MARYBOROUGH SUGAR FACTORY

SUGAR MILLERS & GROWERS

NEWS RELEASE

Thursday 27th August 2009

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 30 JUNE 2009

(This news release should be read in conjunction with the attached Appendix 4E)

Overview

Results for the year ended 30 June 2009 include, for the first time, contributions from the Mulgrave Central Mill which was acquired in July 2008.

The impact on the company of this acquisition is clearly demonstrated by the significant increase in revenue to $150m, a 457% increase from the previous year.

The Mulgrave acquisition has not been the only matter materially impacting the YEJ09 results. Other significant influences, which are laying the foundation for improved earnings growth into the future, include the following:

- rising sugar prices;
- significant investment in cane growing plantations; and
- continued Merger and Acquisition focus.

The benefits of these influences will be seen in future years. YEJ09 has seen a building phase, and costs associated with this phase have impacted the results for this year.

Results

	2009 $'000	2008 $'000	Change %
Revenue	150,439	27,007	457
EBITDA	1,854	(4,826)	138
EBIT	(1,174)	(5,714)	79
Finance costs	(4,046)	(1,405)	(188)
Profit (loss) before tax	(5,220)	(7,119)	27
Profit (loss) after tax	(783)	(4,734)	83
Net cash flow from operating activities	(12,216)	(4,061)	(201)
Gross assets	191,088	140,228	36
Liabilities	95,750	44,790	114
Term debt	35,653	28,218	26
Working Capital net debt	7,870	(25,233)	(131)
Growth acquisition capital expenditure	5,525	7,972	(31)
Stay-in-business capital expenditure	3,622	2,201	65
Depreciation and Amortisation	3,028	888	241
NTA	1.98	2.80	(29)
NTA (ex Derivative Financial Instruments)	2.37	2.79	(15)

Summary of business activities undertaken during YEJ09

Sugar Milling

	2008 Season			2007 Season		
	Tonnes		CCS	Tonnes		CCS
	Cane	Sugar		Cane	Sugar	
Maryborough	614,549	83,109	13.47	664,273	79,770	12.50
Mulgrave*	1,083,216	158,028	14.07			
MSF Total	**1,697,765**	**241,137**		**664,273**	**79,770**	

- *includes 99,932 tonnes cane processed and 13,258 tonnes sugar produced pre-acquisition*

At Maryborough, the 2008 season was severely impacted by the carry-over effects of a poor 2007 season, combined with a cool summer and dry autumn. Mulgrave had a good season with around average production.

Cane Growing

Sugar cane production from company-owned farms in southeast Queensland fell 16% in 2008 from the 2007 level, primarily due to lower yields.

South East Queensland farms	2008 tonnes	2007 tonnes
Company-managed	61,239	70,477
Tenanted	88,301	108,126
Total company-owned	149,540	178,603

The cane farm acquired in Far North Queensland in mid-2008 delivered 15,659 tonnes of sugar cane to the Mulgrave mill in addition to the above table.

Fertiliser is a significant cost item in the farming operations and higher fertiliser prices (which more than doubled from a 2007 base) added some $300,000 to current year costs. Fertiliser prices have since eased by roughly 30% and it is expected that this reduction will be reflected in 2009/10 costs.

Restructure of the company’s southern farming operations is continuing with the ultimate aim of establishing four defined farming regions, or “hubs”.

This restructure includes development of available new farming land and installation of low pressure pivot irrigators. In conjunction, MSF’s farming systems are progressively being converted to controlled traffic systems which incorporate permanent plant beds and zero/minimum tillage, resulting in more efficient and lower cost operations.

During the year ended 30 June 2009 the company has invested in excess of $8.5 million in farm development and restructuring. MSF’s company-managed southern farms are expected to produce up to 130,000 tonnes of cane in 2009/10 and further expansion over coming years is forecast to lift this to 250,000 tonnes.

Sugar Terminals Limited (STL)

Following the acquisition of Mulgrave and further purchases on the market, the company currently holds 12.84% of the issued capital in STL – comprising 34,455,836 “G” Class shares and 11,775,965 “M” Class shares.

Following the failure of previous contracts, STL recently announced that they have entered into a new contract for the sale of the Brisbane bulk sugar terminal for $36 million. Settlement is due on 20 September 2009. MSF supports this initiative by STL.

Land Portfolio

As can be seen in the balance sheet summary below, MSF has a land portfolio valued in the accounts at $60 million, currently our largest asset class. The valuations for these assets were assessed as at YEJ09. Importantly, in an atmosphere of declining land values in many parts of rural and regional Australia, the assessment of values as at this reporting date has resulted in MSF maintaining its valuation for its land portfolio. This valuation is supported by an external valuer’s update of land valuations undertaken last year, the strong outlook for sugar and also recent land sales in the Maryborough region.

In February 2008 the company announced plans to develop Mary Harbour, a residential complex on a 174ha property with Mary River frontage. The process of obtaining the necessary statutory approvals to support the development application is continuing.

Other matters

Sugar Marketing and Pricing

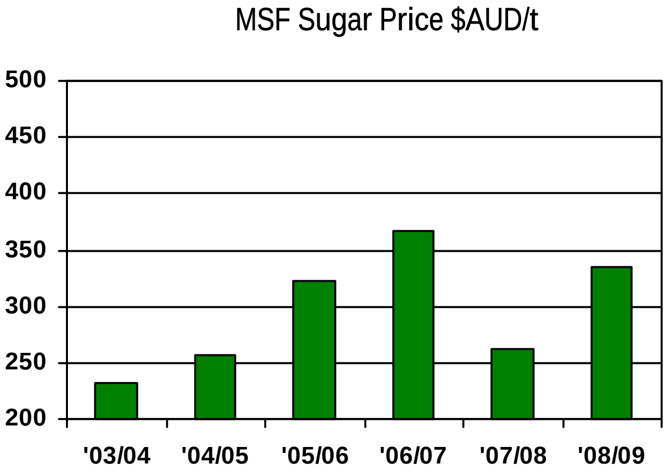
Sugar prices have strengthened significantly on the back of stronger global fundamentals. 2008 season average sugar price of $331 per tonne is 27% higher than the previous year.

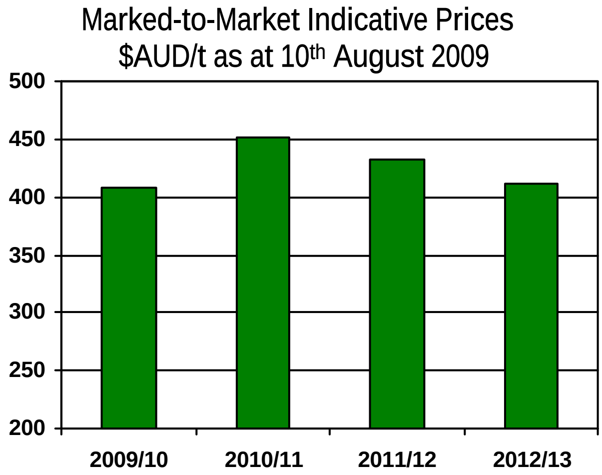
Sugar produced at Maryborough is sold into the domestic market under contract to Sugar Australia Limited (75% owned by CSR Ltd). Mulgrave’s sugar production is exported to various customers in Asia. In both cases, pricing is conducted using available world sugar prices.

Our approach to market risk is comprehensive and relies on a framework of clearly defined policies, strategies, procedures and limits. This framework is supported by management information systems designed to monitor, measure and report risk exposure compliance.

A decline in world production, combined with solid demand in the Asian region (where most of MSF’s sugar is sold) is reflected in strong sugar futures contract prices.

Varying levels of pricing have been completed as far out as the 2012 season. Marked-to-market against available futures contracts, our indicative seasonal pricing is relatively strong as demonstrated by the following graphs:





The following table summarises the current status of the MSF pricing position for corporate sugar exposure. Reference to price in this table is $AUD/t.

Season	Percent Priced	Average Price Achieved	Current Market Prices
2009	85%	$414	$586
2010	60%	$436	$528
2011	32%	$410	$448
2012	21%	$467	$408

Acquisition of Mulgrave Central Mill

Acquisition of Mulgrave was effected in July 2008 and the compulsory acquisition phase was completed in September 2008. Included in the Appendix 4E report is a reconciliation of the Mulgrave acquisition, which shows a purchase consideration of $54.4 million. Included in the assets acquired was $10.4 million of cash and $8.0 million in STL shares.

Mulgrave currently has sufficient capacity to process 1.5 million tonnes of sugar cane annually (in moving to continuous crushing which is 7 days a week operation) and is considered an excellent strategic beachhead for further consolidation opportunities in the region.

Our focus is now aimed at increasing factory capacity utilisation through increasing cane supply and the company continues to evaluate options to achieve this outcome. We have progressed the development of price risk management tools for Mulgrave growers and they are now able to capture attractive forward prices.

The integration of Mulgrave into the MSF group has gone well, with the enlarged group benefitting from the respective strengths of the two organisations.

Maryborough Crop Size

Sustainability of the Maryborough region remains a matter of strong focus for the company.

At Maryborough, significant resources have been employed in an effort to secure long term cane supply from both company-controlled and independent farms. It is envisaged that a crop size of between 800,000 tonnes and 1 million tonnes should be sustainable.

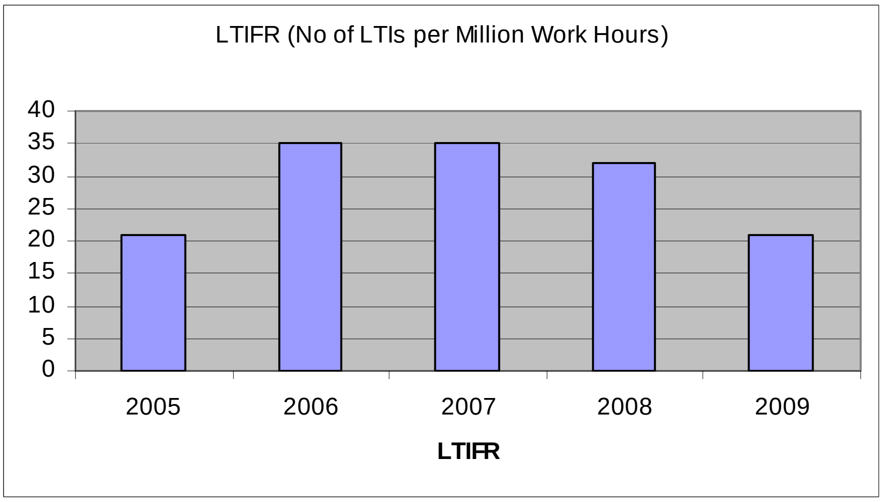
Mill management continue actively to engage cane growers in an effort to ascertain what measures are needed to improve confidence and support sustainability. Planting incentive payments have been offered as a means of maximising the area of cane planted by independent growers and this should help to underpin cane supply for the crop cycle of four to five seasons. In addition, we are increasing our own productive land base through leasing suitable land from private landholders. In 2008/09, we have negotiated to lease 226 hectares with potential to grow in excess of 12,000 tonnes of cane annually.

At this stage, combining the expansion in company managed plantations in the Maryborough region with the recent uptake of planting incentives for Maryborough growers, area under cane is expected to increase by a further 1,000 hectares for the 2010 season.

Safety Performance

We have invested significant resources in safety training as well as improving our work environment through an ongoing program of upgrades to factory floors, lighting, guarding, plant access and safety equipment.

Improved safety awareness has been reflected in our lost time injury frequency rate (LTIFR) in recent years. Our LTIFR for 2008/09 includes Mulgrave operations for the first time. Particularly pleasing was the reduction to just one lost time injury at Maryborough, a very good outcome following a comprehensive program of focus and awareness in the area of safety.



Outlook

The Maryborough crop has responded well to favourable growing conditions and around 730,000 tonnes of cane is expected to be harvested for the 2009 season.

The planting incentives and strong outlook for sugar has seen increased plantings in the Maryborough region. It is expected, on the back of this, that the crop in the region for 2010 season and beyond should return to the long term average.

Mulgrave has also recorded a good growing season and current forecasts suggest a crop in excess of 1,100,000 tonnes.

As an agriculture-based company, MSF's performance is highly exposed to weather conditions (which affect cane production and mill throughput) and the relevant world commodity price.

Through its forward-pricing program, MSF has been able to significantly reduce its exposure to a downturn in world sugar prices. The acquisition of Mulgrave in Far North Queensland provides some geographical protection against adverse growing conditions in either mill district (such as those experienced at Maryborough over the past two seasons).

MSF expects to be profitable following these improving crops and sugar prices and paying dividends into the future.

Further information :

Mike Barry
CEO
The Maryborough Sugar Factory Limited
Mobile : 0401 896 999

Summary and explanation of YEJ09 Financial Statements

Income Statement

Summary

The Loss After Tax of $0.8 million was a $3.9 million improvement on the YEJ08 results and in line with the company's guidance at half year.

The loss was a result of a number of issues:

- low crop in the Maryborough region;
- increased costs from the boom in commodity prices affecting many of our input costs, particularly fertiliser costs (this was due both to price and the significant expansion of the cane area under cultivation operated by company owned farms);
- low, but improving sugar prices (the increase in sugar prices somewhat lagged the increase in other commodity prices). Future financial years will benefit from these stronger prices;
- costs associated with a continued focus on merger and acquisition activities; and
- costs relating to enhancing the value of the property portfolio, in particular Mary Harbour

Many of these expenditure items, e.g. increased costs of fertilising, continued focus on M&A and investment in the property portfolio are laying the foundation for improved earnings into future years.

These expenditure impacts were offset by the successful acquisition and integration of Mulgrave, which provided positive earnings to the group. There was also a strong dividend income from the company's STL investment.

As can be noted from the Income Statement, the Loss Before Tax was $5.2 million. The decision to tax-consolidate the MSF group of companies has resulted in a favourable income tax benefit of $4.4 million.

Of particular note is that the company has not impaired the value of its two sugar mills or its STL investment, nor has it revalued its significant land portfolio. These asset value outcomes underscore the company's strategy of building an efficient integrated sugar business, from farm to market, that provides value to shareholders.

A more detailed explanation of the items in the Income Statement follows.

Revenue – $150 million, increased by $123 million.

This significant increase of $123 million from the previous year is a result of the following factors:

- The acquisition of Mulgrave contributed $116 million (which includes the sale of sugar purchased from Mossman Central Mill ($33 million) under a sales and marketing arrangement between Mulgrave and Mossman).

The MSF group's move to direct selling of sugar has effectively resulted in an uplift of reported revenue. This contributed $36 million to this increase (of which $29 million is included in the revenue attributable to Mulgrave included above). This uplift in revenue occurs because, in previous financial years, MSF sold sugar through Queensland Sugar Limited (QSL) and received an average sugar price. This price was net of other marketing related revenues and expenses such as distribution costs ($24.5m for YEJ09) and Net foreign exchange hedging profit / (losses) ($12m loss for YEJ09), which are now included as separate line items in the Income Statement.

Movement in valuation of biological assets – $2.2 million, increased by $2 million

This increase is due to the company's continued investment in the expansion of its cane plantations predominantly in the Maryborough region. The quantity of cane used in assessing the valuation of biological asset has increased from 71k tonnes (estimate as at YEJ08) to 155k tonnes (estimate as at YEJ09) and the sugar price has increased from $320 per tonne (estimate as at YEJ08) to $400 (estimate as at YEJ09).

Changes in inventory of finished goods and work in progress – $8.2 million, no value for YEJ08

This item occurs in the Income Statement as a result of the move to direct selling of sugar. Previously, under sales to QSL, sugar once delivered to the terminal was treated as a receivable (title to the sugar transferred to QSL upon delivery of the sugar to the terminal). Under direct selling, title of the sugar transfers to the customer upon shipment and / or payment. Therefore sugar in stock in the terminals is now considered inventory and movement in this asset from one financial year to the next flows through the Income Statement. Tonnage of sugar in stock as at YEJ09 was 12k tonnes for Maryborough (sold to Sugar Australia from the 2008 season) and 20k tonnes from Mulgrave produced or purchased from 2009 season sugar (2009 season for Mulgrave commenced in mid June).

Cost of cane and other materials used – ($92 million), increased by $75 million

Acquisition of Mulgrave has increased this value by $67 million. This includes the purchase of Mossman sugar for $25 million, and the value for the Maryborough region has increased by $8m mainly due to higher sugar prices flowing through to higher cane payments and increased planting and cultivation costs.

Distribution costs – ($24.5 million), increased by $23.4 million

As mentioned above, this is a result of moving to the direct selling of sugar (these costs were previously included in the net average price received from QSL in previous financial years). The major expenditure items included here are shipping and sugar storage costs, which of course are included in the selling price of the sugar to customers.

Net foreign exchange hedging profit (loss) – ($12 million), increased by $12 million

The MSF group hedging process involves two stages: hedging the sugar price in US$ on ICE (a New York futures exchange) as well as covering these US dollar sales with A$ foreign currency cover. MSF, in line with its sugar pricing policies, manages this process so as to target a $A sugar price outcome, i.e. we do not manage our exposure to sugar futures and foreign currency separately, but they are managed together so as to achieve a certain A$ sugar price outcome. Effectively at the time we price our sugar in US$, we also cover this exposure with the appropriate amount of A$ currency.

This item in the Income Statement specifically only deals with the A$ currency component of this process (as required by accounting standards).

As transactions mature, the foreign exchange component of the combined price is measured against the foreign exchange at the time and the resultant profit or loss is shown on the face of the income statement. This is balanced by a corresponding increase or decrease in revenue. As previously mentioned, foreign currency used to be managed by QSL and this resulted in no foreign currency profit or losses being recorded in the Income Statement of the MSF group resulting from the sale of such sugar through QSL.

Employee benefits expense – ($22.3 million), increased by $13.8 million

Acquisition of Mulgrave with its larger employment workforce than in the Maryborough region (by virtue of being a larger factory with a cane transport system using a company owned and operated locomotive fleet) has added $12.3 million to this item.

Depreciation and amortisation expenses ($3 million), increased by $2.1 million

Mulgrave has contributed $1.8million to this with an increase of $0.3m in the Maryborough region due to increased investment in irrigation and other plant and equipment.

Finance costs ($4 million), increased by $2.6 million

Borrowings have increased due to continued investment in Sugar Terminals Ltd (STL) shares and acquisition of Mulgrave. The company also now has a significant working capital requirement to manage its seasonal cash flow requirements.

Other administrative costs ($6.5 million), increased by $2.1 million

These costs have risen as a result of being a larger group following the acquisition of Mulgrave, and from a continued focus on Merger and Acquisition opportunities.

Balance Sheet

Summary

Net assets of the company as at YEJ09 total $95.3 million, down $0.1 million from YEJ08. The major changes to the balance sheet include:

Assets

- Reduction in cash mainly due to Mulgrave acquisition;
- Increased sugar inventory represented by 32k tonnes in stock;
- Available for sale assets increased as a result of the additional STL shares acquired as part of Mulgrave acquisition; and
- PP&E increase mainly due to the inclusion of Mulgrave Mill.

Liabilities

- Trade and other Payable increased mainly due to 2009 season Mulgrave cane expense and 2008 season Maryborough cane expense;
- Working capital debt, final sugar receipts for the 2008 season received during August 2009; and
- Increased term debt due in relation to the Mulgrave acquisition.

Derivative Financial Instruments (DFI)

- Accounting standards require the unrealised marked to market position of the company's sugar and currency hedging to be brought to account in the balance sheet as at 30 June 2009. For YEJ09 this has had a significant net impact on the balance sheet, with a net liability of (after deferred tax adjustment) of $18.3 million. This is explained by the following:
  - Sugar values are hedged in line with the company's market risk management policies;
  - As at 30 June 2009 the New York sugar contracts (NY11) settled significantly above the average sugar values priced to date for the company;
  - The sugar market has been experiencing a period of rising prices, and even though the company's priced position for future contracts are in excess of A$400 (well above historical levels) the market settled significantly higher than average price achieved by the company as at 30 June 2009; and

- It is this difference between the settlement values as at 30 June 2009 and the average values achieved to date that determine the amount of DFIs to be brought to account. In a rising market, this will typically result in a net liability and in a falling market a net asset.

  Other issues to consider with DFIs
- MSF is currently pricing out to 2012 season and therefore have a significant amount of sugar priced as at 30 June 2009 covering seasons from 2009 through to 2012;
- As the sugar price is a key component of the cane price paid to cane growers supplying our Mills, MSF enters pricing and currency hedges to manage this exposure. The target levels for this exposure are set as advised by our grower suppliers at levels suitable to their requirements. This accounts for approximately two thirds of the amount of sugar priced to date, i.e. a significant majority of sugar priced on MSF account is undertaken to manage this exposure;
- Typically entering into sugar contracts on the NY11 would result in being exposed to margin calls. MSF however transacts with Westpac and Macquarie banks to enter Over The Counter (OTC) sugar and currency swaps which results in these financial institutions managing the margin call requirements of our hedging position. Therefore MSF has no risk of margin calls in the event of a strong rally in the sugar price as we are experiencing at the moment; and
- Net Assets of the company, if DFIs are excluded, would be approximately $114 million.

Following is a simplified balance sheet summary which tracks the balance sheet movements from YEJ2008 to YEJ 2009 and demonstrates the impact of the Mulgrave acquisition (e.g. Mills and other PP&E) and the effects from the seasonal nature of the business (e.g. Sugar inventory, trade payables and working capital debt) on the MSF balance sheet.

Balance Sheet Summary	YEJ09	YEJ08
Assets		
Cash	4,690	30,012
Sugar and molasses inventory	12,267	-
Derivative financial instruments	5,503	898
Other current assets	10,356	4,956
STL shares	36,292	30,116
Cane farms	59,739	59,178
Mills and other PP&E	53,627	13,075
Other non current assets	8,614	1,993
Total assets	191,088	140,228
Liabilities		
Trade and other payables	13,695	3,046
Derivative financial instruments	31,699	795
Working capital debt	12,400	4,736
Other current liabilities	2,023	754
Term debt	35,653	28,261
Other non current liabilities	280	7,198
Total liabilities	95,750	44,790
Net assets	95,338	95,438

The company's term debt level stands at $35.7 million, and the company has also drawn on a working capital facility for $7.8 million (working capital net debt), which is a function of cash requirements to fund the company's total sugar marketing program.

Cash Flow

Summary

Operating cash flow was impacted by a number of timing factors in relation to the receipt of sugar revenues, which has now been received early in YEJ10, and the expansion / planting costs for the farming business, benefits of which will be received over coming seasons.

Cash flow during the reporting period includes the acquisition of Mulgrave and the cash payment to Mulgrave shareholders as a result of this acquisition. The group also continues to take advantage of opportunities to enhance its land portfolio with targeted acquisitions and divestments of properties which support the company's land strategy.

Cash flows from operating activities – ($12.2 million outflow)

Net cash outflow from operating activities was $12.2 million. The seasonal and timing influences of direct marketing of sugar has had a material affect on this outcome. Of particular note, negative cash flow implications for this reporting period include:

- $6.9 million (net of cane expense) of 2008 season sugar revenue not received YEJ09 (final receipts in August 2009);
- $3.9 million in 2009 season sugar futures settled in June 2009, received from customers during July and August 2009;
- In excess of $2 million has been attributed to expansion and related planting costs in the Maryborough region for cane under company managed farms, matching revenue will be received in future years; and
- $1 million in fees associated with a continued focus on M&A activity

The normalised net cash flow from operating activities was neutral after taking these matters into account.

Cash flows from investing activities - ($27.4 million outflow)

Payments for property plant and equipment – ($9.1 million):

- $5.5 million in growth acquisition capital expenditure, mainly due to the $3.7 million purchase of a farm in Far North Queensland in the Babinda region; and
- $3.6m Stay-in-business capital expenditure on our 2 mills and farming operations.

Payments for available-for-sale financial assets – ($3.6 million):

- Acquisition of 4.3 million STL shares

Purchase of subsidiary – ($18.3 million):

- Payment to Mulgrave shareholders and other acquisition related expenses for Mulgrave $28.7 million offset by $10.4 million in cash held by Mulgrave.

Proceeds from sale of property, plant and equipment – $3.9 million:

- Disposal of non core property in South East Queensland.

Cash flow from financing activities - $10.9 million inflow

- Drawdown ($24.5 million) and repayment ($21 million) of working capital
- Drawdown ($28.2 million) and repayment ($20.7 million) of term and acquisition debt.