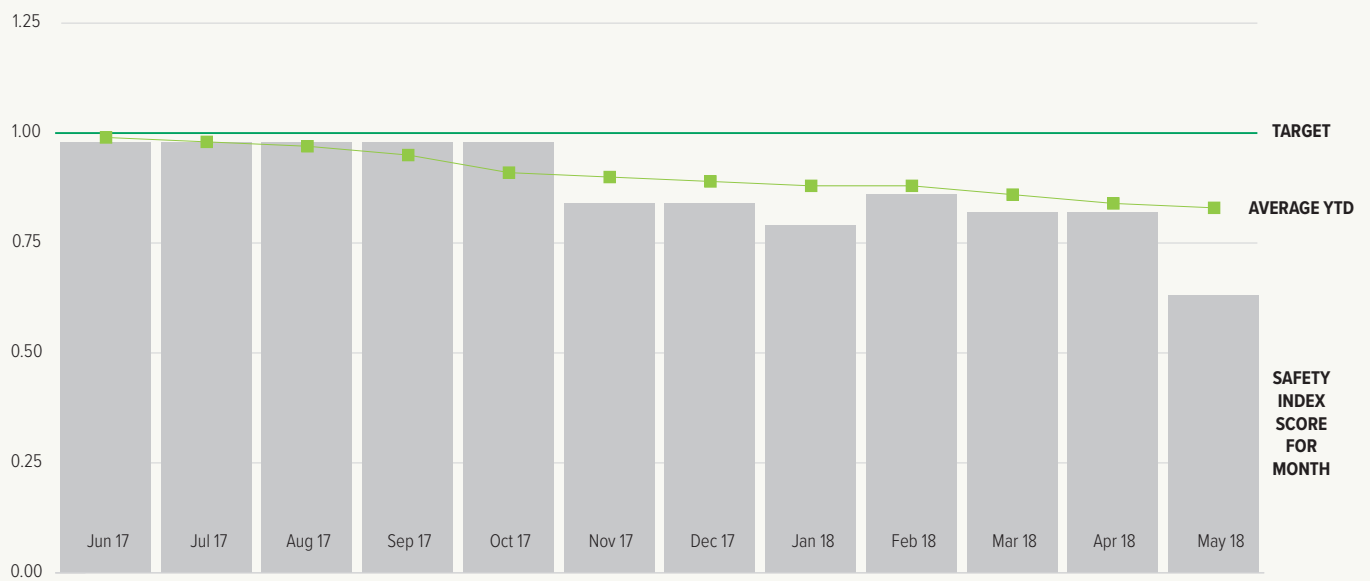
The Safety Index is a weighted index measurement focussed on lead indications designed to measure the effectiveness of key proactive elements of the Safety and Health Management System.

Our health and wellbeing process has continued throughout the year with strong engagement from our workforce. We continue to identify opportunities to enhance our health and wellbeing at work and recent initiatives include influenza vaccinations offered onsite to staff; health alerts, Workplace Quit Smoking Program and Employee Wellbeing Medicals.

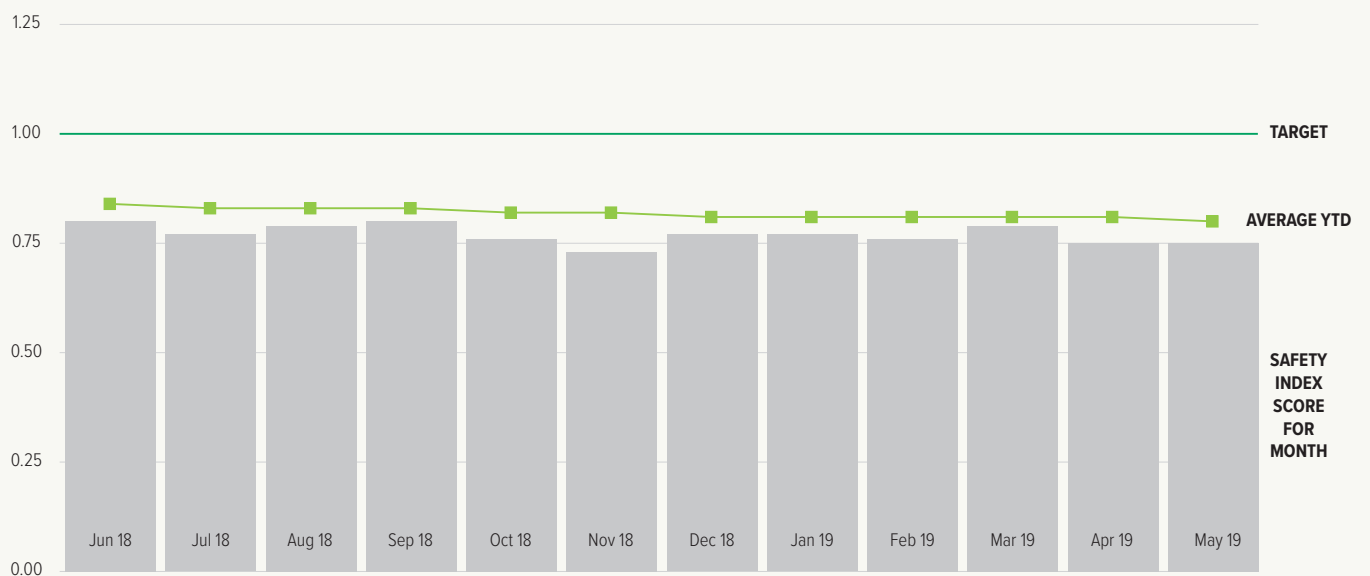
Mackay Sugar Limited was provided with a Complaint and Summons by Workplace Health and Safety Queensland in May 2016 relating to an alleged breach of the Work Health and Safety Act 2011 (Qld). The complaint relates to an incident which occurred on 25 September 2014 at Mossman Mill when an employee sustained an extensive injury to the right leg. Mackay Sugar had progressed with negotiating an Enforceable Undertaking, submitted to the Office of Industrial Relations in November 2017. An initial decision was made to reject the Enforceable Undertaking by the Office of Industrial Relations, and Mackay Sugar submitted an appeal of that decision. Finally, as part of the recapitalisation, a decision was made to withdraw the Enforceable Undertaking and proceed with the prosecution. The hearing is set down for October 2019.

Our management team met with Work Health and Safety in 2018, to discuss our safety performance including improvement notices, notifiable incidents and WorkCover injuries. Mackay Sugar has entered into a safety improvement program called IPaM and together with Work Health and Safety Advisors, we have developed a business improvement plan aimed at injury prevention and safety outcomes, which has also been communicated with our employees. Total actions identified were 41 and to date 27 have been completed. We will continue to work through the actions with frequent updates held with the Advisors.

YEM2018 Safety Index



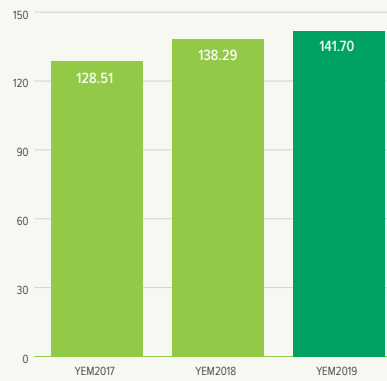
YEM2019 Safety Index



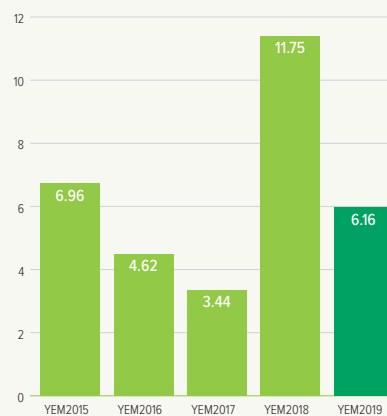
Total Recordable Injuries Frequency Rate (TRIFR)



All Injuries Frequency Rate (AIFR)



Lost Time Injury Frequency Rate (LTIFR)





Board of Directors



MICHAEL GERLOFF

**UNIVERSITY DEGREE—ECONOMICS
AND BUSINESS ADMINISTRATION**

Chairman and Controlling Member Director

Michael is Head of Business Unit Cane Sugar Nordzucker Group and Head of Business Development Nordzucker Group. Michael has a degree in economics and business administration and a banking background.

Over the last ten years Michael has been responsible for a significant number of sugar projects for Nordzucker Group on a global scale in Europe, Africa, South America and Asia. He has over 20 years' business experience in various industries, including over 15 years in positions as Managing Director and General Manager. Michael has worked primarily in agriculture, FMCG, consumer electronics, retail and banking.

Michael has special experience in mergers and acquisitions, restructuring and optimisation.

Appointed in August 2019.

SVEN BUHRMANN

**DIPL.ING (FOOD PROCESS
TECHNOLOGY)**

Controlling Member Director

Sven has been working for Nordzucker since 1995 in various positions including Head of Sugar Factory in Uelzen. He currently holds the position as Head of Investment and Maintenance and Major Projects Nordzucker Group and Head of Lean Optimisation Nordzucker Group.

He has a degree in food process technology with a focus on sugar and cereals from the Technical University of Berlin. He has experience in the cane industry in Costa Rica (working campaign), Brazil and as a consultant for an engineering consulting company (cane and beet sugar industry worldwide).

Sven served an apprenticeship as a confectioner. He is a member of the International Society of Sugar Cane Technologists.

Appointed in August 2019.

FRANK KNAELMANN

DIPL. ING. AGR.

Controlling Member Director

Frank has been working for Nordzucker since 2002 in various positions in the agricultural department and currently leads the department Agri Analysis and Sourcing Models. Frank has acquired state recognition as an agricultural management consultant and was employed as a management consultant.

He has degree in Agricultural Science from the Georg-August University in Göttingen, Germany. Frank is a certified farmer and runs a farm in Northern Germany.

Appointed in August 2019.



MARK DAY

BAppSC (Mathematics)

Controlling Member Director and CEO

Mark was appointed to the Board in May 2017 and was elected Chairman in November 2017. In January 2018 Mark was also appointed as Chief Executive Officer.

Mark recently completed three and a half years in Brazil as Operations Director for eight sugar cane factories owned by Bunge Brazil, crushing 20 million tonnes of cane producing sugar, ethanol and electricity. Bunge is one of Brazil's largest cane processors.

Prior to that Mark had an extensive career with CSR/Wilmar in sugar, managing CSR's cane sugar businesses as Executive General Manager for six years and two years in Indonesia with Wilmar. At CSR he commenced as a shift supervisor in the Mackay region in 1980 and worked throughout several regions in the Queensland sugar industry with CSR.

He has served as a Director on the Board of STL, the Bureau of Sugar Experiment Stations, Sugar Research Institute and Australian Molasses Trading and was also a Director and Chairman of Australian Sugar Milling Council for a period. He has a degree in Applied Mathematics and has attended Executive programs at Wharton Business School.

MAURICE MAUGHAN

FCA FTIA JP (C.dec)

Controlling Member Director

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

PAUL MANNING

BEng (Mech), Dip Ag. GAICD

Deputy Chairman – Grower Director

Paul is a third generation cane farmer and was elected to the Board as a Grower Director in October 2014. Paul returned to cane farming in 2010 after working as a professional engineer for over 20 years, predominantly in the West Australian Iron Ore mining industry. During this period he worked in a variety of maintenance, major project management and engineering management roles for BHP Billiton Iron Ore and in a project role for Sinclair Knight Merz. Paul is a Graduate of the Australian Institute of Company Directors.

Board of Directors (continued)



LEE BLACKBURN

GAICD

Grower Director

Lee was appointed as a Grower Director in October 2014. He has been a grower for more than 20 years and has been managing the family farm and harvesting business since 2002. Lee is the Chairman of the Eton Irrigation Scheme Pty Ltd, a Director of Queensland Commodity Services and Mackay Area Productivity Services. He is a former Director of Mackay Canegrowers Limited and a former member of the Canegrowers Mackay Area Committee. Lee is a Graduate of the Australian Institute of Company Directors.



GEORGE WILLIAMS

Grower Director

George was appointed as a Grower Director in August 2019. He was appointed the Operating Partner at Racecourse Projects in 2013 after operating the family farm at Dawlish. George has extensive experience in developing large scale farm land and introducing technology adoption in the key areas of maintenance, farming and health, safety and environment. He also has experience in managing significant capital expenditure budgets.

Appointed in August 2019.



ANTHONY BARTOLO

BCom DipFS FCPA GAICD JP

Grower Director

Tony is a third generation BMP accredited farmer. He was re-elected to the Board as a Grower Director in October 2018, having previously been on the Board from 2010 to 2014. He has over 30 years of accounting experience including 13 years as a Partner at DGL Accountants where he retired from Public Practice in 2013. He was granted Fellowship of CPA Australia in 2007 and in 2012 became a graduate of the Australian Institute of Company Directors. Tony is also a Director on the Board of Sugar Terminals Limited.

His previous roles include the Boards of LMA Eton Irrigation Scheme and several local not-for-profit community organisations.

Resigned in August 2019.



LAWRENCE BUGEJA

GAICD

Grower Director

Lawrence was appointed as a Grower Director in October 2013. He has been a cane farmer for more than 36 years and has been managing the family farm and harvesting business since 1987. He is a Director of Mackay Area Productivity Services and Deputy Chairman of the Pioneer Valley Water Board. He is a former Director of both Mackay Canegrowers Limited and Queensland Canegrowers Organisation Limited and was also a member of the Marian Mill Suppliers Committee and the Canegrowers Mackay Area Committee. Lawrence is a Graduate of the Australian Institute of Company Directors.

Resigned in August 2019.



ANDREW CAPPELLO

MAICD

Grower Director

Andrew has been an elected Grower Director since November 2001 and has been a cane producer for 36 years. He acted as Chairman from February 2010 until November 2017. Andrew is also Chairman of the Pioneer Valley Water Co-operative.

He is Deputy Chairman of the Australian Sugar Milling Council, Director of Pioneer Valley Water Mutual, and the Queensland Co-operative Federation, and a Mackay Sugar representative on the Board of Mackay Area Productivity Services Pty Limited. He is also a former Director of Sugar Terminals Limited and the Australian National Committee for Irrigation and Drainage.

Resigned in August 2019.



RICHARD FINDLAY

Non-Grower Director

Richard has an extensive background in agribusiness and food manufacturing having held senior executive roles at Goodman Fielder, George Weston Foods, Manassen and Sunbeam Foods Group.

As Chief Executive Officer of the unlisted public company Sunbeam Foods Group (formally the Mildura Co-operative Fruit Company) he was involved in its sale to private equity and became Chief Operating Officer/Director of the larger food group Manassen Foods. He is currently a Director of a private Tasmanian food group.

Resigned in August 2019.

Management



DAVID SAID

BBus FCPA

Chief Financial Officer

David was appointed as Chief Financial Officer on 16 January 2017 having previously held the position of Manager, Business Services. He is responsible for Business Services, Supply and Procurement.

David and his team perform the financial operations for the group ensuring statutory and contractual obligations are met. They provide the necessary financial reporting to internal and external stakeholders as well as dealing with financial institutions to manage daily transactions and borrowings, ensuring all compliance requirements are satisfied.

David has over 25 years' experience with Mackay Sugar, commencing as a Graduate Accountant at Corporate Office in 1990. He moved to Pleystowe Mill in 1993 to perform various accounting roles before transferring to the Business Service Centre at Farleigh Mill in 2001 as Senior Accountant.

David is a Director of Pioneer Valley Water Co-operative Limited.



PETER GILL

BEc LLB GDipTax FCPA

General Manager Commercial and Legal

Peter was appointed General Manager Commercial and Legal on 16 January 2017, having previously been the Chief Financial Officer since 31 May 2013. Peter returned to Mackay Sugar in August 2012, after acting as General Counsel and Company Secretary for Mackay Sugar Cooperative between 1999 and 2003.

Peter is a solicitor and is a Fellow of CPA Australia. He was previously employed by McCullough Robertson Solicitors from 1988 -1999 and 2004-2012. During his time at McCullough Robertson and when employed by Mackay Sugar and Mackay Sugar Cooperative, Peter has been closely involved with Mackay Sugar's commercial and legal matters and in particular the establishment of the sugar refining joint ventures, financing arrangements, Cane Supply and Processing Agreements, the Racecourse Cogeneration Project and the acquisition of Mossman Mill. He has also been involved in general sugar industry matters from both a legal, commercial and financial perspective.



JANNIK OLEJAS

Degree in Sales and Marketing

General Manager

Jannik Robin Olejas has been employed by Danisco Sugar A/S since 1992. Following the merger of Nordzucker AG and Danisco A/S in 2009, he has held various positions initially within Sales & Marketing and subsequently in Agriculture. He has worked internationally with clients, suppliers and stakeholders across Europe and has until recently held the senior management position of Head of Agri Sourcing which reports directly to the CEO & CAO.

For a number of years he has also been appointed as a board member of Sucros Oy, Finland and Nordic Sugar SIA, Latvia.

Jannik holds a degree in Sales & Marketing from Copenhagen Business School and has undertaken various general management training courses at International Business Schools.

Appointed in August 2019.



CARISSA MANSFIELD

B. Bus, MBA, Grad. Dip OH & S

Group Manager, Human Resources, Health, Safety and Environment

Carissa was appointed Manager Human Resources, Health, Safety and Environment in 2016 having previously held the position of Manager, Health, Safety and Environment from 2014 - 2016.

Carissa provides strategic leadership and the delivery of the HR and HSE strategic plan across all business units. She manages the Human Resources function including People and Culture, Training, Learning and Development, Workforce Planning/Recruitment and Employment/Industrial Relations, as well as all facets of Health, Safety and Environment across all operations including logistics, rail, cogeneration and manufacturing.

Carissa has over 15 years' experience in the health and safety environment and has held positions with Cordukes Pty Limited, CH4 Gas Limited, Peabody Energy and BHP Billiton Mitsubishi Alliance. She is Chair of the ASMC Environmental Committee and a member of the ASMC People and Safety Committee. Carissa is also a member of the Resource Industry Network Safety Committee and the Rural Safety Working Group.



JASON WALTON

Manager Cane Supply and Logistics

Jason was appointed to the role of Manager – Cane Supply and Logistics in June 2018. Jason joined Mackay Sugar in October 2011 in the role of Transport and Logistics Co-ordinator. He assumed the role of Transport and Logistics Manager in April 2013, and then transferred to Cane Supply in June 2016 to take up the position of Cane Supply Operations Manager. Jason has over 15 years' experience in the supply chain and logistics industry, working for OneSteel and Toll Intermodal prior to joining Mackay Sugar.

Jason's focus is to provide leadership, management and strategic direction to the Cane Supply department centred on the safe and efficient operation of Mackay Sugar's cane transport operations. Jason's area of responsibility includes cane development, harvest management, inbound cane transport and outbound logistics of raw sugar and milling by-products such as bagasse, molasses, mill mud and ash.



TONY LLOYD

Dip Mech Eng, MEA, Dip Mtce Mgmt, Cert. App Sc

Group Asset Manager

Tony is responsible for asset management across the Mackay Sugar group. This includes capital planning, projects development and implementation, asset management systems/development, reliability, maintenance planning and compliance.

He also oversees the management of the cane rail system, rollingstock and mobile plant across the Mackay area.

Tony has over 20 years' experience in the sugar industry and has been involved in key areas of the business having previously held positions as Project Engineer, Chief Engineer and Factory Manager at both Farleigh and Marian mills.

His primary focus is to ensure the Mackay Sugar assets are effectively managed to produce maximum benefit for all stakeholders.

Management (continued)



PETER FLANDERS

B Eng (Mech) MBT

Factory Manager – Farleigh

Peter is responsible for the milling operations at the Farleigh site including all production and maintenance activities. He was appointed to this position in July 2015 and has over 33 years' experience in the sugar industry in both the milling and refining sectors. Peter started his career as a mechanical engineer and has held positions leading maintenance, project and operating teams and has previously worked as a Mill Manager. He also holds the position of Deputy Chairman of the Board of Directors for the Sugar Research Institute.



MARK GAYTON

GDip Mtce Mgmt

Factory Manager - Racecourse

Mark is responsible for the milling and cogeneration operations at the Racecourse site including all production and maintenance activities.

He is also responsible to ensure the effective supply of services to support Sugar Australia refinery operations on the site.

Mark has over 35 years' experience in the sugar industry in both the engineering and management areas. He has previously held positions at Mackay Sugar including Shift Engineer, Maintenance Engineer, Engineering Superintendent, Factory Manager, Milling Operations Manager prior to his appointment as General Manager Operations in 2010.

Mark commenced as Factory Manager Racecourse in March 2018.



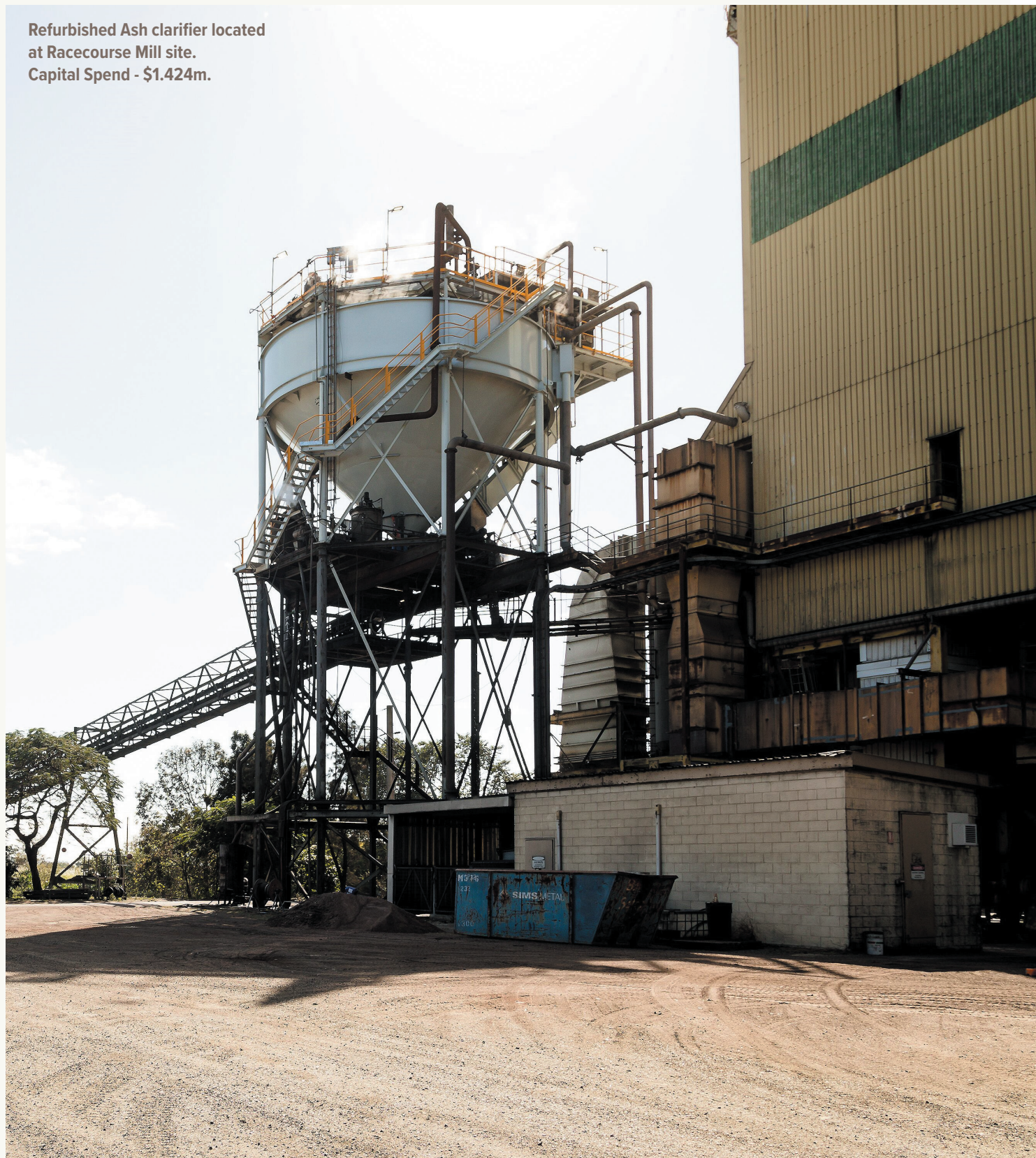
CRAIG WOOD

**BEng (Mech), GCert
(Engineering Technology)**

Factory Manager – Marian

Craig was appointed Marian Factory Manager in March 2016. Craig also worked with Wilmar and CSR for 11 years in several roles including Reliability Engineer, Engineering Manager, Site Manager and Acting General Manager Operations for seven factories for a period of 12 months. Craig has more than 28 years' experience in sugar after starting an apprenticeship as a Fitter and Turner at Isis Central Sugar Mill in 1979. Craig also had a break from the industry in 1988 which he spent in sales and business management prior to returning to Isis Central Mill in 1999.

Refurbished Ash clarifier located
at Racecourse Mill site.
Capital Spend - \$1.424m.



Corporate Governance

The Board of Mackay Sugar Limited maintains high standards of corporate governance as part of its commitment to maximise shareholder value through promoting effective strategic planning, risk management, transparency and corporate responsibility. The Board fosters a culture that values ethical behaviour, integrity and respect. Adherence by the Company and its people to the highest standard of corporate governance is critical in order to achieve its vision.

Functions of The Board

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

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

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

Board Composition

The Board is currently comprised of eight Directors, with

- five Controlling Member Directors, including the Chairman; and
- three Grower Directors

The Board must comprise no less than six Directors and a maximum of eight Directors. The Board must be constituted by three Grower Directors and a minimum of three and maximum of five Controlling Member Directors.

The Directors currently holding office at the date of this report are set out on page 24 of this Annual Report.

Board responsibilities

Board/Executive Personnel

- Composition of the Board including the appointment and retirement or removal of Directors.
- Board succession planning to ensure an appropriate mix of skills, experience and diversity.
- Appoint and remove the Chief Executive Officer or equivalent.
- Where appropriate, ratify the appointment and the removal of senior executives.
- Approve and review succession planning for the CEO and senior executives.
- Approve the overall remuneration policy including incentive plans upon the recommendation of the Remuneration and Nominations Committee.

Corporate strategy and reporting

- Delegate responsibility for the day to day operation and management of the Company to the Chief Executive Officer and senior management.
- Approve and monitor the progress of major capital expenditure, capital management, and acquisitions and sales.
- Approve and monitor annual and half year reports, statements as to future financial performance or changes to the policy or strategy of the Company.
- Input into and grant final approval of corporate strategy and performance objectives developed by management.
- Monitor industry developments relevant to the Company and its business.

Risk and Compliance

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

Stakeholder Communications

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

Board appointment and retirement

The appointment and election of Grower Directors will be in accordance with Rule 21.3 of the Constitution. A Grower Director may not hold office without reappointment beyond the third Annual General Meeting following their appointment. Any Grower Director who has held office for a total of nine years from the date of adoption of the constitution, including non-consecutive terms, must resign effective at the conclusion of the next Annual General Meeting and may not be reappointed.

A Controlling Member Director is not required to hold any shares in the Company to qualify for appointment. A Controlling Member Director can act in the interests of the Controlling Member, provided they all meet their duties to the Company.

Board meetings

Board meetings are normally held monthly, or at such other times as the directors determine. The Board visits all of the Company's sites throughout the year and this includes a presentation 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 37.

Director training

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

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

Board evaluation and performance review

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

The performance of all other Directors is to be reviewed and assessed every two years by the Chairman, and the performance of the Chairman is reviewed and assessed every two years by the other Directors.

An external assessment of the Board's policies and procedures, and its effectiveness generally is scheduled to be conducted by independent professional consultants at intervals of three years.

Independent advice

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

Code of conduct

All Directors and Executives are required at all times to act in accordance with the Company's Code of Conduct, which prescribes standards of behaviour to be maintained in relation to:-

- Obligation to comply with the code and the law
- General duties of Directors
- Independent decision making and soundness of decisions
- Confidentiality of Board matters and other information
- Improper use of information
- Personal interests and conflicts
- Conduct of Directors
- Board performance

Corporate Governance (continued)

Trading in securities

The Board has a code of conduct for transactions in securities that applies to Directors of the Company. This code of conduct 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 the Company. 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

Each Committee has a Charter, detailing its role, duties and membership requirements. The Committee Charters are reviewed annually and updated as required. Each Committee's Charter may be viewed on the Company's website at www.mkysugar.com.au.

All Directors have a standing invitation to attend committee meetings. 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 subsequent Board meeting. Details of the membership, composition and responsibilities of each committee are detailed below.

Audit And Finance Committee

The role of the Audit and Finance Committee is to assist the Board to manage the business, financial and strategic risks, to verify the integrity of the Company's statutory and financial reporting, monitor the effectiveness of external and internal audit, the appropriateness of the internal controls and compliance, the appropriateness of financial risk systems and compliance, the application of corporate governance principals and the tax affairs of the Company, and to provide corporate governance oversight to the Finance Department's functions.

Key activities undertaken by the Audit and Finance Committee include:

- to oversee the Company's business, financial and strategic risk management program;
- 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 safety, environment and energy efficiency initiatives, and 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;
- monitor the risk of exposure to lending rates and interest rate hedging policies and requirements;
- monitor the pricing projections of Queensland Commodity Services and the impact on the Company's financial reports from the activities of any subsidiaries;
- monitor compliance with facility agreements, Board policies and mandates;
- make recommendations to the Board on the appointment, reappointment or replacement of the external auditor;
- monitor the effectiveness and independence of the external auditor;
- 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;
- oversee the effectiveness of the Company's internal controls;
- review and approve the Company's business continuity plans, with specific reference to IT and other essential business systems;
- assist the Board in the identification and oversight of financial risk;
- monitor and review the effectiveness of the financial risk and internal control systems implemented by management;
- consider the processes applied by management to comply with the Board approved policies for liquidity risk, funding risk, credit risk and interest rate risk.
- ensure management has appropriate controls in place for any transactions that may carry more than the usual degree of financial risk;
- ensure that the processes for disclosure and regular reporting of significant financial risk is implemented.

Board Committees (continued)

Remuneration and Nominations Committee

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

Key responsibilities are as follows:

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

- propose to the Board the framework and quantum of remuneration for the Chairman of the Board, Deputy Chairman, Grower and Non-Grower Directors that provides appropriate, responsible and fair reward for their individual contributions to the success of Mackay Sugar Limited.

Health, Safety And Environment 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 of the Committee are to have oversight and review of:-

- the Company's compliance with approved Health and Safety and Environmental policies and legislation and the impact of changes in Workplace Health and Safety legislation;
- the adequacy of the Occupational Health and Safety and Environmental Management systems in complying with statutory and regulatory obligations;
- the effectiveness of the Company's Occupational Health and Safety systems in working towards the Company's safety and environmental objectives;
- key health, safety and environmental incidents and mitigation strategies that may have strategic business and reputational implications for the Company.

Directors' Report

The Directors present their report, together with the consolidated financial statements, on the Group comprising of Mackay Sugar Limited (referred to hereafter as the 'Company' or 'parent entity') and its subsidiaries for the year ended 31 May 2019, and the auditor's report thereon.

Board of Directors

The Directors who were in office from 1 June 2018 to the date of this report are as follows:

MR (Mark) Day	Chairman
PA (Paul) Manning	Deputy Chairman
AR (Tony) Bartolo	
LM (Lee) Blackburn	
LG (Lawrence) Bugeja	
AS (Andrew) Cappello	
RM (Richard) Findlay	
JP (Jeffrey) Grech	
MC (Maurie) Maughan	

The profiles of the above Directors can be found on pages 24-27. A record of Board Meeting attendance during the year under review is set out below.

The number of Directors meetings held (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year were:-

Meetings of Directors

	Directors Meetings	Special Directors Meetings	Committee Meetings of Directors Number of Meetings Attended/Held		
			Audit and Finance	Remuneration and Nomination	Health, Safety and Environment
M. R. Day	8 of 9	3 of 3			
A. R. Bartolo	4 of 9	2 of 3			4 of 6
L. M. Blackburn	9 of 9	3 of 3			
L. G. Bugeja	9 of 9	2 of 3			6 of 6
A. S. Cappello	8 of 9	3 of 3		1 of 2	
R. M. Findlay	9 of 9	3 of 3	7 of 8	2 of 2	
J. P. Grech	5 of 9	1 of 3			2 of 6
P. A. Manning	9 of 9	3 of 3	8 of 8	2 of 2	6 of 6
M. C. Maughan	9 of 9	2 of 3	8 of 8		

Changes to the Board

Jeffrey Grech – Grower Director

Jeffrey Grech retired from the Board on 30 October 2018.

Anthony Bartolo – Grower Director

Anthony Bartolo was elected to the Board as a Grower Director on 30 October 2018.

Company Secretary

Donna Margaret Rasmussen – Company Secretary

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

Directors' Report (continued)

Principal activities

Principal activities of the Group 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 Group's principal activities during the financial period.

Review of operations

Information on the operational performance of the Group for the year ending 31 May 2019 is discussed in the Operations section (pages 10 – 13) of this report.

Operating results

Operating results for the period ending 31 May 2019 are set out in The Year in Review (pages 2 – 4 and 6 – 9) and the Financials section (pages 42 – 70) of this report.

Health, Safety and Environment

The Company has comprehensive Health, Safety and Environment Policies and is committed to continuous improvement in this area.

The Company is subject to a range of environmental legislation in Australia. Information on the Company's compliance with environmental legislation is contained in the Environment section (page 16) of this report.

Equal employment opportunities

The Company's employment policies are continually reviewed to ensure compliance with governing legislation in the area of equal employment opportunity. The Company is compliant with the requirements of the Equal Opportunity for Women in the Workplace Agency (EOWA).

Information on the Company's compliance with equal employment opportunity legislation is detailed in the Employees section (pages 18 – 19) of this report.

Dividends paid or recommended

No dividends were paid or declared for payment during the financial year.

Remuneration report

The "Corporations Legislation Amendment (Deregulatory and Other Measures) Act 2016", enacted on 19 March 2016, amended the Corporations Act 2001 to exclude "unlisted disclosing entities" from being required to prepare a remuneration report. As the Company is classified as an unlisted disclosing entity under the Corporations Act 2001, a remuneration report has not been included in the Directors' report. Under the accounting standards, the Company is required to disclose summarised remuneration information in relation to the Directors and certain executives in the notes to the accounts. This information has been included in the concise financial report included in this report (Refer note 4: Key management personnel compensation).

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

Recapitalisation

On 29 July 2019, the shareholders of the Company voted in favour of an investment proposal by Nordzucker AG in the Company. This resulted in the implementation of the share subscription agreement between the Company and Nordzucker AG which was completed on 31 July 2019. Nordzucker AG acquired a 70% shareholding in the Company through a \$60 million equity investment.

Details of the major financial transactions and changes as a result of the recapitalisation are set out in note 5 of the Company's concise financial report for the year ended 31 May 2019.

Sale of Mossman Mill

As part of the conditions of the above recapitalisation, the Company sold Mossman mill to Far Northern Milling Pty Ltd on 5 July 2019. The sale transaction included all assets and specified liabilities associated with the Mossman milling business. The Company transferred the employee entitlements to the purchaser on completion and has committed to meet any redundancy payments in the event that Mossman mill is closed before 31 December 2020. Under the sale agreement, the Company will provide a range of transitional services to the purchaser, until the purchaser is able to fully establish its own accounting and business systems.

Impairment of assets

As at 31 May 2019 the Directors have determined circumstances exist that require property, plant, equipment and investment property assets to be impaired to reflect their recoverable value. Two valuation approaches were considered being 'fair value' and 'value in use'. The higher of the two approaches has been used to establish recoverable value.

The fair value approach requires a comparison to be made with an independent third party transaction. The recapitalisation transaction is such a transaction. The value in use approach requires estimated future cash flows to be discounted. The resultant discounted cash flow analysis has indicated that the fair value is the highest value of the two approaches.

Using the fair value approach the following outcomes have been determined and included in the statement of profit or loss for the year ended 31 May 2019:

- Loss on impairment of property, plant and equipment Mackay milling assets \$163.95 million
- Loss on impairment of property, plant and equipment Mossman milling assets \$ 0.45 million
- Loss on impairment of Mossman investment property \$ 0.66 million
- Total impairment of assets \$165.06 million

The asset impairments have resulted in the value of total assets decreasing to \$309.46 million. As total liabilities as at 31 May 2019 are \$309.46 million, net assets (total equity) is \$Nil.

Settlement of Unsecured Notes (Bonds)

Repayment of the Company's \$50 million in unsecured notes (bonds) occurred in August 2019. As part of the recapitalisation of the Company, a repayment discount of 50% was agreed with the Noteholders resulting in the full settlement of the liability for \$25 million.

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

Racecourse Cogeneration Operations

A failure of the switchboard on the 38Mw alternator at Racecourse mill on 6 July 2019 resulted in a significant reduction in the output of the Cogeneration operations of the Company. An insurance claim is expected to be received for a portion of the losses incurred from this event. At the time of this report, a loss of approximately \$1.5 million after accounting for likely insurance recoveries is expected to be incurred by the Company.

In the opinion of Directors, other than the information advised in the 'Significant changes in state of affairs' above, no other matter or circumstance has arisen in the interval between the end of the financial year 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.

Going concern

While the cash flow from operating and investing activities resulted in a negative cash flow of \$15.37 million, plans to improve the profitability of the Company are in progress and significant recapitalisation has been undertaken. Subsequent to the year ended 31 May 2019 financial accounts; the following equity funding and financing facilities have been obtained to fulfil the future funding requirements of the Company:

- Receival of \$60 million in equity funding through the Nordzucker recapitalisation;
- Establishment of a shareholder loan facility of up to \$60 million provided on commercial terms;
- Establishment of new bank financing facilities for a five year term.

Directors' Report (continued)

Future developments

The Board continues to explore opportunities and projects to advance the Company's core business through improvements in milling rate, recovery and reliability. Likely developments in the operations of the Company and the expected results in future financial years have not been included in this report as until any such development becomes a firm commercial proposal, untimely and early disclosure of such information is likely to result in unreasonable prejudice to the Company.

Proceedings on behalf of the Company

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

Indemnification of Officers

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

Rounding of amounts

The Company has applied the relief available to it under Australian Securities and Investments Commission (ASIC) Instrument 2016/191 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 40.

This report of the Directors is signed in accordance with a resolution of the Board of Directors.



MR Day
Director (Chairman)

Dated: 21 August 2019



PA Manning
Director (Deputy
Chairman)

Under section 307c of the Corporations Act 2001

Auditor's independence declaration

To the Directors of Mackay Sugar Limited:

I declare that, to the best of my knowledge and belief, during the year-ended 31 May 2019, there have been:

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

BENNETT PARTNERS

Chartered Accountants

PAUL HINTON

Partner

Dated: 22 August 2019

At: First Floor
122 Wood Street
MACKAY Qld 4740

Information on the concise financial report

The concise financial report is an extract from the full financial report for the year ended 31 May 2019. The financial statements, disclosures and other information included in the concise financial report have been derived from, and are consistent with the corresponding full financial report of Mackay Sugar Limited and controlled entities.

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, free of charge, upon request.

A discussion and analysis of the financial statements has been included in the "Financial Snapshot" in the Annual report. This has been provided to assist shareholders in understanding the concise financial report. The information contained in this discussion and analysis has been derived from Mackay Sugar's full 2019 financial report.

Consolidated statement of profit or loss

For the year ended 31 May 2019

Consolidated Group			
	Note	May 2019 \$'000	May 2018 \$'000
Revenue from operating activities			
Revenue	2(a)	405,098	450,894
Finance revenue	2(b)	325	356
Total revenue		405,423	451,250
Changes in inventories of finished goods		(564)	(3,748)
Cost of sales		(221,212)	(249,457)
Gross profit		183,647	198,045
Revenue from non-operating activities	2(c)	1	307
Maintenance expenses		(53,820)	(50,887)
Operating expenses		(83,636)	(84,584)
Administration expenses		(44,335)	(45,385)
Distribution and marketing expenses		(8,095)	(8,339)
Depreciation		(14,588)	(16,602)
Finance costs		(15,468)	(13,301)
Other expenses		(2,193)	(277)
Loss on impairment of Sugar Australia JV		-	(6,900)
Loss on impairment of property, plant and equipment	9	(164,404)	(2,933)
Loss on impairment of investment property	10	(656)	-
Share of profits of associate and joint venture		13,355	10,429
Profit/(loss) before income tax		(190,192)	(20,427)
Income tax expense	8	-	-
Profit/(loss) for the year		(190,192)	(20,427)
Profit attributable to:			
Members of the Company		(190,192)	(20,427)
Non-controlling interests		-	-
Profit for the year		(190,192)	(20,427)

The accompanying notes form part of this concise financial report

Consolidated statement of comprehensive income

For the year ended 31 May 2019

		Consolidated Group	
	Note	May 2019 \$'000	May 2018 \$'000
Profit/(loss) for the year		(190,192)	(20,427)
Other comprehensive income or loss			
Items that will not be reclassified subsequently to profit or loss:			
Loss on revaluation of property, plant and equipment		-	-
Items that may be reclassified subsequently to profit or loss:			
Gain on remeasurement of financial assets		1,674	885
Fair value movements on cash flow hedges		(15,531)	9,073
Exchange differences on translation of foreign associated company		812	(1,032)
Share of other comprehensive income/(loss) of associated company		273	361
Share of other comprehensive income/(loss) of the joint venture		(2,025)	(150)
		(14,797)	9,137
Income tax expense relating to components of other comprehensive income/(loss)	8	-	-
Other comprehensive income/(loss) for the year, net of tax		(14,797)	9,137
Total comprehensive income/(loss) for the year		(204,989)	(11,290)
Total comprehensive income/(loss) attributable to:			
Members of the Company		(204,989)	(11,290)
Non-controlling interests		-	-
Total comprehensive income/(loss) for the year		(204,989)	(11,290)

The accompanying notes form part of this concise financial report.

Consolidated statement of financial position

As at 31 May 2019

		Consolidated Group	
		May 2019 \$'000	May 2018 \$'000
Assets			
Current assets			
Cash and cash equivalents		16,924	14,793
Trade and other receivables		15,495	21,384
Other financial assets		4,269	15,707
Inventories		12,797	13,308
Assets held-for-sale		-	-
Other assets		1,419	452
Total current assets		50,904	65,644
Non-current assets			
Trade and other receivables		593	550
Other financial assets		32,493	34,796
Investments accounted for using the equity method		85,382	81,315
Property, plant and equipment	9	137,698	304,853
Investment properties	10	2,391	3,074
Total non-current assets		258,557	424,588
Total assets		309,461	490,232
Liabilities			
Current liabilities			
Trade and other payables		40,708	45,055
Interest bearing liabilities		182,939	162,671
Other liabilities	11	1,235	3,835
Other financial liabilities		415	364
Employee benefits		11,017	10,547
Total current liabilities		236,314	222,472
Non-current liabilities			
Interest bearing liabilities		251	3,017
Other liabilities	11	41,165	29,529
Other financial liabilities		29,002	27,473
Employee benefits		2,729	2,752
Total non-current liabilities		73,147	62,771
Total liabilities		309,461	285,243
Net assets		0	204,989
Equity			
Issued capital		16,498	16,498
Reserves		17,053	31,850
Retained profit		(33,551)	156,641
Total equity		0	204,989

The accompanying notes form part of this concise financial report

Consolidated statement of changes in equity

For the year ended 31 May 2019

Consolidated Group

Balance at 1 June 2017

Dividends
 Transactions with owners in their capacity as owners
 Profit attributable to the shareholders of the Company
 Other comprehensive income/(loss):
 Remeasurement of financial assets
 Adjustments from translation of foreign associated company
 Cash flow hedges: gains allocated to equity
 Share of associated company's hedging reserve movements
 Share of joint venture's hedging reserve movements
 Total comprehensive income for the year

Balance at 31 May 2018

Dividends
 Transactions with owners in their capacity as owners
 Profit attributable to the shareholders of the Company
 Other comprehensive income/(loss):
 Remeasurement of financial assets
 Adjustments from translation of foreign associated company
 Cash flow hedges: losses allocated to equity
 Share of associated company's hedging reserve movements
 Share of joint venture's hedging reserve movements
 Total comprehensive income for the year

Balance at 31 May 2019

The accompanying notes form part of this concise financial report

Note	Ordinary share capital	Retained profit	Financial assets revaluation reserve	Asset revaluation reserve	Foreign currency translation reserve	Hedging reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	16,498	177,068	6,107	-	3,732	12,874	216,279
3	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	(20,427)	-	-	-	-	(20,427)
	-	-	885	-	-	-	885
	-	-	-	-	(1,032)	-	(1,032)
	-	-	-	-	-	9,073	9,073
	-	-	-	-	-	361	361
	-	-	-	-	-	(150)	(150)
	-	(20,427)	885	-	(1,032)	9,284	(11,290)
	16,498	156,641	6,992	-	2,700	22,158	204,989
3	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	(190,192)	-	-	-	-	(190,192)
	-	-	1,674	-	-	-	1,674
	-	-	-	-	812	-	812
	-	-	-	-	-	(15,531)	(15,531)
	-	-	-	-	-	273	273
	-	-	-	-	-	(2,025)	(2,025)
	-	(190,192)	1,674	-	812	(17,283)	(204,989)
	16,498	(33,551)	8,666	-	3,512	4,875	0

Consolidated statement of cash flows

For the year ended 31 May 2019

	Consolidated Group	
	May 2019 \$'000	May 2018 \$'000
Cash flow from operating activities		
Receipts from sugar sales and other sales	432,085	500,202
Payments to cane suppliers	(244,017)	(284,067)
Payments to other suppliers and employees	(205,240)	(205,082)
Distributions received from associated entities	13,236	10,624
Interest received	325	356
Other revenue	17,627	10,061
Finance costs	(14,077)	(12,098)
Net cash provided by operating activities	(61)	19,996
Cash flow from investing activities		
Payments for purchases of property, plant and equipment	(13,872)	(12,281)
Distributions received / (contributions made) to associated entities	(1,440)	1,957
Proceeds on sale of property, plant and equipment	1	44
Proceeds on sale of property held for sale	-	280
Proceeds on sale of subsidiary	-	50
Net cash used in investing activities	(15,311)	(9,950)
Cash flow from financing activities		
Proceeds from interest bearing activities	188,259	37,338
Repayment of interest bearing activities	(163,259)	(42,962)
Lease liability payments	(1,160)	(294)
Decrease in growers' loans	441	479
Decrease in interest bearing deposits	(144)	(30)
Decrease in selected-term unsecured notes	(6,634)	(8,048)
Net cash provided by (used in) financing activities	17,503	(13,517)
Net increase/(decrease) in cash and cash equivalents	2,131	(3,471)
Cash and cash equivalents at the beginning of the year	14,793	18,264
Cash and cash equivalents at the end of the year	16,924	14,793

The accompanying notes form part of this concise financial report.

Notes to the concise financial report

For the year ended 31 May 2019

Note 1: Basis of preparation of the concise financial report

This financial report covers the economic entity of Mackay Sugar Limited and its controlled entities (referred to as the 'Group'). The economic entity is an unlisted public Company, limited by shares, incorporated and domiciled in Australia.

The concise financial report is an extract from the full financial report for the year ended 31 May 2019. The concise financial report has been prepared in accordance with Accounting Standard AASB 1039: Concise Financial Reports and the Corporations Act 2001.

These concise financial statements are consolidated concise financial statements required to be prepared by Mackay Sugar due to the operations of two controlled entities during the year.

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 the relief available to it under ASIC Instrument 2016/191 and accordingly, amounts in this concise financial report have been rounded to the nearest thousand dollars, unless otherwise indicated.

Changes in accounting standards

Due to the adoption of 'AASB 15 Revenue from Contracts with Customers' in the current reporting period, the Group had to change its accounting policies and make retrospective adjustments to the amounts reported in previous periods. The retrospective changes required by AASB 15 to the previous financial years ended 31 May 2017 and 31 May 2018 did not result in any change to the opening retained earnings at 1 June 2017 and 1 June 2018. The impact of adoption of AASB 15, appropriate transition disclosures, and the new accounting policies are disclosed in the full financial report in the following sections:

- Note 1(t) Revenue and other income – Revenue from contracts with customers;
- Note 1(hh) Impact of adoption of AASB 15 Revenue from contracts with customers;
- Note 1(ii) Explanation of application of AASB 15 Revenue from contracts with customers

There were no other changes in the accounting standards or the accounting policies of the Group during the year that had a significant effect on the preparation and presentation of the full financial report.

The financial report was authorised for issue on 21 August 2019 by the Board of Directors.

Notes to the concise financial report

For the year ended 31 May 2019

Note 2: Revenue

	Note	May 2019 \$'000	May 2018 \$'000
(a) Revenue from operating activities			
Sale of goods		392,417	438,680
Services revenue		4,805	4,594
Dividends received – other corporations		2,258	2,127
Government subsidies received	2(d)	845	773
Rental revenue		619	572
Insurance claims		4,060	4,030
Recoveries		90	58
Other revenue		4	60
		405,098	450,894
(b) Finance revenue			
Bank interest received – other corporations		324	354
Loan interest received – other persons		1	2
		325	356
(c) Revenue from non-operating activities			
Gain on disposal of property, plant and equipment		1	43
Gain on disposal of assets held-for-sale		-	214
Gain on sale of subsidiary		-	50
		1	307
(d) Government subsidies			
Government subsidies received or receivable:			
Government subsidies received in relation to capital projects		3,643	2,558
Government subsidies received allocated directly to income		83	11
		3,726	2,569
Government subsidies received included in income:			
Government subsidies received allocated directly to income		83	11
Deferred government subsidies allocated to income		762	762
		845	773

Various government grants have been received for capital related projects. There are no unfulfilled conditions or contingencies relating to existing grants as at 31 May 2019.

Notes to the concise financial report

For the year ended 31 May 2019

Note 3: Dividends and franking account

	May 2019 \$'000	May 2018 \$'000
(i) Dividends declared during the year:		
Nil		
(ii) Dividends paid during the year:		
Nil		
(iii) Dividends declared but not paid at year-end:		
Nil		
(iv) Balance of the franking account at the end of the year	5,189	5,189
The franking account will be reduced subsequent to the year-end as a result of the fully franked dividend declared per (iii) above	-	-
	5,189	5,189

Notes to the concise financial report

For the year ended 31 May 2019

Note 4: Key management personnel compensation

(a) Details of key management personnel

Directors and executives who have held office during the financial year were:

Directors

M.R. Day	Chairman (executive)	
P.A. Manning	Deputy Chairman (non-executive)	
A.R. Bartolo	Director (non-executive)	(Appointed 30th October 2018)
L.M. Blackburn	Director (non-executive)	
L.G. Bugeja	Director (non-executive)	
A.S. Cappello	Director (non-executive)	
R.M. Findlay	Director (non-executive)	
J.P. Grech	Director (non-executive)	(Retired 30th October 2018)
M.C. Maughan	Director (non-executive)	
M.J. Sage	Director QCS (non-executive)	

Executives

M.R. Day	Chief Executive Officer	
P.J. Gill	General Manager – Commercial and Legal	
T.J. Doolan	General Manager – Milling Operations	(For the period 1st June 2018 to 6th July 2018)
D.J. Said	Chief Financial Officer	
J.M. Walton	Manager – Cane Supply & Logistics	
P.J. Miskin	General Manager – Mossman Mill	
C.J. Mansfield	Group Manager – HR/HSE	
T.B. Lloyd	Group Asset Manager	(From 6th July 2018)
P.I. Flanders	Farleigh Factory Manager	(From 6th July 2018)
M.L. Gayton	Racecourse Factory Manager	(From 6th July 2018)
C. Wood	Marian Factory Manager	(From 6th July 2018)

Notes to the concise financial report

For the year ended 31 May 2019

Note 4: Key management personnel compensation (continued)

(b) Compensation of key management personnel

The aggregate compensation for key management personnel during the financial year was as follows:

	May 2019 \$'000	May 2018 \$'000
Short-term benefits		
Salary and fees	2,901	2,304
Bonuses	-	-
Non-cash benefits	28	5
Other	179	91
Termination	88	295
Post-employment benefits	302	256
Other long-term benefits	64	(80)
Total benefits and payments	3,562	2,871

The Company's executive team was restructured on 6th July 2018 following the retirement of the General Manager – Milling Operations. Four existing positions (Group Asset Manager and the Factory Managers for the three Mackay mills) are now included in the executive team. This change has resulted in an additional three executives being included in the key management personnel for the majority of the 2019 financial period compared to the previous 2018 financial period.

(c) Key management personnel options and rights holdings

Key management personnel are not entitled to any options or rights holdings. There were no transactions in options and rights and no holdings of options or rights by any key management personnel during the financial year.

Notes to the concise financial report

For the year ended 31 May 2019

Note 4: Key management personnel compensation (continued)

(d) Key management personnel shareholdings

The number of shares in Mackay Sugar held by key management personnel or their related parties during the financial year was as follows:

Investment shares	Balance at the beginning of the year	Changes during the year	Balance at the end of the year
A.R. Bartolo	409,435	-	409,435
L.M. Blackburn	179,787	-	179,787
L.G. Bugeja	347,924	-	347,924
A.S. Cappello	480,119	37,778	517,897
J.P. Grech	1,134,177	-	1,134,177
P.A. Manning	100,000	-	100,000
D.J. Said	41,282	-	41,282
	2,692,724	37,778	2,730,502

The shares are not issued as a result of any remuneration or option benefits. The above key management personnel (personally or through associated entities) also hold one voting share for each eligible farming enterprise which entitles them to vote on any shareholders' poll.

(e) Other key management personnel transactions

There have been no other transactions involving equity instruments other than those described in the tables above. There have been no loans provided to key management personnel and therefore no transactions or balances exist in relation to loans to key management personnel during the financial year.

Notes to the concise financial report

For the year ended 31 May 2019

Note 5: Events after the end of the reporting period

Recapitalisation

On 29 July 2019, the shareholders of the Company voted in favour of an investment proposal by Nordzucker AG in the Company. This resulted in the implementation of the share subscription agreement between the Company and Nordzucker AG which was completed on 31 July 2019. Nordzucker AG acquired a 70% shareholding in the Company through a \$60 million equity investment.

The following major transactions and changes are expected to occur as a result of the agreement:

- Additional loan funding of up to \$60 million on commercial terms has been agreed with Nordzucker AG.
- Repayment of the Company's \$50 million in unsecured notes (bonds) has been made in August 2019. A repayment discount of \$25 million has been agreed with the noteholders as part of the Nordzucker transaction.
- The Company's finance facilities with NAB and Rabobank have been renegotiated and extended for a 5 year term.
- Success fees of \$2.9 million were paid in August 2019 to Kidder Williams.
- The deferred cane payments of \$18.5 million owing to sugar cane suppliers of the Company will be repaid in full via two equal instalments, the first in August 2019 and the second prior to 31 July 2020.
- The significant majority of sugar cane suppliers (circa 99%) have agreed to change the cane payment formula, for determining cane payments to the Company's sugar cane suppliers from the Mackay Sugar PRS method to the CCS method. This will apply for the 2019 season.

Sale of Mossman Mill

As part of the conditions of the above recapitalisation, the Company sold Mossman mill to Far Northern Milling Pty Ltd on 5 July 2019. The sale transaction included all assets and specified liabilities associated with the Mossman milling business. The Company transferred the employee entitlements to the purchaser on completion and has committed to meet any redundancy payments in the event that Mossman mill is closed before 31 December 2020. Under the sale agreement, the Company will provide a range of transitional services to the purchaser, until the purchaser is able to fully establish its own accounting and business systems.

Derivative financial positions

Since the end of the financial year, movements in the ICE No.11 Raw Sugar Futures prices and exchange rates have resulted in variances to the "mark-to-market" values reported in the financial statements.

As the Group has entered into sugar futures and options contracts, foreign exchange contracts, foreign currency options, and commodity swap transactions, unrealised gains or losses on these derivatives fluctuate over time in line with changes to futures prices and foreign exchange rates.

As at 31 May 2019, the financial accounts reported a net unrealised gain on sugar pricing derivatives of \$4.4 million. However, as at 16 August 2019, in anticipation of the Board meeting, this amount would be calculated to be an unrealised gain of \$7.0 million, based on the quoted rates of the day for derivatives that are still outstanding and realised prices for derivatives that have been settled subsequent to year end. The change is mainly due to a reduction in the sugar futures prices, offset in part by movements in foreign exchange rates.

The nature of a hedging relationship means that the above movement in mark-to-market values is realised when the raw sugar sales related to these transactions are completed.

Racecourse Cogeneration Operations

A failure of the switchboard on the 38Mw alternator at Racecourse mill on 6 July 2019 resulted in a significant reduction in the output of the Cogeneration operations of the Company. An insurance claim is expected to be received for a portion of the losses incurred from this event. At the time of this report, a loss of approximately \$1.5 million after accounting for likely insurance recoveries is expected to be incurred by the Company.

Other matters

No other matter or circumstance has arisen in the interval between the end of the financial year and the date of this report, which has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Notes to the concise financial report

For the year ended 31 May 2019

Note 6: Interest in Subsidiaries

Information about Principal Subsidiaries

Set out below are the parent Company's subsidiaries at 31 May 2019. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Company and the proportion of ownership interests held equals the voting rights held by the Company. Each subsidiary's country of incorporation or registration is also its principal place of business.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Company		Proportion of Non-controlling Interests	
		At 31 May 2019	At 31 May 2018	At 31 May 2019	At 31 May 2018
Queensland Commodity Services Pty Ltd	Brisbane, Australia	100%	100%	-	-
Mackay Commodity Trading Pty Ltd	Brisbane, Australia	100%	100%	-	-

The following subsidiaries were established and commenced operations as follows:

Queensland Commodity Services Pty Ltd

- Established on 28 March 2013 by the parent Company.
- Commenced operations on 31 July 2013.

Mackay Commodity Trading Pty Ltd

- Established on 28 May 2015 by the parent Company.
- Has not commenced operations and was inactive during the year ended 31 May 2019.

There was no change in the ownership interests in any of the subsidiaries held by the Group during the year.

Notes to the concise financial report

For the year ended 31 May 2019

Note 7: Segment reporting

(a) Basis for segmentation

The Group has the following four strategic divisions which have been determined by management to be its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology, resources and marketing strategies.

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Raw Sugar Milling	Manufacture of raw sugar from sugar cane, including by-products molasses and electricity, in Queensland, Australia
Refined Sugar	Manufacture and distribution of refined sugar from raw sugar in Australia and New Zealand
Commodity Trading	Marketing, pricing and trading of raw sugar and related financial products
Other Investments	Investment activities not related to the operations of the above segments

The CEO of Mackay Sugar Limited has been determined to be the 'Chief Operating Decision Maker' of the Group. The CEO reviews the internal management reports of each division on a regular basis and strategic decisions are made based on these reports. The Commodity Trading segment's activities and strategic decisions are managed by a subsidiary (Queensland Commodity Services Pty Ltd) which has a separate Board and management.

There are varying levels of integration between the Raw Sugar Milling, Refined Sugar, and Commodity Trading segments. This integration includes the transfers of products and shared services as explained below. Inter-segment pricing is determined on an arm's length basis.

(b) Information on inter-segment activities and aggregation of business units:

The segment amounts included in this note have been determined on the same basis as that reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance. The major business units included within each segment are as follows:

Raw Sugar Milling:

This segment derives revenues from the manufacture and distribution of raw sugar, molasses and electricity. Raw sugar sales are managed and undertaken through the Commodity Trading segment on behalf of this segment. The segment includes the operations of four raw sugar mills in Queensland, Australia (three Mills in Mackay and one Mill in Mossman).

Refined Sugar:

This segment derives revenues from the manufacture, distribution and marketing of refined sugar and related products. The segment is made up of three separate entities - Sugar Australia joint venture, New Zealand Sugar Company Pty Ltd, and Oriana Shipping Co. Pte Ltd. The entities operate from different geographical regions, but have been combined into one segment as their activities have similar economic characteristics and they are generally monitored as a whole. The entities are accounted for in the financial statements as equity-accounted investments as the Company has a 25% stake in each entity.

Commodity Trading:

This segment provides certain financial support services to the Group and third party customers. A significant portion of this segment's activities involves the marketing and sale of raw sugar obtained from the Raw Sugar Milling segment. Pricing and hedging services are provided through the use of various sugar and exchange rate trading strategies on global markets. A significant portion of the raw sugar from the Mackay region is sold to a business unit within the Refined Sugar segment.

Other Investments:

This segment includes a number of material investments whose activities have been considered to be unrelated to the above segments. These investments include Sugar Terminals Limited, Racecourse Projects Pty Ltd, and M&M Molasses Pty Ltd. The segment also includes the operations of the Company's investment properties. Revenue from this segment is obtained from dividends and rental income.

Notes to the concise financial report

For the year ended 31 May 2019

Note 7: Segment reporting (continued)

(c) Information about reportable segments

Information related to each reportable segment is set out below. Segment results are generally evaluated on a profit before interest, corporate expenses and tax basis. This is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments. The Group manages its net debt, net finance costs and income taxes on a Group basis and these measures are therefore not reported internally at a segment level. Accordingly, various amounts included in the Group's financial statements have not been allocated between the segments as explained below.

Unallocated amounts

In relation to the segment information below, certain amounts from the Group's financial statements have not been allocated on the basis that they relate to the Group as a whole and it would be difficult to allocate the amounts between the segments on a reasonable or justifiable basis. This includes some or all amounts in the following areas:

- Finance revenue
- Finance costs
- Corporate expenses
- Cash at Bank
- Interest bearing liabilities
- Other financial liabilities

Notes to the concise financial report

For the year ended 31 May 2019

Note 7: Segment reporting (continued)

Year ended 31 May 2019	Reportable segments				
	Raw Sugar Milling \$'000	Refined Sugar \$'000	Commodity Trading \$'000	Other Investments \$'000	Total \$'000
Revenue					
From external customers	45,272	158,119	200,619	2,893	406,903
Finance revenue from external customers	-	125	56	-	181
Discontinued operations	-	-	-	-	-
Inter-segment revenue	347,364	-	147,527	-	494,891
Total segment revenue	392,636	158,244	348,202	2,893	901,975
Profit/(loss)					
Segment profit/(loss) before tax	(187,425)	-	(515)	2,656	(185,284)
Share of profit/(loss) of equity-accounted investments	-	13,305	-	50	13,355
Total segment profit/(loss) before tax	(187,425)	13,305	(515)	2,706	(171,929)
Other reportable items included in profit/(loss)					
Interest income	-	125	56	-	181
Interest expense	-	(7)	(2,052)	-	(2,059)
Depreciation and amortisation	(14,561)	(4,409)	-	(27)	(18,997)
Income tax expense	-	(1,922)	-	-	(1,922)
Other material non-cash items:					
– Impairment losses on Sugar Australia JV	-	-	-	-	-
– Loss on revaluation of property, plant and equipment	-	-	-	-	-
– Impairment losses on property, plant and equipment	(164,404)	-	-	-	(164,404)
– Impairment losses on investment property	(656)	-	-	-	(656)
Segment assets					
Derivatives	-	-	4,835	-	4,835
Trade & other receivables	5,721	-	10,368	-	16,089
Other assets	150,498	-	2,743	34,973	188,214
Equity accounted investments	-	85,382	-	-	85,382
Total segment assets	156,219	85,382	17,946	34,973	294,520
Other reportable items included in assets					
Capital expenditure	13,872	3,293	-	-	17,165
Segment liabilities					
Derivatives	579	-	415	-	994
Trade & other payables	36,198	-	4,510	-	40,708
Other liabilities	85,774	-	373	-	86,147
Total segment liabilities	122,551	-	5,298	-	127,849

Notes to the concise financial report

For the year ended 31 May 2019

Note 7: Segment reporting (continued)

Year ended 31 May 2018	Reportable segments				Total
	Raw Sugar Milling \$'000	Refined Sugar \$'000	Commodity Trading \$'000	Other Investments \$'000	
Revenue					
From external customers	55,685	182,180	205,266	2,721	445,852
Finance revenue from external customers	-	77	61	-	138
Discontinued operations	-	-	-	-	-
Inter-segment revenue	381,595	-	178,144	-	559,739
Total segment revenue	437,280	182,257	383,471	2,721	1,005,729
Profit/(loss)					
Segment profit/(loss) before tax	(9,905)	-	2,238	2,391	(5,276)
Share of profit/(loss) of equity-accounted investments	-	3,524	-	5	3,529
Total segment profit/(loss) before tax	(9,905)	3,524	2,238	2,396	(1,747)
Other reportable items included in profit/(loss)					
Interest income	-	77	61	-	138
Interest expense	(655)	(5)	(435)	-	(1,095)
Depreciation and amortisation	(16,575)	(3,520)	-	(27)	(20,122)
Income tax expense	-	(1,735)	-	-	(1,735)
Other material non-cash items:					
– Impairment losses on Sugar Australia JV	-	(6,900)	-	-	(6,900)
– Loss on revaluation of property, plant and equipment	(2,933)	-	-	-	(2,933)
– Impairment losses on property, plant and equipment	-	-	-	-	-
Segment assets					
Derivatives	577	-	19,674	-	20,251
Trade & other receivables	12,913	-	9,020	-	21,933
Other assets	318,329	-	1,846	33,326	353,501
Equity accounted investments	-	81,285	-	31	81,316
Total segment assets	331,819	81,285	30,540	33,357	477,001
Other reportable items included in assets					
Capital expenditure	12,281	3,809	-	-	16,090
Segment liabilities					
Derivatives	-	-	364	-	364
Trade & other payables	41,786	-	3,270	-	45,056
Other liabilities	50,039	-	2,696	-	52,735
Total segment liabilities	91,825	-	6,330	-	98,155

Notes to the concise financial report

For the year ended 31 May 2019

Note 7: Segment reporting (continued)

(d) Reconciliations of information on reportable segments to amounts reported in the financial statements

	May 2019 \$'000	May 2018 \$'000
Revenues		
Total revenue for reportable segments	901,975	1,005,729
Revenue of equity-accounted investments	(158,244)	(182,257)
Unallocated amounts:		
Finance Revenue	269	295
Revenue for other segments	-	-
Elimination of inter-segment revenue	(338,577)	(372,517)
Elimination of discontinued operations	-	-
Consolidated revenue	405,423	451,250
Profit before tax		
Total profit before tax for reportable segments	(171,929)	(1,747)
Profit before tax for other segments	-	-
Elimination of inter-segment profit (dividend)	-	-
Elimination of discontinued operation	-	-
Unallocated amounts:		
– Corporate expenses	(5,116)	(6,763)
– Finance costs	(13,416)	(12,212)
– Finance revenue	269	295
Consolidated profit before tax from continuing operations	(190,192)	(20,427)

Notes to the concise financial report

For the year ended 31 May 2019

Note 7: Segment reporting (continued)

	May 2019 \$'000	May 2018 \$'000
Assets		
Total assets for reportable segments	294,520	477,001
Assets for other segments	-	-
Unallocated amounts:		
Cash and cash equivalents	14,941	13,231
Consolidated total assets	309,461	490,232
Liabilities		
Total liabilities for reportable segments	127,849	98,155
Liabilities for other segments	-	-
Unallocated amounts:		
Interest bearing liabilities	153,189	159,615
Other financial liabilities	28,423	27,473
Consolidated total liabilities	309,461	285,243

Other material items

Year ended 31 May 2019	Reportable segment totals \$'000	Adjustments (Variance) \$'000	Consolidated totals \$'000
Interest income	181	144	325
Interest expense	(2,059)	(13,409)	(15,468)
Depreciation and amortisation	(18,997)	4,409	(14,588)
Income tax expense	(1,922)	1,922	-
Loss on impairment of Sugar Australia JV	-	-	-
Loss on revaluation of property, plant and equipment	-	-	-
Impairment losses on non-financial assets	-	-	-
Impairment losses on property, plant and equipment	(164,404)	-	(164,404)
Impairment losses on investment property	(656)	-	(656)
Capital expenditure	17,165	(3,293)	13,872

Notes to the concise financial report

For the year ended 31 May 2019

Note 7: Segment reporting (continued)

Other material items

Year ended 31 May 2018	Reportable segment totals \$'000	Adjustments (Variance) \$'000	Consolidated totals \$'000
Interest income	138	218	356
Interest expense	(1,095)	(12,206)	(13,301)
Depreciation and amortisation	(20,122)	3,520	(16,602)
Income tax expense	(1,735)	1,735	-
Loss on impairment of Sugar Australia JV	(6,900)	-	(6,900)
Loss on revaluation of property, plant and equipment	(2,933)	-	(2,933)
Impairment losses on non-financial assets	-	-	-
Impairment losses on property, plant and equipment	-	-	-
Capital expenditure	16,090	(3,809)	12,281

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

An analysis of the Group's revenue from external customers for each major product and service category is as follows:

	May 2019 \$'000	May 2018 \$'000
Raw sugar sales	200,571	205,084
Refined sugar sales	158,119	182,180
Electricity sales	13,379	20,578
Molasses sales	24,681	28,254
Sundry sales	459	292
Transport, storage and handling services	1,758	1,797
Sundry services revenue	61	47
Rental revenue	619	571
Dividends received	2,258	2,127
Insurance proceeds	4,060	4,030
Other revenue	938	891
Finance revenue	181	139
Total revenue from external customers	407,084	445,990

Notes to the concise financial report

For the year ended 31 May 2019

Note 7: Segment reporting (continued)

(f) Geographic information

The Raw Sugar Milling segment and Other Investments segment operate in Mackay and Mossman in Queensland, Australia, and obtain all revenue from within Australia. The Refined Sugar segment operates throughout Australia and New Zealand, with the majority of revenue coming from the country of operations. The Commodity Trading segment operates from Brisbane, Queensland, Australia and obtains revenue from varying countries around the world on a yearly basis. The geographic information below analyses the Group's revenue, profit before tax, and non-current assets by the Company's country of domicile and other countries. In presenting the following information, segment information has been based on the geographic location of the assets and operations in which the segment activities take place.

	May 2019 \$'000	May 2018 \$'000
Revenue from external customers		
Australia	357,444	395,010
All foreign countries		
New Zealand	47,334	48,898
Singapore	2,306	2,082
	407,084	445,990
Profit before tax		
Australia	(176,861)	(6,246)
All foreign countries		
New Zealand	4,825	4,389
Singapore	107	110
	(171,929)	(1,747)
Non-current assets		
Australia	222,292	389,589
All foreign countries		
New Zealand	32,863	31,982
Singapore	3,402	3,017
	258,557	424,588

(g) Major customer

Revenues from one external customer of the Group's Raw Sugar Milling segment represented approximately \$164,366,449 (2018: \$168,453,751) of the Group's total revenues.

Notes to the concise financial report

For the year ended 31 May 2019

Note 7: Segment reporting (continued)

(h) Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers by segment:

Year ended 31 May 2019	Reportable segments				Total \$'000
	Raw Sugar Milling \$'000	Refined Sugar \$'000	Commodity Trading \$'000	Other Investments \$'000	
Type of goods or services					
Raw sugar sales	-	-	309,854	-	309,854
Electricity sales	21,655	-	-	-	21,655
Molasses sales	24,681	-	-	-	24,681
Sundry sales	343	-	-	-	343
Transport, storage and handling services	1,758	-	2,475	-	4,233
Refinery services	511	-	-	-	511
Total revenue from contracts with customers	48,948	-	312,329	-	361,277
Timing of revenue recognition					
Goods transferred at a point in time	30,097	-	309,854	-	339,951
Goods and services transferred over time	18,851	-	2,475	-	21,326
Total revenue from contracts with customers	48,948	-	312,329	-	361,277
Reconciliation of revenue from contracts with customers to segment revenue					
Total segment revenue	392,636	158,244	348,202	2,893	901,975
Adjustments and eliminations:					
Non-contract revenue	(5,111)	-	(35,873)	(2,893)	(43,877)
Revenue of equity-accounted investees	-	(158,244)	-	-	(158,244)
Inter-segment revenue	(338,577)	-	-	-	(338,577)
Total revenue from contracts with customers	48,948	-	312,329	-	361,277

Notes to the concise financial report

For the year ended 31 May 2019

Note 7: Segment reporting (continued)

(h) Revenue from contracts with customers (continued)

Set out below is the disaggregation of the Group's revenue from contracts with customers by segment:

Year ended 31 May 2019	Reportable segments				Total \$'000
	Raw Sugar Milling \$'000	Refined Sugar \$'000	Commodity Trading \$'000	Other Investments \$'000	
Type of goods or services					
Raw sugar sales	-	-	342,189	-	342,189
Electricity sales	29,111	-	-	-	29,111
Molasses sales	28,254	-	-	-	28,254
Sundry sales	168	-	-	-	168
Transport, storage and handling services	1,797	-	2,204	-	4,001
Refinery services	546	-	-	-	546
Total revenue from contracts with customers	59,876	-	344,393	-	404,269
Timing of revenue recognition					
Goods transferred at a point in time	37,048	-	342,189	-	379,237
Goods and services transferred over time	22,828	-	2,204	-	25,032
Total revenue from contracts with customers	59,876	-	344,393	-	404,269
Reconciliation of revenue from contracts with customers to segment revenue					
Total segment revenue	437,280	182,257	383,471	2,721	1,005,729
Adjustments and eliminations:					
Non-contract revenue	(4,887)	-	(39,078)	(2,721)	(46,686)
Revenue of equity-accounted investees	-	(182,257)	-	-	(182,257)
Inter-segment revenue	(372,517)	-	-	-	(372,517)
Total revenue from contracts with customers	59,876	-	344,393	-	404,269

Notes to the concise financial report

For the year ended 31 May 2019

Note 8: Taxes

Unrecognised tax losses

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

	May 2019 \$'000	May 2018 \$'000
Gross accumulated tax losses at the beginning of the year	131,953	114,666
Add: Over-provision in prior years	-	-
Add: Tax losses incurred during the year	36,190	17,287
Less: Tax losses utilised during the year	-	-
Available gross accumulated tax losses for income tax purposes at the end of the year	168,143	131,953
Less: Gross tax losses recognised as a deferred tax asset to offset deferred tax liability	-	-
Remaining unused gross tax losses for which no deferred tax asset has been recognised	168,143	131,953

Notes to the concise financial report

For the year ended 31 May 2019

Note 9: Impairment of Property, plant and equipment

As at 31 May 2019, the Directors have determined, based on information from management, that the property, plant and equipment assets were impaired on the basis of an independent third party transaction for the recapitalisation of the Company on 31 July 2019. Refer to note 5 for more details in relation to the recapitalisation transaction. The Directors and management have determined that the recapitalisation transaction provides the most appropriate indicator of fair value of the property, plant and equipment assets as at 31 May 2019.

The property, plant and equipment assets were impaired on 31 May 2019 on the above basis as follows:

Impairment effective 31 May 2019	Mackay assets	Mossman assets	Total assets
Value of assets pre-impairment	\$301,651,470	\$450,912	\$302,102,382
Fair Value amount	\$137,699,063	Nil	\$137,699,063
Impairment write-down	\$163,952,407	\$450,912	\$164,403,319

A reconciliation of the revaluation and impairment amounts of property, plant and equipment during the financial year is as follows:

	May 2019 \$'000	May 2018 \$'000
Carrying amount of property, plant and equipment at period end prior to revaluation and impairment	302,102	307,786
Losses recognised in profit or loss:		
– Revaluation of Mossman raw sugar milling property, plant and equipment	-	(2,933)
– Impairment of Mackay raw sugar milling property, plant and equipment	(163,953)	-
– Impairment of Mossman raw sugar milling property, plant and equipment	(451)	-
Losses recognised in other comprehensive income:		
– Revaluation of Mossman raw sugar milling property, plant and equipment	-	-
– Revaluation of Mackay raw sugar milling property, plant and equipment	-	-
Closing balance of property, plant and equipment at period end	137,698	304,853

Notes to the concise financial report

For the year ended 31 May 2019

Note 10: Impairment of Investment property

As at 31 May 2019, the Directors have determined, based on information from management, that the Mossman investment property assets were impaired on the basis of an independent third party transaction for the sale of Mossman mill on 5 July 2019. Refer to note 5 for more details in relation to the sale of Mossman mill. The Directors and management have determined that the transaction for the sale of Mossman mill provides the most appropriate indicator of fair value of the Mossman investment property assets as at 31 May 2019.

The investment property was impaired on 31 May 2019 on the above basis as follows:

Impairment effective 31 May 2019	Mackay assets	Mossman assets	Total assets
Value of assets pre-impairment	\$2,390,568	\$656,155	\$3,046,723
Cost / Fair Value amount	\$2,390,568	Nil	\$2,390,568
Impairment write-down	Nil	\$656,155	\$656,155

Notes to the concise financial report

For the year ended 31 May 2019

Note 11: Other Liabilities

		May 2019 \$'000	May 2018 \$'000
Current			
Deferred sugar pricing gains		266	2,628
Deferred grant income		969	762
Deferred cane payment	11(a)	-	445
		1,235	3,835
Non-current			
Deferred grant income		22,709	20,035
Deferred cane payment	11(a)	18,456	9,494
		41,165	29,529

(a) Deferred cane payment

The Company implemented a \$2 per tonne grower contribution in the form of a deferred cane payment, commencing in the 2017 season, for cane supplied at the three Mackay mills. The contribution applies to all cane supplied by sugar cane suppliers whose bargaining agents reached an agreement with the Company. An agreement was reached with the bargaining agents for the significant majority of sugar cane suppliers of the Company. The contribution applies for a two year period for the 2017 and 2018 seasons.

The total tonnes of cane subject to the deferred cane payment agreement during the period (2018 season) were 4,480,684.93 tonnes. This equates to a total deferred cane payment of \$8,961,370 for the period. At the end of the period the total deferred cane payment was made up as follows:

	May 2019 \$'000	May 2018 \$'000
2017 season – 4,747,102.16 tonnes	9,494	9,939
2018 season – 4,480,684.93 tonnes	8,962	-
	18,456	9,939

Under the agreement, the funds from the deferred cane payment are repayable to the sugar cane suppliers upon the occurrence of certain trigger events. These trigger events are summarised as follows:

- Changes in ownership or a merging of the Company;
- Certain Insolvency events including the winding-up of the Company, appointment of a liquidator or administrator, and entering into a scheme of arrangement with creditors;
- Raising funds via the issue of shares;
- Declaration of a dividend or similar distribution;
- Any other event determined by the Board of the Company to be a trigger event.

Upon the occurrence of an Insolvency event, the repayment of the deferred cane payment will only be made after all of the Company's secured and unsecured creditors have been fully settled. Where the amount available to meet the deferred cane payments is not sufficient to meet all of the outstanding deferred payments, the deferred payments shall be made on a proportional basis based of the total amounts outstanding as deferred payments for all seasons.

Directors' Declaration

The Directors of Mackay Sugar Limited declare that the concise financial report of Mackay Sugar Limited and controlled entities for the financial year ended 31 May 2019, as set out on pages 42–70:

- (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 2019 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 of Mackay Sugar Limited.



MR Day
Director (Chairman)

Dated: 21 August 2019



PA Manning
Director (Deputy Chairman)

**Partners**

Chris Sammut FCA
 Paul Hinton CA
 Therese Scotton CA
 Geoff O'Connor CPA, Affiliate CA
 John Lavis CA, CTA
 Ryan Leach CA
 Brenton Lazzarini CA

Independent Auditor's Report

To the Members of Mackay Sugar Limited

Report on the Concise Financial Report

Opinion

We have audited the accompanying concise financial report of the Group, comprising Mackay Sugar Limited ("the Company") and the entities it controlled at the year's end which comprises the consolidated statement of financial position as at 31 May 2019, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 2019.

In our opinion, the accompanying concise financial report of Mackay Sugar Limited and its controlled entities, is consistent, in all material respects, with the audited financial report, in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

Basis for Opinion

We have conducted an independent audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's [APES 110 Code of Ethics for Professional Accountants](#) (the Code) that are relevant to our audit of the concise financial report in Australia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Concise Financial Report

The concise financial report does not contain all the disclosures required by Australian Accounting Standards applied in the preparation of the audited financial report of Mackay Sugar Limited. Reading the concise financial report and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon. The concise financial report and the audited financial report do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial report.

Independence

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

Liability limited by a scheme approved under professional standards legislation.

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Directors' Responsibility for the Concise Financial Report

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

Auditor's Responsibility

The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement. Our responsibility is to express an opinion on whether the concise financial report is consistent, in all material respects, with the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard [ASA 810](#) : *Engagements to Report on Summary Financial Statements* . We have conducted an independent audit in accordance with Australian Auditing Standards, of the financial report of Mackay Sugar Limited for the year ended 31 May 2019. We expressed an unmodified audit opinion on the financial report in our report dated 23rd August 2019.



Paul Hinton CA

Bennett Partners

122 Wood St, Mackay

Dated this 23rd day of August 2019

**Mackay Sugar Limited**

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