

SUGAR TERMINALS LIMITED ABN 17 084 059 601
Half-year report – 31 DECEMBER 2016

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SUGAR TERMINALS LIMITED

Directors' report

31 December 2016

Your directors present their report on the entity of Sugar Terminals Limited for the half-year ended 31 December 2016.

Directors

The following persons were directors of Sugar Terminals Limited during the whole of the half-year and up to the date of this report:

Mr Stuart Gregory
Mr Constantine Christofides
Mr Shayne Rutherford
Mr Donald Watson

Mr Andrew Cappello was a director from the beginning of the financial year until his retirement by rotation on 20 October 2016.

Mr Ian Davies was appointed a director on 20 October 2016 and continues in office at the date of this report.

Review of operations

There were no material changes to the company's operations during the half-year. Profit attributable to members of Sugar Terminals Limited for the half-year ended 31 December 2016 was \$11,998,000 (2015, \$11,773,000).

Recent Developments

On 13 December 2016, the boards of Sugar Terminals Limited (STL) and Queensland Sugar Limited (QSL) announced that they had agreed a term-sheet for an Operating Agreement that will underpin a new bulk sugar terminal operating model for Queensland's sugar industry from July 2017, with key components including:

- QSL will continue to operate the terminals for STL under a long term strategic Operating Agreement, that is proposed to commence 1 July 2017;
- The Operating Agreement will have an initial five-year term with a three-year rolling term following that;
- All marketers and terminal users, including QSL, will contract directly with STL for access to the terminals;
- Concerns about conflict of interest and confidentiality are addressed through -
 - QSL splitting its operations into two divisions, Marketing and Logistics,
 - QSL agreeing to "ring fencing" provisions in relation to the separate management and operation of these divisions, consistent with those provisions applied to similar structures in other industries, and
 - STL contracting directly with terminal users regarding terminal access via Storage and Handling Agreements;
- QSL and STL will continue to work closely and openly to maintain a high level of operational performance and optimal cost outcomes over the life of STL's terminals.

Final agreement drafting and transition and implementation planning is progressing satisfactorily.

It was also announced on 13 December 2016 that STL will appoint two additional independent directors to bolster the Board, subject to shareholder approval to increase the director fee pool and this matter is being considered at a General Meeting of the Company to be held at 10.30am on 7 March 2017.

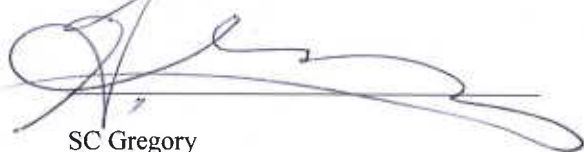
Auditor's independence declaration

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.



SC Gregory
Brisbane
7 March 2017



I Davies
Brisbane
7 March 2017



Auditor's Independence Declaration

As lead auditor for the review of Sugar Terminals Limited for the half-year ended 31 December 2016, 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 blue ink, appearing to read 'K Challenor', is written over a light blue horizontal line.

Kim Challenor
Partner
PricewaterhouseCoopers

Brisbane
7 March 2017

SUGAR TERMINALS LIMITED ABN 17 084 059 601

Half-year report – 31 DECEMBER 2016

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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 2016 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 3
348 Edward Street
BRISBANE QLD 4000

SUGAR TERMINALS LIMITED
Statement of Comprehensive Income
For the half-year ended 31 DECEMBER 2016

	Half-year	
	2016	2015
	\$'000	\$'000
Revenue from continuing operations	25,333	24,268
Depreciation expense	(5,984)	(5,820)
Professional fees expense	(863)	(281)
Insurance expense	(762)	(705)
Other expenses	(414)	(473)
Profit before income tax	17,310	16,989
Income tax expense	(5,312)	(5,216)
Total comprehensive income	11,998	11,773
	2016	2015
	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	3.33	3.27

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

SUGAR TERMINALS LIMITED**Balance Sheet**

As at 31 DECEMBER 2016

	31 Dec 2016 \$'000	30 Jun 2016 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	15,936	18,463
Trade and other receivables	186	249
Prepayments	762	-
Total current assets	<u>16,884</u>	<u>18,712</u>
Non-current assets		
Investment properties	329,606	328,888
Total non-current assets	<u>329,606</u>	<u>328,888</u>
Total assets	<u>346,490</u>	<u>347,600</u>
LIABILITIES		
Current liabilities		
Trade and other payables	7,244	9,623
Current tax liabilities	52	569
Total current liabilities	<u>7,296</u>	<u>10,192</u>
Non-current liabilities		
Deferred tax liabilities	9,295	8,347
Total non-current liabilities	<u>9,295</u>	<u>8,347</u>
Total liabilities	<u>16,591</u>	<u>18,539</u>
Net assets	<u>329,899</u>	<u>329,061</u>
EQUITY		
Contributed equity	317,628	317,628
Retained profits	12,271	11,433
Total equity	<u>329,899</u>	<u>329,061</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 2016

	Notes	Half-year	
		2016 \$'000	2015 \$'000
Total equity at the beginning of the half year		329,061	328,021
Total comprehensive income		11,998	11,773
		341,059	339,794
Transactions with equity holders in their capacity as equity holders:			
Dividends provided for or paid	3	(11,160)	(11,160)
Total equity at the end of the half-year		329,899	328,634
Total recognised income and expenses for the half year attributable to the members of Sugar Terminals Limited		11,998	11,773

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 2016

		Half-year	
	Notes	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		28,028	26,552
Payments to suppliers and employees (inclusive of goods and services tax)		(4,180)	(3,338)
		<u>23,848</u>	<u>23,214</u>
Interest received		170	263
Income taxes paid		(4,881)	(4,905)
Net cash inflow from operating activities		<u>19,137</u>	<u>18,572</u>
Cash flows from investing activities			
Payments for investment properties		(10,504)	(12,652)
Net cash (outflow) from investing activities		<u>(10,504)</u>	<u>(12,652)</u>
Cash flows from financing activities			
Dividends paid to Company's shareholders	3	(11,160)	(11,160)
Net cash (outflow) from financing activities		<u>(11,160)</u>	<u>(11,160)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(2,527)</u>	<u>(5,240)</u>
Cash and cash equivalents at the beginning of the half-year		18,463	23,915
Cash and cash equivalents at the end of the half-year		<u>15,936</u>	<u>18,675</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 2016

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Note 1 Basis of preparation of half-year report

This general purpose financial report for the half-year reporting period ended 31 December 2016 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 2016 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 reporting period.

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 2016 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 2017).

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 not yet considered the impact of the new rules on its revenue recognition policies. It will undertake a detailed assessment in the near future. 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 2018.

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.

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 General Manager and the Board assess the performance of the Company based on earnings before interest and tax.

SUGAR TERMINALS LIMITED
Notes to the financial statements
31 DECEMBER 2016

Note 3 Dividends

	Half-year	
	2016	2015
	\$'000	\$'000
Ordinary shares		
Final dividend for the year ended 30 June 2016 of 3.1 cents (2015 – 3.1 cents) per share paid on 30 September 2016.		
Fully franked based on tax paid @ 30%	11,160	11,160
	11,160	11,160

On 16 February 2017, Directors determined that a dividend of \$11.52 million (3.2 cents per share), fully franked on tax paid at 30%, will be paid on 31 March 2017 to shareholders whose names are recorded on the register on 10 March 2017.

Note 4 Events occurring after the balance sheet date

No significant events have occurred since the balance date.

Note 5 Economic Dependency

The Company depends on Queensland Sugar Limited (QSL) for most of its revenue. During the half-year ended 31 December 2016, 99% (2015 – 98%) of the Company's revenue from continuing operations was sourced from QSL under the Company's sublease agreement with that company.

SUGAR TERMINALS LIMITED

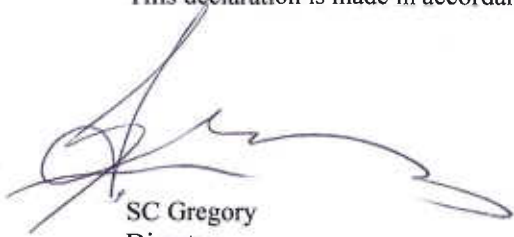
Directors' declaration

31 DECEMBER 2016

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 2016 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.



SC Gregory
Director
Brisbane
7 March 2017



I Davies
Director
Brisbane
7 March 2017

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 balance sheet as at 31 December 2016, 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 2016 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 2016 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*.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Kim Challenor'.

Kim Challenor
Partner

Brisbane
7 March 2017