SUGAR TERMINALS LIMITED ABN 44 010 779 496
Annual report – 30 JUNE 2004

Contents

SUGAR TERMINALS LIMITED
Corporate directory

Directors

MD Brown
Chairman

AJ Musumeci

MR Day

S Guazzo

J Grasso

Secretary

R B Farquhar

Notice of Annual General Meeting

The annual general meeting of SUGAR TERMINALS LIMITED

will be held in King George Room, Carlton Crest Hotel, King George Squ are, Brisbane

Time: **10.00am**

Date: **22 October 2004**

A formal notice of meeting is enclosed.

Principal registered office in Australia	North Podium Level, Mincom Central 192 Ann Street, Brisbane QLD 4000
Share and debenture registers	Sugar Terminals Limited Share Registry C/- ASX Perpetual Registrars Level 22 / 300 Queen Street, Brisbane QLD 4000 GPO Box 35, Brisbane QLD 4001
Auditor	PricewaterhouseCoopers GPO Box 150 Brisbane QLD 4001
Solicitors	Clayton Utz GPO Box 55 Brisbane QLD 4001
Bankers	National Australia Bank Capital Office Ground Floor, 308 - 322 Queen Street Brisbane QLD 4000
Stock exchange listings	Sugar Terminals Limited shares are listed on the Newcastle Stock Exchange.
Website address	www.sugarterminals.com.au

Your directors present their report on the entity of Sugar Terminals Limited for the year ended 30 June 2004.

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 Mark R Day
Mr Stephen Guazzo
Mr Alfio J Musumeci

Mr John Grasso was elected a director on 24 October 2003 and continues in office at the date of this report.
Mr Warren A Martin was a director from the beginning of the financial year until his resignation on 24 October 2003.

Principal activities
During the year the principal continuing activities of the 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
(e) Managing the sublease of the terminals to Queensland Sugar Ltd.

Comparative financial information

	2004	2003	2002	2001
	$'000	$'000	$'000	$'000
				(10 months)
Financial performance				
Revenue from ordinary activities	**39,982**	33,254	31,976	25,964
Net profit attributable to members of STL	**16,813**	14,390	14,134	9,708
Financial position				
Current assets	**12,072**	6,341	53,086	38,689
Non-current assets	**393,186**	385,723	342,072	347,519
Current liabilities	**(20,238)**	(7,368)	(25,248)	(15,904)
Non-current liabilities	**(37,907)**	(39,996)	-	-
Net assets	**347,113**	344,700	369,910	370,304

Dividends – Sugar Terminals Limited
Dividends paid to members during the financial year were as follows:

	2004	2003
	$'000	$'000
Final ordinary dividend for the year ended 30 June 2003 of 4 cents per share, fully franked, paid on 18 December 2003.	**14,400**	-
	14,400	-

In addition to the above dividends, since the end of the financial year the directors have determined that a final ordinary dividend of $7.2 million (two cents per fully paid share), fully franked based on tax paid at 30%, will be paid on 15 December 2004 out of retained profits at 30 June 2004 to shareholders whose names are entered on the Register on 3 December 2004.

Review of operations

Townsville

During the year sugar was received into the new Townsville storage facility prior to the completion of the facility. The asset was capitalized effective on 1 December 2003 based on an estimate of the cost to complete it, and QSL commenced to pay rent to the company from that date. Rent received during the year amounted to $3.93 million.

Other

There were no other material changes to the company's operations during the year.

Earnings per share	**2004 Cents**	2003 Cents
Basic earnings per share	**4.67**	3.99

Significant changes in the state of affairs

Significant changes in the state of affairs of the 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 2004 that has significantly affected, or may significantly affect:

(a) the entity's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the 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:

The construction of the new storage facility at Townsville, which is being managed by Queensland Sugar Ltd (QSL) as agent for the entity, is incomplete and a Notice of Dispute claiming $18.4m has been received from the building contractor. This claim is denied by the entity and, to date, the dispute has not been resolved. QSL is managing the dispute and, at this time, it is not practicable to estimate the timing or the quantum, if any, of any future liability.

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).	Chairman (Non-Executive)
Mark R Day	Bachelor of Applied Science (Mathematics). General Manager Burdekin Mills, CSR Limited. Director: Australian Molasses Trading, CSR Sugar Kalamia Pty Ltd, CSR Pioneer Sugar Pty Ltd, CSR Sugar Invicta Pty Ltd, The Haughton Sugar Company Pty Ltd, Pioneer Sugar Mills Pty Ltd and Glendale Ltd.	Director (Non-Executive)
John J Grasso	Management of family cane farm and commercial leasing business. Director: Austcane Ltd.	Director (Non-Executive)
Stephen Guazzo	Third generation cane grower. Deputy Chairman Herbert Canegrowers Executive. Director of Queensland Canegrowers Limited. Director Herbert Canegrowers Co-op Society.	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 Ltd, Mackay Whitsunday Regional Economic Development Corporation and Molasses Central Queensland Joint Venture (Chairman).	Director (Non-Executive)

None of the directors has a service contract with the Company.

Company secretary

The Company Secretary and General Manager is Mr Richard Farquhar B.Com CA FCIS.

Directors' Interests in Shares and Options

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

Stephen Guazzo	216,020 'G' class shares
John J Grasso	447,490 'G' class shares

Particulars of contracts of significance

WA Martin is a director of Queensland Sugar Limited. 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.

Mr AJ Musumeci is also a director 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 2005. The services are provided on normal commercial terms and conditions.

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2004, and the numbers of meetings attended by each director were:-

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS AUDIT & RISK COMMITTEE	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Michael D Brown	6	6		
Warren A Martin	2	2	1	0
Alfio J Musumeci	6	6	3	3
Mark R Day	6	6		
Stephen Guazzo	6	6	2	2
John J Grasso	4	4		

Remuneration Report

Principles used to determine the nature and amount of remuneration

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management.

In consultation with external remuneration consultants, the company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board.

Directors' fees

The current base remuneration was last reviewed with effect from 1 July 2003.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum aggregate amount currently stands at $200,000.

Executive pay

The executive pay and reward framework has two components:

- base pay and benefits
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay

The executive is offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay is reviewed annually to ensure the executive's pay is competitive with the market.

There are no guaranteed base pay increases fixed in the executive's contract.

Benefits

The executive receives a car parking benefit.

Details of remuneration

Details of the remuneration of each director of Sugar Terminals Holdings Limited and the only executive, are set out in the following tables.

Directors of Sugar Terminals Ltd

	Primary	Post-Employment	Equity	
Name	Cash fees $	Superannuation $	 $	Total $
MD Brown	55,000	4,950	-	59,950
WA Martin	6,304	567	-	6,871
AJ Musumeci	20,000	-	-	20,000
MR Day	20,000	-	-	20,000
S Guazzo	20,000	1,800	-	21,800
JJ Grasso	13,696	1,233	-	14,929
Total	135,000	8,550		143,550

Executive of Sugar Terminals Ltd

	Primary	Post-Employment	Equity	
Name	Cash salary $	Superannuation $	 $	Total $
RB Farquhar	70,792	6,371	-	77,163

Service agreements

Directors are elected for a term of three years and do not have service agreements.

Corporate 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.

Major policy decisions are a 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 Guazzo) 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

Top 10 shareholders

Lists of the top 10 'G' class shareholders and the top 10 'M' class shareholders as at the date of this report are set out below.

'G' class shareholders

Shareholder	*Number of Shares*
Vixbridge Pty Ltd	12,685,776
Bundaberg Sugar Ltd	3,969,485
CSR Limited	599,708
James Thomas Barns	504,861
The Maryborough Sugar Factory Ltd	460,491
John Joseph Grasso	447,490
Cvjetanovic Enterprises Pty Ltd	446,680
Constantine J Christofides & Constantine A Christofides & Arthur C Christofides & John Constantine Christofides <Christofides Bros Trust A/C>	446,536
Ochquasy Pty Limited	431,235
David Richard Vivian Cox	410,190

'M' class shareholders

Shareholder	*Number of Shares*
CSR Limited	48,324,003
Bundaberg Sugar Ltd	26,828,437
Mackay Sugar Co-operative Association Limited	26,064,452
Tully Sugar Limited	6,016,179
Proserpine Co-operative Sugar Milling Association Limited	5,986,952
The Mulgrave Central Mill Company Limited	5,827,071
Isis Central Sugar Mill Co Ltd	4,085,698
Mossman Central Mill Company Limited	3,678,770
The Maryborough Sugar Factory Limited	2,270,124
W H Heck & Sons Pty Limited	1,570,111

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.

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MD Brown
Brisbane
9 September 2004

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AJ Musumeci
Brisbane
9 September 2004

SUGAR TERMINALS LIMITED
Financial report – 30 JUNE 2004

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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 entity's operations and its principal activities is included in the review of operations and activities on pages 4 - 5 in the directors' report which is not part of this financial report.

SUGAR TERMINALS LIMITED
Statement of financial performance
For the year ended 30 JUNE 2004

	Notes	2004 $'000	2003 $'000
Revenue from ordinary activities	3	**39,982**	33,254
Depreciation and amortisation expenses	4	**10,468**	9,869
Professional fees expense		**299**	252
Insurance expense		**1,215**	1,033
Borrowing costs expense	4	**3059**	711
Other expenses from ordinary activities		**712**	621
Profit from ordinary activities before related income tax expense		**24,229**	20,768
Income tax expense	5	**7,416**	6,378
Net profit attributable to members of Sugar Terminals Limited	18	**16,813**	14,390
Total changes in equity attributable to members of Sugar Terminals Limited other than those resulting from transactions with owners as owners		**16,813**	14,390
		Cents	Cents
Basic earnings per share	29	**4.67**	3.99

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

SUGAR TERMINALS LIMITED
Statement of financial position
As at 30 JUNE 2004

	Notes	2004 $'000	2003 $'000
Current assets			
Cash assets	6	**11,140**	2,751
Receivables	7	**143**	3,512
Deferred tax assets	10	**11**	43
Other	8	**778**	35
Total current assets		**12,072**	6,341
Non-current assets			
Property, plant and equipment	9	**392,903**	385,422
Other	11	**283**	301
Total non-current assets		**393,186**	385,723
Total assets		**405,258**	392,064
Current liabilities			
Payables	12	**6,898**	4,386
Interest bearing liabilities	13	**11,250**	-
Current tax liabilities	14	**2,090**	2,982
Total current liabilities		**20,238**	7,368
Non-current liabilities			
Interest bearing liabilities	15	**33,750**	36,600
Deferred tax liabilities	16	**4,157**	3,396
Total non-current liabilities		**37,907**	39,996
Total liabilities		**58,145**	47,364
Net assets		**347,113**	344,700
Equity			
Parent entity interest			
Contributed equity	17	**330,228**	330,228
Retained profits	18	**16,885**	14,472
Total equity	19	**347,113**	344,700

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

SUGAR TERMINALS LIMITED
Statement of cash flows
For the year ended 30 JUNE 2004

	Notes	2004 $'000	2003 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**43,618**	35,342
Payments to suppliers and employees (inclusive of goods and services tax)		**(2,100)**	(8,700)
		41,518	26,642
Interest received		**315**	2,175
Borrowing costs		**(3,759)**	(402)
Income taxes and GST paid		**(9,137)**	(7,181)
Net cash inflow from operating activities	28	**28,937**	21,234
Cash flows from investing activities			
Payments for property, plant and equipment		**(14,571)**	(52,632)
Proceeds from sale of property, plant and equipment		**23**	2
Net cash inflow (outflow) from investing activities		**(14,548)**	(52,630)
Cash flows from financing activities			
Proceeds from borrowings		**8,400**	36,600
Payments for return of capital		**-**	(39,600)
Dividends paid		**(14,400)**	(14,400)
Net cash inflow (outflow) from financing activities		**(6,000)**	(17,400)
Net increase (decrease) in cash held		**(8,389)**	(48,796)
Cash at the beginning of the financial year		**2,751**	51,547
Cash at the end of the financial year	6	**11,140**	2,751

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

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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.

(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 in 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.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market-determined, risk-adjusted discount rate.

Note 1 Summary of significant accounting policies (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 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 entity

The cost of non-current assets constructed by the 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 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.

Note 1 Summary of significant accounting policies (continued)

(k) Divi dends

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.

(l) Employee benefits

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

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

(ii) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(m) 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(h).

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.

(n) 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.

(o) 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.

(p) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The entity has appointed the General Manager to manage the transition to Australian equivalents to IFRS, including internal control changes necessary to gather all the required financial information. The General Manager reports quarterly to the audit committee. A detailed timetable for managing the transition has been prepared and is currently on schedule. He has analysed most of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Pending Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. Some of these choices are still being analysed to determine the most appropriate accounting policy for the entity.

Major changes identified to date that will be required to the entity's existing accounting policies include the following:

(i) Income Tax

Under the Australian equivalent to IAS 12 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

(ii) Investment properties

Under the Australian equivalent to IAS 40 *Investment Property*, if investment properties are measured at fair value, net of applicable tax, gains or losses arising from changes in fair value are recognised in net profit or loss for the period in which they arise.

(iii) Impairment testing

The main aim of the Australian equivalent of IAS 36 *Impairment of Assets* (i.e. AASB 1036 *Impairment of Assets*), is to ensure that assets are recorded at their recoverable amount or below. The recoverable amount is the higher of the fair value less costs to sell and value in use. The value in use is the present value of future cash flows expected to be derived from an asset or cash generating unit.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the entity's financial position and reported results.

(q) 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.

Note 2 Segment information

Business segments

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

Note 3 Revenue

	2004	2003
	$'000	$'000
Revenue from operating activities		
Rental revenue	**39,659**	32,441
	39,659	32,441
Revenue from outside the operating activities		
Interest	**315**	811
Sale of non-current assets	**-**	2
Other Revenue	**8**	-
	323	813
Revenue from ordinary activities	**39,982**	33,254

Note 4 Profit from ordinary activities

	2004 **$'000**	2003 $'000
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	**10,468**	9,869
Total depreciation	**10,468**	9,869
Borrowing costs		
Amount capitalised at 1 July 2003	**301**	-
Interest and finance charges paid/payable	**3,041**	1,012
Amount capitalised at 30 June 2004	**(283)**	(301)
Borrowing costs expensed	**3,059**	711
Net loss on disposal of property, plant and equipment	**176**	14
Defined contributions superannuation expense	**15**	8

Note 5 Income tax

	2004 $'000	2003 $'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	**24,229**	20,768
Income tax calculated @ 30% (2003 – 30%)	**7,269**	6,231
Tax effect of permanent differences:		
Non-deductible depreciation and amortisation	**152**	152
Sundry items	**(5)**	(5)
Income tax adjusted for permanent differences	**7,416**	6,378
Under (over) provision in previous year	**-**	-
Aggregate income tax expense	**7,416**	6,378
Aggregate income tax expense comprises:		
Current taxation provision	**6,623**	6,028
Deferred income tax provision	**798**	356
Future income tax benefit	**(5)**	(6)
Under (over) provision in prior year	**-**	-
	7,416	6,378

Note 6 Current assets – Cash assets

	2004 $'000	2003 $'000
Cash at bank and on hand	**11,140**	2,751
Deposits at call	**-**	-
	11,140	2,751
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	**11,140**	2,751
Balances per statement of cash flows	**11,140**	2,751

Note 7 Current assets – Receivables

	2004 $'000	2003 $'000
Trade debtors	**9**	3,036
GST refundable	**-**	425
Other debtors	**134**	51
	143	3,512

Note 8 Current assets – Other

	2004 $'000	2003 $'000
Prepayments	**778**	35
	778	35

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

	2004 $'000	2003 $'000
Land		
Freehold land at independent valuation	**16,975**	16,975
Total land	**16,975**	16,975
Buildings, Plant and equipment		
At cost	**414,880**	343,974
Less: Accumulated depreciation	**(39,027)**	(28,668)
Total plant and equipment	**375,853**	315,306
Capital Works in Progress	**75**	53,141
	392,903	385,422

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

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**	**Buildings Plant and equipment $'000**	**In course of construction $'000**	**Total $'000**
Carrying amount at 1 July 2003	16,975	315,306	53,141	385,422
Additions	-	915	17,233	18,148
Disposals	-	(199)	-	(199)
Transfers		70,299	(70,299)	-
Depreciation/amortisation expense (note 4)	-	(10,468)	-	(10,468)
Carrying amount at 30 June 2004	16,975	375,853	75	392,903

Note 10 Non-current assets – Deferred tax assets

	2004 **$'000**	2003 $'000
Future income tax benefit	**11**	43

Note 11 Non-current assets – Other

	2004 $'000	2003 $'000
Borrowing costs	**283**	301

Note 12 Current liabilities – Payables

	2004 $'000	2003 $'000
Trade creditors	**526**	1,689
Deferred income	**-**	2,686
Other creditors	**6,372**	11
	6,898	4,386

Note 13 Current liabilities – Interest bearing liabilities

	2004 $'000	2003 $'000
Secured		
Bills payable	**11,250**	-
	11,250	-

Bills payable
Bills have been drawn in terms of a bank Facility Agreement which retires in June 2008. Details of securities and further information on the facility are set out in note 15.
The current interest rate is 6.725%.

Note 14 Current liabilities – Current tax liabilities

	2004 $'000	2003 $'000
Income tax	**1,800**	2,982
GST	**273**	-
PAYG	**17**	-
	2,090	2,982

Note 15 Non-current liabilities - Interest bearing liabilities

	2004 **$'000**	2003 $'000
Bank Bill Facility		
Total facility	**45,000**	45,000
Unused at balance date	**-**	8,400
Used at balance date	**45,000**	36,600
Repayable within 12 months	**11,250**	-
	33,750	36,600

The bank bill facility is secured by

- Mortgages of leases of areas A and B land at Townsville.
- Fixed charge.
- Fixed and floating charge over all of the company's assets and undertaking.

The current interest rate is 6.725% (2003 – 5.78%).

Note 16 Non-current liabilities – Deferred tax liabilities

	2004 **$'000**	2003 $'000
Provision for deferred income tax	**4,157**	3,396

Note 17 Contributed equity

		2004 **$'000**	2003 $'000
(a)	**Share capital**		
	Ordinary shares		
	Fully paid	**330,228**	330,228

(b) Movements in ordinary share capital

	2004 **$'000**	2003 $'000
Opening balance	**330,228**	369,828
Return of share capital	-	(39,600)
Balance	**330,228**	330,228

(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 2004 there were 360 million ordinary shares fully paid, consisting of:

"G" class ordinary shares	229,348,203
"M" class ordinary shares	130,651,797
	360,000,000

Note 18 Reserves and retained profits

	2004 $'000	2003 $'000
Retained profits		
Retained profits at the beginning of the financial year	**14,472**	82
Net profit attributable to members of Sugar Terminals Limited	**16,813**	14,390
Dividends provided for or paid	**(14,400)**	-
Retained profits at the end of the financial year	**16,885**	14,472

Note 19 Equity

	2004 $'000	2003 $'000
Total equity at the beginning of the financial year	**344,700**	369,910
Total changes in equity recognised in the statement of financial performance	**16,813**	14,390
Transactions with owners as owners:		
Return of capital	**-**	(39,600)
Dividends paid	**(14,400)**	-
Total equity at the end of the financial year	**347,113**	344,700

Note 20 Dividends

	2004	2003
	$'000	$'000
Ordinary shares		
Final dividend for the year ended 30 June 2003 of 4 cents (2003 – 4 cents) per share paid on 18 December 2003.		
Fully 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 determined that a final dividend of two cents per fully paid ordinary share will be paid, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid is $7.2 million out of retained profits at 30 June 2004, but is not recognised as a liability at year end.

Franked dividends

The franked portions of the final dividends recommended after 30 June 2004 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 2005.

Franking credits available for subsequent financial years based on a tax rate of 30% (2003 – 30%)	**4,441,731**	3,990,566

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.

Note 21 Financial instruments

Interest rate risk exposures

2004	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets					
Cash and deposits	11,140	-	-	-	11,140
Receivables	-	-	-	143	143
	11,140	-	-	143	11,283
Weighted average interest rate	5.00%				
Financial liabilities					
Trade and other creditors	-	-	-	6,898	6,898
Bills payable	11,250	8,437	25,313	-	45,000
	11,250	8,437	25,313	6,898	51,898
Weighted average interest rate	6.53%	6.79%	6.79%		
Net financial assets (liabilities)	(110)	(8,437)	(25,313)	(6,755)	(40,615)

2003	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Over 1 to 5 years	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	5.78%				
Net financial assets (liabilities)	(33,849)	-	-	(874)	(34,723)

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 entity approximates their carrying amounts.

Note 22 Director and executive disclosures

Directors
The following persons were directors of Sugar Terminals Limited during the financial year:

Chairman – non-executive
M D Brown

Non-executive directors
M R Day
S Guazzo
J J Grasso
W A Martin
A J Musumeci

J Grasso was elected a non-executive director on 24 October 2003. W A Martin resigned from the position of non-executive director on 24 October 2003.

Executives (other than directors) with the greatest authority for strategic direction and management
The entity has only one executive:

Name	**Position**
R B Farquhar	General Manager and Company Secretary
J A Desmarchelier	General Manager and Company Secretary

R B Farquhar commenced employment with the entity on 1 November 2003 in place of J A Desmarchelier who resigned on 31 October 2003.

Remuneration of directors and executives
Principles used to determine the nature and amount of remuneration
The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management.

In consultation with external remuneration consultants, the company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Non-executive directors
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board.

Directors' fees
The current base remuneration was last reviewed with effect from 1 July 2003, and has not been increased since 2000.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum aggregate amount currently stands at $200,000.

Executive pay
The executive pay and reward framework has two components:
- base pay and benefits
- other remuneration such as superannuation.

Note 22 Director and executive disclosures (continued)

The combination of these comprises the executive's total remuneration.

Base pay
The executive is offered a competitive base pay that comprises a fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay is reviewed annually to ensure the executive's pay is competitive with the market.
There are no guaranteed base pay increases fixed in the executive's contract.

Benefits
The executive receives a car parking benefit.

Details of remuneration
Details of the remuneration of each director of Sugar Terminals Holdings Limited and the only executive, are set out in the following tables.

Directors of Sugar Terminals Ltd

	Primary	Post-Employment	Equity	
Name	Cash fees $	Superannuation $	$	Total $
MD Brown	55,000	4,950	-	59,950
WA Martin	6,304	567	-	6,871
AJ Musumeci	20,000	-	-	20,000
MR Day	20,000	-	-	20,000
S Guazzo	20,000	1,800	-	21,800
JJ Grasso	13,696	1,233	-	14,929
Total	135,000	8,550		143,550

Total remuneration of directors of Sugar Terminals Limited for the year ended 30 June 2003 is set out below. Information for individual directors is not shown as this is the first financial report prepared since the issue of AASB 1046 *Director and Executive Disclosures by Disclosing Entities*.

2003	Primary	Post-employment		Equity	
Name	Cash fees $	Super-annuation $	Retirement benefits $		Total $
Total	135,000	8,550	8,032	-	151,082

Executive of Sugar Terminals Ltd

2004	Primary	Post-Employment	Equity	
Name	Cash salary $	Superannuation $	$	Total $
RB Farquhar	70,792	6,371	-	77,163

There was no remuneration of specified executives for the year ended 30 June 2003.

Service agreements
Directors are elected for a term of three years and do not have service agreements.

Other transactions
WA Martin is a director of Queensland Sugar Limited. 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.

Mr AJ Musumeci is also a director 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 2005. 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:

	2004	2003
	$000	$000
Rent received from Queensland Sugar Limited	**39,659**	32,441
Services provided by Australia Sugar Milling Council Pty Limited.	**148**	195

Note 23 Remuneration of auditors

	2004	2003
	$	$
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 and other audit work under the Corporations Act 2001.	**37,200**	32,000
Other services	**18,150**	42,705
Total remuneration	**55,350**	74,705

Note 24 Contingent liabilities and contingent assets

Contingent liabilities

The entity had a contingent liability at 30 June 2004 relating to the construction of the new storage facility at Townsville. The construction project, which is being managed by Queensland Sugar Ltd (QSL) as agent for the entity, is incomplete and a Notice of Dispute claiming $18.4m has been received from the building contractor.

This claim is denied by the entity and, to date, the dispute has not been resolved.

QSL is managing the dispute and, at this time, it is not practicable to estimate the timing or the quantum, if any, of any future liability.

Note 25 Commitments for expenditure

	2004 $'000	2003 $'000
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
Later than one year but not later than 5 years	-	-
Later than 5 years	-	-
		12,462

The above commitments do not include capital expenditure commitments, if any, relating to the settlement of the dispute in relation to the construction of the additional facility at the Townsville terminal.

Note 26 Related parties

Directors and specified executives
Disclosures relating to directors and specified executives are set out in note 22.

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 entity or their director-related entities at balance date:

	2004 Number	2003 Number
Ordinary shares	663,510	154,046

Note 27 Events occurring after reporting date

There were no significant events occurring after reporting date.

Note 28 Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

	2004 $'000	2003 $'000
Profit from ordinary activities after related income tax	**16,813**	14,390
Depreciation and amortisation	**10,468**	9,869
Net loss (gain) on sale of non-current assets	**176**	14
Decrease (increase) in receivables	**2,944**	(2,028)
Decrease (increase) in prepayments	**(743)**	(18)
Decrease (increase) in future income tax benefit	**32**	(5)
Decrease (increase) in other operating assets	**18**	(301)
Increase (decrease) in trade creditors and accruals	**(2,641)**	110
Increase (decrease) in provision for income taxes and GST payable	**1,109**	(1,152)
Increase (decrease) in provision for deferred income tax	**761**	355
Net cash inflow from operating activities	**28,937**	21,234

Note 29 Earnings per share

	2004 Cents	2003 Cents
Basic earnings per share	**4.67**	3.99

	2004 Number	2003 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

	2004 $'000	2003 $'000
Reconciliations of earnings used in calculating earnings per share		
Net profit for the year (Note 18)	**16,813**	14,390
Earnings used in calculating basic earnings per share	**16,813**	14,390

Note 30 Economic Dependency

The entity depends on Queensland Sugar Limited (QSL) for most of its revenue. During the year ended 30 June 2004, 99.2% (2003 – 97.5%) of the entity's revenue was sourced from QSL under the entity's sublease agreement with that company.

SUGAR TERMINALS LIMITED
Directors' declaration

The directors declare that the financial statements and notes set out on pages 8 to 32

(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 financial position as at 30 June 2004 and of its performance, as represented by the results of its operations and its 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
Brisbane
9 September 2004

AJ Musumeci
Director
Brisbane
9 September 2004

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 Terminals Limited as at 30 June 2004, 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 Terminals Limited, for the year ended 30 June 2004.

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 J Roach
Partner
Brisbane
9 September 2004