MSF Sugar Limited

(Formerly The Maryborough Sugar Factory Limited)
ABN 11 009 658 708

Appendix 4D Half Year Report – Period Ended 30 June 2011

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with the 31 December 2010 Annual Report. The Company has amended its financial year end from 30 June to 31 December. This half year interim report presents the results for the six month period ended 30 June 2011. The statutory comparable period is the six months period ended 30 June 2010.

Results for Announcement to the Market

				$'000
Revenue from ordinary activities	up	4%	to	45,568
(Loss) from ordinary activities after tax attributable to members	up	61%	to	(6,148)
Net (Loss) for the period attributable to members	up	61%	to	(6,148)

Dividends/Distributions	Amount per security	Franked amount per security
Interim Dividend (30 June 2011)	Nil	Nil
Interim dividend (30 June 2010)	2.5 cents	100%

Record date for determining entitlement to the dividend	Not Applicable

The directors have not declared an interim dividend.

Further explanations of movements in revenue and profits are contained in the Director's Report.

MSF Sugar Limited ABN 11 009 658 708
Interim Report – 30 June 2011

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 31 December 2010 and any public announcements made by MSF Sugar Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Directors' Report

The directors present their report on the consolidated entity consisting of MSF Sugar Limited (MSF) and the entities it controlled at the end of, or during the half year ended 30 June 2011.

Directors

The directors of the Company during or since the end of the half year and up to the date of this report are as follows:

J.A. Jackson (Chairman)
J.E. Burman
R.A. Burney
J.F. Hesp
W.B. Moller
S.J. Palmer

Review of Operations

Business Activities: The principal activities of the group consist of sugar cane growing, raw sugar production, raw sugar marketing and investing in a sugar industry infrastructure company. The group's principal business activities are conducted in the Maryborough, Gordonvale, South Johnstone and Atherton Tableland districts in the State of Queensland, Australia.

Results

The directors' review of operations for the half year ended 30 June 2011 for the consolidated entity is set out in the attached announcement of results.

Dividend

The directors have not declared an interim dividend.

Overview

The group has recorded a loss of $6.1 million for the six month period ended 30 June 2011.

The result has been impacted by a number of factors, in particular:

- This is the first time MSF has reported on a half year ended 30 June basis. This period, January to June, is dominated by the maintenance program for the sugar mills. The consequence of this is that expenditure will almost always exceed revenue during this period. It follows that only a small part of the current 2011 crushing season impacts these present results.
- The Northern Milling Joint Venture (NMJV) commenced on 1 January 2011.
    - Under the Joint Venture Agreement entered into in July 2010, MSF had an option to acquire BSL's 50% participating interest in the NMJV up until 29 February 2012.
    - MSF exercised this option in February 2011 for a consideration of $50 million plus settlement adjustments, having previously paid an amount of $20 million for a right to participate in the joint venture and this option.
    - The assets acquired include South Johnstone and Tableland Mills, land holdings at Mourilyan and Babinda and associated infrastructure. These assets are all located in Far North Queensland.

- The funding for this acquisition was met through new equity capital raised in December 2010 and January 2011 of $46.4 million net of transaction costs, in conjunction with a new 3 year club debt facility of $75 million of term debt and a seasonal and general working capital facility of $50 million.
- The financial impact on the results for this period due to the acquisition and new financing arrangements are summarised below:
    - Significant acquisition costs (namely stamp duty and redundancy costs);
    - Doubling the size of the milling business and the resultant increased expenditures during the period;
    - Higher Finance costs; and
    - The Fair Value of the net identifiable assets acquired has been assessed to be $82.9m, $16.2m higher than what was paid for the assets. This difference has flowed through the Income Statement in accordance with the accounting standards.

Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Rounding

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

Signed in accordance with a resolution of the directors.

J.A. Jackson
Chairman

Brisbane
18 August 2011

PricewaterhouseCoopers
ABN 52 780 433 757

Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001
DX 77 Brisbane
Australia
Telephone +61 7 3257 5000
Facsimile +61 7 3257 5999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the review of MSF Sugar Limited for the half year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the *review.*

This declaration is in respect of MSF Sugar Limited and the entities it controlled during the period.

Simon Neill
Partner
PricewaterhouseCoopers

18 August 2011

Consolidated Income Statement

	Notes	Half Year June 2011 $'000	June 2010 $'000
Revenue	3	**45,568**	43,639
Other income	4	**18,313**	24
Cost of cane and other materials used		**(17,134)**	(8,905)
Employee benefits expense		**(22,678)**	(9,190)
Depreciation and amortisation expense		**(902)**	(787)
Distribution costs		**(5,411)**	(2,867)
Finance costs		**(2,804)**	(1,248)
Other administrative costs		**(5,273)**	(3,359)
Movement in valuation of biological assets		**3,359**	1,674
Movement in valuation of sugar stock		**(24,768)**	(24,484)
Other expenses		**(3,788)**	(330)
(Loss) before income tax		**(15,518)**	(5,833)
Income tax benefit	5	**9,370**	2,019
Profit (Loss) attributable to Owners of MSF Sugar Limited		**(6,148)**	(3,814)

	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company		
Basic earnings per share	**(9.00)**	(7.59)
Diluted earnings per share	**(9.00)**	(7.59)

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

	Notes	Half Year June 2011 $'000	Half Year June 2010 $'000
Loss for the half year		**(6,148)**	(3,814)
Other comprehensive income			
Profit (loss) on revaluation of available-for-sale assets, net of tax		**(106)**	(399)
Profit on revaluation of assets		**216**	152
Loss on cash flow hedge reserve, net of tax		**741**	37,548
Other comprehensive income for the half year, net of tax		**851**	37,301
Total comprehensive (loss) income for the half year		**(5,297)**	33,487

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

	Notes	30 June 2011 $'000	31 December 2010
Current assets			
Cash and cash equivalents	6	**5,254**	24,314
Trade and other receivables		**10,071**	16,923
Inventories		**6,096**	29,183
Derivative financial instruments		**8,984**	13,102
Other financial assets		**-**	7,700
Biological assets		**5,460**	2,101
Current tax assets		**56**	-
Other current assets		**5**	1
Total current assets		**35,926**	93,324
Non-current assets			
Trade and other receivables		**36**	71
Inventories		**3,356**	1,199
Available-for-sale financial assets	7	**38,145**	37,803
Property, plant and equipment	8	**208,611**	113,817
Intangible assets		**3,456**	3,456
Derivative financial instruments		**20**	184
Other non-current assets		**161**	142
Total non-current assets		**253,785**	156,672
Total assets		**289,711**	249,996
Current liabilities			
Trade and other payables		**17,255**	26,515
Interest bearing liabilities	9	**14,497**	3,072
Provisions		**4,769**	2,173
Derivative financial instruments		**12,139**	24,230
Total current liabilities		**48,660**	55,990
Non-current liabilities			
Trade and other payables		**2,150**	2,222
Interest bearing liabilities	9	**69,717**	36,884
Derivative financial instruments		**3,842**	4,294
Deferred tax liabilities		**740**	2,490
Provisions		**632**	378
Total non-current liabilities		**77,081**	46,268
Total liabilities		**125,741**	102,258
Net assets		**163,970**	147,738
Equity			
Contributed equity		**139,148**	116,033
Reserves	11	**6,264**	5,475
Retained profits		**18,558**	26,230
Total equity		**163,970**	147,738

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

2011

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2011		**116,033**	**5,475**	**26,230**	**147,738**
Loss for the year		-	-	**(6,148)**	**(6,148)**
Other comprehensive income for the half year		-	**650**	**202**	**852**
Total comprehensive income for the half year		-	**650**	**(5,946)**	**(5,296)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	9	**23,115**	-	-	**23,115**
Dividends Paid		-	-	**(1,726)**	**(1,726)**
Employee share options - value of employee services		-	**139**	-	**139**
Total		**23,115**	**139**	**(1,726)**	**21,528**
Balance at 30 June 2011		**139,148**	**6,264**	**18,558**	**163,970**

2010

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2010		91,157	(589)	26,720	117,288
Loss for the year		-	-	(3,814)	(3,814)
Other comprehensive income for the half year		-	37,301	-	37,301
Total comprehensive income for the half year		-	37,301	(3,814)	33,487
Transactions with owners in their capacity as owners:					
Dividends paid		-	-	(1,331)	(1,331)
Employee share options - value of employee services		(34)	174	-	140
Total		(34)	174	(1,331)	(1,191)
Balance at 30 June 2010		91,123	36,886	21,575	149,584

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Notes	Half Year 30 June 2011 $'000	30 June 2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods & services tax)		**40,336**	52,220
Payments to suppliers and employees (inclusive of goods and services tax)		**(72,035)**	(44,253)
		(31,699)	7,967
Interest received		**638**	1,157
Dividends received		**1,392**	1,341
Interest paid		**(1,690)**	(1,354)
Net cash (outflow) / inflow from operating activities		**(31,359)**	9,111
Cash flows from investing activities			
Payments for property, plant and equipment		**(6,939)**	(2,544)
Payment for acquisition of subsidiary, net of cash acquired		**(45,867)**	-
Payments for available-for-sale financial assets		**(341)**	(20)
Loan repayments from unrelated parties		**34**	5
Proceeds from sale of property, plant & equipment		**723**	84
Net cash (outflow) from investing activities		**(52,390)**	(2,475)
Cash flows from financing activities			
Proceeds from issue of shares	10	**24,114**	-
Share issue costs		**(999)**	(34)
Proceeds from borrowings		**83,793**	(2,499)
Repayment of borrowings		**(40,493)**	(5,683)
Dividends paid (net of dividends reinvested)		**(1,726)**	(1,314)
Net cash inflow/(outflow) from financing activities		**64,689**	(9,530)
Net increase (decrease)in cash held		**(19,060)**	(2,894)
Cash at the beginning of the half year		**24,314**	25,593
Cash at the end of the half year	6	**5,254**	22,699

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Comparative information is reclassified where appropriate to enhance comparability.

(a) Basis of preparation

This general purpose financial report for the interim half year reporting period ended 30 June 2011 has been prepared in accordance with Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this statement is to be read in conjunction with the annual report for the period ended 31 December 2010 and any public announcements made by MSF Sugar Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

Change in year end

MSF Sugar Limited has recently changed its financial year end from 30 June to 31 December. This half year interim report presents the results for the six month period ended 30 June 2011. This change in year-end reporting will enable MSF Sugar Limited to align its financial year profits and cash flow with the underlying sugar cane harvest season.

Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interest issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss.

2. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The principal activities of the Company are the manufacture of raw sugar (sugar milling), cane farming, and investments related to both sugar industry infrastructure (Sugar Terminals Limited) and land (other). The Company operates predominately in one geographic area, being Queensland, Australia.

Half Year ended 30 June 2011	Sugar Milling $'000	Cane Farming $'000	Sugar Terminals Limited Investment $'000	Other $'000	Consolidated $'000
Segment revenue					
Revenue from external customers	44,014	162	1,392	-	45,568
Intersegmental sales	-	62	-	-	62
Total sales revenue	44,014	224	1,392	-	45,630
Total segment revenue	**44,014**	**224**	**1,392**	**-**	**45,630**
Intersegmental elimination					(62)
Consolidated revenue					**45,568**
Segment result					
Segment result	(14,854)	1,167	989	(520)	(13,218)
Unallocated revenue less unallocated expenses					(2,300)
Profit before income tax					(15,518)
Income tax benefit					9,370
Profit for the half year					**(6,148)**

6 month period ended 30 June 2010	Sugar Milling $'000	Cane Farming $'000	Sugar Terminals Limited Investment $'000	Other $'000	Consolidated $'000 Restated
Segment revenue					
Revenue from external customers	42,258	40	1,341	-	43,639
Intersegmental sales	-	3	-	-	3
Total sales revenue	42,258	43	1,341	-	43,642
Total segment revenue	**42,258**	**43**	**1,341**	**-**	**43,642**
Intersegmental elimination					(3)
Consolidated revenue					**43,639**
Segment result					
Segment result	(3,444)	(291)	793	(187)	(3,129)
Unallocated revenue less unallocated expenses					(2,704)
Loss before income tax					(5,833)
Income tax benefit					2,019
Profit for the half year					**(3,814)**

		Notes	Consolidated Half Year June 2011 $'000	Consolidated Half Year June 2010 $'000
3.	**REVENUE**			
	Revenue from operating activities			
	Proceeds from sugar sales		**45,806**	53,803
	Valuation of options		**(1,165)**	-
	Commodity related risk management activities		**(6,766)**	(15,947)
	Ineffective hedging transactions		**2,324**	(1,058)
	Net foreign exchange hedging (loss) gain		**(138)**	2,065
	Proceeds from molasses sales		**2,375**	1,566
	Proceeds from other operating activities		**137**	154
	Revenue from operating activities		**42,573**	40,583
	Other revenue			
	Lease revenue		**(18)**	(1)
	Interest revenue		**660**	806
	Dividends received		**1,392**	1,341
	Rebates and allowances		**353**	262
	Other		**608**	648
			2,995	3,056
			45,568	43,639
4.	**OTHER INCOME**			
	Net gains (losses)on disposal of property, plant and equipment		**583**	(46)
	Other government grants		**71**	70
	Discount on acquisition of NMJV	12	**16,240**	-
	Insurance proceeds		**1,419**	-
			18,313	**24**
5.	**INCOME TAX BENEFIT**			
	Income tax expense		9,370	2,019
			9,370	**2,019**

	Notes	Consolidated Half Year 30 June 2011	31 December 2010 $'000
6. CURRENT ASSETS - CASH AND CASH EQUIVALENTS			
Cash on hand and at bank		**5,254**	24,314
		5,254	24,314

	Notes	Consolidated Half Year 30 June 2011	31 December 2010 $'000
7. NON CURRENT ASSETS - AVAILABLE-FOR-SALE ASSETS			
Available-for-sale financial assets		**38,145**	37,803
		38,145	37,803

The increase in Available-for-sale assets relates to the acquisition of Mourilyan Molasses Terminal shares from BSL for $341,000.

8. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Industrial Land $'000	Freehold Land $'000	Buildings $'000	Plant & Equipment $'000	Mobile Equipment $'000	Total $'000
Consolidated						
Year ended 31 December 2010						
Opening net book amount	8,358	58,412	7,860	35,902	4,006	114,538
Additions	-	148	75	1,391	194	1,808
Disposals	-	-	-	(139)	(104)	(243)
Depreciation	-	-	(123)	(1,751)	(412)	(2,286)
Closing net book amount	8,358	58,560	7,812	35,403	3,684	113,817
Year ended 31 December 2010						
Cost or fair value	8,358	58,560	10,350	80,596	9,875	167,739
Accumulated depreciation	-	-	(1,838)	(29,893)	(6,191)	(37,922)
Write-down of assets	-	-	(700)	(15,300)	-	(16,000)
Net book amount	8,358	58,560	7,812	35,403	3,684	113,817
Year ended 30 June 2011						
Opening net book amount	**8,358**	**58,560**	**7,812**	**35,403**	**3,684**	**113,817**
Additions	**6,552**	**615**	**4,764**	**79,610**	**4,447**	**95,988**
Disposals	**-**	**(202)**	**(50)**	**(30)**	**(12)**	**(294)**
Depreciation charge	**-**	**-**	**(178)**	**(481)**	**(241)**	**(900)**
Closing net book amount	**14.910**	**58,973**	**12,348**	**114,502**	**7,878**	**208,611**
Year ended 30 June 2011						
Cost or fair value	**14,910**	**58,972**	**14,980**	**159,241**	**14,219**	**262,323**
Accumulated depreciation	**-**	**-**	**(2,632)**	**(44,739)**	**(6,341)**	**(53,712)**
Write-down of assets	**-**	**-**	**-**	**-**	**-**	**-**
Net book amount	**14,910**	**58,972**	**12,349**	**114,502**	**7,878**	**208,611**

	Consolidated 30 June 2011 $'000	31 December 2010 $'000
9. INTEREST BEARING LIABILITIES		
Current - secured		
Commercial bill facility	**14,424**	3,000
Commercial loans	**73**	72
	14,497	30,772
Non-current - secured		
Commercial bill facilities	**69,370**	36,884
Commercial loans	**347**	-
	69,717	36,884
Total	**84,214**	39,956

The funding for the acquisition of Bundaberg Sugar Limited's 50% participating share of the NMJV was met through new equity capital raised in December 2010 and January 2011 of $46.4 million net of transaction costs. MSF also entered into a new club debt facility with three banks, Westpac Banking Corporation, Macquarie Bank and Rabobank. There are 5 facilities which comprise:

- Term Debt ($75 million, $5 million repayable April 2012 and April 2013, remainder repayable April 2014); and
- Working Capital Debt ($50 million available until April 2012).

On 28 April 2011, MSF borrowed AUD$40M (Facility A) and AUD$35M (Facility B) divided equally between three banks, Westpac Banking Corporation, Macquarie Bank and Rabobank. These facilities are floating rate (BBSY) loans which are repayable in 36 months. Interest is repriced 3-monthly based on 3-monthly (BBSY), payable in arrears.

As a result, MSF is exposed to changes in the benchmark interest rate (BBSY). Under the terms of these borrowings, this interest rate exposure must be hedged – 70% for Facility A and 50% for Facility B.

To reduce this exposure and comply with the borrowing terms, MSF entered into a 36-month interest rate swap (IRS) on 28 April 2011 to hedge AUD$15,166,666 floating rate borrowing, with each bank. The company hedges via a swap to receive floating BBSY Bid; and pay fixed interest rate swap. MSF has eliminated the cash flow variability to the interest expense.

Maturities of financial liabilities

The following tables below analyse the group's financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

30 June 2011	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	Over 5 Years $'000	Total contractual cash flows $'000	Carrying Amount (assets)/ Liabilities $'000
Non-derivatives						
Non-interest bearing	**13,944**	**-**	**-**	**-**	**13,944**	**13,944**
Variable rate	**21,425**	**10,135**	**69,724**	**-**	**101,284**	**83,793**
Fixed rate	**105**	**105**	**292**	**-**	**502**	**421**
Total non-derivatives	**35,474**	**10,240**	**70,016**	**-**	**115,730**	**98,158**
Derivatives						
- (inflow)	**(8,984)**	**(20)**	**-**	**-**	**(9,004)**	**(9,004)**
- outflow	**12,139**	**2,988**	**854**	**-**	**15,981**	**15,981**
Total derivatives	**3,155**	**2,968**	**854**	**-**	**6,977**	**6,977**

31 December 2010	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	Over 5 Years $'000	Total Contractual cash flows $'000	Carrying Amount (assets)/ Liabilities $'000
Non-derivatives						
Non-interest bearing	24,685	-	-	-	24,685	24,685
Variable rate	5,265	36,862	-	-	42,127	39,500
Fixed rate	105	105	343	-	553	456
Total non-derivatives	30,055	36,967	343	-	67,365	64,641
Derivatives						
- (inflow)	(13,102)	(19)	(165)	-	(13,286)	(13,286)
- outflow	24,230	3,452	842	-	28,524	28,524
Total derivatives	11,128	3,433	677	-	15,238	15,238

Financing arrangements

The group's undrawn borrowing facilities were as follows

	30 June 2011 $'000	31 December 2010 $'000
Expiring within one year	40,000	-
Expiring beyond one year	-	-
Total	40,000	-

	30 June 2011 Number	30 June 2010 Number	30 June 2011 $'000	30 June 2010 $'000
10. EQUITY SECURITIES ISSUED				
Issues of ordinary shares during the half year				
Share placement	4,012,916	-	12,640	-
Share purchase plan	3,484,726	-	10,977	-
Dividend Reinvestment Plan	136,365		497	
			24,114	-
Less transaction costs of shares issued			(999)	-
	7,634,007	-	23,115	-

	Notes	30 June 2011 $'000	31 December 2010 $'000
11. RESERVES			
Property, plant and equipment revaluation reserve		22,741	22,727
Available-for-sale financial assets revaluation reserve		3,883	1,878
Cashflow hedge reserve		(19,716)	(20,457)
Share-based payments reserve		1,466	1,327
		8,374	5,475

12. BUSINESS COMBINATION

On 25 February 2011, MSF exercised its option to acquire Bundaberg Sugar Limited's (BSL) 50 percent participating share in the Northern Milling Joint Venture (NMJV) for $50 million. From 1 January 2011 to 25 February 2011, MSF Sugar Ltd (MSF) held a 50 percent controlling interest in the NMJV as a result of the ability to exercise the option to acquire BSL's interest in the venture at any time. Therefore, MSF controlled the NMJV and consolidated 100% of the NMJV during this time, and recognised a 50% non-controlling interest. MSF finalised the acquisition of the remaining 50 per cent interest on exercise of the option, and, as a result now holds 100 per cent of the NMJV.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration
Details of the consideration transferred are:

Purchase consideration	**$'000**
Cash Paid	66,667
Fair Value of net identifiable assets acquired	82,907
Discount on acquisition	(16,240)

The discount on acquisition of $16.2 million has been included in other income in the consolidated income statement in the reporting period ended 30 June 2011.

Assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $'000
Inventories	3,765
Available-for-sale financial assets	341
Deferred Tax Assets	1,417
Land and Land Improvements	7,844
Buildings, Plant and equipment	81,223
Deferred tax liability	(6,960)
Employee Entitlements	(4,723)
Net identifiable assets acquired	**82,907**
Less discount on acquisition	16,240
	66,677

The $16.2 million discount on acquisition is supported by the Net Present Valuation (NPV) methodology for assessing fair value of the acquisition.

The key assumptions and methodology used in the NPV fair valuation technique adopted by management are as follows:

- A discounted cash flow methodology has been used with the following input assumptions
  - Sugar price of $465 per tonne IPS for the 2011 season, increasing by 2.5% per year;
  - Crop increasing to 100% capacity of South Johnstone and Tableland mills by 2015 season
  - Weighted Average Cost of Capital (WACC) of 11%, and
  - Terminal Growth Rate (TGR) of 2.5%.

a Acquisition-related costs

Acquisition-related costs of $5.7 million have been included in other expenses in the consolidated income statement in the reporting period ended 30 June 2011.

b Non-controlling interest

There has been no impact to the group's result with respect to non-controlling interest. This is because the group has reimbursed BSL for all costs and capital contributions associated with the first two months of operation.

c Revenue and profit contribution

The acquired business contributed revenues of $7.3 million and a net loss before tax of $14.4 million to the group for the period 1 January 2011 to 30 June 2011.

d Entities acquired

The following entities were acquired in this business combination:

i. FNQ Sugar Services Pty Ltd (formerly the operator of the NMJV)
ii. FNQ Investments Pty Ltd (previously BSL JV Co Pty Ltd), - BSL's 50% joint venture participant.

13. Events Subsequent to Balance Date

On 25 July 2011, the company entered into a Share Sale and Purchase Agreement with Bundaberg Sugar Ltd. This agreement, subject to the satisfaction of conditions by MSF, provides the opportunity to acquire a further 15,328,437 shares in Sugar Terminals Limited at an agreed price of 90 cents per share, cum distribution. This 90 day agreement expires on 24 October 2011.

Supplementary Appendix 4D Information

NTA backing	June 2011	December 2010
Net tangible asset backing per ordinary share	$2.32	$2.35
Net tangible asset backing per ordinary share (excluding derivatives financial instruments after tax)	$2.61	$2.68

Additional dividend/distribution information

Details of dividend/distribution declared or paid during or subsequent to the period ended 31 December 2010 are as follows:

Record Date	Payment Date	Type	Amount per security	Total dividend	Franked amount per security	Foreign sourced dividend amount per security
8 March 2011	31 March 2011	Final	2.5 cents	$1,725,725	100%	-

The dividend or distribution plans shown below are in operation.

As per MSF Sugar Limited Dividend Reinvestment Plan (DRP)

The last date(s) for receipt of election notices for the dividend or distribution plans	Not Applicable

Any other disclosures in relation to dividends (distributions).

As no dividend is being declared or paid for this period the DRP will not be applicable.

Controlled entities acquired or disposed of

(a) The following entities were acquired during the half year ended 30 June 2011:

i. FNQ Sugar Services Pty Ltd

ii. FNQ Investments Pty Ltd (previously BSL JV Co Pty Ltd)

(b) No entities were disposed of during the half year ended 30 June 2011.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 15 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of tits performance, for the half year ended on that date; and

(b) there are reasonable grounds to believe that MSF Sugar Limited will be able to pay its debts as and when they become due and payable.

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

J.A. Jackson
Chairman

Brisbane
18 August 2011

PricewaterhouseCoopers
ABN 52 780 433 757

Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001
DX 77 Brisbane
Australia
Telephone +61 7 3257 5000
Facsimile +61 7 3257 5999
www.pwc.com/au

Independent auditor's review report to the members of MSF Sugar Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MSF Sugar Limited, which comprises the balance sheet as at 30 June 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the MSF Sugar Limited (the consolidated entity). The consolidated entity comprises both MSF Sugar Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MSF Sugar Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Independent auditor's review report to the members of MSF Sugar Limited (continued)

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Company for the half-year ended 30 June 2011 included on MSF Sugar Limited's web site. The company'sdirectors are responsible for the integrity of MSF Sugar Limited's web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MSF Sugar Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

PricewaterhouseCoopers

Simon Neill
Partner

18 August 2011