KEY ACHIEVEMENTS
FOR 2016/2017

Achieved a Total Recordable Injury Frequency Rate (TRIFR) of zero, surpassing our five-year target.

Extended the existing Raw Sugar Supply Agreements with Bundaberg Sugar, Isis Central Sugar Mill and Mackay Sugar Limited to 30 June 2020.

Secured new On-Supply Agreements with MSF Sugar, Tully Sugar and Wilmar.

Successfully implemented new Marketing Choice arrangements.

Established the new QSL Direct online grower portal and began direct payments to Wilmar Growers.

Signed a new Strategic Operating Agreement with Sugar Terminals Limited to remain the operator of Queensland’s six Bulk Sugar Terminals.

Secured enhanced marketing returns above the FOB (Free On Board) physical market premium average and delivered the highest pool results in five years for the in season pools and for the overall average pool result.

Successfully negotiated the extension of our long-term supply contract (LTC) with South Korean sugar refiners CJ Corporation, Samyang Corporation and TS Corporation.

Continued our long track record of logistics excellence, with 98% of shipments delivered in full and on time.

Delivered the Mourilyan Shed re-roofing project on time and under budget, and upgraded the special-purpose Lucinda Jetty Maintenance Vehicle for improved efficiency of marine structure maintenance.

Opened up Australian sugar sales opportunities in Japan through the use of Near Infrared Spectroscopy in export quality management.

Retained cost effective, flexible financing by restructuring our $A500 million committed syndicate facility.

Provided increased flexibility of payment options for Queensland cane growers, with accelerated advances rates for the Guaranteed Floor Pool and the option of accelerated advances for the Fixed Price Forward Contract and Target Price Contract pools.

Increased grower-managed pricing options by reducing the Target Price Contract Pool’s minimum order size to 10 tonnes and extending the In-season Fixed Price Forward Contract Pool’s pricing window by seven months.
The past financial year has been a seminal one for Queensland Sugar Limited (QSL). After three years of industry debate, multiple State and Federal Government reviews and enquiries and extended, often heated commercial negotiations, Marketing Choice for Queensland cane growers is now a reality, and as a result, QSL took its first steps into a fundamentally different business landscape.

For some growers, the transition came with minimal changes to their existing contractual arrangements and processes, and were primarily marked by the arrival of a wider range of pricing choices. For others, Marketing Choice has ushered in a new direct relationship with QSL that in turn has brought completely new processes for accessing QSL’s pricing and marketing services.

Throughout the course of the Marketing Choice debate we steadfastly believed that competition was integral to innovation, and I’m pleased to say we’ve already seen this come to pass. Queensland cane growers now have access to more pricing and marketing options than ever before. After what has been an extended period of uncertainty and falling business confidence, the thousands of small businesses that make up the Queensland sugar industry and underpin regional economies now have more resources than ever before at their disposal to not only remain viable, but to grow.

This improved industry confidence was further cemented by the finalisation of QSL’s new Strategic Operating Agreement with Sugar Terminals Limited (STL). The new operating arrangements address the commercial sensitivities associated with the implementation of a multiple marketer environment and ensure that these important assets remain in QSL’s safe hands for the next phase of the development of our industry.

For me personally, what the past 12 months has illustrated is that QSL can and will rise to the challenge in a period of great industry upheaval while also delivering solid returns confirming commercial agility, and ongoing relevance and importance to the industry we serve.

This is more than just corporate speak – it is a truth that was acknowledged by thousands of cane growers who were prepared to forego pricing opportunities to stand up for the principles of choice and competition, and the right to access our services. To these growers, I say thank you for your support. QSL is focused on repaying the faith that you have placed in us. Rest assured that we appreciate your business must be earned, and are focused on the results required to secure your business in the future.

I’d also like to thank our continuing miller partners – Bundaberg Sugar, Mackay Sugar Limited and Isis Central Sugar Mill – for their continuing custom and support. We look forward to working closely with you to provide ongoing and new benefits to your businesses.

And of course I cannot conclude a review of the past year without acknowledging the efforts of the entire QSL team. It has been a long and wearing three years since Wilmar first announced it would withdraw from the Raw Sugar Supply Agreement, ushering in an historic period of industry upheaval and uncertainty. The staff at QSL have not only weathered this uncertainty, but done so in a way that is both a testament to them and an integral part of our ongoing success.

As we work to embed and refine the new marketing choice arrangements which now shape our industry, QSL remains committed to maximising the value we deliver, not just to those who use our services but the wider Queensland sugar industry. We have learned much from the trials of the past three years and we intend to put those lessons to good use to ensure we remain not only the most significant marketer of Queensland sugar, but the best.
Marketing Choice moved from a concept to a reality during the past financial year, bringing with it significant changes to how Queensland Sugar Limited (QSL) does business.

After a decade of using the Raw Sugar Supply Agreement (RSSA) as the sole basis for our contractual framework with our industry clients, we introduced tailored On-Supply Agreements in order to implement Marketing Choice for Growers supplying Milling companies outside the RSSA system.

This in turn led to another innovation – our first direct contractual relationship with Growers – via the introduction of the Grower Pricing Agreement for Wilmar Growers.

The past year also saw changes to our contractual arrangements with Sugar Terminals Limited (STL), as we signed a new Strategic Operating Agreement and agreed to transitional arrangements for the operation of the bulk sugar terminals (BSTs) for the 2017 Season. As a result, all marketers and terminal users, including QSL, will now contract directly with STL for terminal access.

All in all, it’s been the greatest period of change for QSL since the deregulation of our industry back in 2006.

But despite the extent of the transformations outlined above, QSL’s core focus has remained the same – maximising returns for members – and I’m pleased to say that we have continued to deliver in this space.

The 2016 Season saw QSL secure its highest pool prices in five years, surpassing our 2015-Season pool results by around $100 AUD/tonne IPS. The Actively Managed Pool produced the highest return with $564 AUD/tonne IPS net.

Our Marketing team achieved returns above the FOB (Free On Board) physical market premium average and further cemented our enduring relationships with key customers, securing an extension of our Long-Term Contract with our Korean refinery partners and increasing our supply to the Japanese market.

Our Finance team continued to seek out savings and increased flexibility by restructuring our syndicated debt facility while also providing our pool participants with new product and payment options. They successfully introduced direct pricing and payment systems for Growers supplying Wilmar, and have already begun the rollout of our 2018-Season products which will see further refinements to our offering.

Our Operations team recorded a DIFOT (Delivered In-Full On-Time) result of 98% for the period, safely moving over 4 million tonnes through the six BSTs while achieving a Total Recordable Injury Frequency Rate (TRIFR) of zero.

And of course we successfully implemented Marketing Choice, securing the continuing custom of Bundaberg Sugar, Isis Central Sugar Mill and Mackay Sugar Limited, as well as Growers in the Wilmar, MSF Sugar and Tully Sugar milling regions to retain our place as the largest marketer of Queensland sugar.

In any ordinary year this performance would be considered impressive, but to deliver such results during a period of substantial flux and structural change has been particularly encouraging.

Thank you to everyone who contributed to QSL’s success during the past year. From our continuing millers and contracted growers to our loyal clients – your strong support and ongoing custom is sincerely appreciated.
Queensland Sugar Limited (QSL) is a not-for-profit, income tax-exempt organisation owned by the Queensland sugar industry. Its membership is structured to have equal representation between growers and millers, with all net value returned to the industry we serve.

QSL has seven Mill Owner Members and 23 Grower Representative Members who represent 4000 growers across the state.

We provide four main value offerings: pricing, financing, marketing and logistics.

**PRICING**

QSL offers a range of pricing products to millers and growers tailored to different risk appetites.

These options include QSL-managed pools, individual forward pricing and miller-managed pricing pools.

Our experienced and professional pricing team actively monitors the sugar futures and foreign exchange markets.

Their pricing decisions are based on this market knowledge and the unique risk parameters set for each QSL pool product.

This team has a track record of outperforming market benchmarks.

**FINANCING**

QSL provides ongoing cost-effective financing to participating millers and growers throughout the season via the advances payments program.

Advances payments are based on receipt of sugar at a bulk sugar terminal (BST) and are often made in advance of the sugar being sold or the payment being received from the customer.

Incremental payments are made throughout the season and are based on a proportional amount of QSL’s current estimate of the final weighted average pool price.

QSL draws on a syndicated facility agreement to fund this program.

**MARKETING (SELLING)**

QSL has long-term relationships with customers who value its producer-seller model.

Its marketing strategy platform is based on developing long-term and sustainable relationships with high-returning customers. This approach puts the customer first and has a focus on reliably delivering high-quality sugar best suited to each customer’s operations.

QSL is the largest marketer of Australian raw sugar, selling the majority of Queensland’s export raw sugar into the Asian market.

**LOGISTICS**

QSL’s Operations Division manages the highly effective storage, handling and shipping of bulk raw sugar at Queensland’s six BSTs.

Under a Strategic Operating Agreement with Sugar Terminals Limited, QSL personnel oversee the delivery of raw sugar, blend it to the terminal users’ specifications and then load all shipments leaving Queensland’s shores. With a strong on-time and in-full delivery track record, QSL collectively operates the six terminals to maximise synergies across all facilities while minimising costs for all terminal users.
VALUE SNAPSHOT

KEY HIGHLIGHTS 2016/2017

- QSL-managed pools outperformed the market by a weighted average of $5.61 per tonne IPS net for the 2016 Season
- The Shared Pool allocation for the 2016 Season was +$3.89 per tonne IPS net
- 2.215 million tonnes of raw sugar were marketed by QSL during the 2016/17 Financial Year
- 4.092 million tonnes of raw sugar were handled through the Bulk Sugar Terminals during the reporting period
- QSL loaded 114 vessels during the year
- 98% of deliveries were made in full and on time
- A total of 51,984 trucks were unloaded during the period at the Cairns, Mourilyan, Mackay and Bundaberg Bulk Sugar Terminals
- A total of 52,787 train wagons were unloaded during the period at the Lucinda, Townsville and Mackay Bulk Sugar Terminals
- QSL's weighted average cost of funding was 2.42% (excluding line fees)

OVERALL VALUE CREATED IN THE QSL-MANAGED ICE 11 POOLS

COMPONENTS OF TOTAL QSL-MANAGED ICE 11 POOLS* VERSUS THE NET PERFORMANCE BENCHMARK FOR THE 2016 SEASON

This graph shows the components that make up the QSL ICE 11 Shared Pool and highlights the value created above the Performance Benchmark, which is the benchmark that QSL internally measures its performance. This is similar to the Passive Management Benchmark, however is adjusted for the constraints of the Harvest Pool.

(To convert “tonne IPS” to “tonne actual” multiply by a conversion factor of 1.037)

The information in the graphs and tables and in the pricing and marketing updates is of a general or summary nature and, whilst care is taken in their preparation, the reliability, accuracy or completeness of them is not guaranteed. The updates on marketing and pricing activities do not constitute financial product or investment advice. You should seek your own financial advice. Past performance is provided for reference only and may not be indicative of future performance. Costs and charges may vary from year to year. QSL cannot guarantee the performance of any pool.

* excludes the QSL Guaranteed Floor Pool
MARKETING

The 2016 Season showed us another volatile physical market, with historical levels for Free On Board (FOB) Queensland physical premiums equivalent to levels from Thailand or Brazil trading in the US$45/metric tonne (mt) range.

Thai values remained strong versus Brazil levels for most of the year due to the ongoing preferential tariff disparity for ASEAN-origin raw sugar (i.e. sugar produced by Association of Southeast Asian Nations: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) into the largest regional importer – Indonesia.

Starting the pricing period at record-low levels, freight rates recovered very strongly towards the middle of the year; reaching peak levels during the season around three times higher than these lows. The relatively higher Western Hemisphere freight rates meant that Brazil parity FOB premiums recovered and returned to parity with Thai sugar in early 2017.

Despite the tariff disadvantage and volatile market conditions, Queensland Sugar Limited (QSL) was able to continue to compete and retain our preferred supply position into many of our key customers in Asia. This was particularly important in the period of uncertainty around the implementation of Marketing Choice in the Queensland industry and we appreciate this support from our long-term customer refinery partners.

During the 2016/17 year we also secured an extension of our Long Term Contract with our Korean refinery partners and increased our supply to the Japanese market after many years of decline in the face of stiff competition from Thailand.

The Shared Pool is where QSL’s performance in the physical market will be able to be measured and compared to our competitors by our industry clients in the new Marketing Choice era. However, our approach of aiming to deliver a reliable, producer-seller based supply delivered to our refinery partners is the same as it has been for almost 100 years.

KEY ACHIEVEMENTS

- Secured enhanced marketing returns above the FOB physical market premium average
- Maintained position as largest marketer of Queensland-origin sugar
- Extended the Korean Long Term Contract
-Resolved access to the Japan market

This graph illustrates recent strength in the cash premium for raw sugars. Tighter sugar availability in the far-east combined with a growing statistical deficit has underpinned cash values. See disclaimer on page 5.
Queensland Sugar Limited (QSL) retained its reputation as a world-class logistics operator during the 2016/17 financial year, producing a 98% Delivered In-Full On-Time (DIFOT) performance result. This means that every QSL customer received the full volume of requested sugar at the quality they specified and the time they wanted it, with only two exceptions.

The Japan-Australia Economic Partnership Agreement re-opened opportunities to sell Australian sugar to our longstanding customer, Japan. Exports to this once-large customer had slumped to a low in 2014/15 primarily due to competition from producers in Thailand. The Japanese raw sugar market comes with exacting quality standards and so the use of Near Infrared Spectroscopy (NIR) by QSL’s Bulk Sugar Terminal (BST) staff – which gives instantaneous analysis of raw sugar as it is loaded on the ship – has given Japanese customers renewed confidence in the Queensland product. Sales increased significantly in 2016/17 and have the potential to increase further in the future.

Mourilyan BST’s shed was re-roofed during the 2016/17 financial year and involved the successful removal of asbestos while simultaneously receiving sugar and loading a ship each month from the same shed. This project, which was completed in September 2016 in readiness to store the last of the 2016-Season Mourilyan-district crop, was part of QSL’s wider and ongoing roof replacement program which has already seen work completed at the Mackay, Lucinda and Cairns BSTs. Each individual project in this program must be completed in the short window between the end of the cyclone season each year and a mid-point in the annual harvest. But despite this added challenge, QSL has secured the safe and timely delivery of all of these projects undertaken to date within their allocated budgets.

Built in 1975, the 5.65km-long Lucinda Jetty poses unique maintenance challenges. At the time of construction, a special purpose-vehicle was built to access the under side of the jetty and cost $4million in today’s money to build. This year, the vehicle was upgraded to meet modern safety standards and provide improved access to the piles. QSL is in the process of applying an oxygen-scavenging grease to the piles which is then mechanically protected by a 4mm-thick polypropylene sea shield. This vehicle upgrade project was designed in-house and has removed the need to suspend expensive temporary scaffold in this logistically challenging environment.

Looking to the future and with the successful signing of the new Operating Agreement with Sugar Terminals Limited, the QSL Operations team has adapted the logistics management system from a single marketing plan design to cater for six individual terminal customers. Changes are now in place to effect communications protocols which respect the confidential nature of a terminal customers’ commercially sensitive marketing plan. Under these new arrangements, some terminal customers have chosen to commingle their sugar and share the logistics opportunities created by working together and growing economies of scale.

The upgraded Lucinda Jetty Maintenance Vehicle allows improved access to the 812 wharf piles.
Since the Bundaberg floods in 2013, the local sugar industry, Government and the Port of Gladstone Corporation have promoted the Port of Bundaberg to encourage local businesses to import and export new products across the sugar wharf. Sawdust pellets, silica sand and gypsum are now regularly handled by the port. These new products not only reduce tug and port charges for raw sugar, but also create much-needed new employment opportunities for the region.

With the BSTs’ oldest raw sugar storage sheds now 60 years old, we are continuously exploring opportunities to extend their life to a century. The quality of concrete poured in the late 1950s is of variable quality, while the sheds’ concrete floors have suffered abrasions during ship loading and micro-cracking from the cyclic flexing caused by the loading and unloading of stockpiles. Traditionally the floors were protected with a product containing highly volatile solvents which necessitated the complete emptying of each shed every seven to eight years. This regular emptying of the shed is logistically difficult, and hampers the ability to take full advantage of ICE 11 futures market hedging opportunities. QSL is now successfully using a new water-based product – Epimax – which allows a partial floor repair while a shed still contains sugar, allowing more regular attention and leading to longer floor life.

**TONNES HANDLED THROUGH THE BULK SUGAR TERMINALS**

**LAST 5 SEASONS**

This graph reflects the tonnage of raw sugar handled at the six BSTs over the last five seasons. It shows the amount that is handled through storage and handling agreements and the Raw Sugar Supply Agreements. In the 2016/17 Financial Year, QSL handled 4.09 million tonnes of raw sugar. See disclaimer on page 5.
This year saw continued improvement in the area of Environment, Health and Safety (EHS) at Queensland Sugar Limited (QSL). Based on the work achieved through the 2015-2018 EHS Strategy, the business achieved a TRIFR of zero. It is important to note that this achievement was due to the enhanced risk maturity of employees through an aligned people-first, systems-support focus.

QSL continues to focus on developing and scaffolding our employees’ knowledge and decision capabilities through the following programs:

**RISK MATURITY PROGRAM**

All operational employees at QSL are provided training in Physical (traditional safety), Psychological and Social risk. Through this training employees learn about their own decision-making processes and how this is viewed by members across their team and the business. Tools have been developed and implemented with great success at each site to further scaffold employees’ knowledge and risk maturity.

**PSYCHOLOGICALLY SAFE WORKPLACE**

During the past year, EHS Manager (Operations) Hamish Hancox co-presented at the launch of the Queensland Government’s ‘Leading Well at Work Program’. The focus for the launch was ‘Strategic Leadership for Profitability, Sustainability and Competiveness’. QSL was asked to co-host in recognition of our business’s considerable efforts to establish a psychologically safe workplace through an integrated approach that encapsulates both people and systems (as designed in the QSL 2015-2018 EHS Strategy).

QSL employees also attended a mental health first aid training session. The training focused on the relationships employees already have in the workplace so that they can be approached by fellow workers on any mental health topic that they would like to discuss. The trained employee can then help and direct them to further assistance where required.

**ROLLING 12-MONTH INCIDENT STATISTICS FOR THE PERIOD ENDED JUN 2017**

![Incident Statistics Chart]

- Target
- 12 month rolling average
PRICING

SUGAR

The global sugar market typically experiences a period of two seasons of global deficit following three to four seasons of global surplus. In 2016/17, the market felt the impact of being in its second deficit year, with significant volatility and historically high levels reached during the in-season pricing period.

We came into the new season pool selection timings in March 2016 with ICE 11 prices around the 14 c/lb level. Over the next six months the market increased by 10 c/lb as the full impact of the deficit was felt by buyers who had not covered forward as they had previously been rewarded for delaying their purchases in the past few years.

Additionally, the speculator community fell back in love with sugar again. Hedge funds and speculators bought a record amount of sugar – around 16 million metric tonnes (mt) – which is bigger than the world’s three largest importers combined (China, Indonesia and the USA) and helped fuel the market increase. The scale and short timing of such a rapid increase caught many sugar market tradehouses and market participants wrong-footed, with many recording losses as a result of their positions.

The deficit was brought about largely through dry weather impacting Asian sugar crops, especially in China, Thailand and India, and stocks had moved to relatively low levels in most consumption regions. As the year progressed, some of the forecast import requirements for China and India failed to materialise and we consequently saw a dramatic sell-off by the speculators as they closed out their bought positions.

The market started to focus on an expected return to a global surplus again in 2017/18, with recoveries in all the key producing regions. The Brazilian ethanol/sugar mix has been lower than usual due to the weaker Brazilian Real and a new gasoline pricing policy by Petrobras.

Australia is one of the only producers in the world where forward pricing is possible to allow market participants to take advantage of relatively higher prices and lock them in for future seasons. Other countries’ producers typically are not able to sell the forward positions out two to three seasons.

In Australian Dollar per tonne (AUD/t) terms, the spot market reached a high of around $650 AUD/t. These spot prices were higher than the forward prices available to price in 2017, 2018 or 2019 Seasons, which at their peak reach about $610 AUD/t, $550 AUD/t and $510 AUD/t respectively.

CURRENCY

The Australian dollar (AUD) proved to be relatively stable compared to sugar during the 2016/17 year and traded in a 0.72-0.78 US cents range. This contradicted most analysts’ predictions as they were expecting it to push towards 0.7000 US cents. The AUD/USD (US Dollar) exchange rate was supported by relatively strong commodity prices as well as the general weakness of the USD and concerns about the US economic recovery under the new Trump Administration.

Looking ahead, forecasts for US growth remain generally upbeat and is expected to contribute to drive a stronger US Dollar and higher US interest rate macro environment.

RAW SUGAR ICE 11 16/17 FINANCIAL YEAR

ICE 11: This graph represents the trend of the raw sugar ICE 11 price for the prompt futures contract for the 2016/17 Financial Year. The average sugar price for the 2016/17 Financial Year was US 18.96 c/lb. See disclaimer on page 5.

KEY ACHIEVEMENTS

- Record-high market levels helped QSL-managed pools for the 2016 Season surpass our 2015-Season pool results by around $100 AUD/tonne IPS
- QSL’s in-season pools performed higher than our forward-season pools and the Guaranteed Floor Pool due to a rising market during the period
- The Actively Managed Pool produced the highest return with $564 AUD/tonne net
- QSL’s use of innovative price risk management products and tactical risk management played a key role in maximising returns
This graph presents the net pool performance above the benchmark for the QSL-Managed Pools for the 2016 Season. The Performance Benchmark is the price achieved if no market view was taken by following an evenly spread sales pattern, adjusted for applicable constraints such as infrastructure, storage, production risk constraints (Harvest Pool) and time available to price. This performance above the benchmark highlights the dollar value per QSL-managed pool that QSL provides to suppliers (millers) and growers. In the 2016 Season, QSL outperformed the Performance benchmark on a weighted average basis by $5.61 per tonne IPS. The Guaranteed Floor Pool achieved a net price of $469.29 per tonne IPS however this pool has not been benchmarked as the price was locked-in at the start of the season. The US Quota Pool, which was priced on the ICE16, achieved a net price of $683.05 per tonne IPS. See disclaimer on page 5.

*After Shared Pool allocation
FINANCING

KEY ACHIEVEMENTS

- Restructured the $A500 million committed syndicate facility
- Accelerated advances rates for the Guaranteed Floor Pool in 2016 and 2017 Seasons
- Accelerated advances program option extended to the Fixed Price Forward Contract and the Target Price Contract pools for the 2017 Season
- The Target Price Contract Pool’s minimum order size was reduced to 10 tonne. The In-season Fixed Price Forward Contract Pool’s pricing window was extended by seven months

Following the successful integration of the US$200 million Syndicated Inventory Facility (SIF) in late 2015, Queensland Sugar Limited (QSL) further rationalised its financing arrangement via the refinancing and restructuring of its A$500 million committed finance facility in December 2016. This restructure included reducing the committed facility limit back to A$200m upon completion of the 2016 Season pools’ financing requirements due to lower sugar volumes expected in future seasons. This rationalising process has returned QSL’s funding arrangements to a seasonally based flexible solution providing the company’s core liquidity requirements at a competitive rate on a revolving basis.

In response to industry feedback, QSL’s Guaranteed Floor Pool offering for the 2016 Season incorporated an accelerated advances program. This pool advanced 90% of its estimated value by December 2016 compared to approximately 75% for the other QSL-managed pools. QSL has been able to offer an alternative payment arrangement on this pool due to the price certainty and the ease of passing on the additional costs of finance. Using guaranteed returns, QSL has been able to alter the advances schedule for this pool in order to provide our Suppliers with an increased rate of advance payments prior to Christmas. This accelerated advances program was also continued in the 2017 Season for this pool offering.

DEBT PROFILE

16/17 FINANCIAL YEAR

This graph reflects QSL’s outstanding debt balance during the financial year. QSL pays Advance payments to suppliers (millers) on receipt of raw sugar, who pass payments onto growers, before it is sold or payment is received from the customer. Therefore the debt profile fluctuates throughout the year depending on the receipt and sale of sugar. The shape of the profile during the year was influenced by higher sugar returns which were funded to growers. See disclaimer on page 5.

After the success of the accelerated advances for the QSL Guaranteed Floor Pool, this payment option was also extended to the Fixed Price Forward Contract Pool and the Target Price Contract Pool for the 2017 Season.

QSL made further improvements to its 2016-Season forward pricing products by reducing the minimum order size for the Target Price Contract to 10 metric tonnes. This provided even more opportunities for Suppliers and their growers to lock in smaller quantities of target prices up to three years in advance of the season.

The In-Season Fixed Price Forward Contract Pool’s pricing window was also extended, moving from a closing date of 15 September each year to 15 April of the following year, giving Suppliers an additional seven months to complete their nominated pricing in this pool.
Queensland Sugar Limited (QSL) works on behalf of its members to promote the development of the sugar industry. Under its constitution, QSL has two types of members – Mill Owner Members and Grower Representative Members.

**MILL OWNER MEMBERS**
The owners of Queensland sugar mills are eligible to be members of QSL. QSL currently has seven Mill Owner Members:
- Bundaberg Sugar Limited
- Isis Central Sugar Mill Company Limited
- Mackay Sugar Limited
- Wilmar Sugar Australia Ltd
- MSF Sugar Limited
- Tully Sugar Limited
- W H Heck & Sons Pty Limited

**GROWER REPRESENTATIVE MEMBERS**
QSL has a total of 23 Grower Representative Members. Under QSL’s Constitution, Grower Representative Members consist of one representative from each single mill area, and where a mill area is part of a mill group (e.g. Mackay), a number of representatives from the mill area equal to the number of mills in the mill group. These Grower Representative Members are elected every three years. There are 21 elected Grower Representative Members.

In addition to these elected Grower Representative Members, there is a representative from both CANEGROWERS and the Australian Cane Farmers Association (ACFA). The current ACFA-appointed member is ACFA Chairman Don Murday. The current CANEGROWERS-appointed member is Queensland Cane Growers Organisation Chairman Paul Schembri.

The election process for elected Grower Representative Members was completed in early September 2017 and those members who were recently appointed to their positions for a three-year term are set out in the table below.

<table>
<thead>
<tr>
<th>Mill Area</th>
<th>Mills in Mill Area</th>
<th>Grower Representative Members (Elected Holders)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mossman</td>
<td>Mossman</td>
<td>Gerard Puglisi</td>
</tr>
<tr>
<td>Tableland</td>
<td>Tableland</td>
<td>Nirmal Chohan</td>
</tr>
<tr>
<td>Mulgrave</td>
<td>Mulgrave</td>
<td>Jeffrey Day</td>
</tr>
<tr>
<td>Northern Region</td>
<td>South Johnstone</td>
<td>Barry Stubbs</td>
</tr>
<tr>
<td>Tully</td>
<td>Tully</td>
<td>Thomas Harney</td>
</tr>
<tr>
<td>Herbert River</td>
<td>Victoria and Macknade</td>
<td>Michael Pisano and Vince Russo</td>
</tr>
<tr>
<td>Burdekin</td>
<td>Kalamia, Invicta, Pioneer and Inkerman</td>
<td>Mark Vass, Owen Menkens, Russell Jordan, Roger Piva</td>
</tr>
<tr>
<td>Proserpine</td>
<td>Proserpine</td>
<td>Mark Blair</td>
</tr>
<tr>
<td>Central</td>
<td>Farleigh, Marian and Racecourse</td>
<td>Francis Perna, Anthony Ross, Gregory Plath</td>
</tr>
<tr>
<td>Plane Creek</td>
<td>Plane Creek</td>
<td>Kevin Borg</td>
</tr>
<tr>
<td>Southern</td>
<td>Bingera and Millaquin</td>
<td>Kelvin Griffin and Allan Dingle</td>
</tr>
<tr>
<td>Isis</td>
<td>Isis</td>
<td>Joe Russo</td>
</tr>
<tr>
<td>Maryborough</td>
<td>Maryborough</td>
<td>Jeffrey Atkinson</td>
</tr>
<tr>
<td>Rocky Point</td>
<td>Rocky Point</td>
<td>Richard Skopp</td>
</tr>
</tbody>
</table>

Note: CANEGROWERS and ACFA each occupy one Grower Representative Member position (2)
OUR PEOPLE

KEY ACHIEVEMENTS

- Achieved a strengthening of our organisational culture, as identified in the re-test of QSL’s Organisational Cultural Inventory (OCI) in June 2017.
- Successfully implemented ‘TimeTarget’, QSL’s new time and attendance system in two Bulk Sugar Terminals (BSTs).
- Formalised our initial Diversity and Inclusion Plan.

OUR QSL PEOPLE STRATEGY

The outcomes for the business in FY17 have been the product of a very defining, challenging yet rewarding year for our people, where much was demanded from the Queensland Sugar Limited (QSL) team – and they responded powerfully.

QSL invests in a People and Culture strategy that ensures it can pursue its future business strategy with confidence. This strategy takes purposeful action to ensure QSL has the right talent and capability to deliver performance, supported by the right people and performance systems to make it happen.

We seek to do so via the application of three key principles:

1. QSL culture and values are unique. Our culture and values are, and will continue to be, a source of competitive advantage. We strive to be regarded by the industry and valued by our staff for the way we can further leverage our culture to achieve new levels of performance.

2. We have leaders worth following and our technical capability is unrivalled. Within both our Logistics and Marketing businesses, we invest in our people to ensure they are ready, willing and able to build relationships, maximise returns, outperform the market and enhance our operational productivity in a challenging and complicated environment. We focus on developing a stable pipeline of both leaders and talent across all parts of the business so there are no perceived risks to our organisational performance.

3. Our work is worth doing. Our business vision and purpose focuses on goals greater than ourselves. Our full team feels connected to our future strategy and understands how they can be personally and professionally rewarded by it.

QSL’S DIVERSITY AND INCLUSION COMMITMENT

QSL’s future success is prefaced on our ability to engage with a more diverse set of customers and stakeholders. It demands that we think differently.

In 2017 QSL endorsed its first formalised strategy to manage diversity proactively. It is a foundation plan, aimed at creating readiness for future change and exploring the success of alternative strategies in promoting change. The plan focuses on three main areas:

- Gender representation and contribution;
- Indigenous Australian representation; and
- Strengthening the age profile of our workforce, particularly our BST teams.

Since the plan’s inception in March 2017, 20% of new hires at the BSTs have been female. Our Townsville BST has also appointed its first female mechanical/fitter apprentice while Mourilyan also welcomed another indigenous apprentice to the team. All appointments were made on merit and resulted from thinking differently around how to source, attract and recruit capability.

QSL ENGAGEMENT AND RETENTION

Employee voluntary turnover remained at a characteristically low level of 5.88% for the last 12 months ended 30 June 2017, against broader industry benchmarking of around 16.15%.

Beyond this, changes were implemented during the past year to right-size the Marketing and Shared Services sections of our business to reflect our new tonnage scenarios under Marketing Choice. The QSL Logistics business was also reshaped in order to successfully operationalise our new Strategic Operating Agreement with Sugar Terminals Limited (STL).

Management and the Board have been mindful of staff retention risks for the last three years, acknowledging that protracted uncertainty in the business and the wider Queensland sugar industry had potential to significantly impact staff retention (particularly key staff), and therefore undermine QSL’s ability to deliver the transformative changes required, as well as industry confidence in our service offering. Staff retention has informed most of QSL’s people and culture initiatives over this time and included staff secondments to special projects, the identification of high-potential talent supported by succession and development planning, a strong focus on communications and culture as well as leadership development, strengthened remuneration benchmarking, and the review of incentive schemes to be more closely aligned to market practice.

Our engagement strategy included:

- Regular communication with all QSL employees via QSL’s electronic newsletter ‘The Clarion’ and our intranet.
- Communication of key business issues, business results, and future plans.
- Regular updates to the workforce via the QSL intranet.
- Continued development and improvement of key people and culture initiatives, including staff development programs, workload management, people and culture training, and staff engagement meetings.
- Development and implementation of the QSL’s initial Diversity and Inclusion Plan.
- Implementation of the QSL’s initial Diversity and Inclusion Plan.

The QSL Engagement Survey was administered in June 2017 to all QSL employees. The survey results will be used to inform future strategies and initiatives.
QSL remains committed to the engagement of our people and we are heartened by the level of personal commitment our people have made to the business over the last 12 months. Our people themselves remain motivated and committed to change and to building QSL for the future.

CELEBRATING AND RECOGNISING ACHIEVEMENTS

QSL is proud to have a seat on the Queensland Government’s Safety Leadership at Work Expert Reference Group (ERG) in recognition of its industry-leading approach to safety. Along with members of industry and academia, QSL’s Operational Risk and Leadership Manager Hamish Hancox sits on the ERG to help shape and enhance Queensland workplaces’ leadership and culture. The ERG works on identifying emerging industry trends, creating awareness of industry-based projects and establishing industry and Government collaborations and initiatives.

This year saw two Bundaberg team members celebrate 35 years of service with QSL – Barry Courtice and Bob McDougall. Peter Wyatt, Ian Sargent and Geoff Taylor also achieved 30 years of service during the year. QSL values and celebrates this commitment and thanks these employees for their outstanding contribution to our business during their time as QSL. They now join the 6% of our team who have previously achieved this milestone.

FY17 again saw a number of the apprentices in our QSL Logistics business achieve industry recognition for outstanding performance and commitment:

- Jye Thomas (Lucinda BST) was named most outstanding engineering third-year apprentice in the TORGAS awards
- Aiden Tennet (Lucinda BST) won the annual encouragement award and was a finalist for the most outstanding electrical third-year apprentice in the TORGAS awards
- Andrew Dias (Bundaberg BST) was named East Coast Apprenticeships’ Mixed Trades Apprentice of the Year upon the completion of his time
- Daniel Vincent (Bundaberg BST) was awarded East Coast Apprenticeships’ Regional Apprentice of the Year in his first-year electrical trade

QSL is proud of its long-standing ability to grow and nurture emerging professional talent.

OUR FOCUS FOR THE YEAR AHEAD:

- Maintain momentum in strengthening QSL’s constructive culture to best position it for a more customer-focused strategy
- Continue with QSL leadership and management develop programs, and our commitment to the development of high-performing, high-potential talent within the business
- Finalise the rollout of TimeTarget across all BSTs
- Renew the QSL Enterprise Bargaining Agreement (EBA) which expires in December 2017, to ensure it remains strategically aligned to core business goals
Queensland Sugar Limited (QSL) is a public company limited by guarantee, incorporated under the Corporations Act 2001. The principal object of the company, without limiting its powers under the law, is to promote the development of the sugar industry.

The company has 30 members (refer page 13) representing the Australian sugar industry, consisting of:

- seven mill owner members
- 23 grower representative members, comprising:
  - 21 elected holders, who are growers elected to represent the 21 sugar-growing regions in Queensland
  - two representatives, one appointed by each of the organisations representing cane growers, Australian Cane Farmers Association Limited and Queensland Cane Growers Organisation Limited.

The voting rights of members are outlined in QSL’s Constitution. A copy of QSL’s Constitution is available in the Corporate Structure section of QSL’s website (www.qsl.com.au).

THE QSL BOARD OF DIRECTORS

ROLE OF THE BOARD

The Board has in place a Board Charter that sets out its role and responsibilities, with the objective of promoting the development of the sugar industry. The Board is responsible to QSL’s members for the strategic direction of QSL, monitoring of risk and governance, and overall performance of QSL. Other responsibilities of the Board include guiding the culture of QSL; strategy, planning and policy development; oversight of QSL’s management; monitoring compliance and risk management; health and safety and the wellbeing of employees and contractors; and stakeholder liaison and communication. The Board Charter is available in the Governance section of QSL’s website (www.qsl.com.au).

In addition, a key function of the Board includes monitoring, reviewing and overseeing risk management, in particular financial risk. Policies and procedures are in place to manage QSL’s strategic, financial and operational risks. A key QSL policy regarding risk management is the Corporate Risk Management Policy. Specific policies are in place to govern the management of sugar price and foreign exchange risk. Speculative transactions are not permitted and hedging is only permitted within policy parameters.

As part of QSL’s commitment to managing exposure to significant business risk, the company also has policies in place covering areas such as Fraud and Corruption and Whistle blower Policies, Code of Ethics and Conduct, Appropriate Workplace Behaviour, Privacy, Competition and Consumer Law Compliance Policies as well as Work Health and Safety and Environmental Policies.

COMPOSITION OF THE BOARD

There are currently four Directors on the Board of QSL. QSL’s Constitution provides for a Board of a maximum of four independent Non-Executive Directors (and a minimum of three independent Directors), plus a Managing Director/Chief Executive Officer. There is an option in QSL’s Constitution for mill owner members and grower representative members to elect Mill Owner Directors and Grower Directors respectively, but this option has not been exercised.

There are currently three independent Non-Executive Directors on the QSL Board, these being Guy Cowan (Chairman), Sarah Scales and Craig Doyle. Chris Leon resigned as an independent Non-Executive Director on the QSL Board on 4 July 2016 and on 11 October 2016, Craig Doyle was appointed to fill this vacancy.

Greg Beashe is the Managing Director/Chief Executive Officer of QSL. Details about the current Directors are in the Directors’ Report in the Financial Statements.

APPOINTMENT OF DIRECTORS

Independent Non-Executive Directors are appointed to the QSL Board by QSL’s Board Selection Committee. The Board Selection Committee comprises four members: two members elected for a three-year term by mill owner members and two members elected for a three-year term by grower representative members.

Under the Constitution, when selecting independent Non-Executive Directors, the Board Selection Committee has regard to the mix of skills required for the Board to properly meet the company’s objectives, as well as the independence of the candidate.
BOARD COMMITTEES

There are currently four Board committees to assist the Board to carry out its functions: the Audit and Risk Committee, the Trading Risk Committee, the People and Operations Committee and the Remuneration Committee. Each Committee has authority from the Board to review and investigate any matter within the scope of its Charter and make recommendations to the Board.

Copies of QSL’s Board Committee Charters, which sets out each Committee’s area of responsibilities, are available in the Governance section of QSL’s website (www.qsl.com.au).

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (A&RC) assists the Board to discharge its responsibilities via oversight of the enterprise risk management, control and compliance framework established by the Board and QSL management; and review of QSL’s risk management, finance and audit reporting.

The current members of the A&RC are Guy Cowan (Committee Chair), Sarah Scales and Craig Doyle. The Managing Director, the Chief Financial Officer, Risk and Compliance Manager and representatives of the external and internal auditors attend meetings of this Committee by invitation.

TRADING RISK COMMITTEE

The Trading Risk Committee (TRC) assists the Board to discharge its responsibilities via oversight of risk management, control and compliance measures established by the Board and management relating to commodity and foreign currency hedging, marketing and sale of sugar and chartering activities.

The current members of the TRC are Sarah Scales (Committee Chair) and Guy Cowan. The Managing Director, the Chief Financial Officer, General Manager Trading and Risk, and representatives of external and internal auditors attend meetings of this Committee by invitation.

PEOPLE AND OPERATIONS COMMITTEE

The People and Operations Committee (POC) assists the Board to discharge its responsibilities relating to workplace health and safety, environmental compliance, and people issues.

The current members of the POC are Craig Doyle (Committee Chair) and Guy Cowan. The Managing Director, General Manager Operations, Company Secretary and General Manager Human Resources are invited to attend meetings as appropriate.

REMUNERATION COMMITTEE

The Remuneration Committee (REM) was established in early 2017 to discharge its responsibilities relating to the composition, remuneration and performance of the Board, as well as remuneration and performance of QSL employees and remuneration strategies/policies for QSL.

The current members of the REM are Craig Doyle (Committee Chair), Guy Cowan and Sarah Scales. The Managing Director and General Manager Human Resources are invited to attend meetings as appropriate.

From left: Greg Beashel, Guy Cowan, Craig Doyle, Sarah Scales
Queensland Sugar Limited’s (QSL) Total Reward Framework is designed around the following principles:

- Remuneration is an investment. QSL is committed to spending remuneration resources wisely in pursuit of the implementation of our strategy.

- It must be powerful enough to source, engage, reward and retain high-quality people who are capable of achieving challenging performance targets and generating superior results for our members. It must contribute to establishing a stable pipeline of both leaders and talent, so there is no perceived or actual risk with our performance.

- Credibility is key. Our Reward and Remuneration framework must be regarded as fair, reasonable and rewarding by our members and employees alike. It must be defined by its simplicity, transparency and market relevance.

QSL continued its long association with the Korn Ferry Hay Group (KFHG) during 2017, ensuring all decisions around its Total Reward Framework were well informed and supported by timely, independent, market-aligned benchmarking.

Under its Charter, the Board Remuneration Committee has oversight into the design and effectiveness of QSL’s Total Reward and Remuneration framework, including specific details of remuneration packages for the Chief Executive Officer and Managing Director, Executives and Directors. The Committee continues to monitor the effectiveness and competitiveness of QSL’s reward and remuneration mechanisms. The Board considers endorsements made by the Committee, however makes all final decisions in relation to salary, incentive plans and eligibility criteria, ensuring strong alignment to organisational performance.

The Board took a prudent approach to movements in Fixed Annual Reward (FAR) for FY17, setting a budget more aligned to inflation rather than recommended industry market movements, giving significant weight to organisational cost considerations and efficiencies without significantly compromising market competitiveness.

All salaried staff are eligible to participate in a short-term incentive (STI) plan, with awards under the program being directly aligned to the achievement of organisational strategy and levels of personal performance. Against the business plan set for the year, management achieved an outstanding result in all seven key result areas (KRAs) agreed with the Board upon commencement of the financial year, and the STI plan was funded considering this achievement and the levels of value created for members and the industry. In keeping with the principle of aligning individual reward with organisational performance, all BST wages employees also participate in a separate incentive scheme as identified in the EBA, based on each team’s achievement of core BST operational performance and proactive safety plans. All sites exceeded expectations under this plan in FY17.

QSL continues to refine and re-evaluate its Total Reward Framework on an annual basis. Given the changes to QSL’s role in terminal operations (through the new operating agreement with STL) and tonnes under management for the 2017 Season within its marketing division, a more detailed independent review of remuneration and job evaluation by KFHG is scheduled for a number of key positions in early FY18. Based on the outcomes of this review, appropriate changes to QSL’s remuneration framework will be considered, ensuring it remains competitive and credible, both for fixed and variable pay. With this level of scrutiny and independent reference, QSL and its members should be confident that staff are remunerated conservatively yet competitively to market, mitigating the risk of loss of critical talent and capability, while also ensuring costs are sustainable for the future.

**DIRECTOR REMUNERATION**

The last review of Board Fees occurred in November 2015. In May 2017, the Remuneration Committee commissioned an updated independent report from KFHG on Director Remuneration. The benchmarking report noted that while current Board fees were set at a reasonable level, the Board approved to freeze Board fees at current levels for FY18.
The Directors of Queensland Sugar Limited (‘QSL’ or ‘Parent Entity’) present their report on QSL and its Controlled Entities (‘Consolidated Entity’) for the year ended 30 June 2017 and the auditor’s report thereon.

DIRECTORS

The names and details of QSL’s Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

GUY COWAN BSc (Hons), FCA (UK), MAICD

Guy joined the QSL Board on 1 January 2009 and was appointed Chairman at QSL on 1 January 2015. Guy has had nine years’ experience as a chartered accountant with Price Waterhouse (now PricewaterhouseCoopers) and KPMG, in addition to 23 years’ international experience in commercial and finance roles in the oil and gas industry.

Prior to February 2005, he was Chief Financial Officer (CFO) of Shell Oil in the USA, and from February 2005 until February 2009, Guy was CFO of Fonterra Co-operative Group Limited, the New Zealand-based world leading exporter of dairy products that accounts for more than one third of the international dairy trade.

In addition to his role on the QSL Board, Guy holds directorships with Santos Limited, Winson Group Pty Ltd, Beak and Johnston Pty Ltd and The Australia-Latin America Business Council.

SARAH SCALES BAgSc, GAICD
NON-EXECUTIVE DIRECTOR OF THE BOARD, CHAIRMAN OF THE TRADING RISK COMMITTEE, MEMBER OF THE AUDIT & RISK COMMITTEE AND MEMBER OF THE REMUNERATION COMMITTEE

Sarah joined the QSL Board as a Non-Executive Director on 1 January 2013. Sarah’s term expired on 31 December 2015, and was then then reappointed for a further 12 month period expiring on 28 January 2017. Sarah was then appointed for a three year term expiring in January 2020.

Sarah brings to the role more than 20 years of senior management experience working in domestic and international agribusiness. This includes six years working as the General Manager (AWB International Limited looking after the Single Desk wheat business for AWB Limited.

Sarah has extensive experience in business strategy development and soft commodity marketing with specific skills in the area of managing pools and price risk, including foreign exchange and commodity derivatives. Through her company, Clear Point Consulting, Sarah provides strategic management advice to agribusinesses and new entrants to the Australian agriculture sector.

Sarah’s non-executive directorships include The Pastoral Pork Company Pty Ltd, Agracom Pty Ltd, InterGrain Pty Ltd and Arona Holdings Pty Ltd.

CRAIG DOYLE MBA(TechMgmt), AssocDipSc, PostGradDipMgt

Craig joined the QSL Board as a Non-Executive Director on 11 October 2016.

Craig is the Chief Executive Officer (‘CEO’) at Mackay Regional Council. Prior to this, Craig was CEO of Gladstone Ports Corporation and Executive General Manager of Australia’s largest sugar business – Wilmar Sugar.

Craig has held numerous senior executive roles specialising in operations, project management, and commercial including international greenfield and brownfield growth projects spanning the Australian refined and raw sugar industries and other areas.

In addition to his role on the QSL Board, Craig holds directorships with Northern Australia Services and Mackay Regional Enterprises.

GREG BEASHEL BSc (Hons), MBA, GAICD
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Greg joined QSL in June 2000. Prior to being appointed as Managing Director and CEO on 1 February 2012, Greg was responsible for operations including port terminal management, capital and maintenance management, shipping operations, charting and trade finance.

Before joining QSL, Greg spent seven years with CSR in a range of roles including operations, sugar marketing, hedging and trading. He has extensive experience in sugar refining and a strong understanding of customer perspectives and requirements. Greg is a graduate of the AGSM MBA Executive program and has a Bachelor of Chemical Engineering (Hons) from the University of New South Wales.

GUY BASILE INDUSTRY (MILL OWNER) DIRECTOR OF THE BOARD, MEMBER OF THE TRADING RISK COMMITTEE AND MEMBER OF THE PEOPLE & OPERATIONS COMMITTEE

Guy joined the QSL Board as an Industry (Mill Owner) Director on 11 October 2016.

As a Director of Bundaberg Sugar and the CEO, he has a breadth of experience in nearly every facet of the Sugar Industry from Milling, Refining, Logistics, and Distribution to Marketing, Sales and allied Agricultural products into the stockfeed business, having managed each of these areas for Bundaberg Sugar over the past 37 years.

Guy also sits on a number of Industry Boards and bodies in or related to the Sugar Industry. These include current Chairman of Australian Molasses Trading and Director of the Australian Sugar Milling Council.
DIRECTORS CONTINUED

PETER GILL B.Ec LLB GDipTax FCPA
INDUSTRY (MILL OWNER) DIRECTOR OF THE BOARD AND MEMBER OF THE AUDIT & RISK COMMITTEE
Peter joined the QSL Board as an Industry (Mill Owner) Director on 24 October 2016 and resigned on 10 March 2017.
Peter is the General Manager Commercial and Legal at Mackay Sugar Limited. In a previous employment term, between 1999 and 2003, he acted as General Counsel and Company Secretary for Mackay Sugar Cooperative Association Limited. Peter returned to Mackay Sugar in 2012 and during his current term of employment has also undertaken the roles of Chief Financial Officer and General Manager Commercial.
Peter is a qualified solicitor admitted to practice in Victoria and Queensland and is a Fellow of CPA Australia. He was previously employed by McCullough Robertson solicitors from 1988-1999 and 2004-2012.
Peter is also a director of Racecourse Projects Pty Ltd, M & M Molasses Limited and Sugar North Limited.

PETER HAWE B.Bus, FCPA
INDUSTRY (MILL OWNER) DIRECTOR OF THE BOARD AND MEMBER OF THE AUDIT & RISK COMMITTEE
Peter joined the QSL Board as an Industry (Mill Owner) Director on 2 November 2016 and resigned on 10 March 2017.
Peter has worked extensively in accounting and commercial roles within the sugar industry for over 35 years and has over 16 years’ experience in various senior accounting and commercial roles related to cane farming, sugar milling, refining and heavy engineering.
Peter holds a degree in Business (Accounting) from the Darling Downs Institute of Advanced Education and is a Fellow of CPA Australia.
In addition to his role on the QSL Board, Peter is the Company Secretary and Business Development Manager of Isis Central Sugar Mill Company Limited.

STEVEN KIRBY BEc, ACA
INDUSTRY (GROWER) DIRECTOR OF THE BOARD AND MEMBER OF THE TRADING RISK COMMITTEE
Steve joined the QSL Board as an Industry Director (Grower) on 18 November 2016 and resigned on 10 March 2017.
Steve is the co-founder and Managing Director of SISL Group, an agribusiness focused fund manager that has built up and operated one of Australia’s largest sugar cane farm aggregations since 2005. The aggregation covers over 2,000 hectares in the Burdekin Region. Steve is responsible for investment management activities and strategic farm management decisions.
Steve was formerly with Rothschild Australia for 16 years, where he held a variety of posts including Head of Structured Finance and Head of Agribusiness.

DAVID LANDO
INDUSTRY (GROWER) DIRECTOR OF THE BOARD AND MEMBER OF THE PEOPLE & OPERATIONS COMMITTEE
David Lando joined the QSL Board as an industry Director (Grower) on 18 November 2016 and resigned on 10 March 2017.
David farms in the Burdekin district with his wife and a son and daughter and their spouses. David has been a farmer for 43 years. The family farm is involved in both growing, harvesting and transporting cane to the Pioneer Mill.
David was Chair and Deputy Chair of Canegrowers Burdekin Limited Board as well as being a State Director on Canegrowers Queensland Board for 11 years.

PAUL SCHEMBRI FAICD
INDUSTRY (GROWER) DIRECTOR OF THE BOARD, MEMBER OF THE TRADING RISK COMMITTEE AND MEMBER OF THE PEOPLE & OPERATIONS COMMITTEE
Paul joined the QSL Board as an Industry Director on 18 November 2016 and resigned on 10 March 2017.
Paul is a cane farmer with more than 42 years’ practical experience. In partnership with his brother Joe, he owns and operates farms supplying Farleigh Mill, near Mackay, harvesting around 10,000 tonnes of cane annually. The business is accredited in the industry’s Smartcane BMP program.
Paul is also the Chairman of CANEGROWERS Queensland, a role he has held since 2013. He is a member of the CANEGROWERS Policy Council and a Director of CANEGROWERS Mackay. He has held representative roles within the organisation for 34 years.
Paul is currently Chairman of the Australian Sugar Alliance, a Vice President of the World Association of Beet and Cane Growers and is a Fellow of the Australian Institute of Company Directors. In 2015, he was recognised by Rotary International as a Paul Harris Fellow for his services to the community.

CHRIS LEON BSc, MEngSc, FAICD
NON-EXECUTIVE DIRECTOR OF THE BOARD, CHAIRMAN OF THE PEOPLE & OPERATIONS COMMITTEE AND MEMBER OF THE AUDIT & RISK COMMITTEE
Chris held the position of Director of QSL from 15 February 2014, resigning from his position effective 4 July 2016. Chris has extensive experience in international business and driving the strategic direction of private and publicly listed and unlisted companies across a range of industries including logistics, agribusiness, manufacturing and mining.
He is currently a Non-Executive Director at Tassal Group Ltd and has held various Board Member positions throughout the last two decades including CEO/MD of Cement Australia and its associated companies. Chris is a Fellow of the Australian Institute of Company Directors and a Member of the Institute of Engineers Australia.
DIRECTORS’ REPORT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017
QUEENSLAND SUGAR LIMITED AND ITS CONTROLLED ENTITIES

COMPANY SECRETARY
SUSAN CAMPBELL BComm, LLB (Hons), GradDip Sec Institute, GradDip App Corp Gov, GradCert Bus Admin

COMPANY SECRETARY AND LEGAL COUNSEL
Susan joined QSL as Company Secretary and Legal Counsel in October 2013 and is responsible for QSL’s corporate governance functions and the management of QSL’s legal issues. Susan has held a number of equivalent positions in other companies, including with North Queensland Bulk Ports Corporation.

Prior to QSL, Susan held the role of General Counsel/Company Secretary at Ergon Energy, having developed from the role of Group Legal Counsel. Susan brings more than 25 years’ experience in private practice and corporate in-house roles, specialising in commercial and corporate law.

DIRECTORS’ MEETINGS
The number of meetings of QSL’s Directors (including meetings of Committees of Directors) and the number of meetings attended by each Director during the financial year were:

<table>
<thead>
<tr>
<th>DIRECTORS</th>
<th>BOARD OF DIRECTORS</th>
<th>AUDIT &amp; RISK COMMITTEE (A&amp;RC)</th>
<th>TRADING &amp; RISK COMMITTEE (TRC)</th>
<th>PEOPLE &amp; OPERATIONS COMMITTEE (POC)</th>
<th>REMUNERATION COMMITTEE (REM)</th>
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<td>5</td>
<td>4</td>
</tr>
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<td>Greg Beashel</td>
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<tr>
<td>Chris Leon</td>
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<td>Guy Basile</td>
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<tr>
<td>Steven Kirby</td>
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<tr>
<td>David Lando</td>
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<tr>
<td>Paul Schembri</td>
<td>14</td>
<td>5</td>
<td>4</td>
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</table>

1 All Industry Directors resigned on 10 March 2017 as a result of a Federal Court decision which reversed changes to the QSL Constitution, which set out a framework for the appointment of these Industry Directors
2 The Remuneration Committee was established in the 2016/17 year and had its first meeting on 21 February 2017
3 Represents the number of meetings held during the time the Director held office during the 2016/17 year
4 Sarah Scales is not a member of POC but attended the meetings by invitation
5 Craig Doyle joined the QSL Board on 11 October 2016, therefore he did not attend all QSL Board and POC meetings this year
6 Craig Doyle is not a member of TRC but attended the meetings by invitation
7 Greg Beashel is not a member of the Board Committees, but attends meetings by invitation
8 Chris Leon resigned from the QSL Board on 4 July 2016 and did not attend any meetings in the 2016/17 year
9 Guy Basile was appointed to the QSL Board as an Industry (Mill Owner) Director on 24 October 2016 and resigned on 10 March 2017
10 Peter Gill was appointed to the QSL Board as an Industry (Mill Owner) Director on 24 October 2016 and resigned on 10 March 2017
11 Peter Hawe was appointed to the QSL Board as an Industry (Mill Owner) Director on 2 November 2016 and resigned on 10 March 2017
12 Steven Kirby was appointed to the QSL Board as an Industry (Grower) Director on 18 November 2016 and resigned on 10 March 2017
13 David Lando was appointed to the QSL Board as an Industry (Grower) Director on 18 November 2016 and resigned on 10 March 2017
14 Paul Schembri was appointed to the QSL Board as an Industry (Grower) Director on 18 November 2016 and resigned on 10 March 2017
* Includes 3 unscheduled urgent Board teleconferences
SIGNIFICANT CHANGES

There were no significant changes in the state of affairs or in the nature of QSL's or its Controlled Entity's principal operations during the year.

PRINCIPAL OPERATIONS AND OBJECTIVES

The principal operations of the Consolidated Entity are the marketing of raw sugar, the management of financial risk in connection with such marketing, financing of the advances program and ancillary services in transport and logistics. In pursuing its short and long term objectives the company seeks to maximise the returns to members through revenues generated from pooling activity, enhancing its product and service offering to members and focusing on adding value for the benefit of members. The company's strategy of maximising pool returns is achieved by keeping a tight control of costs, efficient and safe operation of the terminals, outperforming relevant benchmarks, offsetting shared services costs with other revenue using surplus terminal capacity to generate additional revenue and optimising pool returns by purchasing and selling raw sugar from other origins.

The company measures its performance against key performance indicators. The most significant key performance indicator is in relation to the revenues generated for members from pooling activity against relevant benchmarks.

REVIEW OF OPERATIONS AND RESULTS

A review of the Consolidated Entity's operations and results for the year ended 30 June 2017 is set out below:

MARKETING ACTIVITIES

The 2017 financial year saw QSL provide raw sugar export marketing services to six Queensland milling companies ("Suppliers") (2016: six) under Raw Sugar Supply Agreements ("RSSAs") and subsequently sell 4.0 million tonnes of Australian raw sugar (2016: 4.2 million tonnes). QSL had seven (2016: seven) RSSAs with Suppliers during the year, including Gold Coast based milling company, WH Heck & Sons Pty Ltd.

Mackay Sugar Limited, Bundaberg Sugar Limited, Isis Central Sugar Mill and WH Heck & Sons Pty Ltd retain the term of their supply agreement with QSL until at least the end of the 2020 financial year (2019 season). Wilmar Sugar Australia Limited, Tully Sugar Limited and MSF Sugar Limited provided termination notices in relation to their RSSAs prior to 30 June 2014 which will result in those Suppliers marketing their export raw sugar beyond 30 June 2017 (2016 Season).

Marketing choice legislation (Sugar Industry (Real Choice in Marketing) Amendment Act) was passed by Queensland State Parliament in December 2015 requiring marketing choice to be given to growers. MSF Sugar Limited and Tully Sugar Limited have each signed an On-Supply Agreement ("OSA") on 30 September 2016 and 15 December 2016, respectively, to allow their growers choice in selecting QSL as their Marketer for the 2017 season. On 22 May 2017, Wilmar Sugar Australia Limited signed an OSA allowing their growers to elect QSL as marketer of their raw sugar for the 2017 season and beyond.

REVENUES

QSL recorded sales revenue from raw sugar for the 2017 financial year of $2,267.0 million, an increase of $342.5 million from the previous year's revenue of $1,924.5 million. The higher sales revenue number compared to the prior year is primarily a result of higher pool values. Consistent with prior years, QSL continues to be focused on marketing raw sugar to Asian markets to obtain the highest net return for pooling participants. QSL continues to transact in other origin sugar activities to complement the existing marketing program by allowing pool sales to be fulfilled through either supplying Queensland sugar or by supplying sugar from other destinations in order for QSL to meet customer demand and maintain its marketing presence in a growing Asian market. The other origin sugar opportunities were not as prevalent as prior years.

EXPENSES

Payments to Suppliers for the year ended 30 June 2017 were $2,102.6 million, an increase of $366.8 million from the prior year's payments to Suppliers of $1,735.8 million. This was predominately the result of greater pool returns compared to the prior year.

Freight and brokerage costs were down by $18.0 million this year compared to prior year of $65.4 million primarily due to lower rates on shipping based on a Cost, Insurance, and Freight ('CIF') or Cost and Freight ('CFR') basis. Operating lease rental costs increased by $2.3 million to $50.8 million due to an inflationary increase in the base rental of the lease with Sugar Terminals Limited ('STL') for the 6 bulk sugar terminals ('BSTs') and a higher capital adjustment to the base rental due to the replacement of shed roofs.

Borrowing costs increased by $1.7 million to $18.0 million from the prior year due to higher advance rate payments as a result of higher net sugar returns compared to the last year and costs for refinancing the banking facility. Additionally, $1.1 million (2016: $0.5 million) was funded to the sugar industry for research and development related expenditure.

NET SURPLUS

QSL's pooling and non-pooling activities delivered a nil (2016: nil) surplus for the Consolidated Entity with all net returns being passed back to RSSA participants through the Shared Pool in the 2017 financial year. QSL will continue to maximise pool returns and pass as much of the net pool returns through to the Queensland sugar industry.

BANKING AND FINANCING

The Advances Program was funded during the year from the committed and uncommitted facilities. QSL's funding requirements are met by the limits contained in the committed facilities. The committed facilities comprise of an Australian dollar syndicated credit facility and a United States dollar Syndicated Inventory Facility ("SIF"). The syndicated credit facility was restructured on 20 December 2016 with two syndicate members (ANZ and Rabobank) for a period of 18 months to 30 June 2018 for the new marketing arrangements for the 2017 season and beyond. The terms of the facility are similar to the previous facility, however, the limit is reduced to $4200m from 31 May 2017 from $4500m consistent with a lower tonnage in the 2017 season. The SIF is a sale and repurchase arrangement with ANZ and Rabobank using sugar inventory at the terminal. It is structured as an annual revolving facility with the next review date on 22 December 2017. The SIF was not drawn down at 30 June 2017. QSL is currently in discussion with the syndicate members to extend the length of these committed facilities. Additionally, QSL retains access to various uncommitted funding facilities with a range of financial institutions in order to obtain funds at the lowest possible funding cost.
ENVIRONMENTAL REGULATION

The Consolidated Entity’s operations are subject to significant environmental regulation under Commonwealth and Queensland law, particularly with regard to air, noise, water, waste management and site contamination at its bulk sugar terminal operations. Directors are not aware of any significant breaches of environmental regulation during the reporting period.

INDEMNITIES AND INSURANCE

The Constitution of QSL provides that the company, to the extent permitted by law, must indemnify each person who is, or has been, a Director or Secretary of the company against any liability (resulting directly or indirectly from facts or circumstances relating to the person serving in that capacity in relation to the company):

- To any person (other than the company) which does not arise out of conduct involving the lack of good faith or conduct known to the person to be wrongful
- For costs and expenses incurred by the person in defending proceedings, whether civil or criminal, in which judgement is given in favour of the person or in which the person is acquitted, or in connection with any application in relation to such proceedings in which the court grants relief to the person under the Corporations Act 2001.

The Constitution of the company also provides that the Board of Directors may authorise the company to, and the company may, enter into any insurance policy for the benefit of any person who is, or has been, a Director or officer of the company. The obligation of the company to indemnify persons as set out in the preceding paragraph is reduced to the extent that a person is entitled to an indemnity in respect of that liability under a contract of insurance. The company has paid, or has agreed to pay, premiums in respect of contracts insuring against liability, persons who are or have been officers of the company, namely, any past, present or future Director or officer of the company. The contracts prohibit disclosure of the extent of the cover and amounts of the premium.

AUDITOR INDEPENDENCE

The auditor’s independence declaration is set out on page 25 and forms part of the Directors’ Report for the year ended 30 June 2017.

ROUNDING OF AMOUNTS

Unless otherwise shown in the financial report, amounts have been rounded to the nearest $1,000 (where rounding is applicable and where noted ($’000)) under the option available to the Controlled Entities under ASIC Corporations (rounding in Financial/Directors Report) Instrument 2016/191. QSL is a company to which the Class Order applies.

The Directors’ Report is signed for and on behalf of the Directors in accordance with a resolution of the Board of Directors of QSL.

Guy Cowan
Chairman
5 September 2017
AUDITOR’S INDEPENDENCE DECLARATION
FOR THE YEAR ENDED 30 JUNE 2017
QUEENSLAND SUGAR LIMITED AND ITS CONTROLLED ENTITIES

Auditor’s independence declaration to the directors of Queensland Sugar Limited

As lead auditor for the audit of Queensland Sugar Limited for the financial year ended 30 June 2017, I declare 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 Queensland Sugar Limited and the entities it controlled during the financial year,

Ernst & Young

Paula McLuskie
Partner
5 September 2017
### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

<table>
<thead>
<tr>
<th>Note</th>
<th>2017 $'000</th>
<th>2016 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES FROM CONTINUING OPERATIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of raw sugar</td>
<td>2,266,976</td>
<td>1,924,467</td>
</tr>
<tr>
<td>Net foreign currency exchange loss</td>
<td>(1,807)</td>
<td>(13,460)</td>
</tr>
<tr>
<td>Interest income</td>
<td>557</td>
<td>1,119</td>
</tr>
<tr>
<td>Share investment income</td>
<td>3</td>
<td>2,432</td>
</tr>
<tr>
<td>Other revenues</td>
<td>1,625</td>
<td>1,526</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>2,269,783</td>
<td>1,916,035</td>
</tr>
<tr>
<td><strong>EXPENSES FROM CONTINUING OPERATIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for raw sugar</td>
<td>2,102,599</td>
<td>1,735,786</td>
</tr>
<tr>
<td>Freight and brokerage</td>
<td>4</td>
<td>47,468</td>
</tr>
<tr>
<td>Operating lease rental</td>
<td>4</td>
<td>51,233</td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td></td>
<td>24,820</td>
</tr>
<tr>
<td>Borrowing costs</td>
<td>4</td>
<td>18,013</td>
</tr>
<tr>
<td>Depreciation</td>
<td>4</td>
<td>3,214</td>
</tr>
<tr>
<td>Research funding to the sugar industry</td>
<td>4</td>
<td>1,079</td>
</tr>
<tr>
<td>Other expenses</td>
<td>5</td>
<td>21,357</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>2,269,783</td>
<td>1,916,035</td>
</tr>
<tr>
<td><strong>NET SURPLUS ATTRIBUTABLE TO MEMBERS OF QUEENSLAND SUGAR LIMITED AND ITS CONTROLLED ENTITIES</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**OTHER COMPREHENSIVE INCOME FOR THE YEAR**

<table>
<thead>
<tr>
<th>Items that may be reclassified subsequently to profit or loss</th>
<th>2017 $'000</th>
<th>2016 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net gain on available-for-sale financial assets</td>
<td>279</td>
<td>175</td>
</tr>
<tr>
<td><strong>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF QUEENSLAND SUGAR LIMITED AND ITS CONTROLLED ENTITIES</strong></td>
<td>279</td>
<td>175</td>
</tr>
</tbody>
</table>

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2017
QUEENSLAND SUGAR LIMITED AND ITS CONTROLLED ENTITIES

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2017 $’000</th>
<th>2016 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>15</td>
<td>26,656</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>6</td>
<td>36,472</td>
</tr>
<tr>
<td>Inventories</td>
<td>7</td>
<td>137,935</td>
</tr>
<tr>
<td>Prepayments</td>
<td></td>
<td>2,039</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>8</td>
<td>47,358</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td></td>
<td>250,460</td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>9</td>
<td>24,468</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>10</td>
<td>19,825</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>8</td>
<td>9,743</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT ASSETS</strong></td>
<td></td>
<td>54,036</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>304,496</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>2017 $’000</th>
<th>2016 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>11</td>
<td>87,585</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>12</td>
<td>53,091</td>
</tr>
<tr>
<td>Interest bearing liabilities</td>
<td>13, 15</td>
<td>100,000</td>
</tr>
<tr>
<td>Provisions</td>
<td>14</td>
<td>7,181</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td></td>
<td>247,857</td>
</tr>
<tr>
<td><strong>NON-CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>12</td>
<td>9,743</td>
</tr>
<tr>
<td>Provisions</td>
<td>14</td>
<td>1,180</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT LIABILITIES</strong></td>
<td></td>
<td>10,923</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td></td>
<td>258,780</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td></td>
<td>45,716</td>
</tr>
</tbody>
</table>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.
## CONSOLIDATED STATEMENT
## OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 30 JUNE 2017**

*QUEENSLAND SUGAR LIMITED AND ITS CONTROLLED ENTITIES*

<table>
<thead>
<tr>
<th>RETAINED SURPLUSES</th>
<th>RESERVES</th>
<th>TOTAL EQUITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital $'000</td>
<td>Available-for-sale $'000</td>
<td>$'000</td>
</tr>
<tr>
<td>平衡于2015年7月1日</td>
<td>20,342</td>
<td>23,242</td>
</tr>
<tr>
<td>净余额</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>其他全面收益</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>总计全面收益</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>平衡于2016年6月30日</td>
<td>20,342</td>
<td>23,242</td>
</tr>
<tr>
<td>净余额</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>其他全面收益</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>总计全面收益</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>平衡于2017年6月30日</td>
<td>20,342</td>
<td>23,242</td>
</tr>
</tbody>
</table>

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 30 JUNE 2017**

**QUEENSLAND SUGAR LIMITED AND ITS CONTROLLED ENTITIES**

<table>
<thead>
<tr>
<th>NOTE</th>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>CASH FLOWS FROM INVESTING ACTIVITIES</th>
<th>CASH FLOWS FROM FINANCING ACTIVITIES</th>
<th>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</th>
<th>CASH AND CASH EQUIVALENTS AT END OF YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017 $'000</td>
<td>2016 $'000</td>
<td>2017 $'000</td>
<td>2016 $'000</td>
<td>2017 $'000</td>
</tr>
<tr>
<td></td>
<td>Receipts from customers (inclusive of GST)</td>
<td>2,870,693*</td>
<td>2,140,743</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Payments for raw sugar (inclusive of GST)</td>
<td>(2,599,859)*</td>
<td>(2,260,175)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Payments to suppliers and employees (inclusive of GST)</td>
<td>(162,951)</td>
<td>(298,038)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>GST recovered</td>
<td>220,791</td>
<td>156,380</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Interest and other borrowing costs paid</td>
<td>(18,013)</td>
<td>(16,317)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Interest received</td>
<td>557</td>
<td>1,119</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash settlements of derivative instruments</td>
<td>(134,074)</td>
<td>100,321</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other receipts</td>
<td>9,611</td>
<td>8,654</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</td>
<td>186,755</td>
<td>(167,313)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Purchase of available-for-sale financial assets</td>
<td>-</td>
<td>(194)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Purchase of property, plant and equipment</td>
<td>(3,638)</td>
<td>(3,484)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Proceeds from sale of property, plant and equipment</td>
<td>294</td>
<td>32</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dividends and franking credits received</td>
<td>2,432</td>
<td>2,383</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>NET CASH FLOWS USED IN INVESTING ACTIVITIES</td>
<td>(912)</td>
<td>(1,263)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other loan repayments from Suppliers</td>
<td>319</td>
<td>2,137</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>NET CASH FLOWS FROM FINANCING ACTIVITIES</td>
<td>319</td>
<td>2,137</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash and cash equivalents at beginning of the year</td>
<td>(259,503)</td>
<td>(93,066)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Effects of exchange rate changes on the cash and cash equivalents</td>
<td>(3)</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</td>
<td>186,162</td>
<td>(166,439)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CASH AND CASH EQUIVALENTS AT END OF YEAR</td>
<td>15</td>
<td>(73,344)</td>
<td>(259,503)</td>
<td></td>
</tr>
</tbody>
</table>

*Under the Syndicated Inventory Financing agreement (‘SIF’), refer to Note 15. QSL transfers the legal title of the sugar to the financing bank as collateral for the amount borrowed. Upon repayment of the SIF the legal title is transferred back to QSL. The transfer to/from the bank is subject to GST however the transfer to/from the bank is not recognised as revenue/expense in the consolidated statement of profit or loss as the significant risks and rewards of ownership remain with QSL, this results in the amounts disclosed above differing by more than 10% (GST) to the revenue/expense disclosed in the consolidated statement of profit or loss.
NOTES TO THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017
QUEENSLAND SUGAR LIMITED AND ITS CONTROLLED ENTITIES

1 CORPORATE INFORMATION
The financial report of QSL and its Controlled Entities for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 5 September 2017.

QSL is a company limited by guarantee incorporated in Australia. The Consolidated Entity's principal activity is the sale of raw sugar for export and the management and operation of the six bulk sugar terminals located in Queensland.

QSL's Controlled Entities comprise of QSL Investments (No1) Pty Ltd and QSL Investments (No2) Pty Ltd.

The registered office of QSL is located at Level 14, 348 Edward Street, Brisbane, Queensland.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION
The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared under the historical cost convention, except for derivative financial instruments and available-for-sale investments, which have been measured at fair value.

The financial report includes consolidated financial statements of QSL and its Controlled Entities with supplementary information about the Parent Entity included in Note 23 to the financial statements.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

(B) BASIS OF CONSOLIDATION
The consolidated financial statements comprise the financial statements of QSL and its Controlled Entities as at 30 June 2017. Under the Corporations Amendment (Corporate Reporting Reform) Act 2010 supplementary information about the Parent Entity is included in Note 23 to the financial statements.

The financial statements of the Controlled Entities are prepared for the same reporting period as the Parent Entity, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and surplus and losses resulting from intra-group transactions have been eliminated in full.

(C) STATEMENT OF COMPLIANCE
The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The Consolidated Group is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards. Therefore, the consolidated financial statements for the Group are tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB-RDRs).

The Consolidated Entity prepares one set of consolidated financial statements and provides supplementary information about the Parent Entity, QSL in Note 23 of the financial statements.

New and amended standards and interpretations
The adoption of this standard and amendment had no impact on the current period or any prior period and is not likely to affect future periods. The nature and the impact of this new standard and amendment is described below:

AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

(D) CASH AND CASH EQUIVALENTS
Cash in the Consolidated Statement of Financial Position includes cash on hand and at bank, which are subject to insignificant risk of changes in value.

(E) REVENUE RECOGNITION
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes. The specific recognition criteria described below must also be met before revenue is recognised.

(i) Sales of raw sugar
Sales to customers are made on commercial terms with settlement generally on a cash against documents or letter of credit basis, predominantly in United States ('US') dollars. Sales are recognised when the transfer of title and risk occurs and it is probable that the economic benefits will flow to the Consolidated Entity and can be reliably measured. Sales revenue also includes transactions relating to foreign exchange, sugar futures and options operations and is net of rebates, discounts and allowances. Sales revenue and derivatives are presented on a net basis as the derivatives are entered into to hedge exposure on sales contracts resulting in offsetting positions that accurately reflects the substance of the transaction.

(ii) Dividend and Franking Credit Income
Revenue is recognised when the Consolidated Entity's right to receive the payment is established.

(iii) Interest Income
Interest income is recorded using the effective interest rate method.
(I) FAIR VALUE MEASUREMENT

QSL measures financial instruments, such as, derivatives, and non-financial assets, at fair value at each reporting date.

- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
  - In the principal market for the asset or liability, or
  - In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

QSL uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, QSL has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(J) TRADE AND OTHER RECEIVABLES

(i) Trade Receivables

Trade receivables, which are generally settled against documents when each vessel is loaded, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

(ii) Amounts Owning from Suppliers

Relates to loans to Suppliers for pre-crop financing (refer to Note 6).

An allowance for doubtful debts is made when there is objective evidence that the Consolidated Entity will not be able to collect the debts. Bad debts are written off as incurred.
2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(K) INVENTORIES

Materials and general store items used for maintenance at bulk sugar terminals are expensed in the year in which they are incurred.

Raw sugar stock on hand at reporting date has been valued at the lower of cost and net realisable value. The cost of stock on hand in respect of each season’s production has been determined as the respective weighted average of pool prices payable to Suppliers as calculated in accordance with RSSAs.

In respect of the following season’s stock on hand, where the final pool price has not been established, the cost has been determined on the basis of the weighted average of forecast pool prices at reporting date. Where sales of the following season’s production are made prior to reporting date, those stocks are valued on the basis of the net proceeds expected to be received from those shipments.

Raw sugar on hand comprises stock on hand at bulk sugar terminals at reporting date. Sugar stocks are recognised when sugar is received and property to the sugar passes to the Consolidated Entity. In relation to the determination of pool prices each season, any raw sugar on hand at reporting date is valued as follows:

(i) Sugar priced - valued at the lower of cost and net realisable value and converted to Australian dollars at the exchange rate ruling at reporting date

(ii) Sugar unpriced - valued at reporting date on the basis of the Intercontinental Exchange (‘ICE’) No 11 or No 16 futures settlement price for the quoted positions or market day average prices in respect to specific contracts of sale and converted to Australian dollars at the exchange rate ruling at reporting date.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(L) CURRENT ASSETS

Current assets comprise cash at bank and on hand, term deposits, debtors, other receivables relating to the pre-crop loans, prepayments, raw sugar stock on hand, amounts owing from future pools, unrealised gains on foreign currency transactions and unrealised gains on sugar futures and options contracts that are expected to be realised within 12 months from reporting date. The Consolidated Entity classifies all other assets as non-current.

(M) PROPERTY PLANT AND EQUIPMENT

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such costs include the costs of replacing parts that are eligible for capitalisation when the cost of replacing the part is incurred.

(i) Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than freehold and leasehold land, over the estimated useful life of the assets as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freehold buildings</td>
<td>50 years</td>
<td>50 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>lease term</td>
<td>lease term</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>4 to 25 years</td>
<td>4 to 25 years</td>
</tr>
</tbody>
</table>

The assets’ residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

(ii) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

(iii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Statement of Profit or Loss in the year the asset was derecognised.

Freehold buildings are valued at the cost to the Consolidated Entity at the time of purchase.

(N) IMPAIRMENT OF ASSETS

The Consolidated Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Consolidated Entity makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of its fair value less costs to sell and its value in use determined for the individual asset, unless the asset does not generate cash inflows that are largely independent of those from the other assets and the asset’s value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at the revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in the prior years. Such reversal is recognised in the Consolidated Statement of Profit or Loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future years to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

**(O) OTHER NON-CURRENT ASSETS**

Expenditure carried forward

Significant items of carry forward expenditure having a benefit or relating to more than one year are written off over the years to which such expenditure relates.

**(P) LEASED ASSETS**

Operating leases

Operating leases are those where the lessor effectively retains substantially all the risks and benefits incidental to ownership of the leased property. Lease payments of this type are not capitalised and rental payments are expensed each year as incurred. Disclosure of these lease commitments is made in Note 17.

**(Q) CURRENT LIABILITIES**

Current liabilities comprise all amounts owing at reporting date and payable within 12 months, including amounts due to Suppliers. The Consolidated Entity classifies all other liabilities as non-current.

**(R) TRADE AND OTHER PAYABLES**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of those goods and services.

**(S) INTEREST BEARING LOANS AND BORROWINGS**

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

**(T) PROVISIONS**

Provisions are recognised when the Consolidated Entity has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using current pre-tax rate that reflects the risks specific to the liability.

**(U) EMPLOYEES LEAVE BENEFITS**

(i) Wages, salaries, annual leave and sick leave

Liability for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees’ services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience in employee departures, and years of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match as closely as possible the estimated future cash outflows.

**(V) POST-EMPLOYMENT BENEFITS**

**Defined Benefit Plan**

The Consolidated Entity contributes to one defined benefit superannuation plan on behalf of certain eligible employees.

In respect of QSL’s defined benefit superannuation plan, any contributions made to the superannuation plan by the Consolidated Entity are recognised against surpluses when due.

Employees of QSL who have a defined benefit plan are members of QSuper (refer Note 18).

For employees who are members of QSuper, the Treasurer of Queensland, based on advice received from the State Actuary, determines employer contributions for superannuation expenses.

No liability is recognised for accruing the above superannuation benefit in these financial statements; the liability being held on a whole-of-government basis and reported in the whole-of-government financial report pursuant to AAS 31 - Financial Reporting by Governments.

**(W) NATURE AND PURPOSE OF RESERVES**

(i) Capital reserve

The capital reserve represents the value of equity transferred from Queensland Sugar Corporation in 2000, which was deducted from pool proceeds to fund purchases of property, plant and equipment.

(ii) Available-for-sale reserve

Changes in the fair value of equity investments, classified as available-for-sale financial assets, are taken to the available-for-sale reserve in the Consolidated Statement of Other Comprehensive Income. Amounts are recognised in the Consolidated Statement of Profit or Loss when the associated assets are sold or impaired.

**(X) INCOME TAX**

**Parent Entity**

In accordance with sections 50-1 and 50-40 of the Income Tax Assessment Act 1997, QSL is exempt from income tax.

**Controlled Entities**

The Controlled Entities are income tax paying entities. However, the Controlled Entities have made tax losses as a result of excess franking credits from the dividends from their holding in STL G class shares. These Controlled Entities continue to carry forward their tax losses to offset their taxable income. No deferred tax asset has been recognised in relation to these tax losses.
NOTES TO THE
FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017
QUEENSLAND SUGAR LIMITED AND ITS CONTROLLED ENTITIES

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(Y) DEFERRED INCOME AND EXPENSES
Income and expenses have been carried forward only in circumstances relating to future sales proceeds, the receipt of which is reasonably assured.

(Z) GOODS AND SERVICE TAX
Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (‘GST’), except:

(i) Where the amount of GST incurred is not recoverable from the Australian Taxation Office (‘ATO’), it is recognised as part of the cost of the acquisition of an asset or as a part of the item of expense; or

(ii) For receivables or payables, which are recognised inclusive of GST, the net amount of GST recoverable from or payable to the ATO is shown under current receivables or payables.

(AB) BORROWING COSTS
Borrowing costs are recognised as an expense when incurred.

(AD) MAKE GOOD PROVISION
A provision has been raised for the present value of anticipated costs of future restoration of leased office premises. The provision includes future cost estimates associated with office dismantling. The calculation of this provision requires assumptions such as the applicable environmental legislation and engineering cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision that is recognised at 30 June 2017 is an amount agreed with the current landlord based on the result of a commercial negotiation. Changes to the future costs are recognised in the Consolidated Statement of Financial Position by adjusting both the expense and provision. The related carrying amounts are disclosed in Note 14.

(AC) RENTAL INCENTIVE
The rental incentive provision was calculated as the present value of fit-out incentive benefit of the leased Brisbane office premises between the landlord and QSL which concludes on 30 April 2018. The full value of the remaining rental incentive provision was recognised in the profit or loss statement in the 2017 financial year as a new lease with the landlord had negotiated which will result in QSL moving from level 14 to levels 11 and 12 early in the 2018 financial year. The related carrying amounts are disclosed in Note 14.

(AD) COMPARATIVES
Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.
3 SHARE INVESTMENT INCOME

<table>
<thead>
<tr>
<th></th>
<th>2017 $'000</th>
<th>2016 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends from STL G class shares</td>
<td>2,136</td>
<td>2,095</td>
</tr>
<tr>
<td>Refund of franking credits for STL G class shares</td>
<td>296</td>
<td>288</td>
</tr>
<tr>
<td><strong>TOTAL SHARE INVESTMENT INCOME</strong></td>
<td><strong>2,432</strong></td>
<td><strong>2,383</strong></td>
</tr>
</tbody>
</table>

4 EXPENSES FROM CONTINUING OPERATIONS

Freight and brokerage

<table>
<thead>
<tr>
<th></th>
<th>2017 $'000</th>
<th>2016 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sea freight</td>
<td>47,468</td>
<td>65,438</td>
</tr>
<tr>
<td><strong>TOTAL FREIGHT AND BROKERAGE</strong></td>
<td><strong>47,468</strong></td>
<td><strong>65,438</strong></td>
</tr>
</tbody>
</table>

Operating lease rental

<table>
<thead>
<tr>
<th></th>
<th>2017 $'000</th>
<th>2016 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum lease payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulk sugar terminals (to STL)</td>
<td>50,800</td>
<td>48,522</td>
</tr>
<tr>
<td>Other property</td>
<td>433</td>
<td>564</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING LEASE RENTAL</strong></td>
<td><strong>51,233</strong></td>
<td><strong>49,086</strong></td>
</tr>
</tbody>
</table>

Borrowing costs expense

<table>
<thead>
<tr>
<th></th>
<th>2017 $'000</th>
<th>2016 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense</td>
<td>12,289</td>
<td>11,700</td>
</tr>
<tr>
<td>Facility fees and bank charges</td>
<td>5,724</td>
<td>4,617</td>
</tr>
<tr>
<td><strong>TOTAL BORROWING COST EXPENSE</strong></td>
<td><strong>18,013</strong></td>
<td><strong>16,317</strong></td>
</tr>
</tbody>
</table>

Research funding to the sugar industry

<table>
<thead>
<tr>
<th></th>
<th>2017 $'000</th>
<th>2016 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL RESEARCH FUNDING TO THE SUGAR INDUSTRY</strong></td>
<td><strong>1,079</strong></td>
<td><strong>465</strong></td>
</tr>
</tbody>
</table>

5 OTHER EXPENSES FROM CONTINUING OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>2017 $'000</th>
<th>2016 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other Expenses</strong></td>
<td><strong>21,357</strong></td>
<td><strong>25,058</strong></td>
</tr>
</tbody>
</table>

These expenses predominately relate to net operating expenditure incurred in operating the bulk sugar terminals. This amount includes a recovery of expenses by QSL under the Storage and Handling ("S&H") Agreements for users of the bulk sugar terminals for storage, handling and outloading of raw sugar. Included in the Other Expenses figure above are these off-setting S&H recovery amounts of $6.4 million (2016: $7.9 million).
NOTES TO THE
FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017
QUEENSLAND SUGAR LIMITED AND ITS CONTROLLED ENTITIES

6 TRADE AND OTHER RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>CURRENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade debtors</td>
<td>14,256</td>
<td>43,562</td>
</tr>
<tr>
<td>Other debtors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Futures margins and deposits</td>
<td>1,391</td>
<td>2,306</td>
</tr>
<tr>
<td>GST receivable</td>
<td>14,983</td>
<td>29,611</td>
</tr>
<tr>
<td>Other loans to Suppliers</td>
<td>-</td>
<td>319</td>
</tr>
<tr>
<td>Receivables – STL a</td>
<td>4,138</td>
<td>3,800</td>
</tr>
<tr>
<td>Other</td>
<td>1,704</td>
<td>216</td>
</tr>
<tr>
<td></td>
<td>22,216</td>
<td>36,252</td>
</tr>
<tr>
<td>TOTAL TRADE AND OTHER RECEIVABLES (CURRENT)</td>
<td>36,472</td>
<td>79,814</td>
</tr>
</tbody>
</table>

a Under the sub-lease agreement with STL, QSL purchases capital items on behalf of STL. These receivables relate to these capital purchases.

7 INVENTORIES

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Bulk Australian raw sugar</td>
<td>137,935</td>
<td>235,667</td>
</tr>
<tr>
<td>TOTAL INVENTORIES</td>
<td>137,935</td>
<td>235,667</td>
</tr>
</tbody>
</table>

At 30 June 2017, 203,774 tonnes of 2016 season raw sugar and 75,594 tonnes of 2017 season raw sugar remained on hand totalling 279,368 tonnes of inventory. At 30 June 2016, 369,485 tonnes of 2015 season and 129,700 tonnes of 2016 season raw sugar remained on hand totalling 499,185 tonnes of inventory. The quantity of inventory on hand was less than the prior year due to the structure of the sugar market and the attractiveness to ship early and maximise sale proceeds.

8 OTHER FINANCIAL ASSETS

CURRENT

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Unrealised gains on derivatives:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency contracts</td>
<td>20,490</td>
<td>-</td>
</tr>
<tr>
<td>Sugar futures and option contracts</td>
<td>24,278</td>
<td>-</td>
</tr>
<tr>
<td>Sugar receivable a</td>
<td>2,590</td>
<td>-</td>
</tr>
<tr>
<td>Deferred expenditure relating to the next year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts owing to future pools b</td>
<td>-</td>
<td>126,144</td>
</tr>
<tr>
<td>TOTAL OTHER FINANCIAL ASSETS (CURRENT)</td>
<td>47,358</td>
<td>126,144</td>
</tr>
</tbody>
</table>

a Pertaining to the supply of sugar pursuant to the Sugar Inventory Loan Agreement between QSL and Wilmar dated 22 May 2017 in relation to GEI sugar.

b Represents unrealised losses on sugar hedges, foreign exchange hedges and option contracts which will be allocated against future years’ raw sugar sales (2017 season and beyond).

NON-CURRENT

Unrealised gains on derivatives:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign currency contracts</td>
<td>3,647</td>
<td>4,739</td>
</tr>
<tr>
<td>Sugar futures and option contracts</td>
<td>6,096</td>
<td>-</td>
</tr>
<tr>
<td>Amounts owing to future pools b</td>
<td>-</td>
<td>13,383</td>
</tr>
<tr>
<td>TOTAL OTHER FINANCIAL ASSETS (NON-CURRENT)</td>
<td>9,743</td>
<td>18,122</td>
</tr>
</tbody>
</table>

b Represents unrealised losses on sugar hedges, foreign exchange hedges and option contracts which will be allocated against future years’ raw sugar sales (2017 season and beyond).
9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

**NON-CURRENT**

<table>
<thead>
<tr>
<th>Shares at fair value a</th>
<th>2017 $’000</th>
<th>2016 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares at fair value a</td>
<td>24,468</td>
<td>24,168</td>
</tr>
</tbody>
</table>

a QSL holds 14.8% (2016: 14.8%) of the G (Grower) class of share capital of Sugar Terminals Limited (‘STL’), a company that owns bulk raw sugar storage facilities in Queensland. No shares were transacted by QSL during the year. Under a sub-lease agreement with STL during the 2017 financial year, QSL operated and maintained these facilities of behalf of the asset owner, STL. The STL G class shares are traded on the National Stock Exchange of Australia. Given the illiquid or thinly traded market in STL G class shares, QSL’s investment in STL has been valued using a Directors’ Valuation to determine a fair value pursuant to AASB 139 Financial Instruments: Recognition and Measurement. QSL has determined that fair value for the investment in STL is cost, consistent with the prior year. These investments have been classified as Level 3 in terms of the fair value hierarchy as inputs are unobservable.

QSL also holds shares in the Intercontinental Exchange, Inc which is listed on the New York Stock Exchange. These shares are classified as Level 1 in relation to the fair value hierarchy as the value of the shares are based on quoted market prices. Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

10 PROPERTY, PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th>Freehold land:</th>
<th>2017 $’000</th>
<th>2016 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At cost</td>
<td>512</td>
<td>512</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Leasehold improvements:</th>
<th>2017 $’000</th>
<th>2016 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At cost</td>
<td>1,176</td>
<td>1,209</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(955)</td>
<td>(752)</td>
</tr>
<tr>
<td></td>
<td>221</td>
<td>457</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Buildings on freehold land:</th>
<th>2017 $’000</th>
<th>2016 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At cost</td>
<td>1,644</td>
<td>1,769</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(1,623)</td>
<td>(1,670)</td>
</tr>
<tr>
<td></td>
<td>21</td>
<td>99</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Plant and equipment:</th>
<th>2017 $’000</th>
<th>2016 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At cost</td>
<td>23,574</td>
<td>23,405</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(4,503)</td>
<td>(5,117)</td>
</tr>
<tr>
<td></td>
<td>19,071</td>
<td>18,288</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TOTAL PROPERTY, PLANT AND EQUIPMENT</th>
<th>2017 $’000</th>
<th>2016 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>19,825</td>
<td>19,356</td>
</tr>
</tbody>
</table>

a Plant and equipment relates predominately to terminal sugar loading equipment (“yellow goods” including front end loaders, excavators) and IT equipment in relation to inloading and outloading raw sugar from the terminals.
### Reconciliations

Reconciliations of the carrying amounts of freehold land, leasehold land, leasehold improvements, buildings on freehold land and plant and equipment at the beginning and end of the financial year are set out below.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Freehold land:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying amount at the beginning of the year</td>
<td>512</td>
<td>512</td>
</tr>
<tr>
<td><strong>Leasehold improvements:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying amount at the beginning of the year</td>
<td>457</td>
<td>548</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(236)</td>
<td>(91)</td>
</tr>
<tr>
<td>Carrying amount at the end of the year</td>
<td>221</td>
<td>457</td>
</tr>
<tr>
<td><strong>Buildings on freehold land:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying amount at the beginning of the year</td>
<td>99</td>
<td>174</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(78)</td>
<td>(75)</td>
</tr>
<tr>
<td>Carrying amount at the end of the year</td>
<td>21</td>
<td>99</td>
</tr>
<tr>
<td><strong>Plant and Equipment:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrying amount at the beginning of the year</td>
<td>18,288</td>
<td>17,447</td>
</tr>
<tr>
<td>Additions</td>
<td>4,009</td>
<td>3,652</td>
</tr>
<tr>
<td>Disposals</td>
<td>(326)</td>
<td>(167)</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(2,900)</td>
<td>(2,644)</td>
</tr>
<tr>
<td>Carrying amount at the end of the year</td>
<td>19,071</td>
<td>18,288</td>
</tr>
<tr>
<td><strong>TOTAL PROPERTY, PLANT AND EQUIPMENT</strong></td>
<td>19,825</td>
<td>19,356</td>
</tr>
</tbody>
</table>
11 TRADE AND OTHER PAYABLES

<table>
<thead>
<tr>
<th>Creditors</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sugar Mills</td>
<td>78,289</td>
<td>69,866</td>
</tr>
<tr>
<td>Trade creditors</td>
<td>2,632</td>
<td>15,620</td>
</tr>
<tr>
<td>Other</td>
<td>6,664</td>
<td>6,308</td>
</tr>
<tr>
<td><strong>TOTAL TRADE AND OTHER PAYABLES</strong></td>
<td><strong>87,585</strong></td>
<td><strong>91,794</strong></td>
</tr>
</tbody>
</table>

12 OTHER FINANCIAL LIABILITIES

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealised losses on derivatives;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sugar futures and option contracts</td>
<td>75,118</td>
<td></td>
</tr>
<tr>
<td>Foreign currency contracts</td>
<td>3,588</td>
<td></td>
</tr>
<tr>
<td>Deferred income relating to the next year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts owing to future pools a</td>
<td>53,091</td>
<td></td>
</tr>
<tr>
<td>Prepaid income</td>
<td>5,929</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL OTHER FINANCIAL LIABILITIES (CURRENT)</strong></td>
<td><strong>53,091</strong></td>
<td><strong>84,635</strong></td>
</tr>
</tbody>
</table>

\[a \text{ Represents unrealised and deferred gains on sugar hedges, foreign exchange hedges and option contracts which will be allocated against next year’s raw sugar sales in relation to 2017 season tonnage}\]

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealised losses on derivatives;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sugar futures and option contracts</td>
<td>19,610</td>
<td></td>
</tr>
<tr>
<td>Deferred income relating to future year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts owing to future pools b</td>
<td>9,743</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL OTHER FINANCIAL LIABILITIES (NON-CURRENT)</strong></td>
<td><strong>9,743</strong></td>
<td><strong>19,610</strong></td>
</tr>
</tbody>
</table>

\[b \text{ Represents unrealised gains on sugar hedges, foreign exchange hedges and option contracts which will be allocated against future years’ raw sugar sales in relation to tonnage for the 2018 season and beyond}\]

13 INTEREST BEARING LIABILITIES

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsecured</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Syndicated credit facility agreement a</td>
<td>100,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Short-term facility b</td>
<td>60,527</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INTEREST BEARING LIABILITIES (CURRENT)</strong></td>
<td><strong>100,000</strong></td>
<td><strong>260,527</strong></td>
</tr>
</tbody>
</table>

\[a \text{ Represents funding for the advances program, sugar futures settlements and margins under a committed bank facility}\]

\[b \text{ Uncommitted short-term facility providing funding for the advances program, sugar futures settlements and margins under various uncommitted bank facilities}\]
### NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2017
QUEENSLAND SUGAR LIMITED AND ITS CONTROLLED ENTITIES

14 PROVISIONS

<table>
<thead>
<tr>
<th>MAKE GOOD a</th>
<th>RENTAL INCENTIVE</th>
<th>STAFF INCENTIVE</th>
<th>ANNUAL LEAVE</th>
<th>LONG SERVICE LEAVE</th>
<th>SICK LEAVE b</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
</tbody>
</table>

**BALANCE AT 1 JULY 2015**

- 201
- 366
- 2,427
- 1,490
- 2,096
- 22
- 6,602

**Arising during the year**

- 18
- -
- 2,359
- 1,232
- 162
- 27
- 3,798

**Utilised**

- -
- (131)
- (1,825)
- (1,361)
- (121)
- (21)
- (3,459)

**Discount rate adjustment**

- -
- 5
- -
- -
- -
- 59

**BALANCE AT 30 JUNE 2016**

- 219
- 240
- 2,961
- 1,361
- 2,191
- 28
- 7,000

**REPRESENTED AS:**

- Current
  - -
  - 131
  - 2,029
  - 1,361
  - 1,923
  - 28
  - 5,472
- Non-Current
  - 219
  - 109
  - 932
  - -
  - 268
  - -
  - 1,528
- **TOTAL**
  - 219
  - 240
  - 2,961
  - 1,361
  - 2,191
  - 28
  - 7,000

**BALANCE AT 1 JULY 2016**

- 219
- 240
- 2,961
- 1,361
- 2,191
- 28
- 7,000

**Arising during the year**

- -
- -
- 3,383
- 1,357
- 604
- 29
- 5,373

**Utilised**

- -
- (114)
- (240)
- (2,280)
- (1,152)
- (75)
- (27)
- (3,888)

**Discount rate adjustment**

- -
- -
- -
- -
- -
- (124)
- -
- (124)

**BALANCE AT 30 JUNE 2017**

- 105
- -
- 4,064
- 1,566
- 2,596
- 30
- 8,361

**REPRESENTED AS:**

- Current
  - 105
  - -
  - 3,311
  - 1,566
  - 2,169
  - 30
  - 7,181
- Non-Current
  - -
  - 753
  - -
  - 427
  - -
  - 1,180
- **TOTAL**
  - 105
  - -
  - 4,064
  - 1,566
  - 2,596
  - 30
  - 8,361

---

a In May 2010 the Parent Entity commenced a lease agreement for its Brisbane office space, which concludes on 30 April 2018. A new agreement has been made for reduced office space with the current landlord on different floors in the same building for a period of 5 years until 30 April 2023. The landlord accepted a lower make good payment for level 14 amounting to $105,000 payable in the 2018 financial year when QSL moves floors. There is no significant make good requirement for the new premises at the conclusion of the new lease.

b QSL provides sick leave for a small number of eligible terminal employees as outlined in the QSL Bulk Terminals Agreement dated 12 December 2014.
15 CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:

Cash and cash equivalents balance comprises:

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand</td>
<td>26,656</td>
<td>1,024</td>
</tr>
<tr>
<td>Short-term facilities (uncommitted)</td>
<td>-</td>
<td>(60,527)</td>
</tr>
<tr>
<td>Syndicated credit facility agreement (committed)</td>
<td>(100,000)</td>
<td>(200,000)</td>
</tr>
<tr>
<td><strong>TOTAL CASH AND CASH EQUIVALENTS</strong></td>
<td>(73,344)</td>
<td>(259,503)</td>
</tr>
</tbody>
</table>

(A) FINANCING FACILITIES AVAILABLE

At reporting date, the following financing facilities had been negotiated and were available:

(i) Committed Facilities

Syndicated credit facility agreement

During the year, QSL continued to have access to an Australian dollar syndicated credit facility. The facility was restructured on 20 December 2016 with two syndicate members for a further 18 months. The facility is similar to the previous facility, however, the limit reduced from A$500 million to A$200 million from 31 May 2017, due to a lower expected lower funding requirement. As at 30 June 2017, A$100.0 million (2016: A$200.0 million) had been drawn against the facility. The facility expires on 30 June 2018. QSL is currently in discussions with the syndicate members to extend this facility.

Syndicated Inventory Financing agreement (SIF)

QSL re-financed the SIF in December 2016 for 12 months. This facility is structured as an annual revolving facility and comprises of a sale and repurchase arrangement using sugar inventory at the terminal and the agreement matures on 22 December 2017. The SIF has a US$200.0 million limit which was undrawn at 30 June 2017 (2016: undrawn). QSL is currently in discussions with the syndicate members to extend this facility.

(ii) Uncommitted Facilities

Other funding facilities

At 30 June 2017, the Parent Entity had additional available facilities with various financial institutions of $83.0 million (2016: $77.0 million). As at 30 June 2017, the uncommitted facilities were undrawn (2016: $60.5 million). These facilities were available but are generally uncommitted and used as an alternative to the syndicated facilities when it is economical to do so. The Parent Entity does not rely on these facilities as they are uncommitted funding facilities.

Letter of credit issuance facility

The Parent Entity has in place a committed letter of credit issuance facility which matures on 31 October 2017. The facility is utilised for issuing standby letters of credit in lieu of performance bonds in connection with contract tender terms. At 30 June 2017, US$9,000 (2016: nil) had been drawn against the facility of US$10.0 million (2016: US$10.0 million).
NOTES TO THE
FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017
QUEENSLAND SUGAR LIMITED AND ITS CONTROLLED ENTITIES

16 CAPITAL EXPENDITURE COMMITMENTS
Estimated capital expenditure contracted for at reporting date, but not provided for, payable

<table>
<thead>
<tr>
<th></th>
<th>2017 $'000</th>
<th>2016 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than one year</td>
<td>93</td>
<td>325</td>
</tr>
</tbody>
</table>

17 LEASE EXPENDITURE COMMITMENTS
Operating leases (non-cancellable):

<table>
<thead>
<tr>
<th></th>
<th>2017 $'000</th>
<th>2016 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than one year</td>
<td>412</td>
<td>50,496</td>
</tr>
<tr>
<td>Later than one year but not later than five years</td>
<td>1,306</td>
<td>74,197</td>
</tr>
<tr>
<td>Later than five years</td>
<td>295</td>
<td>-</td>
</tr>
</tbody>
</table>

AGGREGATE LEASE EXPENDITURE CONTRACTED FOR AT REPORTING DATE

<table>
<thead>
<tr>
<th></th>
<th>2017 $'000</th>
<th>2016 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts not provided for: Rental commitments – STL</td>
<td>-</td>
<td>123,553</td>
</tr>
<tr>
<td>Other property</td>
<td>2,013</td>
<td>1,140</td>
</tr>
</tbody>
</table>

AGGREGATE LEASE EXPENDITURE CONTRACTED FOR AT REPORTING DATE

<table>
<thead>
<tr>
<th></th>
<th>2017 $'000</th>
<th>2016 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,013</td>
<td>124,693</td>
</tr>
</tbody>
</table>

* The Parent Entity held a five year sub-lease agreement with STL commencing on 1 January 2014. This sub-lease agreement was terminated on 30 June 2017 and replaced with an Operating Agreement with STL effective from 1 July 2017 (initial five year term, reducing to a three year rolling term). Under the Operating Agreement, QSL’s Logistics division will perform the logistics services for the whole of the industry under the direction of STL. STL has a limited ability to terminate the lease agreement by providing to QSL written notice to terminal at least thirty-six months prior to the date of termination. Under the Operating Agreement with STL, QSL is no longer sub-leasing the facilities from 1 July 2017 resulting in no future rental commitments with STL.

18 EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

<table>
<thead>
<tr>
<th>EMPLOYEE BENEFITS</th>
<th>2017 $'000</th>
<th>2016 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued wages, salaries and on-costs</td>
<td>1,131</td>
<td>374</td>
</tr>
<tr>
<td>Provisions for employee benefits (current)</td>
<td>7,076</td>
<td>5,341</td>
</tr>
<tr>
<td>Provisions for employee benefits (non-current)</td>
<td>1,180</td>
<td>1,200</td>
</tr>
</tbody>
</table>

TOTAL EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

<table>
<thead>
<tr>
<th></th>
<th>2017 $'000</th>
<th>2016 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9,387</td>
<td>6,915</td>
</tr>
</tbody>
</table>

AMOUNT CONTRIBUTED BY QSL TO THE QSUPER DEFINED BENEFIT PLAN

<table>
<thead>
<tr>
<th></th>
<th>2017 $'000</th>
<th>2016 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>94</td>
<td>92</td>
</tr>
</tbody>
</table>

19 CONTINGENT LIABILITIES

On 23 June 2015, Wilmar Sugar Australia Limited (‘Wilmar’) commenced legal proceedings against QSL in relation to certain costs associated with the 2010 sugar production season, claiming damages of $60.860 million plus interest and costs. QSL rejects Wilmar’s claims and intends to vigorously defend them. On that basis, no liability has been recorded in the financial statements.

20 SUBSEQUENT EVENTS

There are no known events of a material nature that have occurred after 30 June 2017.
21 DIRECTOR AND EXECUTIVES DISCLOSURES

Compensation of Key Management Personnel and Directors

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly, including any Director. The Directors, the Chief Executive Officer and the General Managers of the Consolidated Entity have been classified as Key Management Personnel.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3,460,310</td>
<td>$3,218,534</td>
</tr>
</tbody>
</table>

22 RELATED PARTY DISCLOSURES

Under raw sugar supply contracts with a number of milling companies in Queensland, which first came into effect on 1 January 2006 and new supply agreements entered into in 2013, QSL purchases those milling companies’ (Suppliers) sugar production destined for the export market. Under the terms of contracts with Suppliers, sugar on receival becomes the absolute property of QSL, free of all encumbrances or adverse claims. In return Suppliers receive a right of payment for the sugar delivered, to be calculated in accordance with the pricing options and other provisions within the contracts. The amount in respect to each season’s production is determined by QSL, following the sale and pricing of that season’s production on commercial terms, and progressive payments are made in accordance with the terms of the contracts. The final payment to each Supplier is made in July each year in respect to sugar production in the previous calendar year. All transactions with related parties for the purchase of sugar are recorded in the “Payments for raw sugar” in the Consolidated Statement of Profit or Loss and receivables and payables with related parties have been recognised in the notes to the Financial Statements.

Suppliers in turn make payments to cane growers for cane delivered to their mill, based on cane payment formulas incorporated into the local collective agreement for each area and advance payments received from QSL. Where applicable, the pool price forms part of the cane payment formulas. All other related party transactions are on normal commercial terms and conditions.
NOTES TO THE
FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017
QUEENSLAND SUGAR LIMITED AND ITS CONTROLLED ENTITIES

23 PARENT ENTITY INFORMATION AND CONTROLLED ENTITIES

(A) CONTROLLED ENTITIES

<table>
<thead>
<tr>
<th>CONTROLLED ENTITY</th>
<th>COUNTRY OF INCORPORATION</th>
<th>PRINCIPAL ACTIVITIES OWNERSHIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>QSL Investments (No1) Pty Ltd</td>
<td>Australia</td>
<td>Holding company for STL G class shares</td>
</tr>
<tr>
<td>QSL Investments (No2) Pty Ltd</td>
<td>Australia</td>
<td>Holding company for STL G class shares</td>
</tr>
</tbody>
</table>

(B) PARENT ENTITY DISCLOSURES

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information relating to QSL:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>259,752</td>
<td>458,094</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>298,584</td>
<td>504,537</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>247,595</td>
<td>443,360</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td>258,780</td>
<td>463,566</td>
</tr>
<tr>
<td>Retained surpluses</td>
<td>14,430</td>
<td>15,876</td>
</tr>
<tr>
<td>Reserves</td>
<td>25,374</td>
<td>25,095</td>
</tr>
<tr>
<td>TOTAL EQUITY</td>
<td>39,804</td>
<td>40,971</td>
</tr>
<tr>
<td>NET SURPLUS / (LOSS)</td>
<td>(1,446)</td>
<td>1,763</td>
</tr>
<tr>
<td>TOTAL COMPREHENSIVE INCOME / (LOSS)</td>
<td>(1,167)</td>
<td>1,938</td>
</tr>
</tbody>
</table>

Commitments
All expenditure commitments in Note 16 and 17 relate to the Parent Entity.

Contingent Liabilities
There are no contingent liabilities that relate to the Parent Entity, other than as disclosed in Note 19.

Guarantees
The Parent Entity guarantees all the debts of the Controlled Entities.
24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurement for assets as at 30 June:

The following table provides the fair value measurement of the Consolidated Entity financial assets and liabilities:

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>$'000</td>
<td>$'000</td>
</tr>
</tbody>
</table>

**FINANCIAL ASSETS**

**FOREIGN EXCHANGE INSTRUMENTS**

Forward exchange rate contracts

| 17,125 | - |

Sell USD 

| - | - |

Currency options

- Purchased AUD Call against USD 

| 1,269 | - |

**COMMODITY INSTRUMENTS**

Sugar futures contracts

| 5,362 | - |

Sugar options

- Purchased Puts

| - | 690 |

- Purchased Calls

| - | 1,316 |

Sugar swaps

- Australian dollars

| 8,318 | - |

- US dollars

| 21,581 | - |

**OTHER FINANCIAL INSTRUMENTS**

Available-for-sale: shares at fair value

| 24,468 | 24,168 |

**TOTAL**

| 78,123 | 26,174 |

* Exchange Traded Options

* Over-the-Counter (‘OTC’)

Exchange traded futures and options are valued using fair values of exchange traded futures and options determined by reference to the corresponding published price quotations in an active market (Level 1 inputs).

Over-the-Counter (‘OTC’) instruments are valued using fair values of OTC instruments (swaps and options) determined by reference to the observable forward curve for commodity instruments or spot rate for foreign currency instruments (Level 2 inputs).

Available-for-sale instruments:

- Shares in STL G class shares are based on a valuation technique as there is no observable market for these shares (Level 3)

- Shares in the ICE are based on quoted market prices on an active market via a listed exchange (Level 1).
## Fair Value of Financial Instruments

### Financial Liabilities

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Foreign Exchange Instruments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward exchange rate contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sell USD (^b)</td>
<td>-</td>
<td>(7,694)</td>
</tr>
<tr>
<td>Currency options</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sold AUD Call against USD (^b)</td>
<td>(446)</td>
<td>(820)</td>
</tr>
<tr>
<td>Sold AUD Put against USD (^b)</td>
<td>(694)</td>
<td>(1,177)</td>
</tr>
<tr>
<td><strong>Commodity Instruments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sugar futures contracts (^a)</td>
<td>-</td>
<td>(28,217)</td>
</tr>
<tr>
<td>Sugar options</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased Puts (^a)</td>
<td>-</td>
<td>(367)</td>
</tr>
<tr>
<td>Purchased Calls (^a)</td>
<td>(24)</td>
<td>(900)</td>
</tr>
<tr>
<td>Sugar swaps</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australian dollars (^b)</td>
<td>-</td>
<td>(509)</td>
</tr>
<tr>
<td>US dollars (^b)</td>
<td>-</td>
<td>(95,732)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(1,164)</td>
<td>(135,416)</td>
</tr>
</tbody>
</table>

\(^a\) Exchange Traded Options  
\(^b\) Over-the-Counter ("OTC")

Exchange traded futures and options are valued using fair values of exchange traded futures and options determined by reference to the corresponding published price quotations in an active market (Level 1 inputs).

Over-the-Counter ("OTC") instruments are valued using fair values of OTC instruments (swaps and options) determined by reference to the observable forward curve for commodity instruments or spot rate for foreign currency instruments (Level 2 inputs).
DIRECTORS’ DECLARATION
FOR THE YEAR ENDED 30 JUNE 2017
QUEENSLAND SUGAR LIMITED AND ITS CONTROLLED ENTITIES

In accordance with a resolution of the Directors’ of Queensland Sugar Limited, I state that:

In the opinion of the Directors:

(a) The financial statements and notes set out on pages 26 to 46 for the year ended 30 June 2017 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Consolidated Entity’s financial position as at 30 June 2017 and of its performance for the financial year ended on that date

(ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) There are reasonable grounds to believe that the Consolidated Entity and Company will be able to pay its debts as and when they become due and payable.

This declaration is made on behalf of the Board.

Guy Cowan
Chairman
5 September 2017
Independent auditor’s report to the members of Queensland Sugar Limited

Opinion

We have audited the financial report of Queensland Sugar Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor’s report thereon

The directors are responsible for the other information. The other information is the directors’ report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.
Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

► Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

► Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

► Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

► Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

► Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
INDEPENDENT AUDITOR’S REPORT CONTINUED
FOR THE YEAR ENDED 30 JUNE 2017
QUEENSLAND SUGAR LIMITED AND ITS CONTROLLED ENTITIES

► Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Paula McLuskie
Partner
Brisbane
5 September 2017