

**SUGAR TERMINALS LIMITED** ABN 17 084 059 601  
**Half-year report – 31 December 2018**

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# **SUGAR TERMINALS LIMITED**

## **Directors' report**

**31 December 2018**

Your Directors present their report on the entity of Sugar Terminals Limited (STL) for the half-year ended 31 December 2018.

### **Directors**

The Board of STL comprises seven members. In accordance with the STL constitution, G Class and M Class shareholders have equal representation on the Board, with two grower appointed Directors and two miller appointed Directors. In addition, STL has three independent Directors, including an independent Chairman.

The following persons were Directors of STL during the whole of the half-year and up to the date of this report:

Mr (Alan) Mark Gray  
Mr Sam (Salvatore) Bonanno  
Mr Ian Davies  
Ms Leanne Muller  
Mr Shayne Rutherford  
Mr Drew (Donald) Watson

Mr Constantine Christofides was a Director from the beginning of the financial year until his retirement at the Annual General Meeting on 24 October 2018, having served three consecutive terms. Mr Anthony (Tony) Bartolo was elected by G Class shareholders as a Director on 24 October 2018.

### **Review of operations**

STL provides sustainable and globally competitive storage and handling solutions for bulk sugar and other commodities.

Commencing 1 July 2017, STL implemented a new business model, transitioning from a landlord only to an infrastructure owner and services provider. The company made this significant change in response to the introduction of grower choice legislation and the decision by major millers to market export sugar independently from 1 July 2017.

STL has storage and handling agreements in place with six raw sugar marketers, invoicing the marketers directly for storage and handling services provided. These agreements have a term of three years, and expire in June 2021, with options to extend for a further two years. STL has in place an operating agreement with Queensland Sugar Limited (QSL) as its key operations contractor, with a term to 30 June 2022. The term of this agreement extends by 12 months from 1 July 2019 (and by 12 months on 1 July each year), with STL able to terminate the agreement with three years notice.

STL revenue for the half year ended 31 December 2018 was \$47.6 million, in line with last year (2017: \$47.6 million). The revenue from bulk sugar handling was \$46.7 million (2017: \$46.7 million), represented by revenue for availability charges of \$24.9 million (2017: \$24.4 million) and revenue from operating and testing charges of \$21.9 million (2017: \$22.3 million), which represent a direct recovery from customers of costs incurred without margin or mark up. The lower operational costs were achieved despite a 12% increase to the raw sugar tonnes handled in the six months (compared to the six months ending 31 December 2017), thereby delivering significant additional value to customers.

The profit attributable to STL shareholders has grown by 2% to \$13.2 million (2017 \$12.9 million). This result is in line with STL's ongoing ambition to achieve stable, reliable and sustainable returns to our investors, whilst maintaining responsible cost control for customers.

### **Significant changes**

There were no significant changes in the nature of the STL's principal activities during the financial half year.

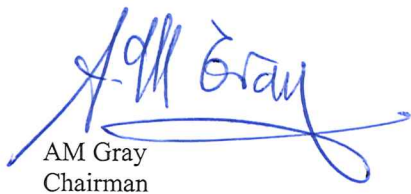
### **Auditor's independence declaration**

A copy of the auditor's independence declaration is attached on page 4 in accordance with section 307C of the *Corporations Act 2001*.

### **Rounding of amounts**

The company is of a kind referred to in ASIC legislative instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

A handwritten signature in blue ink, appearing to read 'AM Gray', with a large, sweeping flourish underneath.

AM Gray  
Chairman

Brisbane  
28 February 2019

### *Auditor's Independence Declaration*

As lead auditor for the review of Sugar Terminals Limited for the half-year ended 31 December 2018, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



Ben Woodbridge  
Partner  
PricewaterhouseCoopers

Brisbane  
28 February 2019

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001  
T: +61 7 3257 5000, F: +61 7 3257 5999, [www.pwc.com.au](http://www.pwc.com.au)

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# SUGAR TERMINALS LIMITED ABN 17 084 059 601

## Half-year report – 31 December 2018

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This interim financial report does not include all the notes of the type usually included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Sugar Terminals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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  
Level 11  
348 Edward Street  
BRISBANE QLD 4000

**SUGAR TERMINALS LIMITED**  
**Statement of comprehensive income**  
For the half-year ended 31 December 2018

		<b>Half-year</b>	
	<b>Notes</b>	<b>2018</b>	<b>2017</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue from continuing operations</b>	<b>7</b>	<b>47,622</b>	<b>47,561</b>
Operating expenses		<b>(19,850)</b>	<b>(20,228)</b>
Depreciation expense		<b>(6,472)</b>	<b>(6,181)</b>
Professional fees expense		<b>(336)</b>	<b>(488)</b>
Insurance expense		<b>(1,232)</b>	<b>(1,169)</b>
Net loss on disposal of property, plant and equipment			<b>(150)</b>
Other expenses		<b>(752)</b>	<b>(741)</b>
<b>Profit before income tax</b>		<b>18,980</b>	<b>18,604</b>
Income tax expense		<b>(5,815)</b>	<b>(5,700)</b>
<b>Total comprehensive income</b>		<b>13,165</b>	<b>12,904</b>

	<b>2018</b>	<b>2017</b>
	<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company</b>		
Basic and diluted earnings per share	<b>3.66</b>	<b>3.58</b>

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

**SUGAR TERMINALS LIMITED**  
**Statement of financial position**  
As at 31 December 2018

	Notes	31 Dec 2018 \$'000	30 Jun 2018 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		26,026	13,591
Trade and other receivables		2,245	5,840
Other financial assets		7,000	12,000
Total current assets		<u>35,271</u>	<u>31,431</u>
<b>Non-current assets</b>			
Property, plant and equipment		329,470	330,810
Total non-current assets		<u>329,470</u>	<u>330,810</u>
<b>Total assets</b>		<u>364,741</u>	<u>362,241</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	6	21,009	19,219
Current tax liabilities		1,419	1,452
Total current liabilities		<u>22,428</u>	<u>20,671</u>
<b>Non-current liabilities</b>			
Net deferred tax liabilities		9,277	9,459
Total non-current liabilities		<u>9,277</u>	<u>9,459</u>
<b>Total liabilities</b>		<u>31,705</u>	<u>30,130</u>
<b>Net assets</b>		<u>333,036</u>	<u>332,111</u>
<b>EQUITY</b>			
Contributed equity		317,628	317,628
Retained earnings		15,408	14,483
<b>Total equity</b>		<u>333,036</u>	<u>332,111</u>

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



**SUGAR TERMINALS LIMITED**  
**Statement of changes in equity**  
For the half-year ended 31 December 2018

	Notes	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
<b>Total equity as at 1 July 2018</b>		<b>317,628</b>	<b>14,483</b>	<b>332,111</b>
<b>Comprehensive income</b>				
Profit for the half year			13,165	
<b>Total comprehensive income for the period</b>			<b>13,165</b>	
<b>Transactions with owners in their capacity as owners:</b>				
Dividends paid	3		(12,240)	
<b>Total equity as at 31 December 2018</b>		<b>317,628</b>	<b>15,408</b>	<b>333,036</b>

	Notes	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
<b>Total equity as at 1 July 2017</b>		<b>317,628</b>	<b>12,171</b>	<b>329,799</b>
<b>Comprehensive income</b>				
Profit for the half year			12,904	
<b>Total comprehensive income for the period</b>			<b>12,904</b>	
<b>Transactions with owners in their capacity as owners:</b>				
Dividends paid	3		(11,520)	
<b>Total equity as at 31 December 2017</b>		<b>317,628</b>	<b>13,555</b>	<b>331,183</b>

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



# SUGAR TERMINALS LIMITED

## Statement of cash flows

For the half-year ended 31 December 2018

		Half-year	
	Notes	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		71,351	61,459
Payments to suppliers and employees (inclusive of goods and services tax)		(40,336)	(29,134)
		<u>31,015</u>	<u>32,325</u>
Interest received		337	220
Income taxes paid		(6,031)	(5,250)
<b>Net cash inflow from operating activities</b>		<u>25,321</u>	<u>27,295</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant & Equipment		(5,646)	(5,778)
Proceeds from financial assets		5,000	4,000
<b>Net cash (outflow) from investing activities</b>		<u>(646)</u>	<u>(1,778)</u>
<b>Cash flows from financing activities</b>			
Dividends paid to the company's shareholders	3	(12,240)	(11,520)
<b>Net cash (outflow) from financing activities</b>		<u>(12,240)</u>	<u>(11,520)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>12,435</b>	<b>13,997</b>
Cash and cash equivalents at the beginning of the half-year		<u>13,591</u>	<u>7,945</u>
<b>Cash and cash equivalents at the end of the half-year</b>		<u><b>26,026</b></u>	<u><b>21,942</b></u>

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

# **SUGAR TERMINALS LIMITED**

## **Notes to the financial statements**

31 December 2018

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# SUGAR TERMINALS LIMITED

## Notes to financial statements

31 December 2018

### Note 1 Basis of preparation of half-year report

This general purpose financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Sugar Terminals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim financial reporting period, except for the adoption of new and amended standards as set out below:

#### (a) New and amended standards adopted by the entity

A number of new or amended standards became applicable for the current reporting period.

- AASB 9 Financial Instruments, and
- AASB 15 Revenue from Contracts with Customers.

The company has evaluated the impact of the new standards on its accounting policies and believes it aligns with the requirements of the new standards, with no requirement to make retrospective adjustments as a result of adopting the new standards.

#### (b) AASB 9 Financial Instruments – Impact of adoption

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets, instruments, liabilities and the derecognition of financial instruments, impairment of financial assets and hedge accounting.

##### *Impairment of financial assets*

STL have financial assets in the form of trade receivables from the provision of storage and handling services. STL applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Based on trading experience and market conditions, the company does not provide for a loss allowance for trade receivables. While cash and cash equivalents and other financial assets are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

STL does not have any hedging arrangements.

The application of AASB 9 Financial Instruments from 1 July 2018 has not resulted in any significant impact to the company's financial statements.

#### (c) AASB 15 Revenue from Contracts with Customers – Impact of adoption

AASB 15 is a revenue recognition standard and replaces AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

STL has evaluated the impact of the new standard on its revenue recognition policies and believes it aligns with the requirements of AASB 15, with no requirement to restate comparatives for the 2017 financial year.

##### *Storage and handling services – Accounting policy*

In the storage and handling agreements with raw sugar customers, STL have a single performance obligation to stand-ready to provide capacity to its customers for an integrated service of providing storage, receiving and outloading during the financial year. Revenue is recognised as STL is standing ready to provide the mandated capacity and receival/outloading over the 12 month period.

# SUGAR TERMINALS LIMITED

## Notes to financial statements

31 December 2018

Testing charges and other user specific charges are deemed separate performance obligations in the contract. The performance obligation for these services is only satisfied and revenue recognised at the time the performance is undertaken.

(d) Impact of standards issued but not yet applied by the entity

*AASB 16 Leases (mandatory for the financial year beginning 1 July 2019).*

AASB 16 was issued in February 2016 and replaces AASB 117 Leases. It introduces a single lessee accounting model with no distinction between operating and finance leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The accounting for lessors will not significantly change.

The company has reviewed all of its agreements to determine if a lease is defined in the contract and the estimated values to be recognised on the balance sheet. Below is a summary of the major agreements reviewed and the outcomes:

1. Head leases – STL has signed 100 year leases with the port authorities, with options to extend these leases that are in control of the company. The rental consideration for each lease is a nominal \$1.00 per annum. Commencing in 2001, the value of the land attributable to each has been recognised on STL's balance sheet as Leasehold Land. As the value attributable to the lease liability for the head leases is considered immaterial, no change will be made to their accounting treatment under AASB 16.
2. Wharf licences (Mourilyan, Townsville and Mackay) – STL has 100 year licence agreements in place for the non-exclusive use of the wharf facilities at Mourilyan, Townsville and Mackay, with options to extend these licences that are in control of the company. As STL does not obtain substantially all of the economic benefits from the underlying asset (the wharfs), then these agreements are not considered to incorporate a lease for the purposes of AASB 16.
3. Wharf licences (Cairns, Lucinda and Bundaberg) – STL has 100 year licence agreements in place for the wharf land upon which the STL's wharfs reside at Cairns, Lucinda and Bundaberg, with options to extend these licences that are in control of the company. For these licences, STL does obtain substantially all of the economic benefits from the underlying assets (the wharf land) therefore the agreements are considered to incorporate a lease for the purposes of AASB 16.  
  
The Lucinda wharf licence fee is \$1.00 and there is no fee for the Bundaberg wharf licence. Therefore the value attributable to the lease liability for the wharf licences at these locations is considered immaterial and no change will be made to their accounting treatment under AASB 16. At Cairns, STL pays an annual licence fee to the Port to cover land tax which is linked to the value of the land determined by the Valuer General.
4. Operating Agreement – STL has an operating agreement with QSL to operate and maintain their terminals and undertake capital works. This agreement allows for QSL to keep QSL owned assets at the terminal for this purpose. The agreement is deemed to be a services agreement in nature with QSL maintaining rights to substitute assets and direct their use. Therefore it is deemed that this contract does not contain a lease for the purposes of AASB 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).



# SUGAR TERMINALS LIMITED

## Notes to financial statements

31 December 2018

### Note 2 Segment information

STL's operations are monitored by the company as one operating segment, and this is how the results are reported internally and how the business is managed. The CEO and the Board assess the performance of the company based on earnings before tax.

### Note 3 Dividends

	Half-year	
	2018	2017
	\$'000	\$'000
<b>Ordinary shares</b>		
Final dividend for the year ended 30 June 2018 of 3.4 cents (2017 – 3.2 cents) per share paid on 28 September 2018.		
Fully franked based on tax paid @ 30%	12,240	11,520
	<u>12,240</u>	<u>11,520</u>

On 28 February 2019, Directors determined that a dividend of \$12.6 million (3.5 cents per share), fully franked on tax paid at 30%, will be paid on 29 March 2019 to shareholders whose names are recorded on the register on 8 March 2019.

### Note 4 Events occurring after the balance sheet date

In January 2019, the company entered into an agreement with Ports North to surrender for market value a small parcel of land (0.2 hectares) at the Cairns terminal and the sale of a storage shed on the land.

### Note 5 Economic dependency

STL depends on six customers for 98% of their revenue via income from storage and handling agreements.

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

31 December 2018

**Note 6      Related party transactions**

	Half-year	
2018		2017
\$		\$

**(a) Transactions with related parties**

The following transactions occurred with related parties:

Provision of services to shareholders	46,380,904	45,749,541
Purchase of services from shareholders	34,091,263	23,595,344

**(b) Outstanding balances arising from sales/ purchases**

The following balances (inclusive of any goods and services tax) are outstanding at the end of the reporting period in relation to transactions with related parties:

Current Receivables (provision of services to shareholders)	47,671	500
Current Payables (purchase of services from shareholders)	3,103,941	3,745,063
Prepaid revenue from shareholders	16,418,926	12,643,418

**(c) Terms and Conditions**

The transactions have been recorded in accordance with the terms and conditions included in the storage and handling agreements.

**Note 7      Revenue information**

	Half-year	
2018		2017
\$'000		\$'000

**Revenue from external customers**

Timing of revenue recognition

At a point in time	1,274	1,363
Over time	46,348	46,198

47,622	47,561
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# SUGAR TERMINALS LIMITED

## Directors' declaration

For the half-year ended 31 December 2018

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 13 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 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Sugar Terminals Ltd will be able to pay its debts as and when they become due and payable.

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



AM Gray  
Chairman

Brisbane  
28 February 2019





## **Independent auditor's review report to the members of Sugar Terminals Limited**

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Sugar Terminals Limited (the Company), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

### ***Directors' responsibility for the half-year financial report***

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sugar Terminals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001  
T +61 7 3257 5000, F +61 7 3257 5999, [www.pwc.com.au](http://www.pwc.com.au)

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### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sugar Terminals Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*Ben Woodbridge*

Ben Woodbridge  
Partner

Brisbane  
28 February 2019