MSF Sugar Limited

ABN 11 009 658 708

Appendix 4E Preliminary Final Report – Year Ended 31 December 2011

Lodged with the ASX under Listing Rule 4.3A

The Company has amended its financial year end from 30 June to 31 December. This preliminary report presents the results for the year ended 31 December 2011. The statutory comparable period is the six month period ended 31 December 2010.

Results for Announcement to the Market

	Year ended 31 December 2011 $'000	Six month period ended 31 December 2010 $'000	Change %
Revenue from ordinary activities	238,158	94,616	152%
Profit from ordinary activities after tax attributable to members	6,011	6,785	(11%)
Net profit for the period attributable to members	6,011	6,785	(11%)

Dividends/Distributions	Amount per security	Franked amount per security
Final dividend	0 cents	-

Record date for determining entitlement to the dividend	Not Applicable

Explanations of movements in revenue and profits and comments relating to dividends are contained in the Directors' Report and accompanying announcement.

MSF Sugar Limited ABN 11 009 658 708
Preliminary Final Report – 31 December 2011

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Directors' Report
Forming part of the Appendix 4E Preliminary Final Report

The directors of MSF Sugar Limited present their preliminary report on the results for the year ended 31 December 2011.

Directors
The directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated, are as follows:

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

* There has been a change in the directors during the period. R.A. Burney resigned from the board of directors, effective 8 September 2011 and C.A. Mills was appointed to the position of director on 1 October 2011.

Review of Operations

Business Activities
The principal activities of the group are the manufacture of raw sugar, cane farming and investments related to both land and sugar industry infrastructure. The group's principal business activities are conducted in the Maryborough, Isis, Gordonvale, South Johnstone and Atherton Tableland districts in the State of Queensland, Australia.

Results
The directors' review of operations of the consolidated entity for the year is set out in the attached announcement of results for the year ended 31 December 2011.

Dividend
Dividends paid to members during the financial year were as follows:

	2011 $'000	2010 $'000
Final ordinary dividend for the period ended 31 December 2010 of 2.5 cents Paid on 31 March 2011 (Year ended 30 June 2010: 4 cents)	1,725	2,130
Interim ordinary dividend for the year ended 30 June 2010 of 2.5 cents paid on 24 March 2010	-	1,331

Since the end of the year, the directors have not declared a final dividend.

Overview
The results for the year ended 31 December 2011 reflect the increase in the raw sugar price achieved. The sugar price achieved increased from $456 per IPS tonne to $491.20 per IPS tonne.

The group's cane crushed for the 2011 season totalled 2,734,860 tonnes, an increase of 1,043,359 tonnes (62%) from the 2010 season (1,691,501 tonnes). Sugar production totalled 358,520 tonnes in the 2011 season, an increase of 146,496 tonnes (69%) from 212,024 in the 2010 season due to the increased capacity relating to the acquisition of the South Johnstone and Tableland Mills .

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

- This is the first time MSF has reported on a complete twelve month year ended 31 December basis. This change in year-end will enable MSF Sugar Limited to align its financial year profits and cash flow with the underlying sugar cane harvest season.

- 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 associated with the closure of Babinda Mill);
    - 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 $82.7 million, $16 million higher than what was paid for the assets. This difference has flowed through the Income Statement in accordance with the accounting standards.

During the period the Company raised $22.6 million (net of transaction costs) from the issue of 7,497,642 ordinary shares at $3.15 per share. A total of 136,365 ordinary shares at $3.64 were issued in relation to the Company's Dividend Reinvestment Plan, increasing the Company's issued capital by a further $491,304 after costs. A further 83,044 ordinary shares were issued in relation to the exercise of performance rights under the MSF Options and Performance Rights Plan.

Matters subsequent to the end of the financial year

A number of significant events have occurred subsequent to the end of the financial year. These are described in Note 20 to the Financial Statements. The impact of these events on the going concern status of the group is described in Note 14 to the Financial Statements.

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 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
29 February 2012

Auditor's Independence Declaration

As lead auditor for the audit of MSF Sugar Limited for the year ended 31 December 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 audit; and

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

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

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
29 February 2012

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Consolidated Income Statement
for the year ended 31 December 2011

		Consolidated	
		Year ended	6 month period ended
		31 December 2011	31 December 2010
	Notes	$'000	$'000
Revenue	4	238,158	94,616
Other income	5	19,957	103
Movement in valuation of biological assets	6	997	(2,190)
Changes in inventories of finished goods and work in progress		(23,036)	13,995
Cost of cane and other materials used		(138,201)	(60,447)
Distribution costs		(21,260)	(11,470)
Employee benefits expense		(44,457)	(15,235)
Depreciation and amortisation expense	7	(6,698)	(2,286)
Finance costs	7	(6,805)	(2,075)
Other expenses		(17,142)	(6,604)
Profit before income tax		1,513	8,407
Income tax credit (expense)	8	4,498	(1,622)
Net profit attributable to owners		6,011	6,785

	Cents	Cents
Earnings per share for profit attributable to the ordinary owners of the company		
Basic earnings per share	8.74	12.58
Diluted earnings per share	8.68	12.49

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

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2011

	Consolidated	
	Year ended 31 December 2011 $'000	6 month period ended 31 December 2010 $'000
Net profit attributable to owners	6,011	6,785
Other comprehensive income		
Tax on realisation of revalued assets	265	-
Tax adjustment on prior year land revaluation	623	-
Changes in the fair value of cash flow hedges	14,342	(31,575)
Tax adjustment on prior year available for sale revaluation	(106)	-
Other comprehensive income (loss) for the period, net of tax	15,124	(31,575)
Total comprehensive income (loss) for the period	21,135	(24,790)

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

Consolidated Statement of Financial Position

as at 31 December 2011

	Notes	Consolidated 31 December 2011 $'000	Consolidated 31 December 2010 $'000
Current assets			
Cash and cash equivalents	9	24,442	24,314
Trade and other receivables		34,006	16,923
Inventories	10	7,881	29,183
Derivative financial instruments	12	2,667	13,102
Other financial assets		-	7,700
Biological assets	6	3,097	2,101
Other current assets		-	1
Total current assets		72,093	93,324
Non-current assets			
Trade and other receivables		1,331	71
Inventories	10	2,618	1,199
Available-for-sale financial assets	11	37,735	37,731
Investments accounted for using the equity method		413	72
Property, plant and equipment	13	204,084	113,817
Intangible assets		3,536	3,456
Derivative financial instruments	12	698	184
Other non-current assets		138	142
Total non-current assets		250,553	156,672
Total assets		322,646	249,996
Current liabilities			
Trade and other payables		35,016	26,515
Interest bearing liabilities	14	4,617	3,072
Provisions		4,727	2,172
Derivative financial instruments	12	4,407	24,230
Total current liabilities		48,767	55,990
Non-current liabilities			
Trade and other payables		2,094	2,222
Interest bearing liabilities	14	69,820	36,884
Derivative financial instruments	12	6,110	4,294
Deferred tax liabilities		4,586	2,490
Provisions		726	378
Total non-current liabilities		83,336	46,268
Total liabilities		132,103	102,258
Net assets		190,543	147,738
Equity			
Contributed equity	15	139,315	116,033
Reserves	16	19,643	5,475
Retained profits	17	31,585	26,230
Total equity		190,543	147,738

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

31 December 2011	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 31 December 2010	116,033	5,475	26,230	147,738
Profit for the period	-	-	6,011	6,011
Other comprehensive income for the period	-	14,754	370	15,124
Total comprehensive income for the period	-	14,754	6,381	21,135
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	23,282	-	-	23,282
Dividends paid	-	-	(1,725)	(1,725)
Employee share options - value of employee services	-	(586)	699	113
Total	23,282	(586)	(1,026)	21,670
Balance at 31 December 2011	139,315	19,643	31,585	190,543

31 December 2010	Contributed Equity $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2010	91,123	36,886	21,575	149,584
Profit for the period	-	-	6,785	6,785
Other comprehensive loss for the period	-	(31,575)	-	(31,575)
Total comprehensive (loss) income for the period	-	(31,575)	6,785	(24,790)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	24,910	-	-	24,910
Dividends paid	-	-	(2,130)	(2,130)
Employee share options - value of employee services	-	164	-	164
Total	24,910	164	(2,130)	22,944
Balance at 31 December 2010	116,033	5,475	26,230	147,738

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

Consolidated Statement of Cash Flows
for the year ended 31 December 2011

	Notes	Consolidated 31 December 2011 Inflows (Outflows) $'000	31 December 2010 Inflows (Outflows) $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods & services tax)		238,958	80,128
Payments to suppliers and employees (inclusive of goods and services tax)		(235,125)	(82,988)
		3,833	(2,860)
Interest received		722	355
Dividends received		2,785	1,344
Interest paid		(5,577)	(2,058)
Income tax paid		56	(1,011)
Net cash inflow (outflow) from operating activities	18	1,819	(4,230)
Cash flows from investing activities			
Payments for property, plant and equipment		(9,571)	(1,680)
Payments for acquisition of subsidiary, net of cash		(46,694)	-
Payments for intangible assets		(80)	-
Payments for investments in associates		(341)	-
Payments for available-for-sale financial assets		(4)	(1,395)
Payment in respect of the Northern Milling Joint Venture		-	(20,000)
Loans to unrelated parties		(2,032)	-
Loan repayments from unrelated parties		-	(26)
Proceeds from sale of property, plant & equipment		2,232	115
Net cash outflow from investing activities		(56,490)	(22,986)
Cash flows from financing activities			
Proceeds from issue of shares		24,114	25,280
Share issue costs		(1,000)	(1,047)
Proceeds from borrowings		74,052	7,000
Repayment of borrowings		(40,642)	(945)
Dividends paid (net of dividends reinvested)		(1,725)	(1,453)
Net cash inflow from financing activities		54,799	28,835
Net increase in cash held		128	1,619
Cash at the beginning of the financial year		24,314	22,695
Cash at the end of the financial year	9	24,442	24,314

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

Notes to the Financial Statements
for the year ended 31 December 2011

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 preliminary final report has been prepared in accordance with ASX listing rules 4.3A and the disclosure requirements of ASX appendix 4E.

This preliminary final report does not include all the notes of the type normally included in the annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2011, and any public announcements made by MSF Sugar Limited (the Company) during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The preliminary final report is prepared on the going concern basis for the reasons set out in Note 14.

Change in year end

MSF Sugar Limited has recently changed its financial year end from 30 June to 31 December. This annual report presents the results for the year ended 31 December 2011, whilst the comparative is for six months from 1 July 2010 to 31 December 2010. As a result of this change, the amounts presented in the financial statements are not entirely comparable. 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, 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 for 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. Due to changes to the segment information as reviewed by the Board of Directors, the comparatives have been restated to align with the current year. The changes affected Trade Receivables and Payables, Intangibles and Interest Bearing Liabilities.

The principal activities of the group 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 group operates predominately in one geographic area, being Queensland, Australia.

31 December 2011		Sugar Milling $'000	Cane Farming $'000	Sugar Terminals Limited Investment $'000	Other $'000	Consolidated $'000
Segment revenue						
Revenue from external customers		232,013	242	-	-	232,255
Other revenue		1,763	631	2,785	724	5,903
Intersegmental sales		-	7,027	-	-	7,027
Total sales revenue		233,776	7,900	2,785	724	245,185
Total segment revenue		233,776	7,900	2,785	724	245,185
Intersegmental elimination						(7,027)
Consolidated revenue						238,158
Segment result						
Segment result		10,180	621	2,785	(387)	13,199
Unallocated revenue less unallocated expenses						(11,686)
Profit before income tax						1,513
Income tax (expense)/benefit						4,498
Profit for the year						6,011
Segment assets and liabilities						
Segment assets	(i)	183,574	66,506	37,687	5,693	293,460
Unallocated assets	(ii)					29,186
Total assets						322,646
Segment liabilities	(iii)	43,271	82	-	-	43,353
Unallocated liabilities	(iv)					88,750
Total liabilities						132,103
Other segment information						
Acquisition of property, plant and equipment		91,001	709	-	5,952	97,662
Discount on acquisition of NMJV		(16,070)	-	-	-	(16,070)
Acquisition of investments in associates		341	-	-	-	341
Acquisition of available-for-sale financial assets		-	-	-	4	4
Depreciation and amortisation expense		5,635	867	-	196	6,698

2. SEGMENT REPORTING (continued)

31 December 2010		Sugar Milling $'000	Cane Farming $'000	Sugar Terminals Limited Investment $'000	Other $'000	Consolidated $'000
Segment revenue						
Revenue from external customers		91,641	-	-	-	91,641
Other revenue		-	532	1,344	1,099	2,975
Intersegmental sales		-	4,769	-	-	4,769
Total sales revenue		91,641	5,301	1,344	1,099	99,385
Total segment revenue		91,641	5,301	1,344	1,099	99,385
Intersegmental elimination						(4,769)
Consolidated revenue						94,616
Segment result						
Segment result		12,898	(1,176)	742	(189)	12,275
Unallocated revenue less unallocated expenses						(3,868)
Profit before income tax						8,407
Income tax expense						(1,622)
Profit for the year						6,785
Segment assets and liabilities						
Segment assets	(i)	98,321	65,768	37,687	77	201,853
Unallocated assets	(ii)					48,143
Total assets						249,996
Segment liabilities	(iii)	66,477	6,808	20,000	-	93,285
Unallocated liabilities	(iv)					8,973
Total liabilities						102,258
Other segment information						
Acquisition of property, plant and equipment		1,342	465	-	1	1,808
Acquisition of available-for-sale financial assets		-	-	1,395	-	1,395
Depreciation and amortisation expense		1,870	416	-	-	2,286

2. SEGMENT REPORTING (continued)

	31 December 2011 $'000	31 December 2010 $'000
(i) Segment assets		
Trade & other receivables	32,525	2,496
Inventories	10,499	30,382
Derivative financial instruments	3,365	13,287
Property, plant and equipment	203,973	113,663
Available-for-sale financial assets	37,687	37,687
Biological assets	3,097	2,101
Intangible assets	2,176	2,096
Other assets	138	141
Total segment assets	293,460	201,853
(ii) Unallocated assets		
Current assets		
Cash and cash equivalents	24,442	24,314
Trade and other receivables	2,785	14,470
Other current assets	-	1
	27,227	38,785
Non-current assets		
Trade and other receivables	27	27
Other financial assets	-	7,700
Property, plant and equipment	111	155
Available-for-sale financial assets	461	116
Intangible assets	1,360	1,360
	1,959	9,358
Total unallocated assets	29,186	48,143

2. SEGMENT REPORTING (continued)

	Consolidated 31 December 2011 $'000	31 December 2010 $'000
(iii) Segment liabilities		
Trade and other payables	32,836	24,805
Derivative finiancial liabilities	10,517	28,524
Plant and equipment loan facility	-	455
Farm loan facility	-	6,251
Cash advance line	-	6,250
Working capital facility	-	7,000
STL facility	-	20,000
Total segment liabilities	43,353	93,285
(iv) Unallocated liabilities		
Current liabilities		
Trade and other payables	3,843	3,430
Interest bearing liabilities	4,617	-
Provisions	4,726	2,173
	13,186	5,603
Non-current liabilities		
Trade and other payables	432	502
Interest bearing liabilities	69,820	-
Deferred tax liabilities	4,586	2,490
Provisions	726	378
	75,564	3,370
Total unallocated liabilities	88,750	8,973

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the group and that are believed to be reasonable under the circumstances.

(a) Sugar revenue

Sugar production is sold to a combination of domestic and international customers. Title passes to the customer when raw sugar is loaded on board the ship at the bulk sugar terminal and revenue is recognised at that point for international sales. For domestic sales, title of the sugar and therefore recognition of revenue, occurs when sugar is delivered over the rail at the bulk sugar terminal. For domestic sales to QSL the revenue that is recognised is based on the forecast pool price at year end. The company has a small exposure to movement in the QSL Seasonal pool, however this only accounts for approximately 5% of corporate sugar. MSF manages this risk by transacting sugar swap contracts to minimise the exposure to the final price in the future. At year end the corporate QSL seasonal pool was 78% priced.

(b) Standing crops valuation

Standing crops of sugar cane are valued at fair value less point-of-sale costs at the time of harvesting. In arriving at fair value, estimates of crop size and CCS (sugar content) are made on the basis of historical experience and sugar price is estimated giving consideration to forward pricing activities completed at the time together with market projections for unpriced production.

(c) Water allocation valuation

Water allocations are valued at cost. Impairment is tested against external independent valuations and other relevant information.

(d) Property, plant and equipment valuation

With the exception of land and farm buildings, plant and equipment is carried at cost and reviewed annually for indication of impairment. Where there is objective evidence that property, plant and equipment is impaired, the recoverable amounts of cash-generating units are determined using discounted cash flows which are based on assumptions in respect of crop size, CCS (sugar content), sugar price, and discount rate.

(e) Available-for-sale financial assets valuation

The group currently holds both Miller ("M") shares and Grower ("G") shares in Sugar Terminals Limited. The M class shares are not listed. However, these shares participate equally with G class shares for dividend distribution and their fair value is considered to be equal to the fair value of G class shares. Fair value has been determined in accordance with a discounted cash flow analysis which is based on assumptions in respect of future expected dividends and discount rate.

(f) Tax losses

Future projections indicate that the group will not return sufficient taxable income in the foreseeable future to absorb all carry-forward tax losses. The group has implemented the tax consolidation legislation for which the use of transferred losses is limited by their available fraction. Only those tax losses where recovery is probable have been recognised in the accounts.

Following Mitr Phol's offer becoming unconditional on 7 February 2012, there is a requirement to satisfy the Same Business Test (SBT) going forward. Generally, a company satisfies the requirements of the SBT during the whole of the year in which it seeks to recoup a carried forward loss where during that year:

- It carries on the same business that it carried on immediately before failure of the continuity of ownership (COT). (The COT test was failed on 7 February 2012);
- It does not derive assessable income from a business of a kind that it did not carry on before failure of the COT (the new business test);
- It does not derive assessable income from a transaction of a kind that it had not entered into in the course of its business operations before failure of the COT (the new transaction test); and

- It had not, before the failure of the COT, commenced to carry on a business not previously carried on or entered into a transaction not previously entered into for a purpose of being able to satisfy the SBT.

If MSF did fail the SBT, it would be required to derecognise the future tax benefit of $6.3m currently on the MSF balance sheet. This would show as an increase in "Income Tax Expense" of $6.3m at the time of de-recognition of the tax losses.

(g) Land valuations

In valuing the group's non-industrial land assets, independent valuers have made certain assumptions based on recent sales data and their knowledge of the relevant market in the local area.

(h) Derivative financial instrument valuations

The fair value of derivative financial instruments are supported by independent bank valuations. The independent valuations are based on certain assumptions in relation to closing market values on the Intercontinental Exchange (ICE) No. 11 and discount rates.

	Consolidated	
	Year ended 31 December 2011 $'000	6 month period ended 31 December 2010 $'000
4. REVENUE		
Revenue from operating activities		
Proceeds from sugar sales	235,434	77,881
Commodity related risk management activities	(21,476)	5,270
Net foreign exchange hedging gains	7,014	3,294
Proceeds from molasses sales	7,361	4,463
Proceeds from other operating activities	3,922	733
Revenue from operating activities	232,255	91,641
Other revenue		
Lease revenue	267	279
Interest revenue	722	326
Dividends received	2,785	1,344
Rebates and allowances	701	240
Other	1,428	786
	5,903	2,975
	238,158	94,616
5. OTHER INCOME		
Net gains on disposal of property, plant and equipment	1,409	32
Government grants	142	71
Discount on acquisition of NMJV	16,070	-
Insurance proceeds	2,324	-
Other	12	-
	19,957	103
6. MOVEMENT IN VALUATION OF BIOLOGICAL ASSETS		
Standing crops		
Carrying value at beginning of year	2,101	4,291
Net gains/(losses) arising from changes in quantity of standing crop and in fair value less point of sale costs	996	(2,190)
Carrying value at end of year	3,097	2,101

	Consolidated	
	Year ended 31 December 2011 $'000	6 month period ended 31 December 2010 $'000
7. EXPENSES		
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation:		
Buildings	364	123
Plant and equipment	6,334	2,163
	6,698	2,286
Net loss on disposal of property, plant and equipment	18	35
Finance costs - interest and finance charges	6,805	2,075
Defined contribution superannuation expense	3,442	1,185
8. INCOME TAX EXPENSE		
a Income Tax Expense		
Current tax	-	-
Deferred tax	(4,442)	1,609
Adjustment for prior periods	(56)	13
Income tax attributable to profit from operating activities	(4,498)	1,622
Deferred income tax expense included in income tax expense comprises:		
(Increase) decrease in deferred tax asset	(4,139)	(211)
Increase (decrease) in deferred tax liabilities	(303)	1,820
Increase (decrease) in adjustment for prior periods	(56)	13
	(4,498)	1,622
b Reconciliation of income tax expense to prima facie tax payable		
Profit from ordinary activities before income tax	1,513	8,407
Tax effect at 30% (31 Dec 2010: 30%)	454	2,522
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	12	7
Research and development	-	(17)
Investment allowance	-	(27)
Share based payments	84	49
Discount on acquisition - BSL	(4,821)	-
Tax offset for franked dividends	(835)	(576)
Prior year adjustments	461	13
Other items and adjustments	147	(349)
Income tax (credit) / expense	(4,498)	1,622
c Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	24,860	23,753
Potential tax benefit at 30%	7,458	7,126

		Consolidated	
		12 month period ended 31 December 2011 $'000	6 month period ended 31 December 2010 $'000
9.	CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
	Cash on hand and at bank	24,442	24,314
10.	INVENTORIES		
	Inventories		
	Raw sugar, molasses and raw sugar in progress	4,470	27,622
	Stores and mill supplies	6,105	2,779
	Less provision for diminution in value *	(76)	(19)
		10,499	30,382
	Current	7,881	29,183
	Non-current	2,618	1,199
		10,499	30,382

** Stores and mill spares have been valued at cost less a provision for diminution in value due to obsolescence. Values are assigned to individual items on the basis of weighted average costs.*

11.	NON-CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS		
	At beginning of year	37,731	36,408
	Additions	4	1,323
	At end of period	37,735	37,731
	Listed equity securities	27,210	27,210
	Unlisted equity securities	10,525	10,521
		37,735	37,731
12.	DERIVATIVE FINANCIAL INSTRUMENTS		
	Current assets		
	Sugar price hedge assets	2,667	8,880
	Sugar options assets	-	1,155
	Foreign exchange hedge assets	-	3,067
		2,667	13,102
	Current liabilities		
	Sugar price hedge liabilities	(4,407)	(23,085)
	Sugar options liabilities	-	(1,118)
	Foreign exchange hedge liabilities	-	(27)
		(4,407)	(24,230)
	Non-current assets		
	Sugar price hedge assets	698	184
		698	184
	Non-current liabilities		
	Sugar price hedge liabilities	(4,268)	(4,294)
	Interest rate swap liabilites	(1,842)	-
		(6,110)	(4,294)

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

	Industrial Land $'000	Freehold Land $'000	Buildings $'000	Plant & Equipment $'000	Mobile Equipment $'000	Total $'000
Consolidated						
Period 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
Period 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 31 December 2011						
Opening net book amount	8,358	58,560	7,812	35,403	3,684	113,817
Additions	7,417	745	4,227	83,332	2,047	97,768
Disposals	(180)	(202)	(51)	(345)	(29)	(807)
Depreciation	(31)	-	(364)	(5,458)	(841)	(6,694)
Closing net book amount	15,564	59,103	11,624	112,932	4,861	204,084
Year ended 31 December 2011						
Cost or fair value	15,595	59,103	14,443	163,453	11,800	264,394
Accumulated depreciation	(31)		(2,119)	(35,221)	(6,939)	(44,310)
Write-down of assets	-	-	(700)	(15,300)	-	(16,000)
Net book amount	15,564	59,103	11,624	112,932	4,861	204,084

		Consolidated	
		31 December 2011	31 December 2010
		$'000	$'000
14.	INTEREST BEARING LIABILITIES		
	Current - secured		
	Club facility	4,541	-
	Operating facility	-	3,000
	Other loan facilities	76	72
		4,617	3,072
	Non-current - secured		
	Loan facilities	69,820	36,884
		69,820	36,884
	Total	74,437	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:

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

On 28 April 2011, MSF borrowed AUD $40 million (Facility A) and AUD $35 million (Facility B) (combined are the term debt), 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 the IRS to receive floating BBSY Bid; and pay fixed interest rate swap. MSF has eliminated the cash flow variability of the interest expense for the portion of the loans hedged.

Potential impact on MSF's financing arrangements and basis of the going concern assumption as a result of the change in control of the Group

The potential impact on MSF's financing arrangements and status as a going concern as a result of Mitr Phol obtaining control of MSF is set out below.

On 22 February 2012 Mitr Phol advised that they had received acceptances in excess of 90% and subsequently lodged with ASIC and ASX a notice to compulsory acquire 100% of MSF shares. This will lead to the delisting of MSF from the ASX.

On 10 February 2012, MSF entered into a stand still arrangement (Suspension Letter) with the Agent and the Financiers. Financiers have agreed not to exercise their Powers under the Finance Documents in respect of any Defaults (or "Events of Default" as defined in a Hedging Agreement) that arise directly as a result of the Transaction (i.e. Mitr Phol's takeover of MSF), for the period beginning 12 January 2012 and ending on 30 April 2012 (the "Suspension Period"), until the end of the Suspension Period (the "Waiver").

The effect of this Suspension Letter is that Financiers have agreed that for any defaults that are triggered as a result of the Transaction during the Suspension Period, Financiers will not exercise their Powers (i.e. Financiers (via the Agent) can declare all amounts under the facility to be due and payable and cancel the facility with immediate effect).

From 1 May 2012, the Agent and the Financiers may exercise their Powers and take action in accordance with the Finance Documents in respect of any Default (or "Event of Default" as defined in a Hedging Agreement) which may arise, or which arose during the Suspension Period, whether or not as a result of the takeover.

As a subsidiary of Mitr Phol, MSF believes that it will be able to secure appropriate funding arrangements with its existing financiers or alternative sources where necessary, which will enable MSF to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

15. EQUITY SECURITIES ISSUED

Movements in ordinary share capital of the company during the past two years are as follows:

Date	Details	Notes	Number of Shares	Issue Price	$'000
31.12.09	Balance		53,235,669		91,123
30.09.10	Dividend reinvestment plan	(a)	269,871	$2.50	672
20.12.10	Share placement	(b)	8,025,831	$3.15	25,281
	Less transaction costs				(1,043)
31.12.10	Balance		61,531,371		116,033
17.01.11	Share placement	(c)	4,012,916	$3.15	12,641
	Less transaction costs				(537)
25.01.11	Share placement	(d)	3,484,726	$3.15	10,977
	Less transaction costs				(457)
05.04.11	Dividend reinvestment plan	(e)	136,365	$3.64	496
	Less transaction costs				(5)
23.09.11	Options and Performance Rights Plan	(f)	83,044	Nil	167
31.12.11	Balance		69,248,422		139,315

On 30 September 2010, a total of 269,871 shares were issued under the company's dividend reinvestment plan increasing the company's issued capital by $671,264.

On 20 December 2010, a total of 8,025,831 shares were issued following a private placement increasing the company's issued capital by $24,238,103 after transaction costs of $1,043,265.

On 17 January 2011, a total of 4,012,916 shares were issued following a private placement increasing the company's issued capital by $12,104,453 after transaction costs of $536,232.

On 25 January 2011, a total of 3,484,726 shares were issued following a private placement increasing the company's issued capital by $10,976,887 after transaction costs of $457,200.

On 5 April 2011, a total of 136,365 shares were issued following a private placement increasing the company's issued capital by $491,304 after transaction costs of $5,078.

On 23 September 2011, a total of 83,044 ordinary shares were issued in relation to the exercise of performance rights under the MSF Options and Performance Rights Plan.

	31 December 2011 $'000	31 December 2010 $'000
16. RESERVES		
Property, plant and equipment revaluation reserve	23,245	22,727
Cash flow hedge reserve	(6,115)	(20,457)
Available-for-sale financial assets revaluation reserve	1,772	1,878
Share-based payments reserve	741	1,327
	19,643	5,475
17. RETAINED PROFITS		
Opening balance	26,230	21,575
Dividend paid	(1,725)	(2,130)
Net profit attributable to members	6,011	6,785
Realisation of revalued assets	370	-
Transfer lapsed performance rights from share-based payments reserve	699	-
	31,585	26,230
18. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES		
Profit after income tax	6,011	6,785
Depreciation and amortisation	6,698	2,286
Net (profit) loss on sale of non-current assets	(1,392)	3
Net accrued and prepaid interest on interest bearing liabilities	1,072	-
Unrealised losses (profits) on sugar option contracts	400	977
Unrealised losses (profits) on ineffective hedging transactions	(2,397)	1,650
Rights/options issues (SBP)	280	164
Cashflow hedge settlements	10,105	(21,149)
Discount on Acquisition	(16,070)	-
(Increase) decrease in standing crops	(997)	2,190
Change in operating assets and liabilities		
(Increase) decrease in interest receivable	-	30
(Increase) decrease in trade and other debtors	(27,828)	(709)
(Increase) decrease in capitalised borrowing costs	2	-
(Increase) decrease in prepayments	(783)	101
(Increase) decrease in inventories	19,883	(13,837)
Decrease in other current assets	-	37
(Decrease) increase in trade and other creditors	8,504	16,519
(Decrease) increase in provisions	2,902	183
(Decrease) increase in deferred tax liability	(4,443)	1,608
(Decrease) increase in current tax liability	-	(997)
(Decrease) increase in deferred income - grants	(128)	(71)
Net cash (outflow) inflow from operating activities	1,819	(4,230)

19. 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 held 100 per cent of the NMJV. The NMJV was subsequently terminated.

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	66,694
Fair value of net identifiable assets acquired	82,764
Discount on acquisition	(16,070)

$20 million of the cash paid for the acquisition was paid on 19 July 2010 on execution of the Joint Venture Agreement. The remaining $46.7 million was paid on exercise of the option to acquire the remaining interest in the joint venture on 25 April 2011.

The discount on acquisition of $16.0 million has been included in other income in the consolidated income statement in the reporting year ended 31 December 2011.

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

	Fair value $'000
Inventories	3,650
Equity accounted investments	341
Deferred tax assets	1,417
Land and land improvements	7,891
Buildings, plant and equipment	81,291
Water allocation	80
Deferred tax liability	(6,887)
Other payable (planting incentive)	(296)
Employee entitlements	(4,723)
Net identifiable assets acquired	82,764
Less discount on acquisition	16,070
Cash paid	66,694

The $16.0 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 year ended 31 December 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 $85.5 million and a net loss before tax of $7.1million to the group for the period 1 January 2011 to 31 December 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); and
ii. FNQ Investments Pty Ltd (previously BSL JV Co Pty Ltd) - BSL's 50% joint venture participant.

20. EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 22 February 2012 Mitr Phol advised MSF that they had received acceptances in excess of 90% of the issued shares of MSF and subsequently lodged with ASIC and ASX a notice to compulsory acquire 100% of MSF shares. This will lead to the delisting of MSF from the ASX.

There are a number of items that are triggered by this event:

1. Success Fee payable to Greenhill Caliburn - $4,890,332 (incl GST $444,576) – this became payable once the Mitr Phol's interest in MSF was greater than 50.1% (excl the Institutional Facility), which occurred on 7 February 2012.

2. MSF Options & Performance Rights Plan (the Plan) - The Board of MSF has notified the participants of the MSF Plan that they may exercise their rights and options under the Plan upon Mitr Phol gaining 50.1 % of MSF, thereby satisfying a vesting condition under the Plan. This will accelerate the expensing of the share options and performance rights resulting in $468k being expensed in 2012.

3. Interest Bearing Liabilities – a number of obligations to the Group's financiers have been triggered as a result of the change in ownership of the group. These obligations and the potential consequences for the financial statements and going concern assumption are set out in Note 14.

4. Availability of tax losses – following the change of ownership, the same business test must be satisfied going forward for the recognition of DTA on carried forward losses. Further details are set out in note 3(f).

Dividend Declaration

Since the end of the year, directors have not declared a final dividend.

Supplementary Appendix 4E Information

for the year ended 31 December 2011

Ratios

	12 month period ended 31 December 2011 %	Six month period ended 31 December 2010 %
Profit before tax / revenue		
Profit before tax as a percentage of revenue	0.63	8.88
Profit after tax / equity interest		
Net profit after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	3.15	4.59

Earnings Per Share (EPS)

Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 30 of *AASB 133: Earnings Per Share* are as follows:

	12 month period ended 31 December 2011 $A	Six month period ended 31 December 2010 $A
Basic EPS	8.74	12.58
Diluted EPS	8.68	12.49

Basic earnings per share amounts have been calculated using net profit attributable to members $6,011,507 (2010: 6,785,038) divided by weighted average number of ordinary shares 68,747,970 (2010: 53,924,829).

Diluted earnings per share amounts have been calculated using net profit attributable to members divided by weighted average number of ordinary shares plus the weighted average number of options 69,268,271 (2010: 54,320,373).

NTA Backing

	31 December 2011	31 December 2010
Net tangible asset backing per ordinary share	2.70	2.35
Net tangible asset backing per ordinary share (excluding cash flow hedge reserve)	2.79	2.68

Additional Dividend / Distribution Information

Details of dividend/distribution declared or paid during or subsequent to the period ended 31 December 2011 are as follows:

Record Date	Payment Date	Type	Amount per security	Total dividend	Franked amount per security	Foreign sourced dividend amount per security
08.03.11	31.03.11	Final	2.5 cents	1,725,725	100%	-

The dividend or distribution plans shown below are in operation.

As per MSF Sugar Limited's 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)

The DRP is optional and offers shareholders the opportunity to acquire ordinary fully paid shares which rank equally with all other shares issued, without transactions costs, at the prevailing market value. A shareholder can elect to participate or terminate their involvement in the DRP at any time prior to the Record Date.

Controlled Entities Acquired or Disposed of

(a) The following entities were acquired during the year ended 31 December 2011:

i. FNQ Sugar Services Pty Ltd; and

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

(b) No entities were disposed of during the year ended 31 December 2011.

Annual Meeting

The annual meeting is currently planned to be held as follows:

Place	The Mulgrave Rambler, Gordon Street, Gordonvale
Date	Thursday, 17 May 2012
Time	11.00am (Brisbane Time)

Statement in Relation to Accounts and Audit

This report is based on accounts which are in the process of being audited.

Date: 29 February 2012