STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

	Note	**2004 $'000**	2003 $'000
REVENUES FROM ORDINARY ACTIVITIES			
Sales of raw sugar	2	**1,325,267**	1,583,720
Interest	2	**351**	1,199
Net foreign currency exchange (loss)	2	**(1,235)**	(20,824)
Other revenues from ordinary activities		**105**	237
		1,324,488	1,564,332
EXPENSES FROM ORDINARY ACTIVITIES			
Depreciation expense	3	**1,848**	2,001
Borrowing costs expense	3	**6,569**	6,835
Salaries and employee benefits expense		**11,838**	11,646
Operating lease rental	3	**39,718**	32,363
Payments to mill owners		**1,135,846**	1,382,709
Freight and brokerage	3	**112,303**	109,768
Other expenses from ordinary activities	4	**16,210**	18,662
		1,324,332	1,563,984
NET SURPLUS ATTRIBUTABLE TO MEMBERS OF QUEENSLAND SUGAR LIMITED		**156**	348

The accompanying notes form part of these accounts.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

	Note	2004 $'000	2003 $'000
Current Assets			
Cash assets		**10,155**	46,491
Receivables	5	**68,719**	49,889
Inventories	6	**100,844**	85,031
Other	7	**53,340**	96,914
TOTAL CURRENT ASSETS		**233,058**	278,325
Non-Current Assets			
Property, plant and equipment	8	**13,085**	14,297
Other	7	**17,660**	74,167
TOTAL NON-CURRENT ASSETS		**30,745**	88,464
TOTAL ASSETS		**263,803**	366,789
Current Liabilities			
Payables	9	**194,186**	204,491
Interest bearing liabilities	10	**19,729**	56,933
Provisions	12	**1,465**	1,854
TOTAL CURRENT LIABILITIES		**215,380**	263,278
Non-Current Liabilities			
Provisions	12	**1,545**	1,394
Payables	11	**18,690**	74,085
TOTAL NON-CURRENT LIABILITIES		**20,235**	75,479
TOTAL LIABILITIES		**235,615**	338,757
NET ASSETS		**28,188**	28,032
Equity			
Reserves	13	**23,242**	23,242
Retained surpluses	13	**4,946**	4,790
TOTAL EQUITY		**28,188**	28,032
Commitments and contingent liabilities	15 - 18		

The accompanying notes form part of these accounts.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2004

	Note	**2004 $'000**	2003 $'000
Cash Flows from Operating Activities			
Receipts from customers		**1,197,025**	1,543,333
Payments to suppliers and employees		**(189,272)**	(178,122)
Payments to Queensland mill owners		**(1,234,187)**	(1,567,812)
Goods and Services Tax recovered - Australian Taxation Office		**105,446**	118,237
Interest received		**351**	1,199
Interest and other cost of finance paid		**(6,571)**	(6,836)
Other receipts		**128,725**	117,869
NET CASH FLOWS FROM OPERATING ACTIVITIES	14	**1,517**	27,868
Cash Flows from Investing Activities			
Purchase of plant and equipment		**(829)**	(818)
Proceeds from sale of plant and equipment		**132**	206
NET CASH FLOWS (USED) IN INVESTING ACTIVITIES		**(697)**	(612)
Net increase in cash held		**820**	27,256
Opening cash brought forward		**(10,442)**	(37,944)
Effects of exchange rate changes on the balances of cash held in foreign currencies		**48**	246
Closing cash carried forward	14	**(9,574)**	(10,442)

NOTE 1 Accounting Policies

To assist in the general understanding of these accounts, Queensland Sugar Limited's principal accounting policies are detailed below.

a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention except inventory and cash and cash equivalents which are recorded at lower of cost or net realisable value.

(b) Sales of raw sugar/revenue recognition

Sales to export and domestic customers are made on commercial terms with settlement generally on a cash against documents basis or by letter of credit and predominantly in US dollars. Sales are recognised when the Bill of Lading is signed by the ship's master. Sales revenue also includes transactions relating to foreign exchange, sugar futures and options operations and is net of rebates, discounts and allowances.

(c) Futures and options market hedging

Transactions in sugar futures and options are carried out as part of the range of pricing mechanisms for physical sales of sugar. The results of such transactions are linked with the appropriate sugar sales contracts and are thus included in sales income.

(d) Foreign currencies

Translation of foreign currency transactions

The US dollar is the principal currency in which sugar is traded. Transactions in foreign currencies, relevant to sugar sales proceeds and financing, are converted to Australian dollars at the exchange rate ruling on the date of each transaction. Amounts receivable and payable in foreign currencies that are outstanding at balance date have been translated into Australian dollars at the exchange rates current at balance date. Unrealised gains and losses relating to future years' sales at balance date are recorded in the statement of financial position.

Specific hedges

Except for specific hedges relating to future sales, all exchange differences relating to monetary items have been brought to account in the operating account in the period they occur. Sales proceeds expected in foreign currencies were sold forward into Australian dollars and options contracts entered into as part of the company's risk management program. In relation to these sales, exchange gains or losses on the hedging transaction and premiums and discounts relative to the hedging transaction are deferred to be included with the future sales proceeds.

(e) Derivatives

Derivative instruments are used by the company to hedge commodity price and foreign currency exposures connected with the sale of each season's raw sugar production. The company does not trade in derivatives. In accordance with the company's Financial Risk Management Policy, derivatives are entered into to manage defined sugar price and currency exposures. These exposures relate to known or anticipated sales of raw sugar. Accordingly, hedge accounting principles have been applied whereby gains and losses on derivative transactions are brought to account on the same basis as the underlying physical exposures.

Forward foreign currency contracts terms do not exceed five years. Details of open contracts at balance date are provided in Note 24. Sugar futures and option contracts are entered into with terms not greater than two years.

NOTE 1 Accounting Policies (cont'd)

(e) Derivatives (cont'd)

Amounts receivable or payable at balance date under sugar futures and options and foreign currency transactions are recognised as deferred gains or losses, and are included in the balance sheet on a net basis as deferred income (refer Notes 9 and 11) or deferred expenditure and losses (refer Note 7).

The deferred gains or losses on sugar futures and options and foreign currency contracts are brought to account when the sales revenue is recognised.

(f) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, money market, securities and funding swaps connected with the pooling and sale of raw sugar net of interest bearing liabilities.

Cash and cash equivalents are stated at the lower of cost and net realisable value. Interest is recognised as an expense as it accrues.

(g) 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 balance date has been valued at the lower of cost and net realisable value. The cost of stocks on hand in respect of each season's production has been determined as the respective weighted average of payment scheme prices payable to mill owners as calculated in accordance with Section 102 of the Sugar Industry Act 1999.

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 balance date. Where sales of the following season's production are made prior to balance date, those stocks are valued on the basis of the net proceeds received from those shipments.

Raw sugar on hand comprised stock on hand at bulk sugar terminals, in transit between mills and bulk sugar terminals and in mill bins at balance date. In relation to the determination of pool prices each season, any raw sugar on hand at balance date was valued in the realisation and distribution account as follows:

(i) sugar unshipped and priced - valued at net realisable value and converted to Australian dollars at the exchange rate ruling at balance date; and

(ii) sugar unshipped and unpriced - valued at balance date on the basis of the New York Board of Trade (NYBOT) No 11 or No 14 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 balance date.

(h) Current assets

Current assets comprise; cash at banks and on hand, term deposits, debtors, prepayments and raw sugar stock on hand.

(i) Property plant and equipment

Cost and valuation

All classes of property, plant and equipment are measured at cost.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than freehold and leasehold land.

NOTE 1 Accounting Policies (cont'd)

(i) Property plant and equipment (cont'd)

Major depreciation periods are:

	2004	2003
Freehold buildings	**50 years**	50 years
Leasehold improvements	**The lease term**	The lease term
Plant and equipment	**4 to 25 years**	4 to 25 years

Any gain or loss on the disposal of assets has been determined as the difference between the carrying value of each asset at the time of disposal and the proceeds from disposal and has been included in the operating result in the year of disposal.

Freehold buildings are valued at the cost to Queensland Sugar Limited at the time of purchase.

(j) Recoverable amount

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining the recoverable amount, the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate.

(k) Other non-current assets

Research and development and marketing costs

Research and development and marketing costs are expensed as incurred, except where future benefits are expected, beyond any reasonable doubt, to exceed those costs.

Expenditure carried forward

Significant items of carry forward expenditure having a benefit or relationship to more than one period are written off over the periods to which such expenditure relates.

(l) Leased assets

Finance Leases

During the financial year ended 30 June 2004, the company was not involved in any finance leases.

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 15.

(m) Current liabilities

Current liabilities comprise all amounts owing at balance date and payable within 12 months, including amounts due to Queensland mill owners.

(n) Trade and other payables

Liabilities for trade creditors and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(o) Loans and borrowings

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

Bills of exchange and promissory notes are carried at the principal amount plus deferred interest.

NOTE 1 Accounting Policies (cont'd)

(p) Provisions

Provisions identify amounts set aside to meet specific charges brought to account in the current year that will fall due in future years. These include employee benefits, restructuring and accommodation rental.

Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on Commonwealth government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefits expenses and revenues arising in respect of the following categories:

(i) wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and

(ii) other types of employee benefits are recognised against profits on a net basis in their respective categories.

In respect of the company's defined benefits superannuation plans, any contributions made to the superannuation plans by the company are recognised against profits when due.

Other

Provision for accommodation rental was established to apportion the benefits of a lease-free period associated with the Brisbane office over the first three years of the lease term.

(q) Provisions for doubtful debts

A provision is created for any doubtful debts based on a review of all outstanding amounts at balance date. Any bad debts were written off in the period they are identified. Following a review of debtors at balance date, no provision for doubtful debts was required.

(r) Income tax

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

(s) 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.

(t) Goods and Services 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, 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 Australian Taxation Office is shown under current receivables or payables.

NOTE 1 Accounting Policies (cont'd)

(u) Comparative figures

Certain comparative figures of the prior year have been restated in order to facilitate comparison with the current year's presentation of the accounts. The reclassification of comparative amounts has not resulted in a change in aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities or equity or the net surplus recorded in the prior year.

(v) Rounding off amounts

Unless otherwise shown in the financial report, amounts have been rounded to the nearest thousand dollars and are shown by $'000. Queensland Sugar Limited is a company of the kind referred to in the Australian Securities and Investment Commission Class Order 98/0100.

(w) Period covered

The financial report is prepared for the period 1 July 2003 to 30 June 2004.

	2004 $'000	2003 $'000
NOTE 2 Revenue from Ordinary Activities		
Revenues from operating activities		
Revenues from the sale of bulk raw sugar	**1,325,267**	1,583,720
Net foreign currency exchange (loss)	**(1,235)**	(20,824)
Total revenues from operating activities	**1,324,032**	1,562,896
Revenue from non-operating activities		
Interest - securities and short term deposits		
Other persons/corporations	**351**	1,199
Total interest	**351**	1,199
Proceeds from sale of non-current assets	**132**	206
Other (loss) Income	**(27)**	31
Total revenues from non-operating activities	**456**	1,436
Total revenues from ordinary activities	**1,324,488**	1,564,332
NOTE 3 Expenses from Ordinary Activities		
Depreciation expense		
Plant and equipment	**1,708**	1,861
Buildings on freehold land	**57**	57
Leasehold improvements	**83**	83
Total depreciation expense	**1,848**	2,001
Borrowing costs expense		
Interest expense		
Short term debt	**6,262**	6,571
Other	**307**	264
Total borrowing costs expense	**6,569**	6,835
Operating lease rental		
Minimum lease payments	**39,718**	32,363
Total operating lease rental	**39,718**	32,363

	2004 $'000	2003 $'000
NOTE 3 Expenses from Ordinary Activities (cont'd)		
Freight and brokerage		
Sea freight	**102,164**	97,617
Road freight	**829**	733
Selling brokerage	**9,310**	11,418
Total freight and brokerage	**112,303**	109,768

NOTE 4 Other Expenses from Ordinary Activities

This amount includes all other operating expenditure not separately identified in the Statement of Financial Performance. This includes the following expenditure Queensland Sugar Limited incurs to fund industry activities not directly connected with the marketing of Queensland's raw sugar production:

- Funding of the Sugar Industry Commissioner and the Sugar Authority - $320,000 (2003 $260,000), as required under the Sugar Industry Act 1999, and
- Funding of excess sick leave payments in connection with those Cane Testers employed by BSES Limited who were formerly employees of Queensland Sugar Corporation - $30,086 (2003 NIL).

NOTE 5 Receivables

Current	**2004 $'000**	2003 $'000
Trade debtors (a)	**41,182**	26,362
Other debtors		
Futures margins and deposits	**8,190**	2,644
Goods and Services Tax receivable	**6,637**	12,600
Other	**12,710**	8,283
	27,537	23,527
Total receivables (current)	**68,719**	49,889

(a) Contractual terms and conditions, any collateral held and the timing of the payments are set out in Note 24.

NOTE 6 Inventories

	2004 $'000	2003 $'000
Bulk raw sugar at cost	**100,844**	77,040
Bulk raw sugar at net realisable value	**-**	7,991
Total inventories	**100,844**	85,031

NOTE 7 Other Assets

Current	**2004 $'000**	2003 $'000
Unrealised gains on foreign currency contracts	**47,007**	91,943
Unrealised gains on sugar futures and options contracts	**883**	-
	47,890	91,943
Deferred expenditure and prepayments relating to a future period:		
Unrealised losses on sugar futures and option contracts (a)	**595**	-
Realised losses on sugar futures and option contracts (a)	**828**	320
Prepaid expenditure	**1,009**	3,866
	2,432	4,186

	2004 $'000	2003 $'000
NOTE 7 Other Assets (cont'd)		
Deferred losses		
Realised losses on foreign currency contracts (b)	**-**	785
Unrealised losses on foreign currency contracts (b)	**3,018**	-
	3,018	785
Total other assets (current)	**53,340**	96,914
Non-Current		
Unrealised gains on foreign currency contracts	**17,660**	74,085
Deferred losses		
Unrealised losses on sugar futures and option contracts (a)	**-**	82
Total other assets (non-current)	**17,660**	74,167

(a) Represents losses on sugar hedges and option contracts which will be allocated to future years' sales.

(b) Represents realised and unrealised losses on foreign currency hedges and option contracts which will be allocated against future years' sales.

NOTE 8 Property, Plant and Equipment

	2004 $'000	2003 $'000
Freehold land:		
At cost	**1,194**	1,194
Leasehold land:		
At cost	**195**	195
Leasehold improvements:		
At cost	**1,572**	1,572
Accumulated depreciation	**(332)**	(249)
	1,240	1,323
Buildings on freehold land:		
At cost	**1,153**	1,153
Accumulated depreciation	**(221)**	(164)
	932	989
Plant and equipment:		
At cost	**15,163**	15,010
Accumulated depreciation	**(5,639)**	(4,414)
	9,524	10,596
Total property, plant and equipment	**13,085**	14,297

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.

Freehold land

	2004 $'000	2003 $'000
Carrying amount at the beginning	**1,194**	1,194
Additions	**-**	-
	1,194	1,194

	2004 $'000	2003 $'000
NOTE 8 Property, Plant and Equipment (cont'd)		
Leasehold land		
Carrying amount at the beginning	**195**	195
Additions	**-**	-
	195	195
Leasehold improvements		
Carrying amount at the beginning	**1,323**	1,406
Additions	**-**	-
Depreciation Expense	**(83)**	(83)
	1,240	1,323
Buildings on freehold land		
Carrying amount at the beginning	**989**	1,046
Additions	**-**	-
Depreciation Expense	**(57)**	(57)
	932	989
Plant and equipment		
Carrying amount at the beginning	**10,596**	11,876
Additions	**844**	872
Disposals	**(208)**	(291)
Depreciation Expense	**(1,708)**	(1,861)
	9,524	10,596
Total property plant and equipment	**13,085**	14,297

NOTE 9 Payables (current)

	2004 $'000	2003 $'000
Creditors		
Queensland sugar mills	**106,894**	75,837
Trade creditors	**6,201**	3,422
	113,095	79,259
Other creditors		
Unrealised losses on sugar futures and option contracts	**788**	-
Other	**22,290**	18,816
	23,078	18,816
Deferred income relating to a future period:		
Realised gains on sugar futures contracts (a)	**-**	940
Realised gains on foreign currency hedges and option contracts (b)	**1,258**	4,355
Unrealised gains on sugar futures and option contracts (a)	**1,807**	11,147
Unrealised gains on foreign currency hedges and option contracts (b)	**54,554**	89,941
Sales proceeds	**394**	33
	58,013	106,416
Total payables (current)	**194,186**	204,491

	2004 $'000	2003 $'000
NOTE 10 Interest-bearing liabilities (c)		
Unsecured		
Securities - Commercial Paper (d)	**19,729**	-
Money market	**-**	56,933
Total Interest-bearing liabilities	**19,729**	56,933
NOTE 11 Payables (non-current)		
Deferred income relating to future periods:		
Unrealised gains on foreign currency hedges and option contracts (b)	**17,660**	74,085
Unrealised gains on sugar futures and options contracts (c)	**1,030**	-
Total payables (non-current)	**18,690**	74,085

(a) Represents gains on sugar hedges and option contracts which will be allocated to future years' sales.

(b) Represents realised and unrealised gains on foreign currency hedges and option contracts which will be allocated against future years' sales.

(c) Represents funding for advances to mill owners, sugar futures settlements and margins.

(d) These short-term loans are repayable within 90 days.

	2004 $'000	2003 $'000
NOTE 12 Provisions		
Current		
Employee benefits	**1,465**	1,442
Restructuring	**-**	395
Accommodation rental	**-**	17
Total provisions (current)	**1,465**	1,854
Non-Current		
Employee benefits	**1,545**	1,394
Total provisions (non-current)	**1,545**	1,394
NOTE 13 Reserves and Retained Surpluses		
Capital (a)	**23,242**	23,242
Retained surpluses (b)	**4,946**	4,790

(a) Capital

Capital reserve

Nature and purpose of reserve

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

(b) Retained surpluses

	2004 $'000	2003 $'000
Balance at the beginning of the year	**4,790**	4,442
Net surplus attributable to the members of Queensland Sugar Limited	**156**	348
Total available for appropriation	**4,946**	4,790
Aggregate amounts transferred to capital reserve	**-**	-
Balance at end of year	**4,946**	4,790

Queensland Sugar Limited is a public company limited by guarantee, with the members made up of mill owners, representitives of local Mill Suppliers' Committees and grower organisations. The company therefore has no share capital.

	2004	2003
	$'000	$'000

NOTE 14 Statement of Cash Flows

(a) Reconciliation of the Operating Surplus to the net cash flows from operations

	2004 $'000	2003 $'000
Surplus attributable to the members of Queensland Sugar Limited for the year	**156**	348
Adjustments for non-cash items:		
Depreciation of non-current assets	**1,848**	2,001
Net (profit)/loss on disposal of financial assets	**61**	30
Net foreign currency (gains)/losses	**(48)**	(246)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(18,830)**	16,587
(Increase)/decrease in inventory	**(15,813)**	(24,253)
(Increase)/decrease in other current assets	**43,574**	(17,025)
(Increase)/decrease in other non-current assets	**56,507**	(19,630)
(Decrease)/increase in trade and other creditors	**(10,305)**	48,460
(Decrease)/increase in non-current payables	**(55,395)**	21,835
(Decrease)/increase in employee entitlements	**174**	(252)
(Decrease)/increase in provision for restructuring	**(395)**	(105)
(Decrease)/increase in provision for accommodation rental	**(17)**	118
Net Cash flows from Operating Activities	**1,517**	27,868

(b) Reconciliation of Cash

Cash balance comprises:

	2004 $'000	2003 $'000
Cash on hand	**124**	6,747
Money market investments	**10,031**	-
Money market liabilities	**-**	(56,933)
Securities - Commercial Paper liabilities	**(19,729)**	-
Securities and funding swaps	**-**	39,744
Total cash	**(9,574)**	(10,442)

(c) Financing facilities available

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

Commercial paper program

In conjunction with a number of Australian financial institutions, an Australian dollar revolving commercial paper borrowing program was entered into for the purposes of funding advance payments to mill owners and associated responsibilities under the *Sugar Industry Act 1999*.

	2004 $'000	2003 $'000
Commercial paper program	**250,000**	250,000

The program was backed by the standby facilities referred to below:

Credit standby facilities

The company at balance date had access to financing arrangements with financial institutions. All facilities were unsecured and denominated in Australian and US dollars and were not required to be drawn upon at 30 June 2004.

	2004	2003
	$'000	$'000

NOTE 14 Statement of Cash Flows (Cont'd)

Credit standby arrangements	**US$'000**	US$'000

The company has in place a committed US dollar standby facility which matures in November 2004. The facility is for general funding of activities including sugar price risk management operations. Prior to maturity the company will negotiate the extension of the facility for a further twelve months.

	450,000	450,000

In addition, the company had available as at 30 June 2004 uncommitted facilities with various financial institutions.

NOTE 15 Expenditure Commitments

(a) Capital expenditure commitments

Estimated capital expenditure contracted for at balance date, but not provided for, payable:

Not later than one year	**75**	120

(b) Lease expenditure commitments

Operating leases (non-cancellable):

Minimum lease payments		
Not later than one year	**42,339**	40,476
Later than one year but not later than five years	**135,806**	179,097
Later than five years	**710**	1,312
Aggregate lease expenditure contracted for at balance date	**178,855**	220,885
Amounts not provided for:		
- rental commitments - Sugar Terminals Limited	**175,298**	216,836
- other property	**3,557**	4,049
Total amounts not provided for	**178,855**	220,885
Aggregate lease expenditure contracted for at balance date	**178,855**	220,885

NOTE 16 Non-Hedged Foreign Currency Balances

The Australian dollar equivilents of non-hedged foreign currency balances included in the accounts are as follows:

US dollars

Current assets	**55,794**	18,292
Non-current assets	**-**	55
Current liabilities	**7,136**	30,292
Non-current liabilities	**340**	-

NOTE 17 Employee Benefits and Superannuation Commitments

Employee Benefits

Accrued wages, salaries and oncosts	**714**	196
Provisions for employee benefits (current)	**1,465**	1,442
Provisions for employee benefits (non-current)	**1,545**	1,394
Total employee benefits and superannuation commitments	**3,724**	3,032

	2004	2003
	$	$

NOTE 17 Employee Benefits and Superannuation Commitments (cont'd)

Employee Superannuation

Queensland Sugar Limited contributed to a number of superannuation plans which provide retirement, resignation or death benefits to employees or their dependants. The plans provide benefits in the form of lump sum payments.

Obligations to contribute to the superannuation plans have been made in accordance with their governing Trust Deeds and are legally enforceable.

One defined benefit plan (QSuper) is in operation. Queensland Sugar Limited has no legal obligation to cover any shortfall in QSuper's obligation to provide benefits to employee members.

NOTE 18 Contingent Liabilities

There are no known contingent liabilities at 30 June 2004 of a material nature.

NOTE 19 Subsequent Events

There are no known subsequent events that ocurred after 30 June 2004 of a material nature.

NOTE 20 Remuneration of Directors

(a) Director's remuneration

Income paid or payable, or otherwise made available, in respect of the financial year, to directors of Queensland Sugar Limited.

	1,065,125	976,360
	No.	No.

The number of directors of Queensland Sugar Limited whose income (including superannuation contributions and provisions) falls within the following bands is:

$0 - $9,999	1	0
$10,000 - $19,999	1	3
$20,000 - $29,999	1	1
$30,000 - $39,999	1	1
$40,000 - $49,999	8	7
$160,000 - $169,999	1	1
$420,000 - $429,999	0	1
$490,000 - $499,999	1	0

NOTE 21 Auditor's Remuneration

Amounts received or due and receivable for auditing services by Ernst & Young for:

- an audit or review of the financial report of the company	**81,867**	78,000
- internal audit services to the company	**68,908**	100,654
- other services in relation to the company	**8,600**	8,582
Total auditor's remuneration	**159,375**	187,236

NOTE 22 Related Party Disclosures

Under the *Sugar Industry Act 1999* (the Act) all sugar on manufacture at Queensland mills becomes the absolute property of Queensland Sugar Limited, free from all mortgages, charges, liens, pledges and trusts. Under section 100 of the Act, mill owners in return receive a right of payment for the sugar acquired. The amount in respect to each season's production is determined by Queensland Sugar Limited, following the sale and pricing of that season's production on commercial terms, and progressive payments are made in accordance with sections 101 and 102 of the Act. The final payment to Queensland mills is made in July each year in respect to sugar produced in the previous calender year.

Mill owners in turn make payments to cane growers for cane delivered to the mill, based on cane payment formulae incorporated in to the local collective agreement for each area and advance payments received from Queensland Sugar Limited. The declared pool price forms part of the cane payment formula.

All other related transactions are on normal commercial terms and conditions and where applicable are in accordance with the Act.

NOTE 23 Segment Information

Queensland Sugar Limited operates in one industry segment, the handling and marketing of raw sugar produced in Queensland. The operations of this company are based solely in Australia, with raw sugar sales made throughout the world.

NOTE 24 Financial Instruments

(i) Exposure

The company transacts in derivative financial instruments to manage specifically identified commodity price and foreign currency risks. This is undertaken within the framework of the board approved Financial Risk Management policy. The company is primarily exposed to the risk of adverse movements in the sugar price and the AUD/USD exchange rate. The purposes for which specific derivative instruments are used by the company are as follows:

- forward exchange contracts and currency options are entered into to hedge the Australian dollar value of US dollar receipts from the sale of raw sugar arising from committed and anticipated sales. Foreign currency options entitle the company to sell US dollars at an agreed rate of exchange, while forward exchange contracts commit the company to sell US dollars at an agreed rate of exchange;
- sugar futures and sugar option contracts are entered into to hedge against adverse movements in the NYBOT No 11 and No 14 sugar price. The exposure to price risk arises from sugar sales contracts where the pricing mechanism is against the NYBOT No 11 and No 14 sugar price.

Hedge transactions have been accounted for on a basis consistent with the accounting for the underlying transaction. Gains and losses on specific hedges of committed future sales are deferred until the date of sale and included in the measurement of that transaction.

	Average Exchange Rate		Contract Amount - Maturity	
	2004	2003	**2004**	2003
	AUD/USD	AUD/USD	**$'000**	$'000

NOTE 24 Financial Instruments (cont'd)

Foreign Exchange Risk Exposure

The following table summarises by currency the Australian dollar value of forward exchange agreements and foreign currency options. Foreign currency amounts are translated at rates current at balance date. Contracts to sell US dollars are entered into to offset the proceeds from the sale of the raw sugar.

Derivative Transactions - US Dollar Functional Currency

	Average Exchange Rate 2004 AUD/USD	2003 AUD/USD	Contract Amount - Maturity 2004 $'000	2003 $'000
Forward Exchange Rate Agreements				
Sell US dollars	**0.6280**	0.5444		
Up to one year			**672,188**	524,954
Greater than one year but less than five years			**77,018**	338,610
			749,206	863,564
Currency Options				
Up to one year				
Purchased AUD Call against US dollars	**0.7371**	0.6256	**94,967**	135,861
Sold AUD Put against US dollars	**0.7116**	0.6042	**98,372**	94,338
			193,339	230,199
Total derivative transactions - foreign exchange			**942,545**	1,093,763

Commodity Price Risk Exposure

The following table summarises the notional contract amounts, maturity dates and average contract rates for sugar futures and option contracts outstanding at balance date. The notional contract amounts are denominated in Australian dollars derived from the settlement price of the respective futures contract and converted to Australian dollars at the hedge settlement rate at balance date.

	Average Price		Contract Amount - Maturity	
	2004	2003	**2004**	2003
	(USc/lb)	(USc/lb)	**$'000**	$'000
Derivative Transactions - Sugar				
Sugar Futures Contracts			**84,770**	(20,886)
NY 11 Contract	**7.96**	5.41		
NY 14 Contract	**20.61**	21.91		
Maturity:				
Up to one year			**84,770**	(13,159)
Greater than one year but less than five years			**-**	(7,727)
			84,770	(20,886)

	Average Price		Contract Amount - Maturity	
	2004	2003	**2004**	2003
	(USc/lb)	(USc/lb)	**$'000**	$'000
NOTE 24 Financial Instruments (cont'd)				
Sugar Options (c)				
Up to one year				
Purchased Puts - ETO	**6.89**	6.35	**20,116**	10,687
Sold Calls - ETO	**7.76**	7.67	**22,077**	15,481
Purchased Calls - ETO	**-**	7.50	**-**	2,522
Purchased Puts - OTC	**-**	6.60	**-**	3,554
Sold Calls - OTC	**-**	7.20	**-**	3,876
			42,193	36,120
Sugar Swaps				
Up to one year	**6.85**	-	**1,283**	-
Greater than one year but less than five years	**6.66**	-	**4,927**	-
			6,210	-
Total derivative transactions - sugar			**133,173**	15,254

(ii) Credit Risk

(a) Financial Instruments

The exposure to credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. Credit risk is managed as part of the financial risk management program. Credit ratings of financial institutions are utilised and limits and risk weightings are applied by the company to monitor and control credit risk relating to financial instruments. No collateral or security is required by the company in dealing with these financial institutions. At balance date, the company had no significant concentrations of credit risk to a single counterparty or group of counterparties. The company's exposures to credit risk is as indicated by the carrying amounts of those financial assets on the statement of financial position.

(b) Trade Receivables

Sales of raw sugar are recognised when the Bill of Lading is signed by the ship's master. Exposure to credit risk in the event of non-performance by customers is minimised by a policy of making sales on a c&f or cif basis, with settlement generally on a cash against documents basis or by letter of credit. Sales are predomenatley denominated in US dollars (refer Note 1(b)).

Credit risks are managed by periodically assessing and monitoring the credit worthiness of customers. Collateral in the form of cash deposits is required in situations where credit risk is not at an acceptable level. At balance date, the company had no significant concentration of credit risk with any single counterparty or group of counterparties.

The geographic concentration of credit risk at balance date is disclosed in the following table:

	2004	2003
	$'000	$'000
Asia	**21,416**	1,818
Australia/Pacific	**14,045**	24,550
North America	**5,721**	(6)
	41,182	26,362

NOTE 24 Financial Instruments (cont'd)

At balance date, trade debtors were predominantly secured by documents of title or letter of credit. Over 92% (2003 95%) of the total amount has since been received.

(iii) Interest Rate Risk

The company does not enter into financial instruments to manage cash flow risks associated with interest rates on borrowings. Short-term loans totalling $19.729 million (2003 NIL) are repayable within 3 months at an interest rate of 5.51%. Short-term loans totalling NIL (2003 $56.933 million) are repayable within 7 days at an interest rate of NIL (2003 4.84%) and NIL (2003 1.39%) for Australian and United States dollar borrowings respectively (refer Note 10). Cash totalling $10.155 million (2003 $46.491 million) comprises bank and short term investments maturing overnight at an interest rate of 5.25% and 1.0% for Australian and United States Dollar investments respectivley (2003 Australian - 4.30%).

(iv) Net Fair Value (a)

The following methods and assumptions were used to estimate the net fair value of each class of financial instrument:

- **Cash, short term deposits, receivables, creditors and short term borrowings.** The carrying amounts of these financial instruments approximate the net fair value because of their short maturity;
- **Foreign exchange contracts and options.** For forward exchange contracts, the net fair value is taken to be the unrealised gain or loss at balance date by reference to the current forward rates for contracts with similar maturity profiles. For currency options, the net fair value is determined by market valuations supplied by the company's bankers;
- **Sugar Futures and Options.** The net fair value of exchange traded instruments is determined by referencing the closing price of the relevant month on the NYBOT No 11 and No 14 futures exchange. For over the counter instruments, quoted market prices of similar instruments is used in determining the net fair value.

	Carrying Amount		Net Fair Value	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Foreign Exchange Risk Exposure				
Forward Exchange Rate Agreements (b)				
Sell US dollars	**67,684**	157,774	**59,404**	139,826
Currency Options (b)				
Purchased AUD Call against US dollars	**-**	8,253	**388**	6,146
Sold AUD Put against US dollars	**-**	-	**(3,617)**	(91)
	-	8,253	**(3,229)**	6,055
	67,684	166,027	**56,175**	145,881

	Carrying Amount		Net Fair Value	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
NOTE 24 Financial Instruments (cont'd)				
Commodity Price Risk Exposure				
Sugar Futures Contracts (b)	**3,104**	7,036	**3,104**	7,036
Sugar Options (b) (c)				
Purchased Puts - ETO	**1,361**	551	**814**	843
Sold Calls - ETO	**(505)**	(504)	**(2,104)**	(163)
Purchased Calls - ETO	**-**	135	**-**	25
Purchased Puts - OTC	**-**	45	**-**	304
Sold Calls - OTC	**-**	(33)	**-**	(84)
	856	194	**(1,290)**	925
Sugar Swap (b)	**883**	-	**883**	-
Total commodity risk exposure	**4,843**	7,230	**2,697**	7,961

(a) Although certain financial assets are carried at an amount above net fair value, directors have not caused those assets to be written down as it is intended to retain them until maturity.

(b) Negative amounts are financial liabilities.

(c) ETO - "Exchange Traded Options" and OTC - "Over The Counter Options".

NOTE 25 Impact of Adopting AASB Equivilants to IASB Standards

Queensland Sugar Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The company has established an implementation team and engaged a consultant to conduct impact assessments to identify the key areas that will be impacted by the transition to IFRS. As a result of these procedures, Queensland Sugar has identified that AASB 139 Financial Instruments: Recognition and Measurement will have a significant impact. An IFRS steering committee has been established to oversee the progress of the implementation team and to make necessary decisions. Regular reporting is made to the Board Finance, Audit and Compliance Committee. As Queensland Sugar has a 30 June year-end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Queensland Sugar prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below is the key areas where accounting policies will change and may have an impact on the financial report of Queensland Sugar. At this stage the company has not been able to reliably quantify the impacts on the financial report.

Classification of Financial Instruments

Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories, which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables, held to maturity, held for trading, available for sale and non-trading liabilities. This will result in a change in the current accounting policy for derivative financial instruments used to manage defined sugar price and foreign exchange rate exposures where they are currently classified as hedge instruments. The company does not trade in derivatives. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Hedge Accounting

Under AASB 139 Financial Instruments: Recognition and Measurement in order to achieve a qualifying hedge, Queensland Sugar is required to meet the following criteria:

NOTE 25 Impact of Adopting AASB Equivilants to IASB Standards (Cont'd)

- Identify the type of hedge (fair value or cash flow) and the hedged item;
- Identify the nature of the risk being hedged and the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

This will result in a change in Queensland Sugar's current accounting policy, which applies hedge accounting in connection with the sale of raw sugar, using derivative instruments to manage sugar price and foreign currency exposures. AASB 139 requires that derivative financial instruments be classified as trading instruments and recorded at fair value on the Statement of Financial Position, with movements in fair value recorded in the Statement of Financial Performance. Hedge accounting can however continue to be applied if it can be demonstrated that a derivative is being used as a hedging instrument and it is effective. Reliable estimation of the future financial effect of this change in accounting policy has not yet been measured.

Impairment of Assets

Under the Australian equivalent to IAS 36 Impairment of Assets the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in Queensland Sugar's current accounting policy, which values all classes of property, plant and equipment at cost. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Directors' Declaration

Declaration by directors on the financial statements and notes thereto set out on pages 17 to 37

The directors declare:

(a) that the financial statements and notes thereto comply with Accounting Standards;

(b) that the financial statements and notes thereto give a true and fair view of the financial position and performance of the company;

(c) in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(d) in the directors' opinion the financial statements and notes thereto are in accordance with the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

Hon. K De Lacy

Chairman

IH White

Managing Director and
Chief Executive

Brisbane

20 September 2004

INDEPENDENT AUDIT REPORT – QUEENSLAND SUGAR LIMITED

To the members of Queensland Sugar Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Queensland Sugar Limited ('the company'), for the year ended 30 June 2004.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Queensland Sugar Limited is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the financial position of Queensland Sugar Limited at 30 June 2004 and of its performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Mark Hayward

Partner

Brisbane

Date: 20 September 2004