CHAIRMAN'S OVERVIEW

The pool price result for the 2002/03 season of $276.70 per tonne IPS was a reduction from the previous season ($331.60 per IPS tonne). Total sugar production rose by over 700,000 tonnes to 4.95 million tonnes aided by the improved growing conditions and CCS levels, particularly in the Northern Region. Payments to industry for the 2002/03 financial year totalled $1.383 billion compared to $1.482 billion for the 2001/02 financial year. Again, the accounts for the year have been signed off by the auditors as being unqualified.

It was a volatile and difficult year clouded by uncertainty in international markets and in Australia, particularly with fluctuating currency rates. Although below the average level of recent years, the result by financial year-end was better than was likely earlier in the year and above the various measurements used to gauge performance. This outcome stemmed from the dedication, patience and skills of the executive and key market operatives in selling, pricing and currency, and operations activities.

As this is a report of the marketing company, it is inappropriate to discuss at length the concerns in the industry surrounding discussions on the subject of possible industry reform and restructuring which has been ongoing for months, other than to comment that in periods of prolonged uncertainty, quality people throughout the industry will reassess their positions.

The improvement in the performance of the bulk sugar terminals is noteworthy as has been the efficient management of the pool arrangements. It is very pleasing to report very good outcomes in respect of occupational health and safety, compliance, environmental issues and corporate governance.

I have said it often before but I say again, the industry is indeed fortunate to have a CEO of the calibre of Ian White, ably supported by the management team.

Harry Bonanno retired as a grower director at the 2002 Annual General Meeting after two years on the company's Board and a long involvement with the industry. Graham Davies retired as mill owner representative in January 2003 after serving as a director of the company and before it with QSC since August 1997. We thank Harry and Graham for their contribution to the company. We also welcomed Russ McNee and Eddie Westcott to the Board during the year.

Concurrently with the day-to-day activities, international trade matters have been vigorously addressed. There are three distinct tasks, albeit interrelated, at the end of the day, whenever that might be. Firstly the macro WTO issues, secondly the challenge by Australia, Brazil and Thailand to some aspects of the EU sugar regime and thirdly, discussions under the banner of an Australian-USA Free Trade Agreement. One has to be mindful in respect of WTO and FTA issues that there is a proliferation of bi-lateral free trade discussions going on all around the world.

In all these trade discussions our stance is unequivocal. Sugar must be treated equally and fairly along with all other commodities/products.

Given the competitive pressures the Queensland sugar industry has in the international markets, it is imperative Australia, both government and industry, continue to pursue these trade goals albeit often time consuming and frustrating. There is no sustainable, intellectually honest argument not to include sugar equally and fairly.

As this is my last annual general meeting as Chairman of Queensland Sugar Limited, I take this opportunity to thank all those who have helped and supported me during my time in the industry.

The international competitive pressures will continue and given Australia, in absolute and relative terms, has limited or nil support for industries, the sugar industry in Australia has only one way to go if it cannot step up and compete in the world markets.

I wish the stakeholders in the industry good fortune; the outcomes and a sense of urgency are in your hands.

RB Vaughan AO
Chairman

CHIEF EXECUTIVE'S REPORT

The 2002/03 season saw an increase in production in most areas of Queensland with overall raw sugar production reaching 4.95 million tonnes actual, up from 4.21 million tonnes actual in 2001/02. Although sugar prices showed some recovery during the third quarter of calendar year 2002 from the depressed levels at the start of the season, Australian dollar (AUD) values dropped back towards the end of the season as the New York Number 11 raw sugar futures contract (NY11) fell away and the Australian dollar strengthened.

Despite the significant volatility in NY11 values, physical premiums and the Australian dollar, Queensland Sugar was able to take advantage of movements in these markets to return a pool price of $276.70 per IPS tonne for the season. This produced an overall net revenue of $1.419 billion for the 2002/03 season pool.

The production increase, despite continuing dry conditions in some regions, consolidated on the 2001 season recovery. As the harvesting and crushing season progressed, it became apparent that even in the drier regions, cane was cutting better than estimated with high CCS levels.

When the 2002/03 season commenced the price outlook was poor. A tradeable surplus of raw sugar continued to overhang the market, largely from a long tail to the Thai crop that was not anticipated by the market and a big forecast crop then in progress in Centre South (CS) Brazil. Toward September/October 2002, a more positive sentiment began to emerge with speculation that some new crop estimates were overly optimistic. A general tightening of physical supply, increasing ethanol demand in Brazil and an early finish to the 2002/03 CS Brazil crop saw the market adopt a more positive tone towards the end of 2002.

Similarly, toward the end of calendar year 2002, world economic growth was slower than expected, and there was the significant prospect of war in Iraq. This saw fund managers increase their speculative position as they moved money from equities to commodities, helping provide improved liquidity to the NY11.

Operationally, Queensland Sugar had a successful season for 2002/03. Queensland Sugar's process of continuous review includes targeting ongoing cost reduction. Further costs were removed during 2002/03 to consolidate on savings achieved through the company's formation and recent management and operational restructures. Notably these included:

- Salary and employee benefit costs reduced by 6.4% in addition to 2001/02's reduction of 4.7%
- Total staff numbers reduced during the year by 4.1%, from 170 to 163 on a full-time equivalent basis
- Bulk sugar terminal operating expenses reduced by 12.2% (excluding sub-lease rental)
- Direct selling expenses increased by only 3.1% despite 17.6% production increase

The building of an additional 400,000-tonne capacity sugar storage facility at Townsville by Sugar Terminals Limited is nearing completion. This facility will provide us with increased flexibility in marketing, selling and pricing strategies, and will be available to receive 2003/04 season sugar in September.

The global tradeable raw sugar market, in which Queensland Sugar is a significant participant, is a commodity market characterised by a relatively small number of reliable buyers and sellers. Our primary strategy continues to be to differentiate the Queensland product on the basis of the "Queensland package" and maintain access to reliable markets. This revolves around close working relationships with customers regarding their sugar needs, producing and consistently delivering superior quality product and operating an efficient supply chain.

This year, with the assistance of industry technical experts, Queensland Sugar undertook a comprehensive review of customer sugar quality requirements. This has led to a revised market-driven Raw Sugar Quality Scheme which has been introduced for the 2003 season. Technical work with customers also provides Queensland with an additional point of differentiation in our marketing strategies.

This past season, Queensland has continued its long history, and key strategic platform, of maintaining and recognising mutually beneficial longstanding relationships with our customers. 2002/03 season was very significant and witnessed the celebration of 30 years of dealing with our customers in Korea.

2003/04 season will see similar milestones as we reach 30 years of Long Term Contract sales to the Malaysian Government. Calendar year 2004 will witness the 50th anniversary of our first sale to Japan and the 40-year anniversary of the first sales to Malaysian refineries.

Overall, the pool price result of $276.70 per IPS tonne compares favourably with a simple indicator on an equivalent basis. Using the weekly average NY11 contract price, beginning six months prior to expiry, for the relevant contract months of July 2002, October 2002, March 2003, May 2003, brought to AUD using the weekly hedge settlement rate, and adjusting for handling and storage costs and US quota benefit, gives a comparative value of $252.01 per IPS tonne.

C.Czarnikow Limited, our longstanding broker, and Simpson, Spence and Young, our shipping broker, both continued to ably assist our operations throughout the year.

Outlook

Toward the end of the 2002 financial year, falling NY11 values and a strengthening AUD conspired to erode potential Australian dollar returns for the 2003/04 season. Another record Thai crop and a big CS Brazil crop in progress are manifesting themselves in an oversupplied physical market. The continuing strong performance of the Australian economy and widening Australia/US interest rate differentials coupled with a slow US economy, have seen the value of the Australian dollar rise considerably.

Given current market factors, the 2003/04 season pool price is unlikely to exceed that achieved for 2002/03.

The commencement of the 2002/03 season saw the release of the Hildebrand Report by the Commonwealth Government and there has been a report by the Centre for International Economics (CIE) commissioned by the State Government. These have led to the joint announcement by Governments of a Sugar Industry Reform Program which included assistance to address short and long-term needs and the removal of regulatory impediments. Draft legislative amendments to the Sugar Industry Act were introduced into State Parliament during early 2003. The proposed changes would establish a process to permit exemption from vesting sugar for domestic markets and other uses. The legislation would also remove the Ministerial Direction on domestic market pricing. If passed, some current marketing activities of the company could be affected. On 10 September 2003 the Queensland government has announced that this legislative change will not come into effect until at least 1 January 2005.

As the marketing company of the Queensland sugar industry, we are relentless in our objective to optimise revenue through our marketing, supply chain management, treasury and finance areas. We are also examining likely future alternatives for the development of Queensland Sugar as the industry-owned marketing and supply chain management company capable of operating successfully in changing world and industry environments.

MARKETING

Key outcomes

- Successfully marketed increased tonnage and expanded market share to key customers in primary markets
- Placed additional tonnage to primary customers in the non-crushing period
- Worked closely with customers to consolidate previous sugar quality work to determine the most mutually beneficial products
- Continued to differentiate Queensland's sugar on the basis of the "Queensland Package"
- Continued co-operative approach to technical visits to customers
- Sales revenues for 2002/03 financial year were down $72.74 million (4%) to $1.584 billion, despite a 16% increase in volume. This reflected generally lower raw sugar prices during the period

Queensland Sugar welcomed the challenge of rising production through the crushing season after several seasons of restricted availability. There was continuing strong demand for Queensland sugar, despite an oversupplied physical market. Our key objectives continued to be to optimise our marketing mix by increasing tonnage placed to primary customers in key markets, while leaving sufficient flexibility to take advantage of opportunistic sales when and if the market allowed.

Higher production enabled better servicing of year-round customer needs, and mutually beneficial customer-relationships continue to be a Queensland strength. 2002/03 season provided the opportunity to consolidate on technical visits which had facilitated an increased understanding of our customers' needs and of their requirements for individual market segments.

In addition, Queensland Sugar continued to evaluate emerging and alternative products and markets that may provide an opportunity to enhance returns to producers.

Looking to the future, 2003/04 is shaping up as a difficult marketing season, with an oversupplied physical market and a lower price outlook. Access to our primary markets will be crucial in optimising returns to the industry.

Queensland Sugar continues to differentiate itself in the market place by selling direct to customers and concentrating on the following principles:

- Consistent quality to meet customers' individual needs
- Reliable delivery via shipping and bulk sugar terminal operations
- Developing long-term relationships
- Focus on end user and operational/technical assistance
- Flexibility

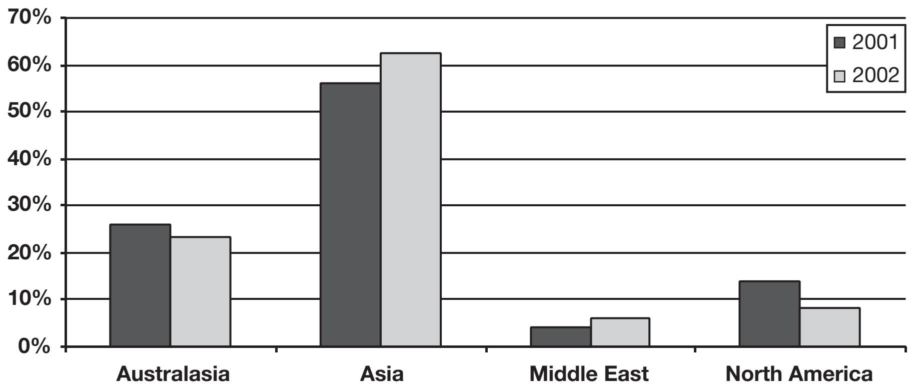
Domestic sales continue to be made on an export parity pricing basis in accordance with the sugar price direction from the Queensland Minister for Primary Industries and Rural Communities.

Our markets

Queensland Sugar consolidated on progress made during the previous 2001/02 season to expand and regain market share in our primary markets following the significant production reduction in 2000/01 season. Increased production enabled us to maximise relative sales to key Asian markets whilst maintaining sales levels to Australia, the Middle East and North America.

Our key marketing focus continues to centre around the long-term relationships with major customers primarily in the Australasian and Far East markets. Outside of the small degree of access to the preferentially priced United States sugar market, the Far East Asian region continues to offer the greatest value to the Queensland sugar industry in terms of volume and net returns. It is the area where Queensland Sugar places the greatest volume and has experienced the greatest increase in tonnage.

Regional marketing mix



Dedicated production of Queensland High Pol (QHP) continued from two of Queensland's mills and was delivered to a range of domestic and export customers.

As part of the ongoing commitment to working with the industry in the area of new products, we assisted with the development of export markets for organic raw sugar.

TREASURY AND FINANCE

Key outcomes

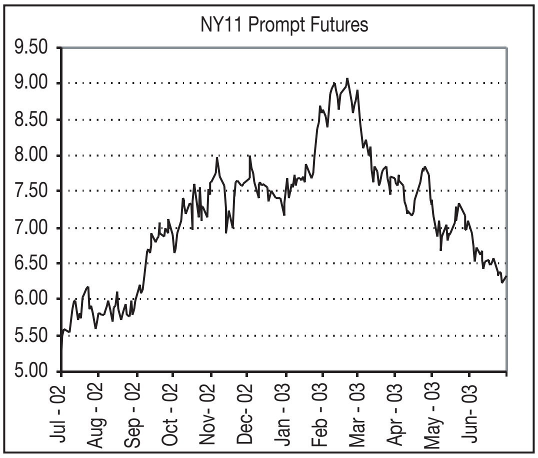
- Pool returns of $276.70 per tonne IPS delivered
- Borrowing rate of 4.92% per annum achieved on commercial paper
- Maintained Standard & Poor's rating of A1+ (short-term) and AA (long-term) on our borrowing program
- 70% of total 2002/03 seasonal payments were made to producers by 31 December 2002. Total payments to Queensland sugar producers decreased by 2% or $27 million to $1.419 billion compared to the previous season's $1.446 billion
- 2002/03 season marked the first season of operation of the Call Pool pricing scheme. Under this facility, qualifying producers make their own pricing decisions within the pooling system with a neutral effect to the company's pricing performance.

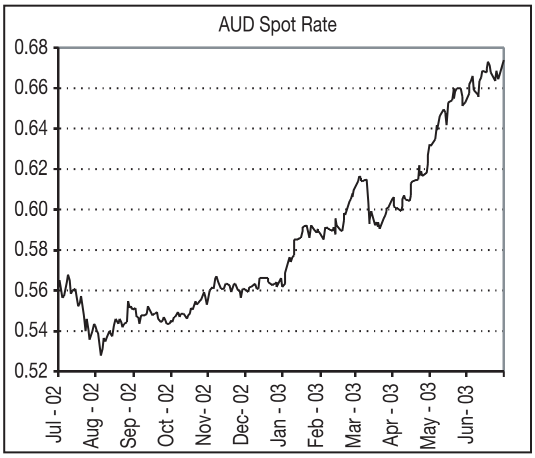
Returns

NY11 prices began the financial year trading below US 6.00 c/lb following a record CS Brazil crop of 272 million tonnes of cane in the 2002/03 Season. NY11 prices gradually appreciated toward the end of calendar year 2002 as the outlook improved on a forecast physical tightness in the first half of 2003.

Prompt prices peaked at just above US 9.00 c/lb in mid-February 2003 on a forecast shortfall in Brazilian ethanol production and a speculative sector long position of around 115,000 contracts. Sentiment began to turn bearish in March 2003 as news of a record Thai crop surfaced. Thai production for 2002/03 hit a record 74 million tonnes of cane, well above market expectations. This production increase was the catalyst for the decline in prices during the second quarter of 2003.

Early season CS Brazil production concentrated on fulfilling the domestic ethanol requirement. It appears that this demand has now been met and the government mandate for the ethanol blend in gasoline has increased to 25% from 20%. This year's total Brazilian crop is expected to be a record 340 million tonnes of cane and sugar exports are again expected to be around 13.0 million tonnes.





Looking forward, NY11 prices are expected to remain under pressure following significant crop increases in both Thailand and Brazil, however, this has been offset somewhat by decreased production in Cuba, Australia and South Africa. NY11 values in the US6-8c/lb range are most likely unless a supply side issue pushes the market out of this range.

Australian Dollar

The Australian Dollar appreciated strongly during the 2002/03 financial year, gaining around 16% relative to the US dollar over the period. The strong gains were attributed to strength in the Australian economy as well as a widening of interest rate differentials between Australia and the US.

The AUD has risen close to 9 cents against the USD in the past year accounting for a fall of around $38 per IPS tonne in possible pool returns.

Australia's strong economic performance throughout 2002/03 has contrasted with the patchy recovery in the US. This, in turn, led to a widening of the interest rate differential. The higher returns available in Australia provided an enticement to international investors and served to support the local currency's upsurge. After breaking through resistance at AUD/USD 0.6000 in late February 2003, the AUD continued to appreciate reaching as high as AUD/USD 0.6737 near the end of the financial year.

Looking forward, the positive interest rate differential as well as domestic economic strength will continue to support the AUD. The AUD is expected to give back some of the recent gains once the US economy shows significant signs of a recovery.

SUPPLY CHAIN MANAGEMENT

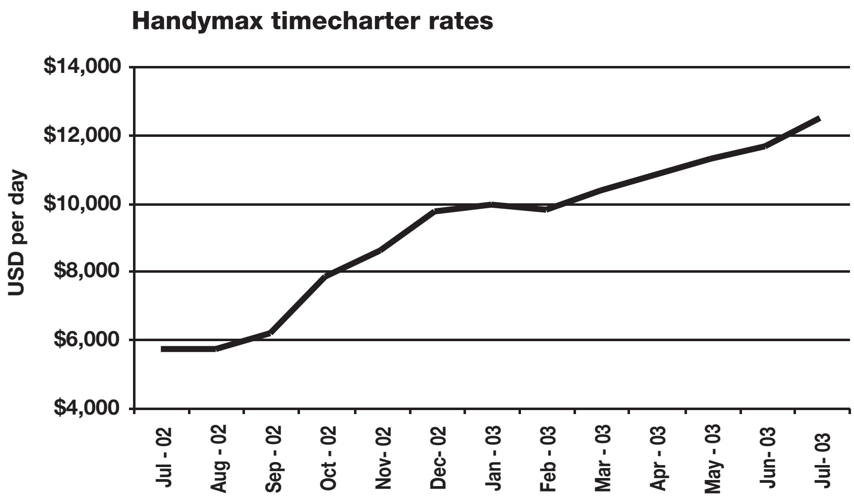
Key Outcomes

- 15.5% increase in tonnes handled through the bulk sugar terminals to 4.68 million tonnes from 4.00 million tonnes during 2001/02 season
- Increase in average cargo size by 3% from 27,398 tonnes to 28,236 tonnes
- Finalisation of the Raw Sugar Quality Scheme review and implementation of a new Raw Sugar Quality Scheme for 2003 season
- Construction of an additional 400,000 tonnes of storage at Townsville bulk sugar terminal due for completion in September 2003
- Achievement of a 12-month period free of lost time injuries

Operations

Increased production saw a commensurate increase in exports and ship chartering. Chartering during 2002/03 season consisted of a total of 155 ships, an increase of 17.4% from 2001/02, of which 136 were for export. Average cargo size increased to 28,236 tonnes continuing the trend for more of our exports to be handled by larger ships. The Handymax size vessel of around 40,000 mt capacity is now an optimal size for many markets.

Rates in the freight market rose significantly through the 2002/03 financial year, with timecharter rates for Handymax size vessels more than doubling through the year (as shown in the chart below).



Fortunately much of the company's freight was booked ahead of this rise, shielding us to a large degree from the rapidly increasing market. Forecasts are that the firming of the freight market rates will continue and Queensland Sugar has progressively been taking freight cover, when available, to mitigate this expected rise.

The bulk sugar terminal operational and management restructure implemented during the 2001/02 season continued to flow through to realise cost savings. Bulk sugar terminal operating costs (excluding lease rental) were reduced by 12.2% from the previous financial year. Total costs per tonne were 12.9% below last financial year.

Shiploading rates increased from 1,746 tonnes per hour to 1,774 tonnes per hour on a weighted average basis. The integration of weightower and gantry control systems to enhance shiploading efficiency was completed in Townsville and Mackay terminals this year. This integration is now in place at all the bulk sugar terminals.

Queensland Sugar continues to work closely with Sugar Terminals Limited, as its agent, in the construction of increased storage at Townsville bulk sugar terminal. This facility is due to be completed during the 2003/04 crushing season and will greatly enhance the industry's ability to adapt its marketing mix dependant on market conditions.

Quality

Reliable and consistent quality continues to be a priority of the Queensland sugar industry and a key component of the "Queensland Package". Queensland Sugar, in consultation with industry participants, completed a review of the Raw Sugar Quality Scheme during the 2002/03 season. This review has facilitated the implementation of a more market focussed Raw Sugar Quality Scheme for the 2003/04 season and beyond.

As part of the quality review, discussions with customers and site visits were conducted with staff from Queensland Sugar accompanied by technical representatives from supplying mills. These visits improved the company's understanding of customer quality requirements and have led to some further tailoring of sugar quality to meet individual customer needs. The technical representatives were also able to assist customers with their understanding of Queensland's sugar brands and selecting the optimum product for use in their refineries.

Amdel Ltd continued to provide analytical services to Queensland Sugar. During the year, its sugar laboratory was relocated from Sydney to Brisbane in order to provide more timely and reliable analytical services.

Workplace Health & Safety

Workplace health and safety continues to be a major priority. No lost time injuries were recorded during the year.

On 20 May 2003, the bulk sugar terminals reached a significant safety milestone in achieving a twelve month period free of lost time injuries. This is an achievement we can all take great pride in and is a result of continued effort throughout the company to strive for improved safety.

IAN WHITE
Chief Executive
Brisbane, 22 September 2003

DIRECTORS

Bruce Vaughan AO Chairman

Bruce Vaughan is chairman of the Global Alliance for Sugar Trade Reform and deputy Chairman of Transgrid. He is a member of the Advisory Board of Business Catalyst International and president and chairman of the Research Institute for Asia and the Pacific within the University of Sydney.

He is a former chairman of MIM Holdings Limited, the Federal Government's Trade Policy Advisory Council and ICI Limited, and the Queensland Sugar Corporation. He has been deputy chairman of Australian Meat and Livestock Corporation, Commercial Union Assurance Company and the Australian Wool Realisation Commission, vice president of the Australia-Japan Co-operation Committee and a member of the Australia-Japan Business Forum, and chairman and chief executive of Dalgety in Australia and Dalgety Farmers Limited. He has also been a director of ANZ Bank, Dalgety PLC (London) and Tubemakers Limited. He was a founding member of the Business Council of Australia and served for 10 years. Appointed 24 December 1999. Lives in Sydney. Age 75.

Ian White BEcon (Hons) CPA FAICD
Managing Director and Chief Executive

Ian White has extensive experience at senior management level in the agricultural commodity sector both in Australia and North America. He is a director of the World Sugar Research Organisation, a member of the Sugar Industry Development and Advisory Council and a member of the Queensland Competition Authority. He previously headed Queensland Cotton's Australian and US operations, was managing director and chief executive officer of Defiance Mills Limited, and was the chief executive of Grainco Limited. Appointed 17 April 2000. Lives in Brisbane. Age 53.

Rino Cargnello FAICD

Involved in the sugar cane industry since 1961, Rino Cargnello was elected to the Board of the Tully Co-operative Sugar Milling Association Limited in 1971 and continues to be involved in various local sugar industry committees. He is the chairman of Tully Sugar Limited, a deputy chairman of Australian Sugar Milling Council Limited and chairman of Sugar North Limited. He is a former director of the Queensland Sugar Corporation. Appointed 24 December 1999. Lives in the Tully district. Age 61.

Alan H Cole

Alan Cole has extensive experience in all aspects of sugar cane production. A cane grower in the South Johnstone area, he is a director of Queensland Cane Growers Organisation Limited, Chairperson of Canegrowers Innisfail District and a member of the South Johnstone Mill Suppliers' Committee, South Johnstone Shire River Improvement Trust and South Johnstone Negotiating Team. He is a former director of the Queensland Sugar Corporation. Appointed 24 December 1999. Lives in South Johnstone. Age 69.

Alf F Cristaudo

Alf Cristaudo has extensive experience in the cane industry. He is senior vice chairman of Queensland Canegrowers Organisation Limited and the Australian Canegrowers Council. He is chairman of Canegrowers Herbert River District, Herbert River Harvesting Equity Committee, Herbert River Mill Suppliers' Committee and Herbert River Canegrowers Co-operative Society. He is also a member of the Sugar Industry Development Advisory Council, Herbert River Cane Production Board and the Herbert River Negotiating Team. He is a former director of the Queensland Sugar Corporation. Appointed 24 December 1999. Lives in Ingham. Age 55.

Sarah A Israel BBus FCPA FAICD

Sarah Israel has wide experience in investment banking and regional development in both the private and public sectors. She is a director of Export Finance and Insurance Corporation and Skytrans Airlines. She has also been deputy chairman of the Building and Construction Industry (Portable Long Service Leave) Authority, a director of Queensland Electricity Transmission Corporation and Queensland Motorways Limited. She is a former director of the Queensland Sugar Corporation. Appointed 24 December 1999. Lives in Brisbane. Age 52.

James R Kennedy B Comm Dip Ag Ec FAIM

Jim Kennedy has extensive experience in commodity trading, food product exports, strategic marketing and financial risk management. He is a director of Tandou Limited, Agri Chain Solutions Limited, BRI Australia Limited, Golden Circle Limited and Craig Mostyn Ltd. He was previously executive director of the Prime Ministers Supermarket to Asia Council, and a member of the Trade Policy Advisory Council. For 13 years, he was Chief Executive Officer/ Managing Director of the Ricegrowers group. Appointed 23 July 2001. Lives in Canberra. Age 56.

Warren Martin Dip Man MBA MAICD

Warren Martin is a former chairman of Australian Cane Farmers Association, and is a director of Australian Cane Farmers Association, Sugar Terminals Limited, and the Queensland Rural Adjustment Authority. He is a former director of the Bureau of Sugar Experiment Stations, was an elected member of Mulgrave Mill Suppliers Committee and deputy chairman of Canegrowers Cairns District Executive. Appointed 16 October 2000. Lives in Gordonvale. Age 50.

Ian M McMaster BE ME

Ian McMaster is the chief executive officer of CSR Sugar. He is also director of Sugar Australia Pty Limited, New Zealand Sugar Limited and C. Czarnikow Limited. He has held a range of senior management positions with BHP including group general manager Hot Briquetted Iron, president BHP China and group general manager Sheet and Coil Products Division. He is a former director of Sugar Terminals Limited. Appointed 28 July 2000. Lives in Brisbane. Age 55.

Geoffrey E Mitchell AO

Geoff Mitchell is managing director of Bundaberg Sugar Ltd, Chairman of Australian Sugar Milling Council Limited and a member of the Food and Agribusiness Advisory Board of Rabo Australia Limited and PIBA. He has been a member of the Business Council of Australia and has held board positions in the sugar industries of China and Vietnam as director of Tate and Lyle Swire Limited and Nghe An Tate and Lyle Sugar Company Limited. He is a former director of Sugar Terminals Limited and the Queensland Sugar Corporation. Appointed 28 July 2000. Lives in Brisbane. Age 60.

Russell K McNee

Russ McNee is a cane farmer in the Invicta area and is currently Chairman of Canegrowers Invicta, a position he has held since 1998. He is also Chairman of Burdekin River Irrigation Area Committee and Deputy Chairman of Queensland Irrigators Council. He has previously served as a Canegrowers Board Director from 1998 - 2001 and is currently the Invicta Grower Representative Member with Queensland Sugar. Appointed 21 January 2003. Lives in Clare. Age 55.

Charles E (Eddie) Westcott

Eddie Westcott was appointed Chairman of Mackay Sugar Co-operative Association Limited following its 2002 Annual General Meeting (previously Deputy Chairman since 1998) and is a Director of Australian Sugar Milling Council Limited. Appointed on 19 February 2003. Lives in the Sarina District. Age 55.

CORPORATE GOVERNANCE

The Role of the Board

The Queensland Sugar Limited board is responsible for setting the company's strategic direction and monitoring senior management performance.

The board's functions include:

- promoting the good health of the company by embracing appropriate issues of good corporate governance
- setting the organisation's strategic direction and goals
- reviewing and approving policies, plans, performance targets and budgets
- assessing Queensland Sugar's ongoing performance and strategies and monitoring both the suitability of strategies and the performance of management
- overviewing the establishment of, and adherence to, appropriate systems to:
  - enable the company's business and financial risks to be managed
  - enable company's assets to be safeguarded
  - enable business to be conducted in compliance with laws and regulations
  - meet ethical and corporate governance standards

Queensland Sugar Limited's activities are consistent with the Sugar Industry Act 1999.

Composition of the Board

The board comprises 11 non-executive directors together with the chief executive who, under the company's constitution, is the managing director. Under the company's constitution, four directors are elected by the grower representative members; four directors by the mill owner members; and at least three directors, other than the chief executive, must have specific expertise in commodity marketing, finance, vesting, law or business administration and be independent of sugar industry representative bodies.

Non-executive directors act as independent advisers to the company, rather than representing their own interests or those of their organisations. If a potential conflict of interest does arise, the director concerned does not receive the relevant board papers and leaves the meeting room while the matter is discussed.

The work of the board

Directors receive monthly reports from the chief executive and senior management on the company's marketing, operational, financial, and financial risk management performance and these reports are discussed at the monthly board meetings. The board also reviews sugar consumption and sugar production patterns, and governments' involvement around the world, to identify strategies to optimise returns to the Queensland industry. Meeting agendas are set by the chairman and chief executive. The board meets quarterly with the Sugar Industry Commissioner, as the chairperson of the Sugar Authority under the Sugar Industry Act 1999, to discuss current industry-related issues.

New directors receive comprehensive briefings from management on all areas of the company's activities.

Remuneration of directors

Queensland Sugar Limited's constitution requires that the aggregate fees to be paid to non-executive directors be set by the company in general meeting. The initial aggregate fees were agreed with the sugar industry representative bodies, based on remuneration previously determined by the Queensland Government for the Queensland Sugar Corporation, and were subsequently confirmed at the company's annual general meeting in 2001. Directors are reimbursed travel and related expenses incurred in the course of carrying out their duties. Non-executive directors do not receive retirement benefits other than amounts set by the compulsory superannuation levy required under the Superannuation Guarantee Act.

Board committees

To assist in carrying out its functions, the board has established a Finance, Audit and Compliance Committee. The committee has a formal terms of reference approved by the board.

The current members of the committee are Ms SAD Israel (committee chair), Mr AF Cristaudo, Mr IM McMaster and Mr RB Vaughan (company chairman). The chief executive, the general manager finance and corporate services, and representatives of the external and internal auditors attend by invitation. The committee's role is to assist the board in reviewing systems and controls in place for financial reporting, risk management, and compliance with company policies and with laws and regulations that apply to the company's activities, and in maintaining an effective and efficient audit function.

Specific responsibilities include advising the board on the appointment and remuneration of external auditors and reviewing, in consultation with management and the auditors, the audit plans and results of both external and internal audits and actions proposed arising from them. The committee is a direct link for providing the views of internal and external auditors to the board, if necessary, independently of management influence. The committee also monitors and advises the board in relation to all matters necessary to ensure the company adopts and follows sound principles of corporate governance.

The directors established a Board Administration Committee on 15 April 2003 for the limited purpose of authorising the execution of a document under the common seal of the company, or otherwise on behalf of the company, where the document brings into effect or implements a decision already taken by the board, or acknowledges a matter agreed at a board meeting; or where the subject matter of the document falls within the scope of the Financial Delegations and Authorities policy and has been approved within the scope of that policy. The committee has a formal terms of reference approved by the board. A committee consists of any two directors, one of whom must be either the chairman of the company or the managing director.

Managing risk

Monitoring and review of financial risk is a key function of the board, and approved principles and policies are in place to manage sugar price and foreign exchange risk. These policies are regularly reviewed by the board. Speculative transactions are not permitted. Hedging is only permitted under the policies to manage risks associated with the sugar pool prices schemes. In its commitment to managing its exposure to significant business risk, Queensland Sugar Limited also has policies for:

- customer and trade credit
- liquidity risk management
- credit risk – financial institutions
- environmental management and compliance
- crisis management
- compliance with trade practices law
- workplace health and safety
- equal opportunity and anti-discrimination
- privacy

Business conduct

The board has adopted a Code of Ethics requiring directors, management, employees, agents and brokers to act with integrity and objectivity, and maintain high standards, and ethical behaviour in the execution of their duties.

Under the code, all those associated with Queensland Sugar Limited must act in accordance with the fundamental principles of integrity, objectivity, confidentiality, ethical behaviour, professional standards and consultation.

Independent advice

Queensland Sugar Limited recognises there may be occasions when the board as a whole, or directors as a group or as individuals, believe it to be in their interests and in the interests of the company to seek independent professional advice, on matters such as accounting, taxation or law, at the company's expense. Requests for the provision of such advice are to be directed to the chairman or the company secretary.

DIRECTORS' REPORT

In conformity with the Corporations Act 2001, your directors present this report on the company for the financial year ended 30 June 2003.

Review of Operations and Results

The operations of the company during the Reporting Period and the results of those operations are reviewed in detail on pages 1 to 7 of this Annual Report and these pages form part of this report.

Change in State of Affairs

The state of affairs of the company and significant changes thereto are set out on pages 1 to 7 of this Annual Report. Other than these matters, there was no significant change in the company's state of the affairs during the Reporting Period.

Principal Activities

The company's principal activities are the marketing of sugar vested in it by the Sugar Industry Act 1999 as amended and the provision of ancillary services in transport and management of financial risk in connection with such marketing. There have been no significant changes in the nature of those activities during the year.

Events after End of Reporting Period

Other than reported on pages 1 to 7 of this Annual Report, no matter or circumstance has arisen since the end of the Reporting Period that has significantly affected or may significantly affect:

- the company's operations in future financial years;
- the results of those operations in future financial years; or
- the company's state of affairs in future financial years.

Likely Developments

Likely developments in the company's operations in future financial years and the expected results of those operations are referred to on pages 1 to 7 of this Annual Report.

Environmental Performance

The company's operations are subject to significant environmental regulation under Commonwealth and Queensland law, particularly with regard to air, noise, water, waste management and site contamination at its bulk sugar terminal operations.

The company has established procedures to monitor and manage compliance with existing environmental regulations and new regulations as they come into force.

Directors are not aware of any significant breaches of environmental regulation during the Reporting Period.

Information Relating to Directors

The following table shows the persons who were directors during the financial year and the attendance of directors at meetings of the board. There were 12 board meetings during the financial year.

RB Vaughan	12	GR Davies	6[2]	WA Martin	11
HR Bonanno	4[1]	SAD Israel	12	GE Mitchell	11
R Cargnello	12	JR Kennedy	11	CE Westcott	4[4]
AH Cole	12	IM McMaster	12	IH White	12
AF Cristaudo	12	RK McNee	6[3]		

([1] attended 4 meetings held to retirement on 28 October 2002)

([2] attended 6 meetings held to resignation on 24 January 2003)

([3] attended 6 meetings held since appointment on 23 January 2003)

([4] attended 4 meetings held since appointment on 19 February 2003)

The Finance Audit and Compliance Committee met 7 times during the year. Committee chair SAD Israel, Messrs AF Cristaudo and IM McMaster attended all meetings. Mr RB Vaughan (company chair) attended 6 meetings.

A Board Administration Committee met once since the formation of the committee on 15 April 2003. Messrs GE Mitchell and IH White participated in that meeting.

Under the company's constitution, the selection of the chairman of the company and the independent directors are matters for determination by the grower directors and the mill owner directors. To consider this matter, grower directors (Messrs AH Cole, AF Cristaudo, RK McNee and WA Martin) and mill owner directors (Messrs R Cargnello, IM McMaster, GE Mitchell and CE Westcott) met on one occasion during the year.

Particulars of the qualifications and experience of each director of the company are set out on pages 7 to 11.

Indemnities and Insurance Premiums

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

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

The constitution also provides that the board of directors may authorise the company to, and the company may enter into any insurance policy for the benefit of any person who is, or has been, a director, secretary, auditor, employee or other officer of the company. The obligation of the company to indemnify persons as set out in the preceding paragraph is reduced to the extent that a person is entitled to an indemnity in respect of that liability under a contract of insurance.

The company has paid or has agreed to pay premiums in respect of contracts insuring against liability the following persons (being persons who are or have been officers of the company) – any past, present or future director or officer of the company. The contracts prohibit disclosure of the extent of the cover and the amounts of the premium.

Rounding

Unless otherwise shown in this Annual Report, amounts have been rounded to the nearest thousand dollars. Queensland Sugar Limited is a company of a kind referred in the Australian Securities Investments Commission Class Order 98/0100.

This report is signed for and on behalf of the directors in accordance with a resolution of the Board of Directors.

RB Vaughan AO	**Ian White**
Chairman	Chief Executive
22 September 2003	