SUGAR TERMINALS LIMITED ABN 17 084 059 601
Half-year report – 31 December 2019

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SUGAR TERMINALS LIMITED
Directors' report
31 December 2019

Your Directors present their report on the entity of Sugar Terminals Limited (STL) for the half-year ended 31 December 2019.

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 G Class appointed Directors and two M Class appointed Directors. In addition, STL has three Independent Directors, including the Company's 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 Tony (Anthony) Bartolo
Mr Sam (Salvatore) Bonanno
Mr Ian Davies
Ms Leanne Muller
Mr Shayne Rutherford
Mr Drew (Donald) Watson

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

STL revenue for the half year ended 31 December 2019 was $49.0 million, up 3.0% on last year (2018: $47.6 million). The revenue from bulk sugar storage and handling was $48.3 million (2018: $46.8 million), represented by revenue for availability charges of $25.3 million (2018: $24.9 million) and revenue from operating and testing charges of $23.0 million (2018: $21.9 million), which represent a direct recovery from customers of costs incurred without margin or mark up.

STL has storage and handling agreements in place with six raw sugar marketers, invoicing the marketers directly for storage and handling services provided. These agreements have a term of three years, and expire in June 2021, with options to extend for a further two years. STL has in place an operating agreement with Queensland Sugar Limited (QSL) as its key operations contractor, with a term to 30 June 2023. The term of this agreement extends by 12 months from 1 July each year, with STL able to terminate the agreement at the end of the term with three years notice.

STL continues to deliver value by balancing returns to shareholders with reducing costs to customers and a strategic focus on the future:

- received 3.4 million tonnes of raw sugar in the six months to 31 December 2019, with a peak storage of 2.3 million tonnes (a 7% increase on last year)
- full year operating costs for the terminals are on track to be lower than last year, reflecting an ongoing commitment to reduce costs whilst maintaining service levels
- STL is working with QSL Operations to implement commercial and operational best practice and expand other income opportunities. STL and QSL Operations expect to implement the improved arrangements during 2020.

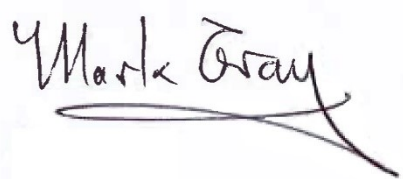
The profit attributable to STL shareholders has grown by 1.2% to $13.3 million (2018 $13.2 million). This result is in line with STL's ongoing ambition to achieve stable, reliable and sustainable returns to our investors, whilst maintaining responsible cost control for customers.

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

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

Rounding of amounts
The company is of a kind referred to in ASIC legislative instrument 2016/191, 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 to the nearest thousand dollars in accordance with the instrument, or in certain cases, to the nearest dollar.

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



AM Gray
Chairman

Brisbane
5 March 2020

Auditor's Independence Declaration

As lead auditor for the review of Sugar Terminals Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

Ben Woodbridge
Partner
PricewaterhouseCoopers

Brisbane
5 March 2020

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This half-year 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 2019 and any public announcements made by Sugar Terminals Limited during the half-year 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 2019

		Half-year	
		2019	2018
	Notes	**$'000**	$'000
Revenue from continuing operations	**8**	**49,046**	47,622
Operating expenses		**(20,547)**	(19,850)
Depreciation		**(6,557)**	(6,472)
Insurance		**(1,353)**	(1,232)
Employee benefit		**(717)**	(604)
Professional fees		**(476)**	(336)
Net loss on disposal of plant & equipment		**(9)**	-
Other expenses		**(185)**	(148)
Profit before income tax		**19,202**	18,980
Income tax expense		**(5,880)**	(5,815)
Total comprehensive income for the half-year		**13,322**	13,165

	2019	2018
	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	**3.70**	3.66

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

SUGAR TERMINALS LIMITED
Statement of financial position
As at 31 December 2019

	Notes	31 Dec 2019 $'000	30 Jun 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**18,743**	19,883
Trade and other receivables		**6,313**	5,496
Other financial assets		**12,000**	7,000
Total current assets		**37,056**	32,379
Non-current assets			
Property, plant and equipment		**326,631**	330,828
Total non-current assets		**326,631**	330,828
Total assets		**363,687**	363,207
LIABILITIES			
Current liabilities			
Trade and other payables	7	**15,651**	17,897
Current tax liabilities		**1,021**	2,095
Lease liabilities		**148**	-
Total current liabilities		**16,820**	19,992
Non-current liabilities			
Net deferred tax liabilities		**9,991**	9,348
Lease liabilities		**3,139**	-
Total non-current liabilities		**13,130**	9,348
Total liabilities		**29,950**	29,340
Net assets		**333,737**	333,867
EQUITY			
Contributed equity		**317,628**	317,628
Retained earnings		**16,109**	16,239
Total equity		**333,737**	333,867

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

SUGAR TERMINALS LIMITED
Statement of changes in equity
For the half-year ended 31 December 2019

	Notes	Contributed equity $'000	Retained earnings $'000	Total equity $'000
Balance as at 30 June 2019		**317,628**	**16,239**	**333,867**
Change in accounting policy	1	-	(852)	(852)
Restated total equity as at 1 July 2019		**317,628**	**15,387**	**333,015**
Comprehensive income				
Profit for the half year		-	13,322	13,322
Total comprehensive income for the period		-	**13,322**	**13,322**
Transactions with owners in their capacity as owners:				
Dividends paid	4	-	(12,600)	(12,600)
Total equity as at 31 December 2019		**317,628**	**16,109**	**333,737**

	Notes	Contributed equity $'000	Retained earnings $'000	Total equity $'000
Total equity as at 1 July 2018		**317,628**	**14,484**	**332,112**
Comprehensive income				
Profit for the half year		-	13,165	13,165
Total comprehensive income for the period		-	**13,165**	**13,165**
Transactions with owners in their capacity as owners:				
Dividends paid	4	-	(12,240)	(12,240)
Total equity as at 31 December 2018		**317,628**	**15,409**	**333,037**

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 2019

	Notes	Half-year 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**65,557**	71,351
Payments to suppliers and employees (inclusive of goods and services tax)		**(33,289)**	(40,336)
		32,268	31,015
Interest received		**170**	337
Interest paid		**(66)**	-
Income taxes paid		**(6,933)**	(6,031)
Net cash inflow from operating activities		**25,439**	25,321
Cash flows from investing activities			
Payments for property, plant & equipment		**(8,857)**	(5,646)
Proceeds from financial assets		**(5,000)**	5,000
Net cash (outflow) from investing activities		**(13,857)**	(646)
Cash flows from financing activities			
Dividends paid to the company's shareholders	4	**(12,600)**	(12,240)
Principle element of lease payment		**(122)**	-
Net cash (outflow) from financing activities		**(12,722)**	(12,240)
Net (decrease)/increase in cash and cash equivalents		**(1,140)**	12,435
Cash and cash equivalents at the beginning of the half-year		**19,883**	13,591
Cash and cash equivalents at the end of the half-year		**18,743**	26,026

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

Note	Contents	Page

Note 1 Basis of preparation of half-year report

This financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This half-year 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 2019 and any public announcements made by Sugar Terminals Limited during the half-year 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 half-year, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the entity

A new standard became applicable for the current reporting period and the company had to change its accounting policies and make retrospective adjustments as a result of adopting AASB 16 Leases.
The impact of the adoption of the leasing standard and the new accounting policies are disclosed below.

The other standards did not have any impact on the company's accounting policies and did not require retrospective adjustments.

Note 2 Changes in accounting policies

(a) AASB 16 Leases – Impact of adoption

The company has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of AASB 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.9%.

	2019 $'000
Operating lease commitments disclosed as at 30 June 2019	11,629
Discounted using the lessee's incremental borrowing rate of at the date of initial application	3,343
Lease liability recognised as at 1 July 2019	**3,343**
Of which are:	
Current lease liabilities	151
Non-current lease liabilities	3,192

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right of use assets relate to the following type of assets:

	31 December 2019	1 July 2019
	$'000	$'000
Properties	2,087	2,125
Total right-of-use assets	**2,087**	**2,125**

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:
- right-of-use assets – increase by $2,124,988
- deferred tax assets – increase by $365,445
- lease liabilities – increase by $3,343,139

The net impact on retained earnings on 1 July 2019 was a decrease of $852,706. All right-of-use assets are presented within Property, plant and equipment on the statement of financial position.

(i) Impact on segment disclosures and earnings per share

Adjusted EBITDA, segment assets and segment liabilities for 31 December 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas lease liabilities were previously excluded from segment liabilities. The following segments were affected by the change in policy:

	Adjusted EBITDA	Segment assets	Segment liabilities
	$'000	$'000	$'000
Storage and handling services	122	2,452	3,287

Earnings per share decreased by 0.01 cents per share for the six months to 31 December 2019 as a result of the adoption of AASB 16.

(ii) Practical expedients applied

In applying AASB 16 for the first time, the Company has used the following practical expedients permitted by the standard:
- reliance on previous assessments on whether leases are onerous
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

(b) <u>The Company's leasing activities and how these are accounted for</u>

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. 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

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 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

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.

Note 3 Segment information

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

Note 4 Dividends

	Half-year	
	2019	2018
	$'000	$'000
Ordinary shares		
Final dividend for the year ended 30 June 2019 of 3.5 cents (2018 – 3.4 cents) per share paid on 30 September 2019.		
Fully franked based on tax paid @ 30%	**12,600**	12,240
	12,600	12,240

On 5 March 2020, Directors determined that a dividend of $12.960 million (3.6 cents per share), fully franked on tax paid at 30%, will be paid on 31 March 2020 to shareholders whose names are recorded on the register on 17 March 2020.

Note 5 Events occurring after the balance sheet date

No significant events have occurred since the balance date.

Note 6 Economic dependency

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

Note 7 Related party transactions

	Half-year	
	2019	2018
	$	$
(a) Transactions with related parties		
The following transactions occurred with related parties:		
Provision of services to shareholders	**47,758,559**	46,380,904
Purchase of services from shareholders	**30,619,853**	34,091,263
(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)	**4,148,488**	47,671
Current Payables (purchase of services from shareholders)	**3,107,456**	3,103,941
Prepaid revenue from shareholders	**10,644,178**	16,418,926

(c) Terms and Conditions
The transactions have been recorded in accordance with the terms and conditions included in the storage and handling agreements.

Note 8 Revenue information

	Half-year	
	2019	2018
	$'000	$'000
Revenue from external customers		
Timing of revenue recognition		
At a point in time	**188**	1,274
Over time	**48,858**	46,348
	49,046	47,622

SUGAR TERMINALS LIMITED
Directors' declaration
For the half-year ended 31 December 2019

In the Directors' opinion:

(a) the financial statements and notes set out on pages 5 to 15 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 2019 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.

Mark Gray

AM Gray
Chairman

Brisbane
5 March 2020

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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Sugar Terminals Limited (the Company) which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and 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 Company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sugar Terminals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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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 Company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Ben Woodbridge
Partner

Brisbane
5 March 2020