STL

Annual Report

2020-2021

Contents

This annual report for Sugar Terminals Limited (STL) is a summary of the Company's operations, activities and financial position for the year ended 30 June 2021. It complies with Australian reporting requirements and was authorised for issue by the Directors on 26 August 2021. The Directors have the power to amend and reissue the financial statements included in this report.

STL (ABN 17 084 059 601) is a Company limited by shares and is incorporated and domiciled in Australia. Its registered office and principal place of business is Level 11, 348 Edward St, Brisbane, Queensland.

References to the financial year or 'FY' are to the year ended 30 June. All dollar figures are expressed in Australian currency.

An electronic version of this report is available at www.sugarterminals.com.au. In consideration of the environment, printed copies of the annual report are only posted to shareholders who have requested a copy.

Report objectives

This annual report is provided for the benefit of STL's shareholders. It provides a clear and concise summary of STL's performance for the 2021 financial year and outlook for the year ahead. It meets STL's compliance and governance requirements and aims to build awareness of STL's operations and explain the Company's performance against its stated purpose and values.

Annual General Meeting (AGM)

STL will hold its AGM on Wednesday 20 October 2021 at the office of Clayton Utz, Level 28, 71 Eagle Street, Brisbane, Queensland, at 10.00am (Brisbane time). For those who cannot attend the meeting in person, the AGM will be webcast live to shareholders with a recording of the webcast posted to the STL website following the meeting.

STL encourages increased ownership of the Company by active sugar cane growers and reminds any inactive G Class shareholders of their requirement to divest their shares as per the STL constitution.

About STL

STL provides sustainable and globally competitive storage and handling solutions for bulk sugar and other commodities through its assets at the ports of Cairns, Mourilyan, Lucinda, Townsville, Mackay and Bundaberg.

STL is a vital component of Queensland's sugar industry, an industry that generates over $4 billion in direct and indirect value to the Queensland economy and employs more than 22,000 people.

STL's terminals handle in excess of 4.6 million tonnes of raw sugar and other bulk commodities each year (including molasses, wood pellets, gypsum and silica sands), and provide 2.48 million tonnes of storage capacity.

STL is publicly listed on the National Stock Exchange of Australia (NSX: SUG). It has a market capitalisation in excess of $360 million and over 5,000 shareholders. Share ownership is restricted to sugar industry participants (growers and millers).

Purpose

To be a sustainable, globally competitive provider of storage and handling solutions for bulk sugar and other commodities.

Key success areas

1. Safety, health and environment
Meet our community, stakeholder and regulatory requirements

2. Customer service
Deliver on our promises to customers

3. Financial
Remain competitive and support the financial sustainability of the sugar industry

4. Asset stewardship
Manage the infrastructure to support STL's long term future

5. Innovation and improvement
Implement commercial and operational best practice

6. Income diversification
Maximise the value generated by our assets

7. Working together
Develop effective strategic partnerships

Year in review

STL continued its focus on responsible cost control while maintaining service levels.

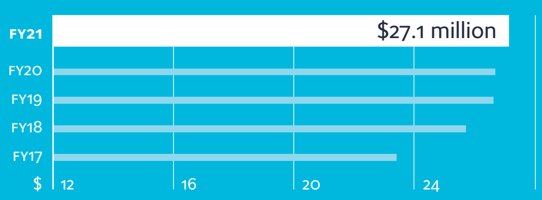
47,798
Train wagons received

48,948
Trucks received

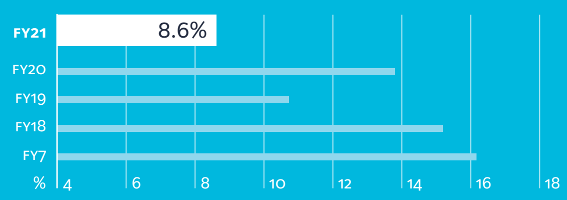
6,170
Trucks dispatched

110
Ships loaded in total

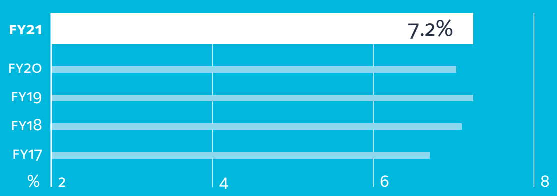
Net profit after tax (NPAT) ($ millions)



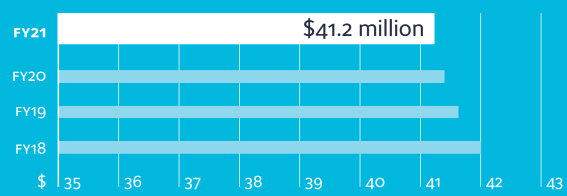
Total shareholder return (%)[2]



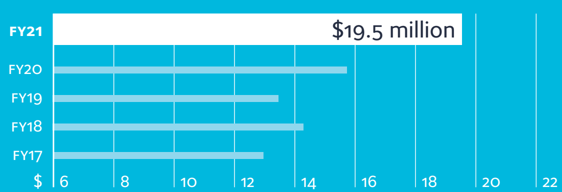
Return on assets (%)[1]



Terminal activity charges ($ millions)[3]



Capital investment ($ millions)



Re-roofing

165,721m²

completed since 2012

Once completed the total re-roofing project will have re-roofed an area equivalent to approximately 753 tennis courts.

1 Full year NPAT as a percentage of total assets as at 30 June
2 Full year movement in G class share price plus dividends paid during the year, as a percentage of share price at beginning of the year
3 Activity charges to raw sugar customers, excluding insurance

STL's Chairman Mark Gray at the Mackay terminal.

Chairman's message

> Your Directors are acutely conscious that these assets are owned by the sugar industry for the long term benefit of the industry. **The STL Board and Management are responsible stewards of these assets on behalf of our shareholders.**
>
> **Mark Gray**
> Chairman

Over the course of FY21, STL has demonstrated resilience by delivering a steady performance in the face of unprecedented global disruption. At the same time, the increasing volatility of the economic environment – both globally and locally – highlights that this is no time for complacency.

Over the last five years, my colleagues and I have overseen significant changes to STL's business model and day-to-day operations. We understand the crucial role the business plays in the supply chain for Australia's sugar industry and its responsibility to meet the needs of our customers and shareholders operating in competitive international markets. I want to take this opportunity to discuss the challenges facing the business, as well as the opportunities open to us, as we plan for the future.

Financial stability

STL has a sound financial position, reinforced by solid operational results for the year, which deliver on our commitment to steadily improving returns for shareholders. Underlying profit for the 2021 financial year of $27.1 million was marginally higher than the 2020 result of $26.7 million. Return on assets was also slightly higher at 7.2% (FY20: 7.1%).

STL paid $25.9 million in dividends (fully franked) during the year, an increase of 1.4% on the previous year, with G Class shares closing at $1.025 at 30 June 2021.

Total activity charges for FY21 were 0.4% lower than the previous year (excluding the impact of insurance), consistent with our objective of keeping costs flat. This was achieved by working closely with our operations contractor under our Operating Agreement to identify productivity improvements and maximise efficiency.

Driving better performance

During the year, STL has made further progress in lifting performance in the seven key success areas which we have previously established (see inside cover). This is essential to ensure the future sustainability and growth of the business to support our customers and shareholders.

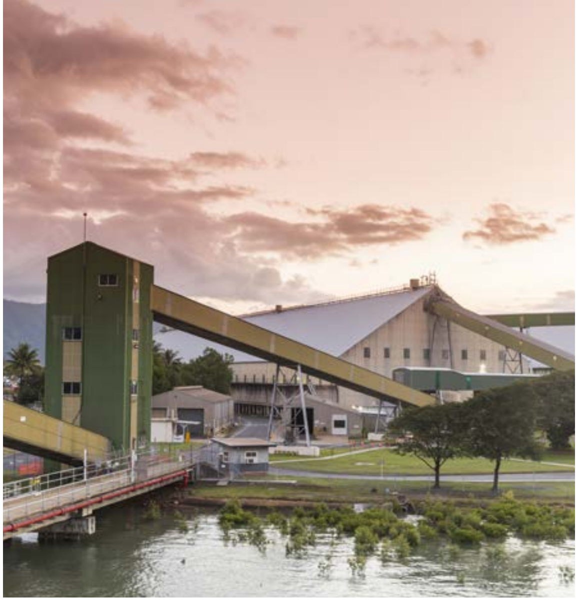
We maintain a sharp focus on continuous improvement – across both business processes and outcomes – so that we are always striving to find better ways to work. Part of this involves leveraging the learnings and expertise on best practice commercial, operating and maintenance standards in other industries.

STL is committed to driving operating costs even lower, whilst not compromising in any way on the quality of our service or assets. We believe there are still areas where our operational performance can be improved. We will continue to scrutinise all aspects of our business model, and ensure transparency and accountability for performance, because every dollar saved is a benefit for industry – through lower storage and handling charges, increased investment in better assets, or increased dividends.

Challenges and opportunities

The COVID-19 pandemic and a number of extreme weather events in the last 18 months have badly affected several major participants in the global sugar market. In Australia, where a quick and decisive response to the threat of COVID-19 minimised harm and supported a rapid economic recovery, the sugar industry has benefitted from a period of improving prices.

These short term challenges for global competitors provide an opportunity for the Australian sugar industry to take stock of its long term challenges. Sugarcane production is declining in some regions and further mill closures are possible as growers move to more lucrative commodities. In addition, the industry's workforce is ageing and extreme weather events are predicted to become more prevalent. All of these trends need to be considered in navigating the future.



Weigh tower and storage shed at the Cairns terminal.

STL's Board inspect loading of a vessel at the Mackay terminal.

For STL, this means extending the working life of our critical facilities and investing in opportunities to improve asset utilisation wherever possible. We are close to completing our decade-long reroofing project that will extend the life of storage assets right across our portfolio by at least 40 years.Your Directors are acutely conscious that these assets are owned by the sugar industry for the long term benefit of the industry. The STL Board and Management are responsible stewards of these assets on behalf of our shareholders.

We are also close to making an investment decision on the development of new common user infrastructure at the Port of Bundaberg in partnership with Gladstone Ports Corporation, which could create opportunities to support new customers and diversify our income streams, without compromising our core commitment to the sugar industry.

These examples demonstrate the complexity of the challenges ahead. It also shows how we can address those challenges in ways that generate regional benefits as well as for the broader sugar industry. As with most things in life, each solution requires a careful balance of costs and benefits. It also requires an appetite for capital investment among our shareholders.

Outlook

The results of the 2021 financial year demonstrate that STL has systems and processes in place to protect its people and continue to serve its customers reliably in the face of future outbreaks of COVID-19. Our ongoing focus on cost control will continue to keep our operations competitive and our capital programs will ensure our assets continue to support the sugar industry for the long term.

I would like to thank my fellow Directors for their hard work and support throughout the last 12 months. In particular, a warm welcome is extended to our two new Non-executive Directors: Mr Stephen Calcagno (appointed by G Class shareholders in October 2020) and Mr Rohan Whitmee (appointed by M Class shareholders in June 2021). I would also like to acknowledge the contribution of Mr Rees Fleming during his period on the Board from 21 October 2020 to 21 April 2021.

Special thanks go to the STL team for their diligence and tenacity during a difficult year. Chief Executive Officer (CEO) David Quinn joined us in October 2020 when he took the reins from John Warda and has become a familiar face across our operations over the last eight months. He has already proved himself a worthy addition to the team and has added new perspectives and value to the business.

In closing, it is important to acknowledge our shareholders for their loyalty and ongoing support of STL. We have been pleased to resume our regional site meetings of the Board – visiting both Mourilyan and Mackay in the first half of 2021 - and to once again benefit from face-to-face interaction with our stakeholders. It is a privilege that we have all learned to appreciate.

Mark Gray

Mark Gray
Chairman

STL's CEO David Quinn at the Mackay terminal.

Chief Executive Officer's report

The 2021 financial year was a positive one for STL, its customers, business partners and shareholders. The Company has delivered on its promises safely and sustainably, with strong operational performance and a long term focus on asset stewardship.

> STL's great challenge is to ensure we maintain our ageing assets in a way that recognises **the vital role they play both now and long into the future.**
>
> **David Quinn**
> Chief Executive Officer

Throughout my first eight months with STL, I have sought to immerse myself in the business, spending time at the operational sites, meeting the terminal staff, engaging with our customers and broadening my understanding of the sugar industry and the challenges we collectively face. Seeing our assets in action has also reinforced to me the vital link we play in the overall supply chain and I have been impressed by the level of commitment and dedication shown at the bulk sugar terminals. It is important that we continue to focus our attention on the safety of our operations and full compliance with our environmental obligations.

COVID-19 resilience

The industry's thorough and collective response to the COVID-19 pandemic at the start of 2020 ensured normal operations continued without interruption at all STL terminals during FY21. Careful planning with key contractors ensured work also continued on major reroofing projects in Mackay and Townsville, without affecting operations during the crushing season.

Strict shipping protocols are still in place at each site, with all vessels required to be at sea for 14 days before berthing and interaction with crew kept to a bare minimum. Whilst a number of site requirements have been lifted consistent with public health advice, we remain vigilant and are confident that we can reintroduce more stringent measures at short notice if necessary to ensure that our ability to service the needs of the industry is not compromised.

Operational improvement

Good crushing seasons in 2020 and 2021 have reinforced the role STL plays in reliably and efficiently undertaking the storage and handling of raw sugar. Raw Sugar received and outloaded for the financial year was 7.6 million tonnes, which is up 0.1% on the FY20 result. The terminals stored a peak of 2.2 million tonnes of sugar during the season, delivering value to the industry. Shipping operations were equally reliable, with a total of 110 ships loaded for FY21.

Given STL's crucial role in Australia's sugar industry, it is vital that we continue to learn from the experience of others in the storage and handling of bulk commodities and strive for best practice in reliability and efficiency. Despite our good past performance, we must always look towards the future.

Asset management

A highlight of FY21 was Mourilyan terminal achieving 60 years of operations on 1 October 2020. While COVID-19 restrictions limited the size of the celebration, it couldn't diminish the longevity and scale of our operational footprint over time. STL's great challenge is to ensure we maintain our ageing assets in a way that recognises the vital role they play both now and long into the future.

STL's $100 million reroofing program is a perfect example. By 30 June 2021, the program was nearing completion, with Shed 1 completed in Mackay in September 2020 and work commencing on Shed

Qld Premier Sir Francis Nicklin and dignitaries at the official opening of the Mourilyan terminal in 1960.

Loading of raw sugar at the Lucinda terminal.

2 at Townsville in May 2021. Works on Shed 1 in Townsville which will commence in late FY22 will be the last of 12 sheds to be reroofed as part of our 10-year, $100 million roof replacement program. The program is expected to be completed on time and on budget by September 2022. This program has been a significant investment in our assets and will extend their operational lives by up to 40 years which reflects our commitment to the sugar industry.

In the next financial year, we will also begin preparatory work on replacing the conveyor belt that runs the length of the 6 kilometre jetty at Lucinda and was installed in 1977. The conveyor belt, which is one of the longest in the world, is getting towards the end of its life after more than 40 years of reliable service.

Detailed capital planning is already underway as we assess our next round of major capital projects including further investments in our ship loaders, wharves and shed structures.

Business diversification

While raw sugar will always be our core business, STL is working hard to identify other bulk commodities that could increase asset utilisation and revenues and ultimately generate a return to our shareholders. During FY21, STL progressed with plans to develop common user infrastructure at our Bundaberg terminal. In partnership with the owner of the Port of Bundaberg, Gladstone Ports Corporation, STL approved detailed design work to develop a facility alongside the sugar terminal to handle a range of other commodities including silica sands, wood pellets and ilmenite. A final investment decision will be made in FY22.

Team focus

STL is a lean operation that oversees a significant asset portfolio. In 2021, we welcomed Richard Hughes to the team to provide technical support in the area of asset engineering.

The achievements outlined in this report would not have been possible without the guidance of our Board of Directors, the dedication of the STL staff and the support of our operations contractor. We are equally grateful for the loyalty and support of our customers and shareholders.

When I joined STL as Chief Executive Officer in October 2020, I was excited about the future of the business, whilst remaining aware of the long-term challenges faced by the industry. After eight months I have certainly enjoyed the opportunity to date and I look forward to working closely with our key stakeholders to deliver long term benefits for the sugar industry into the future.

David Quinn
Chief Executive Officer

Our Values

We are passionate about being:

Safe
A team that cares for people

Sustainable
Responsible stewards of our assets and the environment, maintaining and creating long term value in the business

Service orientated
Focused on customer satisfaction, cost-efficiency, excellence and quality

Innovative
Future-focused, always improving, flexible, responsive and transforming

Independent
Equitable and honest, acting with integrity, providing open access

Leadership

Left to right Ian Davies, David Quinn, Richard Hughes, Leanne Muller, Peter Bolton, Mark Gray (Chairman), Tony Bartolo, Sam Bonanno, Stephen Calcagno

Board of Directors

(Alan) Mark Gray

Independent Non-executive Chairman

Appointed 7 March 2017

Mark is an accomplished Chairman and Company Director, highly experienced across a range of corporate, government and not-for-profit entities. As well, he has an outstanding record of significant achievement in Chief Executive roles and senior executive roles in both the public and private sectors, primarily in financial management and financial services. He holds an Honorary Doctorate from Griffith University and a Bachelor of Economics (First Class Honours) from the University of Queensland. He is a Senior Fellow with the Financial Services Institute of Australia and a Fellow of the Australian Institute of Company Directors (AICD).

Current directorships/other interests

Royal Flying Doctor Service of Australia: Non-executive Director, Queensland Section and Queensland Foundation Data#3: Non-executive Director Queensland Cricket: Non-executive Director, genomiQa: Non-executive Director, Queensland Urban Utilities: Non-executive Director, Tailored Superannuation Solutions: Chairman

Tony (Anthony) Bartolo

Non-executive Director appointed by G Class shareholders

Appointed 24 October 2018

Tony is a third generation farmer (Smartcane BMP accredited) and has extensive experience in financial services and the sugar industry. He is a former Director of Mackay Sugar Limited and was a Partner of DGL Accountants (from 1999 to 2013). Tony is a Graduate Member of the AICD, holds a Fellowship of CPA Australia, Diploma of Financial Services (Financial Planning) and a Bachelor of Commerce. He is also a Justice of the Peace.

Tony is a member of STL's Finance & Audit Committee.

Stephen Calcagno

Non-executive Director appointed by G Class shareholders

Appointed 21 October 2020

Stephen is a fourth generation cane farmer, farming 400 hectares of Smartcane BMP accredited cane in the Babinda/Bellenden Ker district.

Stephen is a member of STL's Safety, Health, Environment & Risk Committee.

Current directorships/other interests

Canegrowers Cairns Region: Chairman, Queensland Canegrowers Organisation (QCGO): Director

Sam (Salvatore) Bonanno

Independent Non-executive Director

Appointed 7 March 2017

Sam is an independent non-executive director specialising in ports, logistics, infrastructure, mining, and agricultural industries. With more than 40 years' experience in Australia and overseas, his roles encompassed strategic planning, commercial negotiations, operations management, asset management, project management, minerals processing and bulk supply chain management.

He has held four non-executive board positions in Australia – with three key industry providers and a government corporation for regional economic development – as well as being a director and chair of a global industry association for bulk export coal ports and terminals.

He has a Bachelor of Engineering (Mechanical) from CQUniversity, an Advanced Diploma in Business Management from the Australian Institute of Management and has completed the Supply Chain Management residential program at Stanford University, USA. Sam is a member of the Institute of Engineers and Graduate Member of the AICD.

Sam is the Chair of STL's Safety, Health, Environment & Risk Committee.

Current directorships/other interests

Sugar Research Australia: Non-executive Director and Chair of the Audit and Risk Committee, CQUniversity: Member of the Strategic Planning and Projects Committee, University Council

Management

David Quinn
Chief Executive Officer
Appointed 22 October 2020

David is a highly regarded executive with more than 25 years' experience in private and public sector organisations with a strong focus in the transport, logistics and shipping sectors. Previous roles included as inaugural CEO of Building Queensland as well as senior executive management roles with Linfox, TasRail, Asciano Group, GasNet Australia and BHP. David holds a Bachelor of Economics from the University of Queensland and Bachelor of Laws with Honours from the University of Melbourne. He was admitted as a Barrister and Solicitor in the Supreme Court of Victoria.

Peter Bolton
Chief Financial Officer & Company Secretary
Appointed 18 April 2017

Peter has over 20 years' experience in large-scale commercial enterprises in Australia and internationally. Prior to joining STL, Peter held roles as Chief Operating Officer and Chief Financial Officer at Amart Furniture and previously, senior finance and operational roles with Woolworths, including Head of Finance for their liquor division and consumer electronics joint venture with TATA in India. Peter is a CPA and holds a Masters of Management, Bachelor's Degrees in Commerce and Arts and is a Graduate Member of the AICD.

Current directorships/other interests

Rosies Youth Outreach: Non-executive Director

Richard Hughes
Assets and Engineering Manager
Appointed 15 March 2021

Richard has over 30 years of international experience in engineering design, construction and asset management for bulk materials handling facilities, heavy industry, transport and utilities. Prior to joining STL, Richard held engineering, project management and asset management roles with government agencies and consulting firms including Urban Utilities, Gold Coast City Council and predecessors of Aurecon and AECOM. Richard holds a Bachelor of Engineering and is a Chartered Professional Engineer, a Registered Professional Engineer of Queensland (RPEQ) and a Certified ISO 55001 Asset Management Assessor.

Leanne Muller
Independent Non-executive Director
Appointed 6 December 2017

Leanne is a highly experienced finance executive with a 30-year career including senior corporate financial management roles and professional advisory services roles. She has previously worked as Chief Financial Officer (or equivalent) for RACQ, Uniting Care Queensland and Energex Limited. Prior to those appointments, Leanne worked for PricewaterhouseCoopers and with the Australian Securities and Investment Commission (ASIC). Leanne holds a Bachelor of Commerce and is a member of the Institute of Chartered Accountants and Graduate Member of the AICD.

Leanne is Chair of STL's Finance & Audit Committee.

Current directorships/other interests

Data#3: Non-executive Director, Peak Services: Non-executive Director, Guide Dogs Queensland: Non-executive Director, Hyne Timber Group: Non-executive Director

Ian Davies
Non-executive Director appointed by M Class shareholders
Appointed 20 October 2016

Ian is General Manager of Wilmar Sugar Australia's agricultural operations, accountable for farming operations, plant breeding and research and development. His experience has included management roles in a range of industries including finance, supply chain and logistics, sugar and cotton. Ian holds a Bachelor of Applied Science (Rural Technology) as well as postgraduate qualifications in management. He is also a Graduate Member of the AICD.

Ian is a member of STL's Finance & Audit Committee. He has previously been a member of STL's Safety, Health, Environment & Risk Committee

Current directorships/other interests

Australian Molasses Trading: Non-executive Director, Burdekin Productivity Services: Non-executive Director, Herbert Cane Productivity Services: Deputy Chair, Sugar Services: Deputy Chair, Plane Creek Productivity Services: Deputy Chair.

Rohan Whitmee
Non-executive Director appointed by M Class shareholders
Appointed 18 June 2021

Rohan is General Manager Procurement Purchasing and Supply for Wilmar Sugar. He is responsible for the commercial and contractual relationships with Wilmar Sugar's suppliers as well as engaging across all Wilmar owned businesses in Australia and New Zealand and the global Wilmar Group. His experience includes engineering, commercial and management roles across industries including mining, infrastructure, aviation, FMCG and agriculture in a number of businesses. He has worked in Australia as well as Indonesia and the US. Rohan holds a Bachelor of Mechanical Engineering (Hons) and a Bachelor of Economics from Monash University and an MBA from Melbourne Business School.

Rohan is a member of STL's Safety, Health, Environment & Risk Committee.

Corporate governance statement

STL is committed to good corporate governance, consistent with ASX governance principles. STL's governance framework has evolved with the Company's development and will continue to be refined, in line with the eight principles of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations – 4th edition.*

This corporate governance statement outlines STL's governance practices and policies and their compliance with the recommendations.

Principle 1:

Lay solid foundations for management and oversight

A listed entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.

Recommendation 1.1:
Board Charter

STL's Board Charter provides detailed information on the operation of the Board and is available on the Company's website. The Board reviews its Charter every two years to ensure compliance with legislation and good governance practices.

The respective roles of STL's Board of Directors and its management are set out in the Board Charter. The Board is responsible for the overall direction and affairs of the business. Its role is to govern STL rather than to manage it and its main task is to set the strategic direction of the Company and oversee the performance of the CEO and senior management. Senior management's role is to manage the Company in accordance with the directions and delegations of the Board.

The Chairman oversees the conduct of the Board and its relations with shareholders and other stakeholders.

Recommendation 1.2:
Appointments

STL carefully considers the character, experience, qualifications and skill of potential candidates for appointment as independent Directors of the Board and conducts appropriate checks to verify the suitability of candidates prior to their appointment.

For Directors elected by M Class and G Class shareholders, STL has developed a Director skill matrix which highlights the skills, knowledge and experience necessary for an STL Director and provides this to industry associations (e.g. Canegrowers, other grower organisations and the Australian Sugar Milling Council) prior to the call for nominations for Directors elected by M Class and G Class shareholders.

STL provides material information relevant to a decision to elect or re-elect a Director in the Notice of Meeting provided to shareholders.

Recommendation 1.3:
Written agreements

STL provides all Directors and senior executives with a written letter of appointment that sets out the terms of their appointment.

Recommendation 1.4:
Company Secretary

STL's Company Secretary is accountable to the Board, through the Chair. The Company Secretary facilitates STL's corporate governance processes and is responsible for coordinating Board meetings and minutes, for communicating with regulatory bodies, and for all statutory and other filings.

Recommendation 1.5:
Diversity policy

STL has a diversity and inclusion policy, which is available on the Company's website. The Company is committed to improving the diversity of its small workforce.

Recommendation 1.6:
Board performance

STL's Board recognises its responsibility to conduct regular evaluations of the performance of the Board and individual Directors. Each year, the Board's performance is evaluated against the requirements of the Board Charter and leading practice principles of good governance.

It is STL's policy that, every three years, the Board engages an independent firm with expertise in Board assessment to facilitate the process. The external review includes a review of the performance of the Chairman, individual Directors and Board Committees.

CEO David Quinn and Wade Cummins, Northern Area Manager for BESIX Watpac, inspect progress of the re-roofing project at the Townsville terminal

Recommendation 1.7: **Senior executive performance**

STL's Board evaluates the performance of its senior executives annually against goals, targets and other key performance indicators determined by the Board. The STL Board undertook an evaluation for all senior executives in FY21.

Principle 2:

Structure the board to be effective and add value

The board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.

Recommendation 2.1: **Nomination committee**

The Board as a whole has responsibility for succession planning and for identifying the character, experience, qualifications and skills required for any new independent Director that is appointed to the Board.

Recommendation 2.2: **Skills matrix**

STL discloses the profiles of its Board members on its website and in its annual report to shareholders. These profiles set out the skills, experience and qualifications of Directors.
It also provides a skills matrix to industry bodies highlighting the skills, knowledge and experience necessary for an STL Director prior to the call for nominations for Directors appointed by M Class and G Class shareholders.

Recommendation 2.3: **Director independence**

STL discloses the names, length of service, qualifications and experience of all of its Directors on the Company's website and in its annual report.

As detailed in STL's constitution, all Directors have a legal obligation to disclose to the Board any material interest which relates to the business of the Company.

When an issue arises at a Board meeting relating to such an interest, the Board will discuss the matter and where relevant, will require the Director with the disclosed interest to leave the meeting. The matter will then be discussed further by the remaining non-conflicted Directors and any resolution will be made by the non-conflicted Directors.

The Director with the interest will be notified of any resolution following the finalisation of the meeting.

The Company Secretary maintains a Register of Conflicts of Interest.

Recommendation 2.4: **Number of independent directors**

STL's constitution requires that the number of Industry Directors appointed by its M Class and G Class shareholders be equal and exceed the number of independent Directors by at least one.

For the majority of FY21, STL's Board of seven Directors comprised three Independent Directors, two Directors appointed by G Class shareholders and two Directors appointed by M Class shareholders.

Mr Rees Fleming resigned as an M Class appointed Director on 21 April 2021. Mr Rohan Whitmee was elected as a replacement M Class appointed Director at the Class Meeting of M Class shareholders on 18 June 2021.

Loading of raw sugar at the Bundaberg terminal.

STL's raw sugar storage sheds at the Mackay terminal.

Recommendation 2.5:
Independent chair

The Board Charter requires that STL appoint an independent, non-executive Director as Chair and STL acts in accordance with the Charter. STL currently has an independent Chairman.

Recommendation 2.6:
Director induction and professional development

New Directors undergo a full induction into their role on the Board. STL has a Board Professional Development Policy that requires Directors to undertake the AICD course and relevant assessment within 12 months of joining the Board (if they have not already done so). Directors are required to maintain relevant Director professional development as outlined by the AICD.

Principle 3:
Instil a culture of acting lawfully, ethically and responsibly

A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.

Recommendation 3.1:
Values

In 2018, the STL Board adopted five core values for the business: Safe, Sustainable, Service orientated, Innovative and Independent. These values reflect the qualities inherent in STL's purpose.

Recommendation 3.2:
Board code of conduct

A Directors' code of conduct is included within STL's Board Charter, which is available on the Company website. Any breaches of the code of conduct are advised to the Board.

Recommendation 3.3:
Whistleblower policy

STL's whistleblower policy is available on the STL website. In accordance with this policy, the outcome of any whistleblower-related investigation must be reported to the STL Board, but the identity of the whistleblower must be kept confidential at all times.

Recommendation 3.4:
Anti-bribery and corruption policy

STL's Code of Conduct describes required behaviours and responsibilities of all STL Directors and employees. The Code of Conduct requires any issues related to bribery or corruption to be reported to the Board.

The Code of Conduct is available on the Company's website.

Principle 4:
Safeguard the integrity of corporate reports

A listed entity should have appropriate processes to verify the integrity of its corporate reports.

Recommendation 4.1:
Audit committee

STL's Board has a Finance & Audit Committee that comprises of three non-executive Directors.

The Charter of the Committee and the qualifications and experience of Committee members are provided on the STL website. Details regarding the number of Committee meetings held and member attendance are published in STL's annual report.

Recommendation 4.2:
CEO & CFO declaration

The CEO and CFO each provide a statement to the STL Board with the half yearly and annual financial report to the effect that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Recommendation 4.3:
External audit

STL's annual and half year reports are externally audited by independent auditors. The process is overseen by the Board's Finance & Audit Committee and managed by STL's CFO.

STL's Board inspect operations at the Mackay terminal.

Principle 5:

Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1:
Disclosure policy

The Board's commitment to compliance with continuous disclosure under the NSX listing rules is contained within the STL Board Charter, which is available on the Company's website.

Recommendation 5.2:
Distribution of material announcements

STL's Company Secretary ensures the Board receives copies of all market sensitive announcements as soon as they have been released to the NSX. Announcements are also published on the STL website.

Recommendation 5.3:
Disclosure of new or substantive presentations

Presentations that provide new or substantive information about STL are released to the NSX and posted on the STL website by the Company Secretary in a timely manner.

Principle 6:

Respect the rights of security holders

A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

Recommendation 6.1:
Website

STL's Company Secretary provides information about the Company, its strategic direction and corporate governance via the STL website: www.sugarterminals.com.au.

Recommendation 6.2:
Investor relations program

STL's stakeholder engagement policy requires STL to allocate appropriate resources to give due consideration and respond to concerns of its investors. STL commits to holding three STL Board meetings per year at its bulk sugar terminals and aims to visit each terminal within a 2 year timeframe.

Recommendation 6.3:
Shareholder participation

STL encourages shareholder attendance at general meetings and welcomes questions from investors. For those who cannot attend the meeting in person, meetings are webcast live to shareholders with a recording of the webcast posted to the STL website following the meeting. The Company Secretary publishes all materials released at the Annual General Meeting on the Company's website.

Recommendation 6.4:
Substantive resolutions

All substantive resolutions at a meeting of STL security holders are decided by a poll.

Recommendation 6.5:
Electronic communications

STL and its share registry manager Link Market Services provides all shareholders with the option to receive and send Company communications electronically.

Loading of raw sugar at the Mackay terminal.

Principle 7:

Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1:

Risk committee(s)

STL's Board has a Safety, Health, Environment and Risk Committee, which is committed to safeguarding the people and environment associated with STL's operations. The Committee comprises of three non-executive Directors.

The Charter of the Committee and the qualifications and experience of Committee members are available on the STL website. Details regarding the number of Committee meetings and member attendance are published in STL's annual report.

Recommendation 7.2:

Risk review

Through its Safety, Health, Environment and Risk Committee, STL's Board ensures that the Company has an appropriate risk management framework.

STL undertakes an annual review of strategy and operations to update its risk profile in line with the risk appetite set by the Board in conjunction with management.

Recommendation 7.3:

Internal audit

The STL Board ensures that the Company has an appropriate risk management framework through its Safety, Health, Environment and Risk Committee, which is responsible for evaluating and continually improving the effectiveness of its risk management and internal control processes.

Recommendation 7.4:

Material exposure to environment and social risks

STL assesses its material exposure to environmental and social risks through the STL risk management framework. Where STL has a material exposure to environmental and social risks, these are reported in STL's annual report.

Principle 8:

Renumerate fairly and responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders and with the entity's values and risk appetite.

Recommendation 8.1:

Remuneration committee

The full Board has responsibility for the functions associated with remuneration of Directors and senior executives. Subject to ratification by the Board, the CEO is responsible for overseeing changes to remuneration arrangements, performance targets and assessments for direct reports.

Recommendation 8.2:

Remuneration policies and practices

STL sets out its policies and practice for the remuneration of Directors and senior executives in its annual remuneration report, which is published within the Company's annual report.

Recommendation 8.3:

Equity-based remuneration

The STL constitution limits shares on issue by the Company to M Class shares and G Class shares. M Class shares can only be issued to Active Millers. G Class shares can only be issued to Active Growers. Due to these limitations, STL does not have an equity-based remuneration scheme.

Directors' report

1. Principal activities

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

STL has a storage and handling agreement in place with six raw sugar marketers, invoicing the marketers directly for storage and handling services provided. The current agreement expires on 30 June 2022, with a new agreement to be put in place before this date.

STL has an operating agreement with Queensland Sugar Limited (QSL) as its key operations contractor, with a term to 30 June 2025. The term of this agreement extends by 12 months from 1 July each year, with STL able to terminate the agreement with three years' notice.

2. Review of operations and financial performance

STL revenue for the year ended 30 June 2021 was $98.8 million, 1.3% above last year (2020: $97.5 million). The revenue from bulk sugar handling was $97.5 million (2020: $96.0 million), represented by revenue for availability charges of $51.8 million (2020: $50.5 million) and revenue from operating and testing charges of $45.7 million (2020: $45.5 million). Operating and testing charges are a direct recovery, from customers, of costs incurred without margin or mark up. Excluding increases in the cost of insurance, STL's operational costs were below last year in nominal terms, reflecting STL's ongoing commitment to cost control whilst maintaining excellent service levels to our customers.

The profit attributable to STL shareholders has grown by 1.8% to $27.1 million (2020 $26.7 million). This result is in line with STL's ongoing ambition to achieve stable, reliable and sustainable returns to our investors.

Five year comparative performance and financial position is summarised below. STL adopted its new operating model in FY18.

Comparative financial information

	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Revenue from continuing operations	**98,793**	97,495	97,180	96,226	51,081
Profit attributable to shareholders	**27,123**	26,654	26,596	25,712	23,418
Balance sheet					
Current assets	**32,893**	39,158	32,379	31,431	18,157
Non-current assets	**341,531**	335,573	330,828	330,810	329,492
Current liabilities	**(22,643)**	(26,690)	(19,992)	(20,671)	(8,800)
Non-current liabilities	**(16,470)**	(13,933)	(9,348)	(9,459)	(9,050)
Net assets	**335,311**	334,108	333,867	332,111	329,799

3. Dividends

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

	2021 $'000	2020 $'000
Final dividend for the year ended 30 June 2020 of 3.6 cents per share (2019 – 3.5 cents per share), fully franked based on tax paid of 30%, paid on 30 September 2020.	**12,960**	12,600
Interim dividend for the year ended 30 June 2021 of 3.6 cents per share (2020 – 3.6 cents per share), fully franked based on tax paid of 30%, paid on 31 March 2021.	**12,960**	12,960
	25,920	25,560

On 26 August 2021, the Directors determined that a final ordinary dividend of $12.96 million (3.6 cents per fully paid share), fully franked based on tax paid at 30%, will be paid on 30 September 2021 to shareholders whose names are recorded on the Register on 10 September 2021.

4. Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2021 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.

5. Environmental regulation

From 1 July 2017, STL has responsibility for the environmental impact of the terminals and maintains, via the operating agreement with QSL, the environmental licences under the *Environmental Protection Act 1994*.

6. Information on Directors and Company Secretary

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

Mr (Alan) Mark Gray
Mr Tony (Anthony) R Bartolo
Mr Sam (Salvatore) G Bonanno
Mr Ian R Davies
Ms Leanne M Muller

The following persons were Directors of STL from the beginning of the financial year until their retirement, as per the requirements of the STL Constitution, at the AGM on 21 October 2020:

Mr Shayne W Rutherford
Mr Drew (Donald) A Watson

Mr Stephen Calcagno and Mr Rees Fleming were elected as Directors at the AGM on 21 October 2020. Mr Rees Fleming resigned as a Director of STL on 21 April 2021.

Mr Rohan S Whitmee was elected as a Director at the Class Meeting of M Class shareholders of STL held on 18 June 2021.

Mr Calcagno and Mr Whitmee continue in office at the date of this report.

Mr Peter M Bolton is the Company Secretary, and was appointed to the position on the 26 May 2017.

Further information on Directors and the Company Secretary is provided on pages 6 to 7.

7. Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2021, and the numbers of meetings attended by each Director were:

	Directors' Meetings		Safety, Health, Environment & Risk Committee Meetings		Finance & Audit Committee Meetings	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
SG Bonanno	8	8	5	5	–	–
AR Bartolo	8	8	–	–	3	3
S Calcagno	6	6	4	4	–	–
IR Davies	8	8	5	4	3	3
R Fleming	5	5	2	2	–	–
AM Gray	8	7	–	–	–	–
LM Muller	8	8	–	–	3	3
SW Rutherford	2	2	1	1	–	–
DA Watson	2	2	–	–	–	–
RS Whitmee	–	–	–	–	–	–

8. Remuneration report

The information provided in this remuneration report has been audited as required by Section 308 (3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

The objective of the Company's remuneration framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework aligns remuneration with the achievement of strategic objectives and the creation of value for shareholders. The Board ensures that remuneration satisfies the following key criteria for good reward governance practices:

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

The Company has structured a remuneration framework that is market competitive and complementary to the reward strategy of the organisation. Directors are not eligible for performance bonuses.

Non-executive Directors

Fees and payments to non-executive Directors reflect the duties and responsibilities of STL Directors. Non-executive Directors' fees are reviewed periodically by the Board. The last market review of independent Director fees was in 2017 in preparation for the new business model and the recruitment of additional independent Directors.

Directors are appointed for a term not exceeding 3 years and each Director is subject to retirement by rotation in line with the constitution. A Director may only be appointed for a maximum of 3 consecutive terms. No notice is required for termination.

Directors' fees

The Directors' remuneration is reviewed with effect from 1 July each year.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically subject to approval by shareholders. The maximum aggregate annual amount is $550,000 which was approved by shareholders at the AGM on the 21 October 2020. This revised fee pool limit allowed STL to:

- Align fees paid to M Class and G Class elected Directors to the fees paid to Independent Directors. This alignment commenced on 21 October 2020 and recognises the shared responsibility and liability of all STL Directors.
- Pay a $5,000 per annum allowance (inclusive of superannuation) to the Chair of the Safety, Health, Environment & Risk Committee and a $5,000 per annum allowance (inclusive of superannuation) to the Chair of the Finance & Audit Committee. These allowances are in recognition of the Chair's additional responsibilities, consistent with good governance and market practices.

The increase in Directors' fees has been absorbed within STL's existing costs with no increase in overall costs as a result of the initiative, due to other cost savings achieved by STL.

The following fees per annum (inclusive of statutory superannuation) have applied:

	21/10/20 - 30/6/21	**1/7/20 - 20/10/20**	**30 June 2020**
Chairman	$103,121	$103,121	$103,121
Independent non-executive Directors	$61,873	$61,873	$61,873
Non-executive Directors appointed by G & M Class shareholders	$61,873	$39,388	$39,388
Committee Chair Allowance	$5,000	-	-

Retirement allowances for Directors

Non-executive Directors are not entitled to retirement allowances or termination payments.

Executive pay

The CEO, CFO and Assets & Engineering Manager's employment contracts do not have a minimum term. The CEO's employment contract stipulates a 6 months' notice of termination. Both the CFO and Assets & Engineering Manager's contracts incorporates a 3 months' notice of termination.

The executive pay and reward framework has three components:

- base pay and benefits
- short-term performance incentives
- other remuneration such as superannuation.

Base pay

Executives are offered a competitive base pay, which is reviewed annually to ensure the remuneration is in line with the market. As at 30 June 2021, the fixed remuneration for the CEO is $370,000 (inclusive of superannuation), the CFO is $270,000 (inclusive of superannuation) and the Assets & Engineering Manager is $200,000 (exclusive of superannuation). There are no guaranteed base pay increases fixed into management contracts.

Benefits

No other benefits were paid during the year.

Short-term incentives

Executive pay incorporates the opportunity to earn a short-term performance incentive (STI). Each year the Board considers appropriate key performance indicators and financial and non-financial targets for executives and evaluates performance against these targets. STI payments may be adjusted according to achievements against the targets, at the discretion of the Board.

Executive remuneration does not incorporate any long-term performance incentives.

The following table provides an overview of a number of factors affecting shareholder value over the past five years:

	2021 $'000	**2020 $'000**	**2019 $'000**	**2018 $'000**	**2017 $'000**
Profit attributable to members of STL	**27,123**	26,654	26,596	25,712	23,418
Dividends (relating to the year)					
Interim	**12,960**	12,600	12,240	11,520	11,160
Final	**12,960**	12,960	12,600	11,880	11,520
Earnings per share (basic)	**7.53¢**	7.40¢	7.39¢	7.14¢	6.51¢
Share price at 30 June ($)	**$1.025**	$1.01	$0.95	$0.92	$0.86

Details of remuneration

Details of the remuneration of each Director and executives of STL are set out in the following tables.

2021

	Short-term benefits						
	Cash salary and fees	Bonus	Leave benefits	Non-monetary benefits	Other – termination benefit	Post-employment benefits (Superannuation)	Total
Name	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-executive Directors							
AR Bartolo	50,267	–	–	–	–	4,775	55,042
SG Bonanno	59,683	–	–	–	–	5,670	65,353
S Calcagno	39,340	–	–	–	–	3,737	43,077
IR Davies	55,042	–	–	–	–	–	55,042
R Fleming	31,047	–	–	–	–	–	31,047
AM Gray (Chairman)	94,174	–	–	–	–	8,947	103,121
LM Muller	59,683	–	–	–	–	5,670	65,353
SW Rutherford	12,071	–	–	–	–	–	12,071
DA Watson	11,023	–	–	–	–	1,047	12,070
RS Whitmee	2,234	–	–	–	–	–	2,234
Subtotal non-executive Directors	**414,564**	**–**	**–**	**–**	**–**	**29,846**	**444,410**
Executives							
PM Bolton	242,504	53,550	11,542	–	–	25,000	332,596
RG Hughes	60,000	4,468	–	–	–	5,700	70,168
DR Quinn	239,959	63,146	20,398	–	–	16,667	340,170
JP Warda	90,919	–	2,653	–	–	25,000	118,572
Total	**1,047,946**	**121,164**	**34,593**	**–**	**–**	**102,213**	**1,305,916**

Mr Rutherford and Mr Watson ceased as a Director of STL on 21 October 2020 and Mr Calcagno and Mr Fleming commenced as a Director of STL on 21 October 2020.

Mr Fleming ceased as a Director of STL on 21 April 2021 and Mr Whitmee commenced as a Director of STL on 18 June 2021

Mr Warda ceased employment as Chief Executive Officer of STL on 21 October 2021 and Mr Quinn commenced employment as Chief Executive Officer of STL on 22 October 2021.

Mr Hughes commenced as Asset & Engineering Manager of STL on the 15 March 2021.

2020

	Short-term benefits						
	Cash salary and fees	Bonus	Leave benefits[1]	Non-monetary benefits	Other – termination benefit	Post-employment benefits (Superannuation)	Total
Name	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-executive Directors							
AR Bartolo	35,971	–	–	–	–	3,417	39,388
SG Bonanno	56,504	–	–	–	–	5,368	61,872
IR Davies	39,388	–	–	–	–	–	39,388
AM Gray (Chairman)	94,174	–	–	–	–	8,947	103,121
LM Muller	56,504	–	–	–	–	5,368	61,872
SW Rutherford	39,388	–	–	–	–	–	39,388
DA Watson	35,971	–	–	–	–	3,417	39,388
Subtotal non-executive Directors	**357,901**	**–**	**–**	**–**	**–**	**26,517**	**384,418**
Executives							
PM Bolton	229,998	51,000	6,453	–	–	25,000	312,451
JP Warda	319,069	80,325	12,772	–	–	25,000	437,166
Total	**906,968**	**131,325**	**19,225**	**–**	**–**	**76,517**	**1,134,035**

[1] Leave benefits includes the net movement of short-term leave benefit such as annual leave

Share-based compensation

The Company does not have a share-based compensation plan. Directors and executives do not have any rights to subscribe for equity or debt securities of the Company.

Additional information

There are no loans to Directors or executives.

9. 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 non-audit services provided during the year are set out below:

	2021	2020
	$	$
PricewaterhouseCoopers Australian firm:		
Accounting advice:	**–**	–
Taxation advice:	**–**	–

10. Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 18.

11. 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.

12. 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*.

13. Rounding of amounts

STL is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

14. Auditor

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

Mark Gray

(Alan) Mark Gray
Chairman

Brisbane
26 August 2021

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

Auditor’s independence declaration

Auditor’s Independence Declaration

As lead auditor for the audit of Sugar Terminals Limited for the year ended 30 June 2021, 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.

Ben Woodbridge
Partner
PricewaterhouseCoopers

Brisbane
26 August 2021

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30 June 2021

Annual financial report

Roof replacement of Shed 2 at the Townsville terminal.

Statement of comprehensive income

For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
Revenue from continuing operations	2	**98,793**	97,495
Operating expenses	3	**(40,810)**	(40,909)
Depreciation expenses	3	**(13,509)**	(13,022)
Insurance expense		**(3,113)**	(2,707)
Employee benefits expense	3	**(1,431)**	(1,356)
Professional fees expense		**(710)**	(883)
Net gain/ (loss) on disposal of plant & equipment		**(2)**	(67)
Net gain/ (loss) on disposal of leasehold land		**–**	–
Other expenses		**–**	–
Operating profit		**39,218**	38,551
Finance costs	11	**(128)**	(131)
Profit before income tax		**39,090**	38,420
Income tax expense	4	**(11,967)**	(11,766)
Profit for the year		**27,123**	26,654
Other comprehensive income		**–**	–
Total comprehensive income		**27,123**	26,654

	Notes	2021 Cents	2020 Cents
Earnings per share from continuing operations attributable to the ordinary equity holders of the Company			
Basic and diluted earnings per share	5	**7.53**	7.40

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

Statement of financial position

As at 30 June 2021

	Notes	2021 $'000	2020 $'000
Assets			
Current assets			
Cash and cash equivalents	6	**22,068**	30,601
Trade and other receivables	8	**2,768**	1,557
Current tax assets		**1,057**	–
Other financial assets	7	**7,000**	7,000
Total current assets		**32,893**	39,158
Non-current assets			
Property, plant and equipment	9	**339,025**	333,525
Intangible assets	10	**609**	–
Right-of-use asset	11	**1,897**	2,048
Total non-current assets		**341,531**	335,573
Total assets		**374,424**	374,731
Liabilities			
Current liabilities			
Trade and other payables	12	**22,498**	26,043
Current tax liabilities		**-**	497
Lease liabilities	11	**145**	150
Total current liabilities		**22,643**	26,690
Non-current liabilities			
Net deferred tax liabilities	13	**13,402**	10,759
Lease liabilities	11	**3,068**	3,174
Total non-current liabilities		**16,470**	13,933
Total liabilities		**39,113**	40,623
Net assets		**335,311**	334,108
Equity			
Contributed equity	15	**317,628**	317,628
Retained earnings	16	**17,683**	16,480
Total equity		**335,311**	334,108

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

Statement of changes in equity

For the year ended 30 June 2021

	Notes	Contributed equity $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2019		317,628	16,239	333,867
Change in accounting policy		–	(853)	(853)
Restated total equity as at 1 July 2019		317,628	15,386	333,014
Profit for the year		–	26,654	26,654
Other comprehensive income		–	–	–
Total comprehensive income for the year		–	26,654	26,654
Transactions with owners in their capacity as owners				
Dividends provided for or paid	14	–	(25,560)	(25,560)
Balance at 30 June 2020		317,628	16,480	334,108
Profit for the year		**-**	**27,123**	**27,123**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income for the year		**-**	**27,123**	**27,123**
Transactions with owners in their capacity as owners				
Dividends provided for or paid	14	**-**	**(25,920)**	**(25,920)**
Balance at 30 June 2021		**317,628**	**17,683**	**335,311**

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

Statement of cash flows

For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**106,606**	113,653
Payments to suppliers and employees (inclusive of goods and services tax)		**(50,366)**	(56,581)
		56,240	57,072
Interest received		**128**	292
Interest paid		**(128)**	(131)
Income taxes paid		**(10,879)**	(11,587)
Net cash inflow from operating activities	24	**45,361**	45,646
Cash flows from investing activities			
Payments for property, plant & equipment		**(27,862)**	(9,348)
Proceeds (purchases) of financial assets		**-**	–
Sale of property, plant & equipment and leasehold land		**-**	–
Net cash (outflow) from investing activities		**(27,862)**	(9,348)
Cash flows from financing activities			
Dividends paid to Company's shareholders		**(25,920)**	(25,560)
Principle element of lease payment		**(112)**	(20)
Net cash (outflow) from financing activities		**(26,032)**	(25,580)
Net (decrease) increase in cash and cash equivalents		**(8,533)**	10,718
Cash and cash equivalents at the beginning of the financial year		**30,601**	19,883
Cash and cash equivalents at the end of the year	6	**22,068**	30,601

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

Notes to financial statements

30 June 2021

About this report

The principal accounting policies that STL has adopted in preparation of the financial report are set out below and in the following notes to the financial statements. These policies are consistent with those of the previous financial year, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. STL is a for-profit entity for the purpose of preparing these financial statements.

Compliance with IFRS

These financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities, and certain classes of property, plant and equipment which have been measured at fair value.

New and amended standards adopted by STL

STL has adopted all new and revised accounting standards and interpretations issued by the AASB that are relevant to STL and to be implemented for an accounting period that begins on or after 1 July 2020.

New standards and interpretations not yet adopted

There are no other standards that are not yet effective and that would be expected to have a material impact on STL in the current or future reporting periods and on foreseeable future transactions.

Going concern

These financial statements have been prepared on the basis that STL is a going concern, able to realise assets and settle liabilities in the ordinary course of business.

STL is responsible for the operation of its bulk sugar terminals and has in place an agreement with each raw sugar marketer to provide storage and handling services. The current agreement expires on 30 June 2022, with a new agreement to be put in place before this date.

Functional and presentation currency

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

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable, or payable to, the taxation authority is included with other receivables or other payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

Significant judgements and estimates

In the process of applying STL's accounting policies, management is required to exercise its judgement and apply estimates of future events.

The areas involving significant estimates or judgements are the judgements regarding leasing (Note 11) and the estimation of environmental remediation in contingent liabilities (Note 18).

COVID-19

STL's operations and the Queensland sugar industry has not, to date, suffered significant impacts as a result of the global pandemic caused by COVID-19. STL's risk management framework ensures that the Company is continually assessing the impacts of COVID-19, including potential adverse scenarios and has mitigation plans in place to facilitate the ongoing operations at all six bulk sugar terminals.

Rounding of amounts

STL is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Corporate information

A description of the Company's operations and its principal activities is included in the review of operations and activities on page 13 of the Directors' report which is not part of this financial report.

The financial report was authorised for issue by the Directors on 26 August 2021. STL 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

Note 1 Segment information

Operating segments

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 net profit after tax.

Note 2 Revenue

a) Disaggregation of revenue from contracts with customers

	Storage & handling – raw sugar $'000	Storage & handling – other $'000	Interest revenue $'000	Total $'000
2021				
At a point in time	**-**	**177**	**67**	**244**
Over time	**97,542**	**1,006**	**-**	**98,549**
	97,542	**1,184**	**67**	**98,793**
2020				
At a point in time	-	185	313	498
Over time	95,991	1,006	-	96,997
	95,991	1,191	313	97,495

b) Revenue recognised in relation to contract liabilities

	2021 $'000	2020 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Storage and handling – raw sugar	**4,324**	1,741
Storage and handling – other	**133**	133
	4,457	1,874

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

c) Revenue from contracts with customers

Storage and handling services - raw sugar:

In the storage and handling contracts with raw sugar customers, there is a single performance obligation for STL to stand-ready to provide capacity to its customers for an integrated service of providing storage, receiving, outloading and testing during the financial year. The key factor that leads to the determination of a single stand-ready performance obligation is STL's commitment to provide customers with storage capacity for a 12 month period based upon a defined nomination process. There are no limits on receival or outloading services or the timing of those services.

Revenue from the storage and handling agreement with raw sugar customers is recognised using a straight-line method, as storage and handling facilities are available and utilised by customers over a 12 month period. While there are peak months of receipts during harvest season, the stand ready arrangements provide customers with the flexibility to make real time economic decisions on storage and handling of raw sugar dependent on market conditions. Customers benefit from STL standing ready to satisfy the performance obligation and are therefore considered to derive equal value throughout the contract period.

The receival, outloading and testing services provided by STL for raw sugar are not considered to be distinct from the overall integrated storage and handling service obligations of STL to provide customers with a capped volume of available capacity throughout the year.

Other customer specific charges are not considered to be performance obligations in the contract on the basis that they are not performed until requested by the customer. Such services are accounted for as revenue when performed.

Storage and handling services - other:

Revenue from other storage and handling services are recognised either using a straight-line method or at a point in time, depending upon the type of services provided.

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d) Other revenue

Interest revenue:

Interest revenue is recognised as it accrues using the effective interest rate method.

Note 3 Expenses

	2021 $'000	2020 $'000
Profit before income tax includes the following specific expenses:		
Expenses		
Operating expenses		
Operations contractor fee	**37,399**	37,654
Analytical services fee	**1,489**	1,352
Outgoings and licence fees	**1,718**	1,679
Other operating expenses	**204**	224
Total operating expenses	**40,810**	40,909
Employee benefit expense		
Defined contribution superannuation	**113**	97
Employee remuneration and other benefits	**1,318**	1,259
Total employee benefit expense	**1,431**	1,356
Depreciation		
Plant & equipment	**13,433**	12,945
Right-of-use-assets	**76**	77
Total depreciation	**13,509**	13,022

Operations contractor fee

STL has an operating agreement with Queensland Sugar Limited (QSL) as its key operations contractor, with a term to 30 June 2025. The term of this agreement extends by 12 months from 1 July each year, with STL able to terminate the agreement with three years' notice.

Analytical services

STL has in place an agreement with Gateway Laboratories for the supply of analytical services, with a term to 30 June 2023.

Post-employment benefits

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

Note 4 Income tax

	2021 $'000	2020 $'000
a) Income tax expense		
Current taxation	9,296	11,177
Deferred tax relating to the increase (decrease) of deferred tax liabilities (Note 13)	2,671	589
	11,967	11,766
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	39,090	38,420
Income tax calculated at the Australian tax rate of 30% (2020 – 30%)	11,727	11,526
Tax effect of permanent differences:		
Non-deductible depreciation	238	238
Sundry items	2	2
Income tax expense	11,967	11,766
Effective tax rate (income tax expense as a percentage of profit before tax)	30.6%	30.6%

Income tax expense for the period is the tax payable on the current period's taxable income based on the current income tax rate 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.

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

Note 5 Earnings per share

	2021 Cents	2020 Cents
a) Basic and diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of STL	7.53	7.40
b) Reconciliation of earnings used in calculating earnings per share	$'000	$'000
Basic and diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share from continuing operations	27,123	26,654
c) Weighted average number of shares used as the denominator	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	360,000,000	360,000,000

Basic earnings per share

Basic earnings per share is calculated as profit attributable to STL equity holders divided by the weighted average number of ordinary shares.

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.

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Note 6 Cash and cash equivalents

	2021 $'000	2020 $'000
Cash at bank and on hand	**22,068**	30,601
	22,068	30,601

a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Balances as above	**22,068**	30,601
Balances per statement of cash flows	**22,068**	30,601

b) Cash at bank and on hand

Cash at bank earns a floating interest rate of 0.1%, which is the rate at 30 June 2021 (2020 – 0.25%).

For cash flow statement presentation purposes:

- cash on hand
- other short-term, highly liquid investments with 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.

c) Interest rate risk exposure

STL's exposure to interest rate risk is discussed in Note 17.

Note 7 Financial assets

	2021 $'000	2020 $'000
Term deposits	**7,000**	7,000
	7,000	7,000

a) Financial assets

Term deposits earn a weighted average interest rate of 0.26%, which is the average rate on deposits invested at 30 June 2021 (2020 – 1.50%).

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable within 24 hours' notice with no loss of interest.

Term deposits that have a maturity of three months or more from the date of acquisition are presented as other financial assets.

b) Impairment of financial assets

While cash and cash equivalents and other financial assets are also subject to the impairment requirements of AASB 9, no impairment loss was identified.

STL does not have any hedging arrangements.

Note 8 Trade and other receivables

	2021 $'000	2020 $'000
Current		
Trade receivables	**2,758**	1,486
Other receivables	**10**	71
	2,768	1,557

a) Classification

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate, less provision for impairment.

b) Fair value and credit risk

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

c) Impairment of trade receivables

STL has 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, STL does not provide for a loss allowance for trade receivables.

Note 9 Property, plant and equipment

	Leasehold land $'000	Buildings, plant and equipment $'000	Under construction $'000	Total $'000
Year ended 30 June 2021				
Opening net book amount	**12,804**	**303,296**	**17,425**	**333,525**
Additions	**-**	**5,031**	**13,904**	**18,935**
Disposals	**-**	**(2)**	**-**	**(2)**
Transfers	**-**	**23,542**	**(23,542)**	**-**
Depreciation charge	**-**	**(13,433)**	**-**	**(13,433)**
Closing net book amount	**12,804**	**318,434**	**7,787**	**339,025**
At 30 June 2021				
Cost	**12,804**	**541,935**	**7,787**	**562,526**
Accumulated depreciation	**-**	**(223,501)**	**-**	**(223,501)**
Net book amount	**12,804**	**318,434**	**7,787**	**339,025**

	Leasehold land $'000	Buildings, plant and equipment $'000	Under construction $'000	Total $'000
Year ended 30 June 2020				
Opening net book amount	12,804	310,298	7,725	330,827
Additions	-	4,740	10,970	15,710
Disposals	-	(67)	-	(67)
Transfers	-	1,270	(1,270)	-
Depreciation charge	-	(12,945)	-	(12,945)
Closing net book amount	12,804	303,296	17,425	333,525
At 30 June 2020				
Cost	12,804	513,626	17,425	543,855
Accumulated depreciation	-	(210,330)	-	(210,330)
Net book amount	12,804	303,296	17,425	333,525

Non-current assets pledged as security

STL had access to an undrawn $3 million bank overdraft facility at the reporting date. The security for this overdraft is as follows:

- Deed of mortgage and consent over lease of land at Townsville bulk sugar terminal
- Fixed and floating charge over the whole of the Company's assets, excluding its interests in the leases of land at the ports of Cairns, Mourilyan, Lucinda, Bundaberg and Mackay.

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Recognition and measurement

Property, plant and equipment 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.

Leasehold land is not depreciated. Options to renew the leases are in STL's control.

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 40 – 80 years
- Plant and equipment 7 – 50 years

The assets' 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.

Disposal

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

Impairment of non-financial 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).

Note 10 Intangible assets

Software

	Software assets $'000	Software under development $'000	Total $'000
Year ended 30 June 2021			
Opening net book amount	-	-	-
Additions	-	609	609
Disposals	-	-	-
Transfers	-	-	-
Amortisation	-	-	-
Closing net book amount	-	609	609
At 30 June 2021			
Cost	-	609	609
Accumulated amortisation	-	-	-
Net book amount	-	609	609
Year ended 30 June 2020			
Closing net book amount	-	-	-

Recognition and measurement

Costs associated with maintaining software programmes are recognised as an expense as incurred. Costs incurred in developing products or systems, along with costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation, are capitalised to intangible software assets.

Directly attributable costs that are capitalised as part of the software development may include external direct costs of materials and services, employee costs and an appropriate portion of relevant overheads.

Capitalised software costs are amortised from the point at which the asset is ready for use

Software is stated at historical costs, less any accumulated amortisation. Amortisation of software assets is calculated using the straight-line method over their estimated useful lives, as follows:

- IT development and software 10 years

Note 11 Leases

a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2021 $'000	2020 $'000
Right-of-use assets		
Properties	**1,897**	2,048
	1,897	2,048
Lease liabilities		
Current	**145**	150
Non-current	**3,068**	3,174
	3,213	3,324
Additions to right-of-use assets	**–**	–

b) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021 $'000	2020 $'000
Depreciation charge right-of-use assets	**76**	77
Interest expense	**128**	131
	204	208
The total cash outflow for leases	**240**	151

c) STL's leasing activities and how these are accounted for

STL has signed long-term head leases with each port authority for nominal values. Each head lease includes the option for STL to extend the lease term. Commencing in 2001, the value of the land attributable to each lease was recognised on STL's balance sheet (refer to Note 9 Property, Plant and Equipment). As the value of the lease liability for the head leases is considered immaterial, no change has been made to the accounting treatment under AASB 16.

STL has long-term licence agreements in place for the wharf land upon which STL's wharves reside at Cairns, Lucinda and Bundaberg. Each licence includes the option for STL to extend the licence term. For these licences, STL obtains substantially all 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 fees for the wharf licences at Lucinda and Bundaberg are nominal. As the value of the lease liability for the wharf licenses is considered immaterial, no change has been made to the accounting treatment under AASB 16. At Cairns, STL pays an annual licence fee and this licence is considered to incorporate a lease for the purposes of AASB 16.

STL's licence agreement for office space was entered into in December 2017 and is considered to incorporate a lease for the purposes of AASB 16

In December 2020 STL signed an agreement with Gladstone Ports Corporation (GPC) to commence a detailed design on a common user infrastructure (CUI) facility at the Port of Bundaberg. If the project proceeds STL will enter a long-term lease with GPC, however until such a time that this agreement is signed no lease is in place and we are unable to estimate the associated costs for AASB16 purposes. An investment decision on the CUI is expected to be made during the 2022 financial year.

Until the 2020 financial year, leases relating to property were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees

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The lease payments are discounted using an estimate of STL's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture..

d) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Note 12 Trade and other payables

	2021 $'000	2020 $'000
Trade and other payables	**17,935**	21,586
Deferred revenue	**4,563**	4,457
	22,498	26,043

Trade and other payables are unsecured and are usually paid within 30 days of recognition.

The carrying amount of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

a) Other payables

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual 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 sick leave, which are non-vesting, are recognised when the leave is taken and measured at the rates paid or payable.

Short term incentive plans

STL recognises a liability for employee short term incentive plan entitlements in other payables when there is a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. Settlement occurs within 12 months and is measured at the amounts expected to be paid when they are settled.

Note 13 Deferred tax liabilities

	2021 $'000	2020 $'000
a) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Plant and equipment	532	517
Total deferred tax assets	532	517
Set-off of deferred tax liabilities pursuant to set-off provisions	(532)	(517)
Net deferred tax assets	-	-
b) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Plant and equipment	13,934	11,276
Total deferred tax liabilities	13,934	11,276
Set-off of deferred tax assets pursuant to set-off provisions	(532)	(517)
Net deferred tax liabilities	13,402	10,759
Opening balance at 1 July	10,759	9,348
Change in accounting policy – Leases AASB16	-	(365)
Restated opening balance	10,759	8,983
Tax payable adjustment from prior year	(28)	1,187
Charged to the income statement (Note 4a)	2,671	589
Closing balance at 30 June	13,402	10,759

Deferred income tax is provided for in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 STL 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.

Note 14 Capital management

a) Risk Management

STL manages capital to safeguard the company's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders.

	2021 $'000	2020 $'000
b) Dividends paid on ordinary shares during the year		
Final fully franked dividend for the year ended 30 June 2020 of 3.6 cents per share (2019 3.5 cents)	12,960	12,600
Interim fully franked dividend for the year ended 30 June 2021 of 3.6 cents per share (2020 – 3.6 cents)	12,960	12,960
	25,920	25,560
c) Dividends not recognised at year end		
In addition to the above dividends, since year end the Directors have determined that a final fully franked dividend of 3.6 cents per fully paid ordinary share will be paid on 30 September 2021, but is not recognised as a liability at year end (2020 3.6 cents)	12,960	12,960

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

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d) Franked dividends

The franked portion of the final dividend recommended after 30 June 2021 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax for the year ending 30 June 2021.

	2021 $'000	2020 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2020 – 30%)	**3,139**	4,923

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 may be prevented from being distributed in subsequent financial years.

	2021 $'000	2020 $'000
The impact on the franking account of the dividend determined by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of	**5,554**	5,554

Note 15 Contributed equity

	2021 Shares	2020 Shares	2021 $'000	2020 $'000
a) Share capital				
Ordinary shares				
Fully paid	**360,000,000**	360,000,000	**317,628**	317,628
b) Movements in ordinary share capital				
Opening balance			**317,628**	317,628
Closing balance			**317,628**	317,628

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.

Where there is a voting by poll at a meeting of shareholders, each share is entitled to one vote, except that no holder of G class shares may vote more than 5% of the total number of G Class shares.

Where there is a voting by show of hands at a meeting of shareholders, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote.

At 30 June 2021 there were 360 million ordinary shares fully paid, consisting of:

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

During the year ended 30 June 2021, there were no movements in the total number of ordinary shares on issue.

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.

Note 16 Retained earnings

	2021 $'000	2020 $'000
Movements in retained earnings were as follows:		
Retained earnings		
Balance at 1 July	**16,480**	16,239
Change in accounting policy - Leases AASB16	**-**	(853)
Restated opening balance	**16,480**	15,386
Total comprehensive income	**27,123**	26,654
Dividends provided for or paid	**(25,920)**	(25,560)
Balance at 30 June	**17,683**	16,480

Note 17 Financial risk management

STL's activities expose the Company to a variety of financial risks: credit risk, liquidity risk and market risk. The overall risk management program of STL focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

a) Credit risk

STL had no significant concentrations of credit risk during the year. Cash at bank and term deposits are all held with one of the major Australian banks.

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 STL considers at all times.

i) Financing arrangements

STL had access to the following undrawn borrowing facility at the reporting date:

	2021 $'000	2020 $'000
Floating rate		
Expiring within one year (bank overdraft)	**3,000**	3,000

The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

c) Market risk

i) Foreign exchange risk
STL is not exposed to foreign exchange risk arising from currency exposure.

ii) Price risk
STL is not exposed to equity securities price risk.

iii) Cash flow and fair value interest rate risk
STL's income and operating cash flows are substantially independent of changes in market interest rates. There is no external debt or interest-bearing obligations.

Note 18 Contingent liabilities

Environmental remediation

STL is subject to environmental laws and regulations concerning its bulk sugar terminal facilities that may require future remediation to be undertaken. Such contingencies may arise during the term of, or upon any expiry of, a relevant lease.

Each of STL's six bulk sugar terminals is operated under a long-term lease with the local port authority. Each lease contains rolling options for extension, which are in the Company's control. If, at a future time, a lease was permitted to expire and the relevant port did not elect to purchase the terminal facilities, STL may be required to remove terminal infrastructure and undertake appropriate remediation. Any such obligation is considered to have a low probability of crystallising at this time due to the ongoing nature of export sugar activities and growth in other commodity handling, which supports the continued utilisation of each terminal.

STL may also sell one or more of the bulk sugar terminals to a third party buyer, releasing the Company from any future obligation or liability in respect of that terminal, including future "make good " and/or remediation obligations.

As at 30 June 2021, in considering all information presently available to them, the Directors consider the likelihood of incurring "make good" and/or remediation obligations and liabilities in respect of the bulk sugar terminals to have a low probability. As such, no provision for these obligations has been recognised. The assumptions supporting this assessment may change should events change in the future. This position will be reconsidered at each reporting date or in the event of underlying industry change.

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Note 19 Commitments

Capital commitments

Under the terms of the Operating Agreement, QSL incurs expenditure on capital works on STL's behalf in accordance with the approved capital expenditure budget and that expenditure is reimbursed by STL.

	2021 $'000	2020 $'000
Capital expenditure contracted for by QSL but not paid or recognised as a liability by STL at year end	**13,806**	5,285
	13,806	5,285

Note 20 Events occurring after the balance sheet date

There were no significant events occurring after the balance date.

Note 21 Related party transactions

	2021 $	2020 $
a) Key management personnel		
Key management personnel compensation		
Short-term	**1,203,703**	1,057,518
Post-employment benefits (i.e. superannuation)	**102,213**	76,517
	1,305,916	1,134,035

Detailed remuneration disclosures are provided in the remuneration report on pages 14 to 17.

Equity instrument disclosures relating to key management personnel - Shareholdings

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. No shares were granted during the reporting period as compensation.

	Held at 30 June 2020	Purchases	Other changes during the year	Held at 30 June 2021
DA Watson[1]	248,196	-	(248,196)	-
AR Bartolo	17,644	-	-	17,644

[1] Mr Watson retired as a Director of STL as of 21st October 2020 and ceased to be a related party as of this date.

	2021 $	2020 $
b) Transactions with other related parties		
The following transactions occurred with other related parties:		
Provision of services to shareholders	**95,961,800**	94,603,674
Purchase of services from shareholders	**56,854,277**	53,610,964
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)	**55,002**	112,690
Current payables (purchase of services from shareholders)	**17,603,539**	21,721,112
Prepaid revenue from shareholders	**4,378,718**	4,254,268

Terms and conditions

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

Note 22 Remuneration of auditors

During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers Australia (PwC) as auditor of STL, by PwC's related network firms and non-related audit firms:

	2021 $	2020 $
Auditors of STL – PwC and related network firms		
Audit and review of financial reports	**91,700**	88,245
Other services		
Taxation advice	**-**	-
Total remuneration for other services	**-**	-
Total services provided by PwC	**91,700**	88,245

Note 23 Economic dependency

STL depends on six customers for 99% of its revenue via income from the storage and handling agreement.

Note 24 Reconciliation of profit after income tax to net cash inflow from operating activities

	2021 $'000	2020 $'000
Profit for the year	**27,123**	26,654
Depreciation	**13,509**	13,022
Net loss (gain) on disposal of non-current assets	**2**	67
Decrease (increase) in trade and other receivables	**(1,211)**	3,939
Increase (decrease) in trade and other payables	**4,849**	2,150
Increase (decrease) in current tax liabilities	**(1,554)**	(1,598)
Increase (decrease) in deferred tax liabilities	**2,643**	1,412
Net cash inflow from operating activities	**45,361**	45,646

Directors' declaration

In the Directors' opinion:

a) the financial statements and notes set out on pages 20 to 37 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 2021 and of its performance for the 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.

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.

(Alan) Mark Gray
Chairman

Brisbane
26 August 2021

Independent auditor's report

Independent auditor's report

To the members of Sugar Terminals Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Sugar Terminals Limited (the Company) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2021
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Independent auditor's report

Continued

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Company, its accounting processes and controls and the industry in which it operates.

Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall materiality of $1.95 million, which represents approximately 5% of the Company's profit before tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose profit before tax because, in our view, it is the benchmark against which the performance of the Company is most commonly measured. We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Company made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matter to the Audit and Risk Committee: - Carrying value of Property, Plant and Equipment • This is further described in the *Key audit matters* section of our report.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	*How our audit addressed the key audit matter*
Carrying Value of Property, Plant and Equipment *(Refer to note 9) [$339m]* Property, Plant, and Equipment (PP&E) comprises assets integral to the Company's operations in port areas. These assets are subject to extensive maintenance and asset replacement programs to provide sustainable operations and budgeted production outputs. The carrying value of PPE was a key audit matter due to its significance in the statement of financial position of the Company, and the costs incurred annually in replacement capital expenditure, costs of maintenance, and the depreciation expense of the PPE utilised in its operations.	Our procedures in assessing the carrying value of the PPE of the Company included among others: • Assessing the Company's accounting policies and methodologies for capitalisation of PP&E, maintenance and depreciation in light of the requirements of Australian Accounting Standards. • Agreeing the PP&E reported in the financial report to the Company's fixed asset register. • For a sample of capital additions to PP&E during the year, agreeing the amounts to supporting documentation including invoices. • We have assessed the adequacy of STL's maintenance program by understanding the maintenance strategy and plan. • Reading the latest valuation of PP&E undertaken by management's expert and, on a sample basis, agreeing the useful lives of assets to the valuation report. • For a sample of PP&E assets reperforming the depreciation charge calculation as recorded in the fixed assets register. • Assessing the performance and operations of the Company to identify any possible indicators of impairment. • Evaluating the presentation and disclosures of PP&E in light of the requirements of the Australian Accounting Standard.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Independent auditor's report

Continued

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 14 to 16 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Sugar Terminals Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Ben Woodbridge
Partner

Brisbane
26 August 2021

Shareholder information

30 June 2021

Top 10 shareholdings

The Company has G Class shares, the acquisition of which is restricted to Active Growers and M Class shares which are restricted to Active Millers.

Lists of the top 10 G Class shareholdings and all of the M Class shareholdings as at the balance date:

G Class shareholdings

Shareholder	Number of Shares
Anthoan Pty Ltd	11,515,155
MSF Investments Pty Ltd	11,494,226
QSL Investments (No 1) Pty Ltd	11,467,410
QSL Investments (No 2) Pty Ltd	11,467,410
MSF Sugar Pty Ltd	11,446,455
MP Australia Investments Pty Ltd	8,816,360
Queensland Sugar Limited	7,367,765
QSL Investments (No 3) Pty Ltd	4,586,964
Queensland Sugar Limited	4,364,587
Jaswel Pty Ltd	4,147,664

M Class shareholdings

Shareholder	Number of Shares
Wilmar Sugar Australia Investments Pty Ltd	65,810,955
Mackay Sugar Limited	32,730,150
MSF Sugar Limited	16,568,672
The Mulgrave Central Mill Company Limited	9,505,841
Tully Sugar Limited	6,016,179
Isis Central Sugar Mill Co Ltd	20,000

Substantial shareholders

Shareholder	%
MSF Sugar Ltd (and associated companies)	19.32%
Wilmar Sugar Australia Investments Pty Ltd	18.59%
Queensland Sugar Limited (and associated companies)	10.90%
Mackay Sugar Limited	9.09%

Distribution of shareholders

	G Class holders		M Class holders		Total shareholders		
Range of units	Holders	Securities	Holders	Securities	Holders	Securities	% of units
1 to 1,000	223	95,080	0	0	223	95,080	0.03
1,001 to 5,000	669	2,077,750	0	0	669	2,077,750	0.58
5,001 to 10,000	806	6,023,971	0	0	806	6,023,971	1.67
10,001 to 100,000	3,199	99,853,968	1	20,000	3,200	99,873,968	27.74
100,001 and Over	192	121,297,434	5	130,631,797	197	251,929,231	69.98
Total	5,089	229,348,203	6	130,651,797	5,095	360,000,000	100.00

Corporate directory

Directors

(Alan) Mark Gray - Chairman
Tony (Anthony) R Bartolo
Sam (Salvatore) G Bonanno
Stephen Calcagno
Ian R Davies
Leanne M Muller
Rohan S Whitmee

Company Secretary/CFO

Peter M Bolton

Registered office

Level 11
348 Edward St
Brisbane Qld 4000

Share register

Sugar Terminals Limited Share Registry
c/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Auditor

PricewaterhouseCoopers
GPO Box 150
Brisbane Qld 4001

Solicitors

Clayton Utz
GPO Box 9806
Brisbane Qld 4001

Bankers

National Australia Bank
PO Box 10653
Brisbane Qld 4001

Stock exchange listing

Sugar Terminals Limited G Class shares are listed on the National Stock Exchange of Australia

Website

sugarterminals.com.au

Front cover:
STL's bulk sugar terminal in Mackay can store more than 750,000 tonnes of raw sugar and is STL's only terminal with receiving capability by road and rail

STL

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