ANNUAL REPORT 2002-2003

SUGAR TERMINALS LIMITED

ABN 17 084 059 601

STL

What's inside . . .

Year at a glance

The construction of the new storage facility at Townsville is nearing completion. Under arrangements with Queensland Sugar Limited, the Company is financing the cost of the project.

Long term rolling 100 year leases have been negotiated with port authorities for six of the seven terminal locations. Negotiations continue with the remaining port authority.

Shareholders received a return of capital of $39.6 million (11.0 cents per share) as well as a franked dividend of 4.0 cents per share ($14.4 million).

	2002–2003	2001–2002
■ Revenue ($'000)	33,254	31,976
■ Net Profit ($'000) (after tax)	14,390	14,134
■ Earnings per share (after tax)	3.99 cents	3.93 cents
■ Distribution to shareholders[1]	14,400	14,400
■ Return of capital ($,000)	39,600	-
■ Total assets ($'000)	392,064	395,158
■ Net tangible asset backing per share	$0.96	$1.03

[1] The STL dividend was fully franked in both years

Sugar Terminals Limited – an industry owned company

Company Profile

Sugar Terminals Limited (STL) is a public company owned by shareholders in the raw sugar industry. It owns the bulk sugar terminal buildings, specified plant and equipment at each terminal and leases the bulk sugar terminal land at Cairns, Mourilyan, Lucinda, Townsville, Mackay, Bundaberg and Brisbane. Queensland Sugar Limited (QSL) is charged commercial rent for the use of these facilities.

STL is subject to Federal income tax at the corporate rate of 30 percent. The Board has a policy to pay franked dividends to shareholders from after-tax profits.

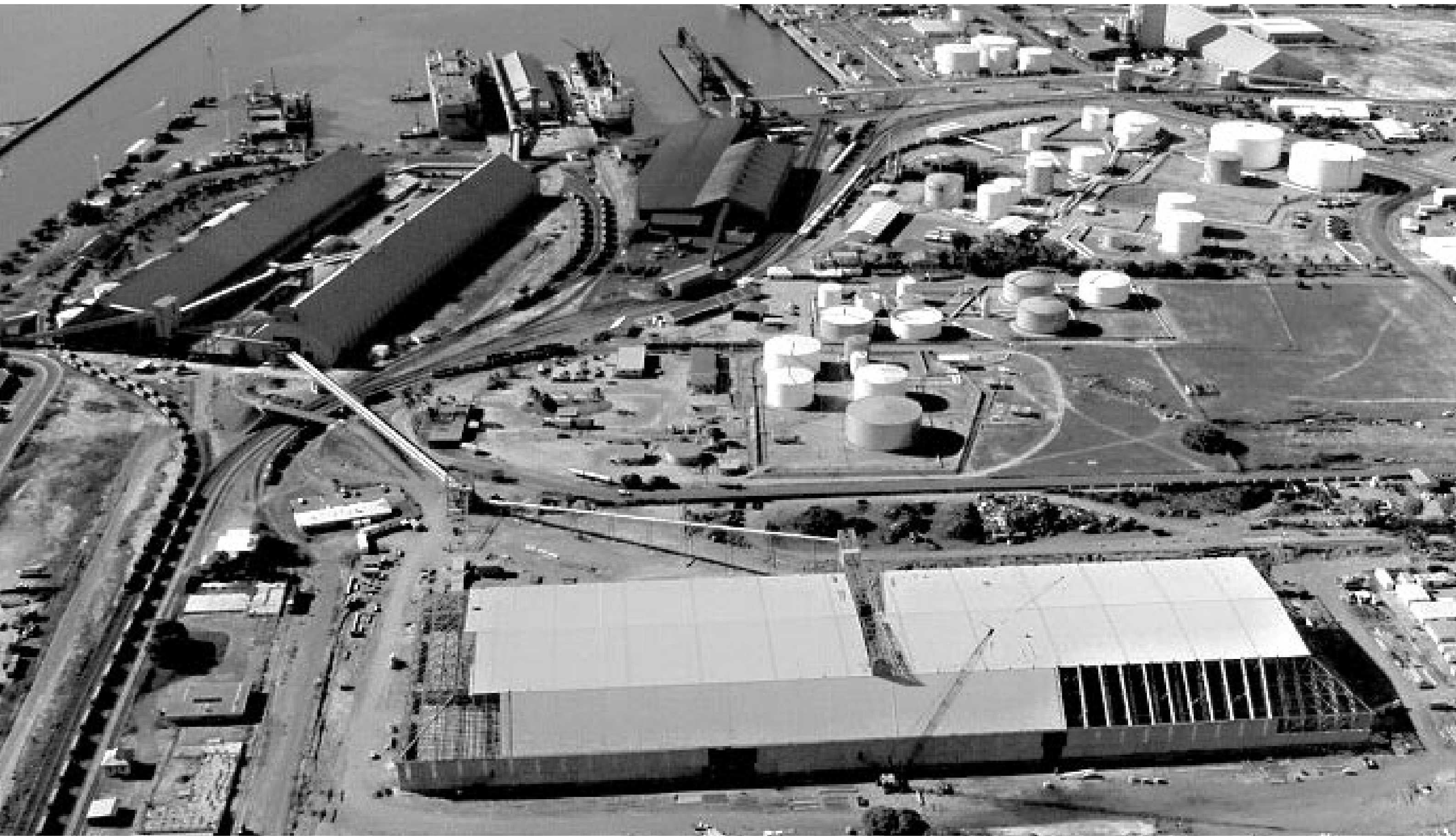
Industry Ownership Achieved

In late December 2000, the sugar industry assumed ownership of STL with the transfer of 360 million shares from Queensland Sugar Corporation (QSC) to eligible growers and millers in the proportions of:

- 229,348,203 "G" class shares to growers
- 130,651,797 "M" class shares to mill owners

Control

The Board of Directors, which sets policy direction, consists of five Directors, two representing "G" class shareholders, two representing 'M' class shareholders and one Independent Director. To provide efficiencies and cost savings, the Australian Sugar Milling Council provides management and administrative services under an agreement with STL.



Chairman's Overview

It is with pleasure that I bring you my report on the Company's third year of activities to 30 June 2003.

The financial result for the year was a net profit after tax of $14,390,000 compared with a net profit after tax for the previous year of $14,134,000.

In accordance with the Company's dividend policy, a dividend of 4 cents per share (a total of $14,400,000) will be paid out of the profit for the year. We anticipate this dividend will be paid in the first half of December 2003.

The dividend will be fully franked at 30% which amounts to 1.71 cents per share.

The fully franked dividend represents a payment of 5.71 cents per share, being:

Dividend	4.0 cents
Cash equivalent of franking credit	1.71 cents
	5.71 cents

This dividend is the same amount as was paid in the previous year.

Last year I reported to you that Sugar Terminals Limited had entered into an agreement to finance the construction of an additional storage facility (400,000 tonnes) at the Port of Townsville. I am pleased to tell you that the shed nears completion and commenced receiving sugar for storage during August 2003.

The Constitution of Sugar Terminals Limited provides that inactive cane grower shareholders cannot continue as shareholders of the Company and must divest themselves of their shares.

When the Company started operations the directors decided initially to allow inactive growers to divest their shares over a two period. This period has now expired and the process has been put in place for all inactive grower shareholders to dispose of their shares. We envisage this process will be repeated each year into the future.

We are still in negotiation with one Port Authority on the terms of a new 100-year rolling lease.

We continue to have a very good working relationship with Queensland Sugar Limited, manager of the terminal operations.

Mr John Desmarchelier, one of the five First Directors of the Company, its General Manager since inception and subsequently also Company Secretary, has tendered his resignation to be effective from 31 October 2003. This will conclude 41 years of involvement in the Australian raw sugar industry.

Mr Warren Martin, also one of STL's five First Directors, has tendered his resignation to be effective from the close of the Annual General Meeting in October.

Michael Brown

Michael Brown
Chairman

STL will pay out a total of $14,400,000 to shareholders

General Manager's Report

The commercial operations of the company which commenced in August 2000 were consolidated in the year under review.

Sub-lease with Queensland Sugar Limited (QSL)

The working relationship between STL and QSL continues to be constructive. In August 2000, STL granted QSL a formal sub-lease over the terminals at the seven ports. The rental arrangements then negotiated reflected the serious economic conditions facing the industry stakeholders at the time, as well as the interests of shareholders. Under the terms of the sub-lease, rental returns are subject to review.

Regular meetings are held between senior staff of STL and QSL to discuss major issues related to planned maintenance, insurances and capital improvements. The General Manager inspects the receival, storage and loading facilities at each terminal on a regular basis

Capital Expenditure

Following upon adoption of recommendations from QSL, STL undertook capital expenditure at the sugar terminals in 2002/03 of $1.77 million.

Capital improvements at the terminals in 2003/04 to be funded by STL are expected to cost $1.36 million.

STL entered into a formal arrangement with QSL to finance the construction of a new storage facility at Townsville. STL has a planned expenditure of $65 million from cash reserves and borrowings for the new 400,000 tonne capacity facility which is receiving sugar from 2003 season production. The asset becomes the property of STL on completion and an agreed rental will be paid by QSL based on the capital value of the project.

Lease Arrangements with Port Authorities

With the adoption of the recommendations of the Bulk Sugar Terminal Taskforce in March 1998, STL began negotiating with the port authorities for new long-term leases to replace the partially expired 99-year leases. The negotiation parameters were established by the "Key Conditions of Lease" and "Principles of Transfer" approved by Government.

New 100 year-leases, with options to renew for a further 100 years, have been finalised with the Port of Brisbane Corporation, Bundaberg Port Authority, Mackay Port Authority, Townsville Port Authority and with Ports Corporation of Queensland for Lucinda and Mourilyan. Arrangements with one other port authority are continuing.

Operating Revenue

Total revenue in the year under review was $33.25 million, an improvement on the previous year when total revenue was $31.98 million. The major source of income was from rental revenue of $32.44 million ($29.72 million in the previous year). Interest on funds invested was $0.81 million ($2.14 million in 2001/02).

Financial Position

STL began its third year of operations (2002/03) in a sound financial position with no debt and with substantial cash investments in place.

In recommending to shareholders a return of capital of $39.6 million (11 cents per share), which was paid in November 2002, Directors had regard to the most constructive use of shareholders' funds. Payment for the new facility at Townsville is being met from bank loans and cash flow.

The Company is budgeting for an increase in rent and a reduction in most areas of expense apart from insurances on STL assets and interest on loans for the new storage facility.

John Desmarchelier
General Manager

Organisation – Corporate Governance

Governance

The Board of Directors is responsible for the overall direction of STL business and affairs on behalf of the company. In running STL for the benefit of all shareholders, the Board and management act within the framework of requirements, expectations and interests of customers and communities.

Communication with Shareholders

Apart from the Annual Report, STL kept shareholders informed with an Interim Report to Shareholders released on 4 March 2003. It covered

- improved profitability
- dividend advice
- inactive growers
- leases with port authorities
- capital works
- expansion of storage
- date of the AGM

The Interim Report and Information to Shareholders documents are posted on the STL web site.

The Annual General Meeting provides a forum for questions as well as an opportunity for contact with Directors and management.

First Directors

The First Directors were:

- Geoffrey Edmund Mitchell;
- Harold Rosario Bonanno;
- Warren Alfred Martin;
- John Anthony Desmarchelier; and
- Michael Douglas Brown.

Mr Brown was elected Chairman on 1 August 2000. Mr Desmarchelier was appointed General Manager on 1 August 2000 and also became Company Secretary on 1 November 2001.

The Board

The Board of Directors as at 30 June 2003 comprised:

- Michael D Brown (Chairman)
- Mark R Day
- Stephen Guazzo
- Warren A Martin
- Alfio J Musumeci

Board Committees

Major policy decisions are matter for the Board as a whole. The Audit and Risk Committee is the Board's only standing committee. It comprises a Grower Director (Mr Martin) and a Miller Director (Mr Musumeci). The functions of the committee are to keep the following matters under review and report to the STL Board as appropriate:

- quality of external audits
- accounting procedures and reporting
- adequacy of accounting controls
- financial investment planning and reporting
- compliance with legislation
- maintenance of records and minutes
- identification of risk:
- insurance of STL assets
- maintenance of STL assets.

Board Leadership and Support

The Chairman carries out a leadership role in the conduct of the Board and its relations with shareholders and other stakeholders. He maintains a close relationship with the General Manager and acts as a mentor as required. He chairs Board meetings, as well as general meetings of shareholders, and concerns himself with the good order and effectiveness of the Board.

The Company Secretary supports the Board in carrying out its role, attending meeting and recording minutes of the proceedings. The Secretary is appointed by the Board.

Board Meetings

The Board held 7 meetings during the 12-month period to 30 June 2003. It plans to hold 6 regular meetings in the current year. The agenda for the meetings is prepared in conjunction with the Chairman and the General Manager. Submissions and papers on Board items are circulated in advance. The Board conducts periodic reviews of strategic issues, considers regular business and monthly financial reports, and approves major transactions. Directors have access to independent professional advice.

Directors' Report

Your directors present their report on the entity of Sugar Terminals Limited for the year ended 30 June 2003.

Directors

The following persons were directors of Sugar Terminals Limited during the whole of the financial year and up to the date of this report:

Mr Michael D Brown
Mr Warren A Martin
Mr Alfio J Musumeci

Mr Stephen Guazzo was appointed a director on 21 October 2002 and Mr Mark Day on 15 November 2002. Both continue in office at the date of this report.

Mr Harold R Bonanno and Mr Ian M McMaster were directors from the beginning of the financial year until their resignation on 21 October 2002.

Principal activities

During the year the principal continuing activities of the consolidated entity consisted of:

(a) Ownership of bulk sugar terminal assets;
(b) Protection of the bulk sugar terminals;
(c) Managing, development and financing of bulk sugar terminals; and
(d) Negotiating long term leases with Port Authorities.

In addition, Sugar Terminals Limited undertook the construction of a new bulk sugar terminal in Townsville, which was still in progress at the end of the financial year.

Dividends – SUGAR TERMINALS LIMITED

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

	2003 $'000	2002 $'000
Final ordinary dividend for the year ended 30 June 2002 of 4 cents per fully paid share paid on 1 August 2002.	–	14,400
	–	14,400

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final ordinary dividend of $14,400,000 (4 cents per fully paid share) to be paid in December 2003 out of retained profits at 30 June 2003.

A return of capital of $39,600,000 was made in November 2002.

Review of operations

Sugar Terminals Limited commenced full commercial operation on 2 August 2000 with the transfer of the bulk sugar terminal assets and the leases with each Port Authority, previously held by the Queensland Sugar Corporation.

The assets transferred to the company included the “fixed” depreciable assets of the bulk sugar terminals that comprised the buildings and specified plant and equipment. The balance of the depreciable bulk sugar terminal assets comprising the “operating assets” were transferred to Queensland Sugar Limited (QSL).

The company cancelled $39.6 million of the existing total paid up share capital in the company of $360 million for the consideration of 11 cents per share on each of the ordinary voting shares in the company and returned that $39.6 million to shareholders in November 2002.

Earnings per share	**2003 Cents**	2002 Cents
Basic earnings per share	**3.99**	3.93

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

(a) In the opinion of the Directors, there were no significant changes in the state of affairs of the Company during the financial year under review.

Matters subsequent to the end of the financial year

No matters or circumstance has arisen since 30 June 2003 that has significantly affected, or may significantly affect:

(a) the consolidated entity’s operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the consolidated entity’s state of affairs in future financial years.

Likely developments and expected results of operations

The likely developments in the operations of the Company and the expected results of those operations in future financial years are as follows:

(a) To meet marketing requirements of Queensland Sugar Limited, a new storage facility at Townsville is being constructed. The company is financing the proposed facility at a cost of approximately $65 million, with completion in the latter half of 2003.

Environmental regulation

Queensland Sugar Limited, manager of the Bulk Sugar Terminal Assets under a sub-lease arrangement with the Company, takes responsibility for the environmental impact of the Terminals and holds the environmental licences under the Environmental Protection Act 1994.

Information on directors

Director	Experience	Special responsibilities
Michael D Brown	Fellow of the Institute of Chartered Accountants. Director: Energex Retail Pty Ltd (Chairman); Grainco Australia Limited.	Chairman (Non-Executive)
Warren A Martin	Master of Business Administration. Previously Executive Chairman of the Australian Cane Farmers Association and is a Director of that Association. Director: Queensland Sugar Limited and Queensland Regulatory Adjustment Authority.	Director (Non-Executive)
Alfio J Musumeci	Bachelor of Science (Hons), Bachelor of Commerce. General Manager, Proserpine Co-Operative Sugar Milling Association Limited. Director: Australian Sugar Milling Council Pty Limited, Mackay Whitsunday Regional Economic Development Corporation and Molasses Central Queensland Joint Venture (Chairman).	Director (Non-Executive)
Stephen Guazzo	Senior Vice Chairman of the Herbert River Canegrowers Executive. Member of Canegrowers Board.	Director (Non-Executive)
Mark R Day	Bachelor of Applied Science (Mathematics). General Manager Burdekin Mills, CSR Limited. Director Australian Molasses Trading.	Director (Non-Executive)

Company secretary

The company secretary is Mr John Desmarchelier AM ED, BCom, BEcon, MBA. Mr Desmarchelier is also the General Manager of Sugar Terminals Limited and was previously a Director.

Directors' Interests in Shares and Options

The particulars of directors' interests in shares and options of Sugar Terminals Limited are as follows:

Warren A Martin 34,026 Ordinary Shares

Stephen Guazzo 116,020 Ordinary Shares

Meetings of directors

During the year 7 meetings of Directors were held. The number of meetings attended by each Director during the year is stated in this report.

	DIRECTORS' MEETINGS	
	Number eligible to attend	Number attended
Michael D Brown	7	7
Harold R Bonanno	3	3
Warren A Martin	7	7
Ian M McMaster	3	3
Alfio J Musumeci	7	6
Mark R Day	4	4
Stephen Guazzo	4	4

Proceedings on behalf of company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

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

Michael Brown

MD Brown
Brisbane
18 September 2003

SUGAR TERMINALS LIMITED ABN 17 084 059 601

Financial report – 30 JUNE 2003

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Sugar Terminals Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Sugar Terminals Limited
North Podium Level, Mincom Central
192 Ann Street
BRISBANE QLD 4000

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 6 – 9 in the directors' report which is not part of this financial report.

Statements of financial performance

for the year ended 30 JUNE 2003

	Notes	2003 $'000	2002 $'000
Revenue from ordinary activities	3	33,254	31,976
Depreciation and amortisation expenses	4	9,869	9,865
Professional fees expense		252	567
Insurance expense		1,033	512
Borrowing costs expense	4	101	-
Other expenses from ordinary activities		1,231	630
Profit from ordinary activities before related income tax expense		20,768	20,402
Income tax expense	5	6,378	6,268
Net profit attributable to members of Sugar Terminals Limited	18	14,390	14,134
Total changes in equity attributable to members of Sugar Terminals Limited other than those resulting from transactions with owners as owners		14,390	14,134
		Cents	Cents
Basic earnings per share	30	**3.99**	3.93

The above statements of financial performance should be read in conjunction with the accompanying notes.

Statements of financial position

As at 30 JUNE 2003

	Notes	2003 $'000	2002 $'000
Current assets			
Cash assets	6	2,751	51,547
Receivables	7	3,512	1,484
Deferred tax assets	10	43	38
Other	8	35	17
Total current assets		6,341	53,086
Non-current assets			
Property, plant and equipment	9	385,422	342,072
Other	11	301	-
Total non-current assets		385,723	342,072
Total assets		392,064	395,158
Current liabilities			
Payables	12	4,386	3,673
Interest bearing liabilities	13	36,600	-
Current tax liabilities	14	2,982	4,134
Provisions	15	–	14,400
Total current liabilities		43,968	22,207
Non-current liabilities			
Deferred tax liabilities	16	3,396	3,041
Total non-current liabilities		3,396	3,041
Total liabilities		47,364	25,248
Net assets		344,700	369,910
Equity			
Parent entity interest			
Contributed equity	17	330,228	369,828
Retained profits	18	14,472	82
Total equity	19	344,700	369,910

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of cash flows

For the year ended 30 JUNE 2003

	Notes	2003 $'000	2002 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		35,342	29,459
Payments to suppliers and employees (inclusive of goods and services tax)		(8,700)	(1,857)
		26,642	27,603
Interest received		2,175	1,234
Borrowing costs		(402)	–
Income taxes paid		(7,181)	(4,011)
Net cash inflow from operating activities	29	21,234	24,825
Cash flows from investing activities			
Payments for property, plant and equipment		(52,632)	(1,977)
Proceeds from sale of property, plant and equipment		2	(11)
Net cash inflow (outflow) from investing activities		(52,630)	(1,988)
Cash flows from financing activities			
Proceeds from borrowings		36,600	–
Payments for return of capital		(39,600)	–
Share issue costs		–	(128)
Dividends paid		(14,400)	(9,360)
Net cash inflow (outflow) from financing activities		(17,400)	(9,488)
Net increase (decrease) in cash held		(48,796)	13,349
Cash at the beginning of the financial year		51,547	38,198
Cash at the end of the financial year	6	2,751	51,547

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

Notes to the financial statements

30 JUNE 2003

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Notes to the financial statements (continued)

Note 1 Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

As a result of applying the new accounting standard AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets* for the first time, certain liabilities have been reclassified as described in note 1.

(a) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(b) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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

(c) Revenue recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

Interest revenue is recognised on a proportional basis taking into account the interest rate applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(e) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

Notes to the financial statements (continued)

(f) Revaluations of non-current assets

Subsequent to initial recognition as assets, land and buildings are measured at fair value being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Potential capital gains tax is not taken into account in determining revaluation amounts unless it is expected that a liability for such tax will crystallise.

Revaluations do not result in the carrying value of land or buildings exceeding their recoverable amount.

(g) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land and investment properties) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Plant and equipment 7 – 80 years

(h) Non-current assets constructed by the consolidated entity

The cost of non-current assets constructed by the consolidated entity includes the cost of all materials used in construction, direct labour on the project, borrowing costs incurred during construction and an appropriate proportion of variable and fixed overheads.

Borrowing costs included in the cost of non-current assets are those costs that would have been avoided if the expenditure on the construction of the assets had not been made. Borrowing costs incurred while active construction is interrupted for extended periods are recognised as expenses.

(i) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(j) Interest bearing liabilities

Loans and debentures are carried at their principal amounts that represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

Notes to the financial statements (continued)

(k) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

Change in accounting policy for providing for dividends

The above policy was adopted with effect from 1 July 2002 to comply with AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets* released in October 2001. In previous years, in addition to providing for the amount of any dividends declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date, provision was made for dividends to be paid out of retained profits at the end of the financial year where the dividend was proposed, recommended or declared between the end of the financial year and the completion of the financial report.

(l) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets – refer notes 1(g)(iii) and 1(n).

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 20% (2002 – n/a).

Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings, including amounts paid or received on interest rate swaps
- amortisation of discounts or premiums relating to borrowings
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings
- finance lease charges, and
- certain exchange differences arising from foreign currency borrowings.

(m) Cash

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(n) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(o) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Notes to the financial statements (continued)

Note 2 Segment information

Business segments

The consolidated entity operates in one industry , being the sugar industry and in one geographical segment, being Queensland, Australia.

Note 3 Revenue

	2003 $'000	2002 $'000
Revenue from operating activities		
Rental revenue	32,441	29,724
	32,441	29,724
Revenue from outside the operating activities		
Interest	811	2,142
Sale of non-current assets	2	8
Other Revenue	–	102
	813	2,252
Revenue from ordinary activities	33,254	31,976

Note 4 Profit from ordinary activities

	2003 $'000	2002 $'000
(a) Net gains and expenses		
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:		
Expenses		
Depreciation		
Plant and equipment	9,869	9,865
Total depreciation	9,869	9,865
Borrowing costs		
Interest and finance charges paid/payable	402	-
Less:		
Amount capitalised	(301)	-
Borrowing costs expensed	101	-
Net loss on disposal of property, plant and equipment	14	50
Defined contributions superannuation expense	8	7

Notes to the financial statements (continued)

Note 5 Income tax

	2003 $'000	2002 $'000
Income tax expense		
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:		
Profit from ordinary activities before income tax expense	20,768	20,402
Income tax calculated @ 30% (2002 – 30%)	6,231	6,121
Tax effect of permanent differences:		
Non-deductible depreciation and amortisation	152	152
Sundry items	(5)	(5)
Income tax adjusted for permanent differences	6,378	6,268
Under (over) provision in previous year	–	-
Aggregate income tax expense	6,378	6,268
Aggregate income tax expense comprises:		
Current taxation provision	6,028	4,968
Deferred income tax provision	356	1,304
Future income tax benefit	(6)	(4)
Under (over) provision in prior year	–	-
	6,378	6,268

Note 6 Current assets – Cash assets

	2003 $'000	2002 $'000
Cash at bank and on hand	2,751	6,547
Deposits at call	–	45,000
	2,751	51,547
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	2,751	51,547
Balances per statement of cash flows	2,751	51,547

Note 7 Current assets – Receivables

	2003 $'000	2002 $'000
Trade debtors	3,036	-
GST refundable	425	83
Other debtors	51	1,401
	3,512	1,484

Note 8 Current assets – Other

	2003 $'000	2002 $'000
Prepayments	35	17
	35	17

Notes to the financial statements (continued)

Note 9 Non-current assets – Property, plant and equipment

	2003 $'000	2002 $'000
Land and buildings		
Freehold land at independent valuation	16,975	16,975
Capital works	53,141	2,479
Total land and buildings	70,116	19,454
Plant and equipment		
At cost	343,974	341,440
Less: Accumulated depreciation	(28,668)	(18,822)
Total plant and equipment	315,306	322,618
	385,422	342,072

Valuations of land and buildings

The basis of valuation of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Freehold land $'000	Plant and equipment $'000	In course of construction $'000	Total $'000
Consolidated				
Carrying amount at 1 July 2002	16,975	322,618	2,479	342,072
Additions	–	2,573	50,662	53,235
Disposals	–	(16)	–	(16)
Depreciation/amortisation expense (note 4(a))	–	(9,869)	–	(9,869)
Carrying amount at 30 June 2003	16,975	315,306	53,141	385,422

Note 10 Non-current assets – Deferred tax assets

	2003 $'000	2002 $'000
Future income tax benefit	43	38

Note 11 Non-current assets – Other

	2003 $'000	2002 $'000
Borrowing costs	301	-

Note 12 Current liabilities – Payables

	2003 $'000	2002 $'000
Trade creditors	1,689	3,651
Deferred income	2,686	-
Other creditors	11	22
	4,386	3,673

Notes to the financial statements (continued)

Note 13 Current liabilities – Interest bearing liabilities

	2003 $'000	2002 $'000
Unsecured		
Bills payable	36,600	-
	36,600	–

Bills payable
Bills have been drawn as a source of short-term financing on a needs basis.
They mature in July 2003 and bear fixed interest at 4.78% and 5.01% per annum payable on drawdown.

Note 14 Current liabilities – Current tax liabilities

	2003 $'000	2002 $'000
Income tax	2,982	4,134

Note 15 Current liabilities – Provisions

	2003 $'000	2002 $'000
Dividends	–	14,400
	–	14,400

Movements in provisions
Movements in each class of provision during the financial year, other than employee benefits, are set out below.

	Dividends $'000	Total $'000
Current		
Carrying amount at start of year	14,400	14,400
Payments	(14,400)	(14,400)
Carrying amount at end of year	–	–

Note 16 Non-current liabilities – Deferred tax liabilities

	2003 $'000	2002 $'000
Provision for deferred income tax	3,396	3,041

Notes to the financial statements (continued)

Note 17 Contributed equity

	2003 $'000	2002 $'000
(a) Share capital		
Ordinary shares		
Fully paid	330,228	369,828

(b) Movements in ordinary share capital:

	2003 $'000	2002 $'000
Opening balance	369,828	369,956
Return of share capital	(39,600)	–
Less: Transaction costs arising on share issues	–	(128)
Balance	330,228	369,828

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

At 30 June 2003 there were 360 million ordinary shares fully paid.

A return of capital of $39.6 million (11 cents per share issued) was approved by the Board of Directors on 18 June 2002 and distributed in November 2002.

Note 18 Reserves and retained profits

	2003 $'000	2002 $'000
(a) Retained profits		
Retained profits at the beginning of the financial year	82	348
Net profit attributable to members of Sugar Terminals Limited	14,390	14,134
Dividends provided for or paid	–	(14,400)
Retained profits at the end of the financial year	14,472	82

Note 19 Equity

	2003 $'000	2002 $'000
Total equity at the beginning of the financial year	369,910	370,304
Total changes in equity recognised in the statement of financial performance	14,390	14,134
Transactions with owners as owners:		
Return of capital	(39,600)	–
Dividends provided for or paid	–	(14,400)
Transaction costs relating to share issue	–	(128)
Total equity at the end of the financial year	344,700	369,910

Notes to the financial statements (continued)

Note 20 Dividends

	2003 $'000	2002 $'000
Ordinary shares		
Dividends provided for during the year – nil (2002 – 4 cents) per fully paid share. Fully franked (2002 – 100% franked) based on tax paid @ 30%	–	14,400

Dividends not recognised at year end

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 4 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid is $14.4 million out of retained profits at 30 June 2003, but is not recognised as a liability at year end as a result of the change in accounting policy for providing for dividends (note 1(s)).

Franked dividends

The franked portions of the final dividends recommended after 30 June 2003 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2004.	1,008,990	821,477

Franking credits available for subsequent financial years based on a tax rate of 30% (2002 – 30%)

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
(a) franking credits that will arise from the payment of the current tax liability
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
(d) franking credits that may be prevented from being distributed in subsequent financial years.

The amounts include franking credits that would be available to the entity if distributable profits of the entity were paid as dividends.

Under legislation that took effect on 1 July 2002, the amount recorded in the franking account is the amount of Australian income tax paid, rather than franking credits based on after tax profits, and amounts debited to that account in respect of dividends paid after 30 June 2002 are the franking credits attaching to those dividends rather than the gross amount of the dividends. In accordance with this legislation, the franking credits available at 30 June 2002 for the entity of $1,916,780 based on after tax profits, were converted so that the opening balances on 1 July 2002 reflected tax paid amounts of $821,477 which are shown as comparative amounts above.

Notes to the financial statements (continued)

Note 21 Financial instruments

Fixed interest maturing in 2003:

	Floating interest rate $'000	1 year or less $'000	Non-interest bearing $'000	Total $'000
Financial assets				
Cash and deposits	2,751	–	–	2,751
Receivables	–	–	3,512	3,512
	2,751	–	3,512	6,263
Weighted average interest rate	4.00%			
Financial liabilities				
Trade and other creditors	–	–	4,386	4,386
Bills payable	–	36,600	–	36,600
	–	36,600	4,386	40,986
Weighted average interest rate		4.78%		
Net financial assets (liabilities)	2,751	(36,600)	(874)	(34,723)

* Notional principal amounts

Fixed interest maturing in 2002:

	Floating interest rate $'000	1 year or less $'000	Non-interest bearing $'000	Total $'000
Financial assets				
Cash and deposits	6,547	45,000	–	51,547
Receivables	–	–	1,484	1,484
	6,547	45,000	1,484	53,031
Weighted average interest rate	4.00%	4.86%		
Financial liabilities				
Trade and other creditors	–	–	3,673	3,673
	–	–	3,673	3,673
Weighted average interest rate				
Net financial assets (liabilities)	6,547	45,000	(2,189)	49,358

* Notional principal amounts

Net fair value of financial assets and liabilities
On-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

Notes to the financial statements (continued)

Note 22 Remuneration of directors

	2003 $	2002 $
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities	135,000	135,000

The numbers of entity directors whose total income from the entity or related parties was within the specified bands are as follows:

$		$	2003	2002
0	–	9,999	1	2
10,000	–	19,999	4	4
50,000	–	59,999	1	1

Note 23 Retirement benefits of directors

	2003 $	2002 $
Benefit paid to Directors in connection with retirement as a director of Sugar Terminals Limited	8,032	7,163

Note 24 Remuneration of auditors

	2003 $	2002 $
During the year the auditor of the entity and its related practices earned the following remuneration:		
PricewaterhouseCoopers – Australian firm		
Audit or review of financial reports of the entity or any entity in the consolidated entity	32,000	30,387
Other services	42,705	63,946
Total remuneration	74,705	94,333

Note 25 Contingent liabilities and contingent assets

Contingent liabilities
The entity had no contingent liabilities at 30 June 2003.

Note 26 Commitments for expenditure

	2003 $	2002 $
Capital commitments		
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	12,462	45,000
Later than one year but not later than 5 years	–	10,000
Later than 5 years	–	-
	12,462	55,000

The above commitments include capital expenditure commitments relating to the construction of an additional storage facility at the Townsville terminal. On completion the asset will be owned by Sugar Terminals Limited. Sugar Terminals has undertaken to fiancé the construction of the storage facility on a progressive basis.

Notes to the financial statements (continued)

Note 27 Related parties

Directors
The names of persons who were directors of Sugar Terminals Limited at any time during the financial year are as follows: Michael Brown ,Warren Martin, Alfio Musumeci, Harold Bonanno, Mark Day, Ian McMaster and Stephen Guazzo. All of these persons were also directors during the year ended 30 June 2002, except for Stephen Guazzo and Mark Day who were appointed respectively on 21 October 2002 and 15 November 2002. Ian McMaster and Harold Bonanno held office as directors until their resignation on 21 October 2002.

Remuneration and retirement benefits
Information on remuneration and retirement benefits of directors is disclosed in notes 22 and 23 respectively.

Transactions of directors and director-related entities concerning shares or share options
Aggregate numbers of shares and share options of Sugar Terminals Limited held directly, indirectly or beneficially by directors of the company or the consolidated entity or their director-related entities at balance date:

	2003 Number	2002 Number
Ordinary shares	150,046	100,151

Other transactions with directors and director-related entities
Directors HR Bonanno, WA Martin and IM Master are directors of Queensland Sugar Limited. (Mr Bonanno resigned on 28 October 2002). During the reporting period Queensland Sugar Limited operated under the terms of a sub-lease from Sugar Terminals Limited so that Queensland Sugar Limited can utilise the sugar terminals for storage and loading of products and for such other purposes to which Sugar Terminals Limited consents and which are permitted under the terminal lease arrangement which Sugar Terminals Limited has in respect to each of the Port Authorities. In return Sugar Terminals Limited receives rent. The sub-lease is based on normal commercial terms and conditions.

Two directors, Mr AJ Musumeci and Mr IM McMaster are also directors of Australian Sugar Milling Council Pty Limited. Australian Sugar Milling Council Pty Limited provides administrative, secretarial and management services to Sugar Terminals Limited. Under the terms of the arrangement provision of these services has been extended to 30 June 2004. The services are provided on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with directors and their director-related entities:

	2003 $'000	2002 $'000
Rent received from Queensland Sugar Limited	32,459	29,724
Services provided by Australia Sugar Milling Council Pty Limited.	190	195

Note 28 Events occurring after reporting date

There were no significant events occurring after reporting date.

Notes to the financial statements (continued)

Note 29 Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	2003 $'000	2002 $'000
Profit from ordinary activities after related income tax	14,390	14,134
Depreciation and amortisation	9,869	9,865
Net loss (gain) on sale of non-current assets	14	50
Decrease (increase) in receivables	(2,028)	(1,027)
Decrease (increase) in prepayments	(18)	(2,495)
Decrease (increase) in future income tax benefit	(5)	(5)
Decrease (increase) in other operating assets	(301)	(–)
Increase (decrease) in trade creditors and accruals	110	2,042
Increase (decrease) in provision for income taxes payable	(1,152)	957
Increase (decrease) in provision for deferred income tax	355	1,304
Net cash inflow from operating activities	21,234	24,825

Note 30 Earnings per share

	2003 Cents	2002 Cents
Basic earnings per share	3.99	3.93

	2003 Number	2002 Number
Weighted average number of shares used as the denominator	360,000,000	360,000,000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and alternative basic earnings per share	360,000,000	360,000,000

	2003 $'000	2002 $'000
Reconciliations of earnings used in calculating earnings per share		
Net profit for the year (Note 18)	14,390	14,134
Earnings used in calculating basic earnings per share	14,390	14,134

Directors' declaration

The directors declare that the financial statements and notes set out on pages 10 to 27.

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and

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

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

MD Brown
Director

Michael Brown

Brisbane
18 September 2003

Independent audit report to the members of Sugar Terminals Limited - Audit opinion

In our opinion, the financial report of Sugar Terminal Limited:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Sugar Terminal Limited as at 30 June 2003, and of its performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

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 Sugar Terminal Limited the company, for the year ended 30 June 2003.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report 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 in order to express an opinion 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, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and 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.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

Robert R Roach
Partner
Brisbane
18 September 2003

Information for Shareholders

Annual General Meeting

The Annual General meeting of Sugar Terminals Limited will be held on Friday, 24 October 2003 at:

The Hilton Hotel,
Queen Street,
Brisbane Qld 4000
Commencing at 10:00am.

Exempt Stockmarket

Sugar Terminals Limited has established an exempt stock market for "G" class shares that is operated by ABN AMRO Morgans. The market will match those people wishing to sell their STL shares with those who seek to buy them. It operates in a similar way to the Australian Stock Exchange but is restricted to "active growers".

Share Registry

There is no cost to the shareholders to have their name and number of shares listed on the register. Shareholders may contact Douglas Heck & Burrell for all details about their shareholdings by telephoning (07) 3228 4219 or writing to:

Sugar Terminals Limited Share Registry
C/- Douglas Heck & Burrell
GPO Box 35
Brisbane Qld 4001
Fax: (07) 3221 3149

Change of Address

To notify the company of change of address details, shareholders should immediately forward a signed letter quoting their shareholder number and detailing their new address to Douglas Heck & Burrell.

Change of Name

Shareholders who change their name should notify the company share registry in writing, attaching a certified copy of a relevant marriage certificate or deed poll. Change of name information should be forwarded to Douglas Heck & Burrell.

Share Transfers

"G" class shares can be transferred only to "active growers" and "M" class shares can be transferred only to "active millers". The definitions of "active growers", "active millers", "inactive growers" and "inactive millers" are set out in the Information for Shareholders document sent to shareholders. A copy of the document has been posted on the company's web site.

A copy of a share transfer form and declaration may be obtained from Douglas Heck & Burrell. The executed share transfer documentation (stamped for stamp duty purposes), together with a declaration from the transferee that the transferee is an active grower or active miller, should be forwarded to Douglas Heck & Burrell for processing.

Inactive Grower or Miller Status

Under the Constitution of the company, members who become either "inactive growers" or "inactive millers" must immediately notify the company Directors in writing that they have become inactive and must dispose of their shares as soon as practicable. An "inactive grower" is one who has not been an "active grower" for two consecutive production seasons or part thereof. An "inactive miller" has not been an "active miller" for two consecutive production seasons or part thereof.

Registered Office

Sugar Terminals Limited
North Podium Level
Mincom Central
192 Ann Street
Brisbane Qld 4000

Postal Address

Sugar Terminals Limited
GPO Box 945
Brisbane Qld 4001
Telephone (07) 3221 7017
Facsimile (07) 3221 5593
Email: sugarterminals@powerup.com.au

Web Site

Web site: www.sugarterminals.com.au

Share Registry

Sugar Terminals Limited Share Registry
C/- Douglas Heck & Burrell
Level 22/300 Queen Street, Brisbane
GPO Box 35
Brisbane Qld 4001
Telephone (07) 3228 4219
Facsimile (07) 3221 3149

Exempt Market Information

ABN AMRO Morgans
GPO Box 202
Brisbane Qld 4001
Telephone (07) 3334 4888
Facsimile (07) 3831 0593

Solicitors

Clayton Utz
GPO Box 55
Brisbane Qld 4001

Auditors and Taxation Accountants

PricewaterhouseCoopers
GPO Box 150
Brisbane Qld 4001

Bankers

National Australia Bank
Capital Office
Ground Floor/308-322 Queen Street
Brisbane Qld 4000

Accountants

MHM Chartered Accountants
GPO Box 1108
Brisbane Qld 4001

Insurers

Marsh Pty Ltd
GPO Box 2743
Brisbane Qld 4001