

SUGAR TERMINALS LIMITED ABN 44 010 779 496
Annual report – 30 JUNE 2006

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SUGAR TERMINALS LIMITED
Corporate directory

Directors

Michael D Brown
Chairman

Mark R Day

John Grasso

Stephen Guazzo

James F Hesp

Secretary

Richard B Farquhar

Notice of Annual General Meeting

The annual general meeting of SUGAR TERMINALS LIMITED

**will be held at the office of Queensland Sugar Ltd,
North Podium Level, 192 Ann Street, Brisbane QLD 4000**

Time: 10.00am

Date: 26 October 2006

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/- Link Market Services Limited Level 12 / 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 listing	Sugar Terminals Limited "G" class shares are listed on the Newcastle Stock Exchange.
Website	www.sugarterminals.com.au

SUGAR TERMINALS LIMITED

Directors' report

30 JUNE 2006

Your directors present their report on the Company of Sugar Terminals Limited for the year ended 30 June 2006.

Directors

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

Mr Michael D Brown
Mr Mark R Day
Mr John Grasso
Mr Stephen Guazzo
Mr James F Hesp

Principal activities

During the year the principal continuing activities of the Company 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;
- (d) Negotiating long term leases with Port Authorities;
- (e) Managing the sub-lease of the terminals to Queensland Sugar Ltd.

There have been no significant changes in the principal continuing activities during the year.

Comparative financial information

	2006	2005	2004	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000
Income statement					
Revenue from continuing operations	47,875	43,485	39,982	33,254	31,976
Profit attributable to members of STL	22,270	18,964	16,813	14,390	14,134
Balance sheet					
Current assets	20,983	22,509	12,072	6,341	53,086
Non-current assets	371,321	382,031	393,186	385,723	342,072
Current liabilities	(19,542)	(25,560)	(20,238)	(7,368)	(25,248)
Non-current liabilities	(16,815)	(27,303)	(37,907)	(39,996)	-
Net assets	355,947	351,677	347,113	344,700	369,910

Dividends -- Sugar Terminals Limited

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

	2006	2005
	\$'000	\$'000
Final ordinary dividend for the year ended 30 June 2005 of five cents per share, (2004 – two cents per share), fully franked based on tax paid of 30%, paid on 15 December 2005.	18,000	7,200
Interim dividend of two cents paid share, fully franked based on tax paid of 30%, paid on 5 July 2005 out of profits for the year ended 30 June 2005.	-	7,200
	<u>18,000</u>	<u>14,400</u>

Since the end of the financial year the directors have determined that a final ordinary dividend of \$21.6 million (six cents per fully paid share), fully franked based on tax paid at 30%, will be paid on 27 September 2006 out of retained profits at 30 June 2006 to shareholders whose names are recorded on the Register on 14 September 2006.

SUGAR TERMINALS LIMITED

Directors' report (continued)

30 JUNE 2006

Review of operations

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

Significant changes in the state of affairs

The Queensland Government passed legislation ceasing the vesting of sugar to Queensland Sugar Limited (QSL) effective from 1 January 2006. Under the terms of the sub-lease to QSL, the sub-lease will terminate twelve months after the cessation of vesting. It has been agreed that the existing sub-lease will operate up until 30 June 2007, being twelve months after the last vested sugar has been disposed of.

Matters subsequent to the end of the financial year

As stated in Note 11, since the end of the financial year, it has been agreed with QSL to extend the sub-lease on the same terms and conditions for a period up to 30 June 2008 to enable the parties to review a range of options for the operation of the terminals.

Except as stated above, no matter or circumstance has arisen since 30 June 2006 that has significantly affected, or may significantly affect:

- (a) the Company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Company'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 Company is still incomplete.

On 10 December 2004, the Company received a statement of claim from Walter Construction Group (Walter) claiming \$15.01 million as damages pursuant to the Trade Practices Act, or alternatively, various claims for moneys due under the contract amounting to \$18.96 million excluding interest.

On 2 February 2005, Walter appointed administrators following an announcement by its parent, Walter Bau, that it was filing for insolvency in Germany. On 30 March 2005 the Company was placed in liquidation.

The action is presently stayed and it is not known whether the liquidator or some other party will proceed with the action.

The claim is denied by STL and, if it proceeds, it will be strenuously defended. A counter claim will also be lodged.

Experts reports are being evaluated to determine the best method of rectifying various defective works.

STL is managing the dispute in conjunction with QSL and, at this time, it is not possible to estimate the timing or the quantum, if any, of any future liability in relation to the claim, or the costs to rectify defective works.

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.

SUGAR TERMINALS LIMITED

Directors' report (continued)

30 JUNE 2006

Information on directors

Michael D Brown

Qualifications and Experience

Fellow of the Institute of Chartered Accountants. Director: Sun Retail Pty Ltd (Chairman).

Other current directorships of listed entities

None

Former directorships of listed entities in last 3 years

Grainco Australia Ltd (until 1 October 2003)

Special Responsibilities

Chairman of the Board

Interest in shares and options

None

Mark R Day

Qualifications and Experience

Bachelor of Applied Science (Mathematics). Executive General Manager Sugar 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.

Other current directorships of listed entities

None

Former directorships of listed entities in last 3 years

None

Special Responsibilities

Director (Non-Executive)

Member of Audit & Risk Committee

Interest in shares and options

None

John J Grasso

Qualifications and Experience

Dip FS(FP). Management of family cane farm, commercial leasing business and Grasso Financial Services.

Other current directorships of listed entities

None

Former directorships of listed entities in last 3 years

None

Special Responsibilities

Director (Non-Executive)

Interest in shares and options

447,490 "G" class shares in Sugar Terminals Limited

Stephen Guazzo

Qualifications and Experience

Third generation canegrower. Director/Deputy Chairman of Herbert Canegrowers Limited. Director of Queensland Canegrowers Limited. Director/Chairman of Herbert Canegrowers Co-op Society. Director of Sugar Research and Development Corporation. Director of several private companies.

SUGAR TERMINALS LIMITED

Directors' report (continued)

30 JUNE 2006

Other current directorships of listed entities

None

Former directorships of listed entities in last 3 years

None

Special Responsibilities

Director (Non-Executive)

Member of Audit & Risk Committee

Interest in shares and options

256,020 "G" class shares in Sugar Terminals Limited

James F Hesp

Qualifications and Experience

Fellow of the Institute of Company Directors. Chairman of Directors Mulgrave Central Mill. Director: Australian Sugar Milling Council. Chairman Northern Sugar Milling Council. Sugar cane grower and harvesting contractor Mulgrave mill area.

Other current directorships of listed entities

None

Former directorships of listed entities in last 3 years

None

Special Responsibilities

Director (Non-Executive)

Interest in shares and options

260,655 "G" class shares in Sugar Terminals Limited

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. Mr Farquhar was appointed to this position in October 2003. Prior to joining Sugar Terminals Ltd he was the CFO and Company Secretary of the Australian subsidiary of a US listed public company for twenty years up to 1998 and in the interim period worked for insolvency practitioners managing businesses during insolvency administration.

SUGAR TERMINALS LIMITED

Directors' report (continued)

30 JUNE 2006

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 2006, 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	8	8	*	*
Mark R Day	8	7	3	3
John J Grasso	8	8	*	*
Stephen Guazzo	8	8	3	3
James F Hesp	8	8	*	*

* MD Brown, JJ Grasso and JF Hesp are not members of the Audit and Risk Committee.

Remuneration report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited.

A Principles used to determine the nature and amount of remuneration (audited)

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 periodically 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.

Retirement Allowances for Directors

Non-executive directors are not entitled to retirement allowances.

SUGAR TERMINALS LIMITED

Directors' report (continued)

30 JUNE 2006

Executive pay

The executive pay and reward framework has two components:

- base pay and benefits
- short-term performance incentives
- 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.

Short-term incentives

The executive has a target short-term incentive (STI) opportunity depending on the Company's performance. Each year the board considers appropriate targets and key performance indicators (KPI's) to link the STI plan and the level of payouts if targets are met. Short-term bonus payments may be adjusted up or down in line with under or over achievements against the target performance levels, at the discretion of the board.

B Details of remuneration (audited)

Amounts of remuneration

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

The key management personnel of Sugar Terminals Limited includes the directors as per page 4 above and the following executive officer, who is the only executive of the Company.

Richard B Farquhar – General Manager and Company Secretary.

The cash bonuses are dependent on performance conditions as set out in the sections headed *Short-term incentives* above.

Key management personnel of Sugar Terminals Limited

2006	Short-term benefits		Post-Employment	Shared-based payment	
Name	Cash salary and fees \$	Cash bonus \$	Superannuation \$	Options \$	Total \$
<i>Non-executive directors</i>					
MD Brown (Chairman)	55,000	-	4,950	-	59,950
MR Day	20,000	-	-	-	20,000
JJ Grasso	20,000	-	1,800	-	21,800
S Guazzo	20,000	-	1,800	-	21,800
JF Hesp	20,000	-	1,800	-	21,800
Sub total non-executive directors	135,000	-	10,350	-	145,350
<i>Other key management personnel</i>					
RB Farquhar	80,275	25,000	69,725	-	175,000
Total	215,275	25,000	80,075	-	320,350

SUGAR TERMINALS LIMITED

Directors' report (continued)

30 JUNE 2006

2005	Short-term benefits		Post-Employment	Shared-based payment	
Name	Cash salary and fees \$	Cash bonus \$	Superannuation \$	Options \$	Total \$
<i>Non-executive directors</i>					
MD Brown (Chairman)	55,000	-	4,950	-	59,950
MR Day	20,000	-	-	-	20,000
JJ Grasso	20,000	-	1,800	-	21,800
S Guazzo	20,000	-	1,800	-	21,800
JF Hesp	13,804	-	1,242	-	15,046
AJ Musumeci	6,196	-	-	-	6,196
Sub total non-executive directors	135,000	-	9,792	-	144,792
<i>Other key management personnel</i>					
RB Farquhar	126,886	-	11,420	-	138,306
Total	261,886	-	21,212	-	283,098

C Service agreements (audited)

The Company does not have any service agreements with key management personnel.

D Share-based compensation (audited)

The Company does not have any share-based compensation plan.

E Additional Information (un-audited)

Loans to directors and executives

There are no loans to directors or executives.

Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance

There is no relationship between executive reward and company performance.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company is important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

SUGAR TERMINALS LIMITED
Directors' report (continued)
30 JUNE 2006

	2006	2005
	\$	\$

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

Assurance Services

PricewaterhouseCoopers Australian firm:

Audit and review of financial reports and other audit work under the *Corporations Act 2001*

- Half year review

- Year end audit

	15,000	12,000
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	42,000	37,200
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Total remuneration for assurance services

	57,000	49,200
--	--------	--------

Taxation services

PricewaterhouseCoopers Australian firm:

Review report in relation to the income tax implication for ongoing operations

Discussion and research on stamp duty

	64,020	-
--	--------	---

	-	350
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Total remuneration for taxation services

	64,020	350
--	--------	-----

Auditors' independence declaration

A copy of the auditors' independence declaration as required under Section 307C of the *Corporation Act 2001* is set out on page 13.

Corporate Governance

The Board of Directors is responsible for the overall direction of Sugar Terminals Limited 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 Directors Mr S Guazzo and Mr M R Day. 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

SUGAR TERMINALS LIMITED

Directors' report (continued)

30 JUNE 2006

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

<u>Shareholder</u>	<u>Number of Shares</u>
Vixbridge Pty Ltd	13,688,202
Bundaberg Sugar Ltd	4,193,359
Constantine J Christofides & Constantine A Christofides & Arthur C Christofides & John Constantine Christofides <Christofides Bros Trust A/C>	1,529,000
The Maryborough Sugar Factory Limited	1,503,707
James Thomas Barns	1,236,862
CSR Limited	1,111,343
Anthoan Pty Ltd	891,857
Peter Stephen Montafia	551,100
Kathryn Rosa Ahern	461,132
John Joseph Grasso	447,490

'M' class shareholders

<u>Shareholder</u>	<u>Number of Shares</u>
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

Insurance of officers

Premiums have been paid in respect of policies of insurance for current and former Directors and officers. Disclosure of the nature of the liabilities insured by these contracts and the premiums paid under these contracts of insurance is prohibited by the terms of the contracts.

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*.

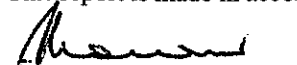
Rounding of amounts

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*.

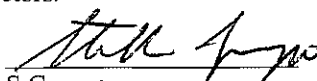
This report is made in accordance with a resolution of the directors.



MD Brown

Brisbane

7 September 2006



S Guazzo

Brisbane

7 September 2006



Auditors' Independence Declaration

PricewaterhouseCoopers
ABN 52 780 433 757
Waterfront Place
1 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001
DX 77 Brisbane
Australia
www.pwc.com/au
Telephone +61 7 3257 5000
Facsimile +61 7 32576 5999

As lead auditor for the audit of Sugar Terminals Limited for the year ended 30 June 2006,
I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sugar Terminals Limited.

A handwritten signature in black ink, appearing to read 'R J Roach', with a long horizontal stroke extending to the right.

R J Roach
Partner
PricewaterhouseCoopers

Brisbane
7 September 2006

SUGAR TERMINALS LIMITED ABN 44 010 779 496

Annual Financial report – 30 JUNE 2006

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The financial report is presented in the Australian currency.

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 Company's operations and its principal activities is included in the review of operations and activities on page 4 in the directors' report which is not part of this financial report.

The financial report was authorised for issue by the directors on 7 September 2006. The Company has the power to amend and reissue the financial report.

SUGAR TERMINALS LIMITED**Income Statement**

For the year ended 30 JUNE 2006

	Notes	2006 \$'000	2005 \$'000
Revenue from continuing operations	5	47,875	43,485
Depreciation expense	6	11,291	11,356
Professional fees expense		342	360
Insurance expense		1,191	977
Finance costs	6	2,049	2,791
Other expenses		549	699
Profit before income tax		32,453	27,302
Income tax expense	7	10,183	8,338
Profit attributable to members of Sugar Terminals Limited	20	22,270	18,964

		2006 Cents	2005 Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company			
Basic and diluted earnings per share	30	6.19	5.26

The above income statement should be read in conjunction with the accompanying notes.

SUGAR TERMINALS LIMITED**Balance Sheet**

As at 30 JUNE 2006

	Notes	2006 \$'000	2005 \$'000
Current assets			
Cash and cash equivalents	8	20,597	21,864
Trade and other receivables	9	6	77
Other	10	380	568
Total current assets		20,983	22,509
Non-current assets			
Investment properties	11	371,186	381,822
Other	12	135	209
Total non-current assets		371,321	382,031
Total assets		392,304	404,540
Current liabilities			
Trade and other payables	13	4,956	5,152
Borrowings	14	11,250	11,250
Current tax liabilities	15	3,336	1,958
Provision for dividend	16	-	7,200
Total current liabilities		19,542	25,560
Non-current liabilities			
Borrowings	17	11,250	22,500
Deferred tax liabilities	18	5,565	4,803
Total non-current liabilities		16,815	27,303
Total liabilities		36,357	52,863
Net assets		355,947	351,677
Equity			
Contributed equity	19	330,228	330,228
Retained profits	20	25,719	21,449
Total equity		355,947	351,677

The above balance sheet should be read in conjunction with the accompanying notes.

SUGAR TERMINALS LIMITED**Statement of changes in equity**

For the year ended 30 JUNE 2006

	2006 \$'000	2005 \$'000
Total equity at the beginning of the financial year	351,677	347,113
Profit attributable to members of Sugar Terminals Limited	<u>22,270</u>	<u>18,964</u>
	373,947	366,077
Transactions with equity holders in their capacity as equity holders:		
Dividends provided for or paid (Note 21)	(18,000)	(14,400)
Total equity at the end of the year	<u>355,947</u>	<u>351,677</u>
Total recognised income and expenses for the year attributable to the members of Sugar Terminals Limited	<u>22,270</u>	<u>18,964</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

SUGAR TERMINALS LIMITED**Cash Flow Statement**

For the year ended 30 JUNE 2006

	Notes	2006 \$'000	2005 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		51,804	46,987
Payments to suppliers and employees (inclusive of goods and services tax)		(6,528)	(5,966)
		<u>45,276</u>	<u>41,021</u>
Interest received		869	847
Finance costs paid		(1,786)	(2,532)
Income taxes paid		(8,043)	(7,523)
Net cash inflow from operating activities	29	<u>36,316</u>	<u>31,813</u>
Cash flows from investing activities			
Payments for investment properties		(1,133)	(2,639)
Net cash (outflow) from investing activities		<u>(1,133)</u>	<u>(2,639)</u>
Cash flows from financing activities			
Repayment of borrowings		(11,250)	(11,250)
Dividends paid to Company's shareholders		(25,200)	(7,200)
Net cash (outflow) from financing activities		<u>(36,450)</u>	<u>(18,450)</u>
Net (decrease) increase in cash and cash equivalents		(1,267)	10,724
Cash and cash equivalents at the beginning of the financial year		<u>21,864</u>	<u>11,140</u>
Cash and cash equivalents at the end of the financial year	8	<u>20,597</u>	<u>21,864</u>

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

SUGAR TERMINALS LIMITED**Notes to the financial statements**

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SUGAR TERMINALS LIMITED

Notes to the financial statements

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Note 1 Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group interpretations and the *Corporations Act 2001*.

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the financial statements and notes of Sugar Terminals Limited comply with International Financial Reporting Standards (IFRSs).

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Sugar Terminals Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Sugar Terminals Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Sugar Terminals Limited financial report for the year ended 30 June 2006, management has amended certain accounting methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Company has taken the exemption available under AASB 1 to only apply AASB 132 *Financial instruments: Disclosure and Presentation* AASB 139 *Financial instruments: Recognition and Measurement* from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Company's equity and its net income are given in Note 31.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) *Rental revenue:*

Rental revenue from operating leases is recognised in income on a straight-line basis over the lease term.

(ii) *Interest revenue:*

Interest revenue is recognised on a time proportion basis.

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(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(e) Leases

Leases in which a significant portion of the risks and rewards are retained by the lessor are classified as operating leases. Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(f) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(g) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(i) Investment property

Investment property is shown at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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Leasehold land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Buildings 50 – 80 years
- Plant and equipment 7 – 50 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(j) Impairment of assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(k) Trade and other payables

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

(l) Borrowings

Borrowings are initially recognised at fair value. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(m) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised and amortised over the term of the borrowing. Other borrowing costs are expensed.

(n) Employee benefits

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 payables 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.

Retirement benefit obligations

Contributions are made by the Company to an employee's superannuation fund and are charged as expenses when incurred.

(o) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Dividends

Provision is made for the amount of any dividend declared being appropriately authorised and no longer at the discretion of the Company, on or before the end of the year but not distributed at balance date.

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(q) Earnings per share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) 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, the nearest dollar.

(s) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. The Company's preliminary assessment of the impact of these new standards and interpretations is set out below.

(i) *UIG 4 Determining whether an Asset Contains a Lease*

UIG 4 is applicable to annual periods beginning on or after 1 January 2006. The Company has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2007 financial statements and the UIG 4 transition provisions. The Company will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 July 2006. Implementation of UIG 4 is not expected to change the accounting for any of the Company's current arrangements.

(ii) *UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

The Company does not have interests in decommissioning, restoration and environmental rehabilitation funds. This interpretation will not affect the Company's financial statements.

(iii) *AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132, AASB 101, AASB 114, AASB 117, ASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038)*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Company has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Company's financial instruments.

Note 2 Financial risk management

The Company's activities expose it to a variety of financial risks; credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

(a) Credit risk

The Company has no significant concentrations of credit risk.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities, both of which the Company considers at all times.

SUGAR TERMINALS LIMITED

Notes to the financial statements

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(c) Cash flow and fair value interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company aims to reduce any exposure to changing interest rates by having a fixed interest rate on 75% of the outstanding amount of commercial bills and a floating interest rate on the remainder.

(d) Market risk

(i) Foreign exchange risk

The Company is not exposed to price risk as a fixed price lease agreement, with CPI adjustments, is in place.

Note 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. At the date of signing this report, there are no estimates or assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(b) Critical judgements in applying the Company's accounting policies

There have been no significant judgements made in the application of the Company's accounting policies that have a material impact on the amounts recognised in the financial report.

Note 4 Segment information

Business segments

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

Note 5 Revenue

	2006 \$'000	2005 \$'000
Revenue from continuing operations		
Rental revenue	47,006	42,596
	<u>47,006</u>	<u>42,596</u>
Other revenue		
Interest revenue	869	847
Other revenue	-	42
	<u>869</u>	<u>889</u>
	<u>47,875</u>	<u>43,485</u>

Note 6 Expenses

	2006 \$'000	2005 \$'000
Profit before income tax includes the following specific expenses:		
Expenses		
Depreciation		
Investment properties	11,291	11,356
Total depreciation	<u>11,291</u>	<u>11,356</u>

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Finance costs		
Interest and finance charges paid/payable	1,975	2,717
Amortisation of capitalised finance costs	74	74
Finance costs expensed	<u>2,049</u>	<u>2,791</u>
Net loss on disposal of investment properties	20	107
Defined contributions superannuation expense	80	21

Note 7 Income tax expense

	2006	2005
	\$'000	\$'000
(a) Income tax expense		
Current taxation	9,121	7,681
Deferred tax	762	657
Under provision in previous year	300	-
	<u>10,183</u>	<u>8,338</u>

Deferred income tax expenses included in income tax expense comprises:

	2006	2005
	\$'000	\$'000
Decrease (increase) in deferred tax assets	-	-
Increase in deferred tax liabilities	762	657
	<u>762</u>	<u>657</u>

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit from continuing operations before income tax expense	32,453	27,302
Income tax calculated at the Australian tax rate of 30% (2005 – 30%)	9,736	8,191
Tax effect of permanent differences:		
Non-deductible depreciation	152	152
Sundry items	(5)	(5)
Income tax adjusted for permanent differences	9,883	8,338
Under provision in previous year	300	-
Income tax expense	<u>10,183</u>	<u>8,338</u>

Note 8 Current assets – Cash and cash equivalents

	2006	2005
	\$'000	\$'000
Cash at bank and on hand	20,597	21,864
	<u>20,597</u>	<u>21,864</u>

(a) Reconciliation to cash at the end of the year

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	20,597	21,864
Balances per cash flow statement	<u>20,597</u>	<u>21,864</u>

(b) Cash at bank and on hand

Cash at bank bears a floating interest rate of 5.5% (2005 – 5%).

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Notes to the financial statements
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Note 9 Current assets – Trade and other receivables

	2006 \$'000	2005 \$'000
Trade receivables	-	33
Other receivables	6	44
	<u>6</u>	<u>77</u>

Note 10 Current assets – Other

	2006 \$'000	2005 \$'000
Prepayments	380	568
	<u>380</u>	<u>568</u>

Note 11 Non-current assets – Investment properties

	Leasehold Land \$'000	Buildings, Plant and Equipment \$'000	Total \$'000
Year ended 30 June 2006			
Opening net book amount	16,975	364,847	381,822
Additions	-	675	675
Disposals	-	(20)	(20)
Depreciation charge		(11,291)	(11,291)
Closing net book amount	<u>16,975</u>	<u>354,211</u>	<u>371,186</u>
At 30 June 2006			
Cost	16,975	415,676	432,651
Accumulated depreciation	-	(61,465)	(61,465)
Net book amount	<u>16,975</u>	<u>354,211</u>	<u>371,186</u>

	Leasehold Land \$'000	Buildings, Plant and Equipment \$'000	In Course of Construction \$'000	Total \$'000
At 1 July 2004				
Cost	16,975	414,880	75	431,930
Accumulated depreciation	-	(39,027)	-	(39,027)
Net book amount	<u>16,975</u>	<u>375,853</u>	<u>75</u>	<u>392,903</u>
Year ended 30 June 2005				
Opening net book amount	16,975	375,853	75	392,903
Additions	-	354	28	382
Disposals	-	(107)	-	(107)
Transfers	-	103	(103)	-
Depreciation charge		(11,356)	-	(11,356)
Closing net book amount	<u>16,975</u>	<u>364,847</u>	<u>-</u>	<u>381,822</u>
At 30 June 2005				
Cost	16,975	415,091		432,066
Accumulated depreciation	-	(50,244)		(50,244)
Net book amount	<u>16,975</u>	<u>364,847</u>		<u>381,822</u>

Details of investment properties pledged as security are set out in Note 17.
Rental revenue derived from investment properties is included in Note 5.

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(a) Amounts recognised in the profit and loss for investment property.

	2006 \$'000	2005 \$'000
Direct operating expenses, including depreciation, from property that generated rental income	12,429	12,399
Direct operating expenses from property that did not generate rental income	-	-

(b) Leasing arrangements

The investment properties are leased to Queensland Sugar Limited under an operating lease (sub-lease) with rentals payable monthly.

During the year, the parties have satisfactorily completed a review of the sub-lease terms in relation to rental and the treatment of maintenance effective from 1 July 2005. As stated in the Chairman's address to the 2005 AGM, the introduction of a new sugar marketing system from 1 January 2006 may cause the Company and QSL to review the overall relationship and arrangements as set out under the terms of the sub-lease. This legislation was passed effective from 1 January 2006, and under the terms of the sub-lease it will terminate, unless otherwise agreed between the parties, twelve months after the cessation of vesting of sugar to QSL. As at 30 June 2006 it had been agreed with QSL that the termination date would be 30 June 2007. On 5 September 2006 it was agreed with QSL that this termination be extended by a further twelve months on the same terms and conditions to 30 June 2008. The parties are currently in the process of reviewing options for the operation of the terminals after that date.

Inclusive of the sub-lease extension to 30 June 2008 referred to above, the minimum lease payments receivable on leases of investment properties are as follows:

	2006 \$'000	2005 \$'000
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within one year	48,970	42,596
Later than 1 year but not later than 5 years	48,970	85,192
Later than 5 years	-	-

(c) Fair value

The fair value of investment properties at 30 June 2005 was \$581 million. This value was determined by a firm independent valuers who are certified practising valuers. The valuation of land is based on the amounts for which properties could be exchanged between willing parties in an arms length transaction. The valuation of buildings and equipment is based on depreciated replacement cost. The 30 June 2005 valuation is considered to be a fair valuation as at 30 June 2006.

Note 12 Non-current assets – Other

	2006 \$'000	2005 \$'000
Borrowing costs	135	209

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Note 13 Current liabilities – Trade and other payables

	2006 \$'000	2005 \$'000
Trade payables	664	270
Other payables	4,292	4,882
	<u>4,956</u>	<u>5,152</u>

Note 14 Current liabilities – Borrowings

	2006 \$'000	2005 \$'000
Secured		
Bills payable	11,250	11,250
	<u>11,250</u>	<u>11,250</u>

(a) 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 17. The current interest rate is 6.85%.

(b) Interest rate risk exposure

The Company's exposure to interest rate changes is set out in Note 17.

(c) Fair value disclosures

The carrying amounts are considered to equal fair value.

Note 15 Current liabilities – Current tax liabilities

	2006 \$'000	2005 \$'000
Income tax	3,336	1,958
	<u>3,336</u>	<u>1,958</u>

Note 16 Current liabilities – Provision for dividend

The directors have not declared an interim dividend to be paid (2005: \$7.2 million).

Note 17 Non-current liabilities - Borrowings

	2006 \$'000	2005 \$'000
Bank Bill Facility		
Total facility	22,500	33,750
Unused at balance date	-	-
Used at balance date	<u>22,500</u>	<u>33,750</u>
Repayable within 12 months	11,250	11,250
	<u>11,250</u>	<u>22,500</u>

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(a) Assets pledged as security

The bank bill facility is secured by:

- Mortgages of leases of areas A and B land at Townsville.
- Fixed charge over the Company's assets at Townsville.
- Fixed and floating charge over all of the Company's assets and undertaking, excluding its interests in the leases and sub-leases of land at the ports of Cairns, Mourilyan, Lucinda, Bundaberg, Brisbane and Mackay.

(b) Interest rate risk exposure

The Company is exposed to limited interest rate changes as the bills bear a fixed interest rate of 6.79% (2005 – 6.79%) on 75% of the outstanding amount and a floating interest rate on the remainder. The bills mature in July 2008.

The current interest rate is 6.85% (2005 – 6.772%).

Note 18 Non-current liabilities – Deferred tax liabilities

	2006 \$'000	2005 \$'000
The balance comprises temporary differences attributable to:		
Investment properties	5,565	4,803
	<u>5,565</u>	<u>4,803</u>
Movements:		
Opening balance at 1 July	4,803	4,146
Charged to the income statement	762	657
Closing balance at 30 June	<u>5,565</u>	<u>4,803</u>
Deferred tax liabilities to be settled after more than 12 months	5,565	4,803
Deferred tax liabilities to be settled within 12 months	-	-
	<u>5,565</u>	<u>4,803</u>

Note 19 Contributed equity

	2006 \$'000	2005 \$'000
(a) Share capital		
Ordinary shares		
Fully paid	<u>330,228</u>	<u>330,228</u>
(b) Movements in ordinary share capital		
Opening balance	330,228	330,228
Movement	-	-
Closing balance	<u>330,228</u>	<u>330,228</u>

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(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 2006 there were 360 million ordinary shares fully paid, consisting of:

"G" class ordinary shares	229,348,203
"M" class ordinary shares	<u>130,651,797</u>
	<u>360,000,000</u>

During the year ended 30 June 2006, there were no movements in the total number of ordinary shares on issue.

Note 20 Retained profits

	2006 \$'000	2005 \$'000
Retained profits		
Balance at 1 July	21,449	16,885
Profit attributable to members of Sugar Terminals Limited	22,270	18,964
Dividends provided for or paid	(18,000)	(14,400)
Balance at 30 June	<u>25,719</u>	<u>21,449</u>

Note 21 Dividends

	2006 \$'000	2005 \$'000
Ordinary shares		
Final dividend for the year ended 30 June 2005 of 5 cents (2004 – 2 cents) per share paid on 15 December 2005.		
Fully franked based on tax paid @ 30%	18,000	7,200
Interim dividend for the year ended 30 June 2006 of nil cents (2005 – 2 cents).		
Fully franked based on tax paid @ 30%	-	7,200
	<u>18,000</u>	<u>14,400</u>

Dividends not recognised at year end

In addition to the above dividends, since year end the directors have determined that a final dividend of six cents per fully paid ordinary share will be paid, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend to be paid is \$21.6 million out of retained profits at 30 June 2006, but is not recognised as a liability at year end.

Franked dividends

The franked portions of the final dividend recommended after 30 June 2006 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 2007.

	2006 \$'000	2005 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2005 – 30%)	<u>10,743</u>	<u>5,956</u>

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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 Company if distributable profits of the Company were paid as dividends.

The impact on the franking account of the dividend declared by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$9,257,000 (2005: \$7,714,000).

Note 22 Key management personnel disclosures

(a) 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

J J Grasso

S Guazzo

J F Hesp

(b) Other key management personnel

The Company has only one executive:

Name	Position
R B Farquhar	General Manager and Company Secretary

(c) Key management personnel compensation

	2006 \$'000	2005 \$'000
Short-term employee benefits	240,275	261,886
Post-employment benefits	80,075	21,212
Share based payments	-	-
	320,350	283,098

The Company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the Director's Report. The relevant information can be found in Sections A to D of the Remuneration Report on pages 8 to 10.

(d) Equity instrument disclosures relating to key management personnel

Share holdings

The number of ordinary shares in the Company held during the financial year by each director and other key management personnel of the Company, including their personally related entities, are set out below. There were no shares granted during the reporting period as compensation.

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	Held at 30 June 2005	Purchases	Other changes during the year	Held at 30 June 2006
J J Grasso	447,490	-	-	447,490
S Guazzo	256,020	-	-	256,020
J F Hesp	242,655	20,000	-	262,655

(e) Other transactions with key management personnel

Mr JF Hesp is a director of Australian Sugar Milling Council Pty Limited. Australian Sugar Milling Council Pty Limited provides administrative and secretarial services to Sugar Terminals Limited. Under the terms of the arrangement provision of these services has been extended to 30 June 2007. The services are provided on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with key management personnel of Sugar Terminals Limited:

	2006 \$'000	2005 \$'000
Amounts recognised as expense		
Services provided by Australia Sugar Milling Council Pty Limited.	85	85

Note 23 Remuneration of auditors

	2006 \$	2005 \$
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During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

(a) Assurance services

PricewaterhouseCoopers – Australian firm
Audit and review of financial reports and other audit work
under the *Corporations Act 2001*.
Total remuneration for assurance services

57,000	49,200
57,000	49,200

(b) Taxation services

PricewaterhouseCoopers – Australian firm
Review report in relation to income tax implications for
ongoing operations of the Company
Other services

64,020	-
-	350
64,020	350

Note 24 Contingent liabilities

The Company continues to have a contingent liability relating to the construction of the new storage shed at Townsville.

In August 2002, Queensland Sugar Ltd (QSL), as agent for STL, entered into a contract with Walter Construction Group (Walter) to construct the shed. The construction project which is being managed by Queensland Sugar Limited (QSL), as agent for the Company, is incomplete.

On 10 December 2004, the Company received a statement of claim from Walter claiming \$15.01 million as damages pursuant to the Trade Practices Act, or alternatively, various claims for moneys due under the contract amounting to \$18.96 million excluding interest.

On 2 February 2005, Walter appointed administrators following an announcement by its parent Walter Bau, that it was filing for insolvency in Germany. On 30 March 2005 the Company was placed in liquidation.

The action is presently stayed and it is not known whether the liquidator or some other party will proceed with the action.

SUGAR TERMINALS LIMITED
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The claim is denied by STL and, if it proceeds, it will be strenuously defended. A counter claim will also be lodged.

STL is managing the dispute in conjunction with QSL and, at this time, it is not possible to estimate the timing or the quantum, if any, of any future liability in relation to the claim, or the costs to rectify defective works.

Note 25 Commitments

	2006 \$'000	2005 \$'000
Capital commitments		
Capital expenditure for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	-	-
Later than one year but not later than 5 years	-	-
Later than 5 years	-	-
	<hr/>	<hr/>

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 24).

Note 26 Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in Note 22.

Note 27 Economic dependency

The Company depends on Queensland Sugar Limited (QSL) for most of its revenue. During the year ended 30 June 2006, 98% (2005 – 98%) of the Company's revenue was sourced from QSL under the Company's sub-lease agreement with that company.

Note 28 Events occurring after the balance sheet date

As stated in Note 11, since the end of the financial year, it has been agreed with QSL to extend the sub-lease on the same terms and conditions for a period up to 30 June 2008 to enable the parties to review a range of options for the operation of the terminals.

Except as stated above, there were no significant events occurring after the balance sheet date.

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

	2006 \$'000	2005 \$'000
Profit for the year	22,270	18,964
Depreciation	11,291	11,356
Net loss (gain) on disposal of non-current assets	20	107
Decrease (increase) in trade and other receivables	71	66
Decrease (increase) in prepayments	188	210
Decrease (increase) in other non-current assets	75	74
Increase (decrease) in trade and other payables	261	221
Increase (decrease) in current tax liabilities	1378	158
Increase (decrease) in deferred tax liabilities	762	657
Net cash inflow from operating activities	<hr/> 36,316 <hr/>	<hr/> 31,813 <hr/>

Note 30 Earnings per share

	2006 Cents	2005 Cents
(a) Basic and diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company	6.19	5.26
Profit attributable to the ordinary equity holders of the Company	<u>6.19</u>	<u>5.26</u>
	2006 \$'000	2005 \$'000
(b) Reconciliation of earnings used in calculating earnings per share		
<i>Basic and diluted earnings per share</i>		
Profit from continuing operations	22,270	18,964
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	<u>22,270</u>	<u>18,964</u>
	2006 Number	2005 Number
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (Note 19).	<u>360,000,000</u>	<u>360,000,000</u>

SUGAR TERMINALS LIMITED**Notes to the financial statements**

30 JUNE 2006

Note 31 Explanation of transition to Australian equivalents to IFRSs**(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)****(a) At the date of transition to AIFRS: 1 July 2004**

	Previous AGAAP	Effect of transition to AIFRS	AIFRS
	\$'000	\$'000	\$'000
Current assets			
Cash and cash equivalents	11,140	-	11,140
Trade and other receivables	143	-	143
Other	778	-	778
Total current assets	<u>12,061</u>	-	<u>12,061</u>
Non-current assets			
Investment properties	392,903	-	392,903
Other	283	-	283
Total non-current assets	<u>393,186</u>	-	<u>393,186</u>
Total assets	<u>405,247</u>	-	<u>405,247</u>
Current liabilities			
Trade and other payables	6,898	-	6,898
Borrowings	11,250	-	11,250
Current tax liabilities	2,090	-	2,090
Total current liabilities	<u>20,238</u>	-	<u>20,238</u>
Non-current liabilities			
Borrowings	33,750	-	33,750
Deferred tax liabilities	4,146	-	4,146
Total non-current liabilities	<u>37,896</u>	-	<u>37,896</u>
Total liabilities	<u>58,134</u>	-	<u>58,134</u>
Net assets	<u>347,113</u>	-	<u>347,113</u>
Equity			
Contributed equity	330,228	-	330,228
Retained profits	16,885	-	16,885
Total equity	<u>347,113</u>	-	<u>347,113</u>

Note 31 Explanation of transition to Australian equivalents to IFRSs
(continued)

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Previous AGAAP	Effect of transition to AIFRS	AIFRS
	\$'000	\$'000	\$'000
Current assets			
Cash and cash equivalents	21,864	-	21,864
Trade and other receivables	77	-	77
Other	568	-	568
Total current assets	<u>22,509</u>	-	<u>22,509</u>
Non-current assets			
Investment properties	381,822	-	381,822
Other	209	-	209
Total non-current assets	<u>382,031</u>	-	<u>382,031</u>
Total assets	<u>404,540</u>	-	<u>404,540</u>
Current liabilities			
Trade and other payables	4,856	-	4,856
Borrowings	11,250	-	11,250
Current tax liabilities	2,254	-	2,254
Provision for dividend	7,200	-	7,200
Total current liabilities	<u>25,560</u>	-	<u>25,560</u>
Non-current liabilities			
Borrowings	22,500	-	22,500
Deferred tax liabilities	4,803	-	4,803
Total non-current liabilities	<u>27,303</u>	-	<u>27,303</u>
Total liabilities	<u>52,863</u>	-	<u>52,863</u>
Net assets	<u>351,677</u>	-	<u>351,677</u>
Equity			
Contributed equity	330,228	-	330,228
Retained profits	21,449	-	21,449
Total equity	<u>351,677</u>	-	<u>351,677</u>

Note 31 Explanation of transition to Australian equivalents to IFRSs
(continued)

(2) Reconciliation of profit for the year ended 30 June 2005

	Previous AGAAP	Effect of transition to AIFRS	AIFRS
	\$'000	\$'000	\$'000
Revenue from continuing operations	43,485		43,485
Depreciation and amortisation expenses	(11,356)	-	(11,356)
Professional fees expense	(360)	-	(360)
Insurance expense	(977)	-	(977)
Finance costs	(2,791)	-	(2,791)
Other expenses	(699)	-	(699)
Profit before income tax	27,302	-	27,302
Income tax expense	(8,338)	-	(8,338)
Profit attributable to members of Sugar Terminals Limited	18,964	-	18,964

(3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRSs has not resulted in any adjustments to the cash flow statement.

SUGAR TERMINALS LIMITED

Directors' declaration

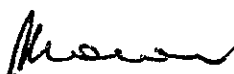
30 JUNE 2006

In the directors' opinion:

- (a) the financial statements and notes set out on pages 14 to 34 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; 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; and
- (c) the audited remuneration disclosures set out on pages 8 to 10 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The directors have been given the declarations by the chief executive officer and chief financial officer required by Section 295A of the *Corporations Act 2001*.

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



MD Brown
Director
Brisbane
7 September 2006



S Guazzo
Director
Brisbane
7 September 2006

PricewaterhouseCoopers
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Independent audit report to the members of

Sugar Terminals Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Sugar Terminals Limited (the Company) for the financial year ended 30 June 2006 included on Sugar Terminals Limited web site. The Company's directors are responsible for the integrity of the Sugar Terminals Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion

In our opinion,

the financial report of Sugar Terminals Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Sugar Terminal Limited as at 30 June 2006, 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*.
2. the audited remuneration disclosures that are contained on pages 8 to 10 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) 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 balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Sugar Terminals Limited (the Company), for the year ended 30 June 2006.

The Company has disclosed information about the remuneration of key management personnel (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 8 to 10 of the directors' report, as permitted by the *Corporations Regulations 2001*.

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. The directors are also responsible for the remuneration disclosures contained in the directors' 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 and the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*. 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. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*.

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 remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

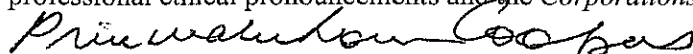
Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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.

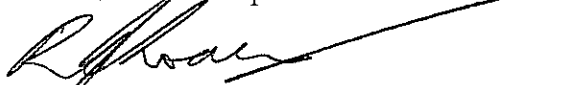
Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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



PricewaterhouseCoopers



R J Roach
Partner

Brisbane

7 September 2006