

SUGAR TERMINALS LIMITED ABN 17 084 059 601
Half-year report – 31 DECEMBER 2017

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SUGAR TERMINALS LIMITED

Directors' report

31 December 2017

Your Directors present their report on the entity of Sugar Terminals Limited (STL) for the half-year ended 31 December 2017.

Directors

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

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

Mr (Alan) Mark Gray
Mr Sam (Salvatore) Bonanno
Mr Constantine Christofides
Mr Ian Davies
Mr Shayne Rutherford
Mr Drew (Donald) Watson

Mr Stuart Gregory was a Director from the beginning of the financial year until his resignation on 6 September 2017. The Company appointed Ms Leanne Muller as a Director on 6 December 2017.

Review of operations

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

STL now has direct responsibility for the management of its six bulk sugar terminals. It has storage and handling agreements with six raw sugar marketers, invoicing the marketers directly for storage and handling services provided. Similarly, STL is now directly responsible for the costs of operating the terminals. It has in place a five-year operating agreement with Queensland Sugar Limited (QSL) as its key operations contractor. Because of this new role, the statutory accounts of the business have materially changed, reflecting for the first time full accountability for revenue and costs relating to the operation of the terminals.

Revenue for the half year ended 31 December 2017 has increased to \$47.6 million (2016: \$25.3 million) reflecting the new direct relationship with the six raw sugar marketers for storage and handling services (compared to prior years when revenue was predominately rent received from QSL). Costs, excluding income tax expense, have increased to \$29.0 million (2016: \$8.0M) reflecting that STL now incurs the full cost to operate the terminals (compared to prior years when operational costs remained with QSL and were not charged to STL).

The profit attributable to STL shareholders has not been materially impacted by the change in operations, with the half year result growing to \$12.9 million (2016: \$12.0 million) assisted by a reduction in professional fees incurred of \$0.4 million. As reported previously, last year's result incorporated additional expenditure on professional fees to facilitate the transition to the new operating model. These costs have not been repeated this year. The profit result delivers on the Company's aim to achieve stable, reliable and sustainable returns to our investors.

Recent Developments

STL has successfully managed the transition to the new model, providing storage and handling services in a new competitive multi-user environment without major incident or disruption to normal business.

The initial storage and handling agreements with customers expire on 30 June 2018. In October 2017, STL commenced engagement with customers on longer term agreements. Following this engagement, in December 2017, STL provided an initial draft of this longer term agreement to customers and established a timetable seeking to have all agreements signed by 30 March 2018, which will coincide with customer's nomination of volumes for the 2018 crushing season.

STL remains on track to achieve this timetable and secure agreements with its customers.

Auditor's independence declaration

A copy of the auditor's independence declaration is attached on page 3 in accordance with section 307C of the *Corporations Act 2001*.

Rounding of amounts

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

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



AM Gray
Brisbane
8 March 2018



LM Muller
Brisbane
8 March 2018



Auditor's Independence Declaration

As lead auditor for the review of Sugar Terminals Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'K Challenor', is written over the typed name.

Kim Challenor
Partner
PricewaterhouseCoopers

Brisbane
8 March 2018

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SUGAR TERMINALS LIMITED ABN 17 084 059 601
Half-year report – 31 DECEMBER 2017

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This interim financial report does not include all the notes of the type usually included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by SUGAR TERMINALS LIMITED during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Sugar Terminals Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Sugar Terminals Limited
Level 11
348 Edward Street
BRISBANE QLD 4000

SUGAR TERMINALS LIMITED
Statement of Comprehensive Income
For the half-year ended 31 DECEMBER 2017

	Half-year	
	2017	2016
	\$'000	\$'000
Revenue from continuing operations	47,561	25,333
Operating Expenses	(20,228)	-
Depreciation expense	(6,181)	(5,984)
Professional fees expense	(488)	(863)
Insurance expense	(1,169)	(762)
Net loss on disposal of property, plant and equipment	(150)	-
Other expenses	(741)	(414)
Profit before income tax	<u>18,604</u>	17,310
Income tax expense	(5,700)	(5,312)
Total comprehensive income	<u>12,904</u>	11,998
	2017	2016
	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company		
Basic and diluted earnings per share	3.58	3.33

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

SUGAR TERMINALS LIMITED

Balance Sheet

As at 31 DECEMBER 2017

	Notes	31 Dec 2017 \$'000	30 Jun 2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		21,942	7,945
Trade and other receivables		2,577	212
Other financial assets		6,000	10,000
Total current assets		<u>30,519</u>	<u>18,157</u>
Non-current assets			
Property, plant and equipment		<u>328,564</u>	<u>329,492</u>
Total non-current assets		<u>328,564</u>	<u>329,492</u>
Total assets		<u>359,083</u>	<u>347,649</u>
LIABILITIES			
Current liabilities			
Trade and other payables	6	18,019	8,419
Current tax liabilities		990	381
Total current liabilities		<u>19,009</u>	<u>8,800</u>
Non-current liabilities			
Net deferred tax liabilities		<u>8,891</u>	<u>9,050</u>
Total non-current liabilities		<u>8,891</u>	<u>9,050</u>
Total liabilities		<u>27,900</u>	<u>17,850</u>
Net assets		<u>331,183</u>	<u>329,799</u>
EQUITY			
Contributed equity		317,628	317,628
Retained earnings		<u>13,555</u>	<u>12,171</u>
Total equity		<u>331,183</u>	<u>329,799</u>

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

SUGAR TERMINALS LIMITED
Statement of changes in equity
For the half-year ended 31 DECEMBER 2017

		Half-year	
	Notes	2017 \$'000	2016 \$'000
Total equity at the beginning of the half year		329,799	329,061
Total comprehensive income		12,904	11,998
		<u>342,703</u>	<u>341,059</u>
Transactions with equity holders in their capacity as equity holders:			
Dividends provided for or paid	3	(11,520)	(11,160)
Total equity at the end of the half-year		<u>331,183</u>	<u>329,899</u>
 Total recognised income and expenses for the half year attributable to the members of Sugar Terminals Limited		 <u>12,904</u>	 <u>11,998</u>

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

SUGAR TERMINALS LIMITED
Statement of Cash Flows
For the half-year ended 31 DECEMBER 2017

	Notes	Half-year	
		2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		61,459	28,028
Payments to suppliers and employees (inclusive of goods and services tax)		(29,134)	(4,180)
		<u>32,325</u>	<u>23,848</u>
Interest received		220	170
Income taxes paid		(5,250)	(4,881)
Net cash inflow from operating activities		<u>27,295</u>	<u>19,137</u>
Cash flows from investing activities			
Payments for property, plant & Equipment		(5,778)	(10,504)
Proceeds from financial assets		4,000	-
Net cash (outflow) from investing activities		<u>(1,778)</u>	<u>(10,504)</u>
Cash flows from financing activities			
Dividends paid to Company's shareholders	3	(11,520)	(11,160)
Net cash (outflow) from financing activities		<u>(11,520)</u>	<u>(11,160)</u>
Net (decrease)/increase in cash and cash equivalents		13,997	(2,527)
Cash and cash equivalents at the beginning of the half-year		<u>7,945</u>	<u>18,463</u>
Cash and cash equivalents at the end of the half-year		<u><u>21,942</u></u>	<u><u>15,936</u></u>

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

SUGAR TERMINALS LIMITED
Notes to the financial statements
31 DECEMBER 2017

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SUGAR TERMINALS LIMITED

Directors' declaration

31 DECEMBER 2017

Note 1 Basis of preparation of half-year report

This general purpose financial report for the half-year reporting period ended 31 December 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Sugar Terminals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim financial reporting period, except as follows.

As a result of the changes in the operating model, revenue is recognised in the current period with respect to storage and handling services. Revenue from storage and handling agreements are recognised using a straight-line method, as the facilities are provided to customers over a 12 month period.

The report has been prepared on the basis that STL is a going concern, able to realise assets and settle liabilities in the ordinary course of business.

The Directors after taking into account all relevant factors have concluded that there are reasonable grounds to believe the Company will remain a going concern. This view is based on a number of factors:

1. The Company's historical ability to meet required operating expense requirements;
2. The Company is debt free;
3. The Company is well advanced in discussions on a longer term storage and handling agreement with customers;
4. The demands for the facilities and operating services will exist beyond the tenure of existing contracts; and
5. The existence of sufficient cash and financial asset balances to meet operating expense commitments.

The initial storage and handling agreements with customers expire on 30 June 2018. In October 2017, STL commenced engagement with customers on longer term agreements. Following this engagement, in December 2017, STL provided an initial draft of this longer term agreement to customers and established a timetable seeking to have all agreements signed by 30 March 2018, which will coincide with customer's nomination of volumes for the 2018 crushing season.

STL remains on track to achieve this timetable and secure agreements with its customers.

Impact of standards issued but not yet applied by the entity

Certain new accounting standards, amendments and interpretations have been published that are mandatory for the Company for the reporting periods beginning on or after 1 July 2017 but which the Company has not yet adopted. Based on a review, the Company has concluded that the majority of these standards yet to be adopted are not expected to have a significant impact on the Company's financial statements. The Company's assessment of the impact of those new standards, amendments and interpretations which may have an impact is set out below:

AASB 15 Revenue from Contracts with Customers (effective from 1 January 2018).

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The Company has evaluated the impact of the new rules on its revenue recognition policies and believes it aligns with the requirements of AASB 15. The Company will assess whether to adopt AASB 15 before its operative date; if not it would be first applied in the annual reporting period ending 30 June 2019.

AASB 16 Leases (effective from 1 January 2019).

The AASB has issued a new standard for Leases which applies to accounting periods commencing on or after 1 January 2019. The Company has not yet considered the impact of the new rules on its leases. It will undertake a detailed assessment in the near future. The Company will assess whether to adopt AASB 16 before its operative date; if not it would be first applied in the annual reporting period ending 30 June 2019.

SUGAR TERMINALS LIMITED

Directors' declaration

31 DECEMBER 2017

AASB 9 Financial Instruments (effective from 1 July 2018).

The AASB 9 has issued a new standard for financial instruments which applies to accounting periods commencing on or after 1 July 2018. The company does not expect the new standard to have a significant impact as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The company does not intend to adopt AASB 9 before its mandatory application date.

Note 2 Segment information

Sugar Terminals Limited operations are monitored by the Company as one operating segment, and this is how the results are reported internally and how the business is managed. The CEO and the Board assess the performance of the Company based on earnings before interest and tax.

Note 3 Dividends

	Half-year	
	2017	2016
	\$'000	\$'000
Ordinary shares		
Final dividend for the year ended 30 June 2017 of 3.2 cents (2016 – 3.1 cents) per share paid on 29 September 2017.		
Fully franked based on tax paid @ 30%	11,520	11,160
	<u>11,520</u>	<u>11,160</u>

On 15 February 2018, Directors determined that a dividend of \$11.88 million (3.3 cents per share), fully franked on tax paid at 30%, will be paid on 29 March 2018 to shareholders whose names are recorded on the register on 9 March 2018.

Note 4 Events occurring after the balance sheet date

No significant events have occurred since the balance date.

Note 5 Economic dependency

STL depends on six customers for 99% of their revenue via income from storage and handling agreements. In prior years the Company was reliant on QSL for most of its revenue (2016: 99%) under STL's sublease agreement with that company.

SUGAR TERMINALS LIMITED

Directors' declaration

31 DECEMBER 2017

Note 6 Related party transactions

	Half-year	
	2017	2016
	\$	\$
(a) Transactions with related parties		
The following transactions occurred with related parties:		
Provision of services to shareholders	45,749,541	24,452,593
Purchase of services from shareholders	23,595,344	6,299,845
(b) Outstanding balances arising from sales/ purchases		
The following balances (inclusive of any goods and services tax) are outstanding at the end of the reporting period in relation to transactions with related parties:		
Current Receivables (provision of services to shareholders)	500	25,063
Current Payables (purchase of services from shareholders)	3,745,063	963
Prepaid revenue from shareholders	12,643,418	4,572,628

(c) Terms and Conditions

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

SUGAR TERMINALS LIMITED

Directors' declaration

31 DECEMBER 2017

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Sugar Terminals Ltd will be able to pay its debts as and when they become due and payable.

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



AM Gray
Director
Brisbane
8 March 2018



LM Muller
Director
Brisbane
8 March 2018



Independent auditor's review report to the shareholders of Sugar Terminals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sugar Terminals Limited (the Company), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sugar Terminals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

1. giving a true and fair view of the entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Company for the half-year ended 31 December 2017 included on Sugar Terminals Limited's web site. The Company's directors are responsible for the integrity of the Sugar Terminals Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.


PricewaterhouseCoopers


Kim Challenor
Partner

Brisbane
8 March 2018