



# Annual Report

2019-2020



#### Cover:

STL's bulk sugar terminal in Cairns can store more than 250,000 tonnes of raw sugar and provides important infrastructure to the Australian Defence Force.

## About this report

**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 2020. It complies with Australian reporting requirements and was authorised for issue by the Directors on 27 August 2020. 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](http://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 2020 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 21 October 2020 in the Bowman Room, Level 1, 320 Adelaide Street, Brisbane, Queensland, at 10.00am (Brisbane time).

#### Are you an Active Grower?

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.

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## 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.

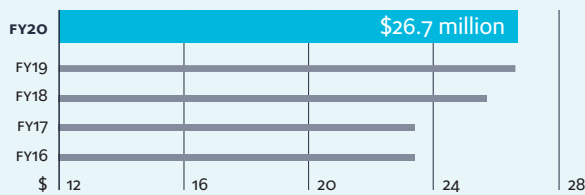
STL is publicly listed on the National Stock Exchange of Australia (NSX: SUG). It has a market capitalisation in excess of \$360 million and over 5,200 shareholders. Share ownership is restricted to sugar industry participants (growers and millers).



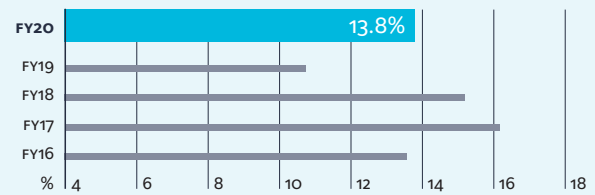
# Year in review

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

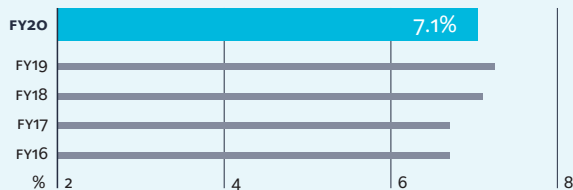
Net profit after tax (NPAT) (\$ millions)



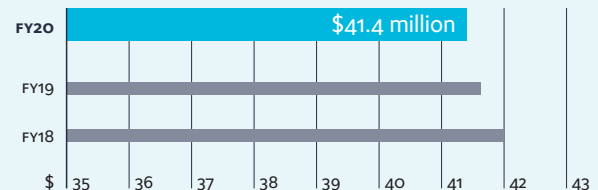
Total shareholder return (%)<sup>2</sup>



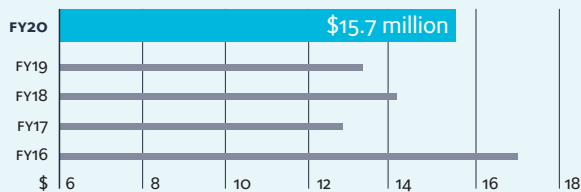
Return on assets (%)<sup>1</sup>



Terminal activity charges (\$ millions)<sup>3</sup>



Capital investment (\$ millions)



Re-roofing

152,705m<sup>2</sup>  
completed since 2012

Once completed the total re-roofing project will have re-roofed an area equivalent to approximately 157 olympic sized swimming pools.

<sup>1</sup> Full year NPAT as a percentage of total assets as at 30 June

<sup>2</sup> 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

<sup>3</sup> Activity charges to raw sugar customers, excluding insurance

44,601  
Train wagons  
received

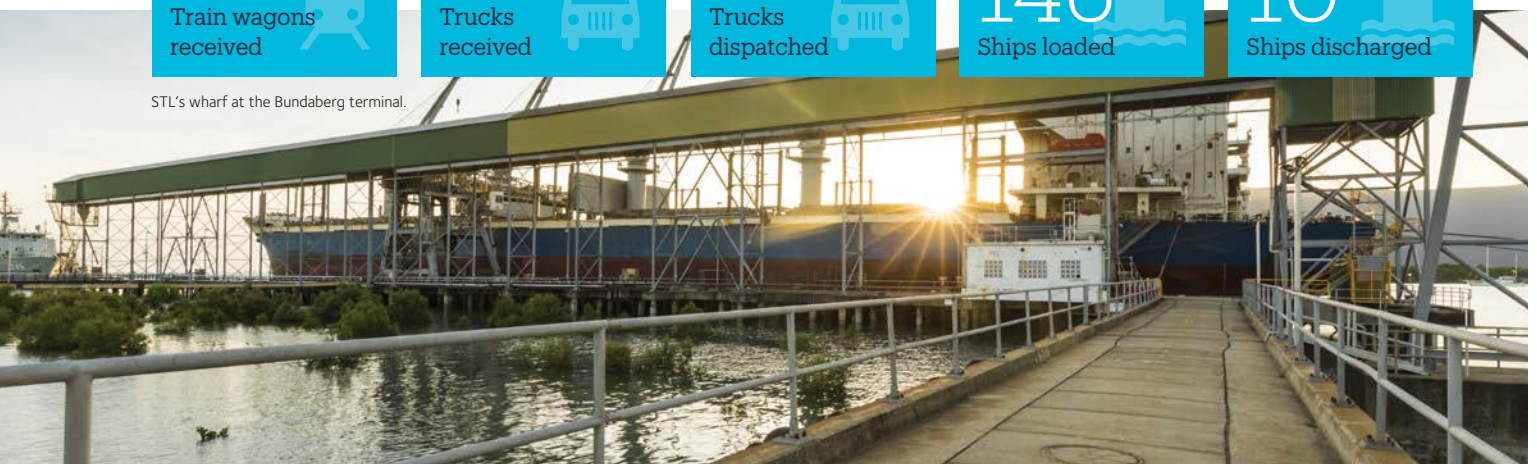
43,190  
Trucks  
received

7,648  
Trucks  
dispatched

146  
Ships loaded

10  
Ships discharged

STL's wharf at the Bundaberg terminal.



# Chairman's message

In what has been a difficult year, your Company has delivered on its commitment to cost control for the sugar industry, whilst ensuring improving returns for shareholders.



**Mark Gray**  
Chairman

The crisis has demonstrated that STL is well placed to weather adversity and continues to stand ready to support the Queensland sugar industry.

The 2020 financial year demonstrated the resilience of Queensland's sugar industry. The industry was already facing tough economic circumstances when the global pandemic emerged in the first quarter of 2020.

## COVID-19 response

The Queensland sugar industry acted quickly to establish an industry-wide working group to ensure all participants were prepared to respond effectively in the event of an outbreak. With this early action, robust planning and clear initiatives, the industry has not, to date, suffered operational delays or significant impacts as a result of the coronavirus.

For its part, STL's risk management meant the business was able to continue normal operations at all six bulk sugar terminals and proceed with work on its roof replacement program despite the onset of the pandemic. No STL employees or any workers engaged at STL worksites tested positive to the virus in the year.

## Financial performance

Driven by the macro economic challenges facing the sugar industry, STL continued its focus on responsible cost control while maintaining high service levels. In fiscal 2020, STL total activity charges were 0.2% lower than in fiscal 2019, and 0.7% lower than in fiscal 2018. Excluding insurance, total activity charges in fiscal 2020 are down 1.6% from fiscal 2018. This outstanding result has been achieved by working closely with our operations contractor, QSL, to implement productivity and efficiency improvements.

Underlying profit for the year was marginally higher at \$26.7 million, ensuring improving returns to shareholders with \$25.6 million paid in dividends (fully franked), an increase of 2.9% on the previous year.

Despite the volatility and uncertainty in world stock markets, STL shares increased by 6.9% during the year, with G Class shares closing at \$1.01 at 30 June 2020, supported by a dividend yield of 7.0% (7.1 cents per share, fully franked). It remains the Company's objective to deliver steady increases in returns to shareholders over time.

Another indicator of industry support for STL and its new business model, is the decision in July 2020

by all raw sugar customers to extend their storage and handling agreements with STL. This 12-month extension of the existing three-year agreements provides certainty for the sugar industry through to 30 June 2022.

## Key success areas

In late 2019, STL revisited its strategic imperatives and identified seven key success areas for its operations. These seven areas form the basis of an extensive performance framework agreed with QSL in June 2020 to establish service requirements and critical performance indicators for all terminal operations. This has been an important step in progressing the strategic partnership with QSL initiated last year with the Joint Statement of Commercial Intent. We expect the robust performance framework will deliver significant benefits to the business, both in terms of enhancing operational and commercial best practice at our bulk sugar terminals and expanding income opportunities.

On the subject of business development, I am pleased to advise that STL made good progress with Gladstone Ports Corporation (owners of the Port of Bundaberg) on the development of plans for the construction and long term operation of common user infrastructure to attract new commodities to the Port of Bundaberg. I look forward to keeping shareholders updated on this promising initiative.

## Outlook

The global ramifications of the COVID-19 pandemic on global sugar consumption remains uncertain. However, our response to the crisis has demonstrated that STL is well placed to weather adversity and continues to stand ready to support the Queensland sugar industry with reliable services and increasing returns.

In closing, I would like to thank my fellow Directors for their dedicated and tireless efforts throughout the last 12 months. In particular, I would like to acknowledge the nine years of sterling service as Directors by Drew Watson and Shayne Rutherford, both of whom will retire from the Board in October after their maximum three terms. Their contribution and leadership of STL over a period of significant change should be commended by all STL shareholders.



I would also like to thank the STL team – particularly our CEO John Warda who will retire in the coming months – for their outstanding efforts throughout the year. Their persistence and diligent approach has positioned the Company well to face the challenges ahead. I particularly acknowledge John's contribution in overseeing a period of rapid change for the Company. He has implemented a new business model which has delivered increasing returns to shareholders and consistently high levels of service to customers.

I look forward to welcoming David Quinn to the role of CEO in October, following John's retirement. David has vast experience in supply chain logistics and asset management across major infrastructure, transport, manufacturing, mining, oil and gas, both throughout Australia and internationally. His diverse career is an ideal fit for STL's strategy to grow and diversify our bulk commodity storage and handling business in Queensland to complement our core sugar business.

A final thanks goes to you, our shareholders for your ongoing support of the business. We look forward to continuing our steady performance in the coming year, as we respond to the profound economic and social adjustments wrought by the coronavirus pandemic.

**Mark Gray** Chairman

#### Top

STL rolled out new branding across its operations in FY20.

#### Bottom

STL's Peter Bolton and Port of Bundaberg Manager Jason Pascoe signed the term sheet for construction of common user infrastructure in June 2020.

## 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

# Chief Executive Officer's report

For the past three and a half years, it has been my privilege to lead STL's transition from landlord to infrastructure owner and service provider of the six bulk sugar terminals of critical importance to the Queensland sugar industry supply chain.



**John Warda**  
Chief Executive  
Officer

STL's shareholders can feel confident that the Board and management of your Company will honour their commitment to act safely, sustainably and with integrity and fairness.

In October 2020, I will retire from the role of CEO confident that your Company is in safe hands. The small but effective team at STL has achieved a great deal in a short time. Together with support from our experienced and supportive Board, we have transformed the business into a sustainable and globally competitive logistics business. In 2020, STL is a recognised and highly valued brand in Queensland's sugar industry that is focused on delivering excellent customer service and increasing shareholder value for decades to come.

## Operational excellence

As the Chairman has outlined, COVID-19 posed a new set of challenges for STL and for our strategic partnership with QSL in the latter half of the 2020 financial year. It is a testament to the strength of the partnership that we were able to ensure our terminal operations remained largely "business as usual" ahead of the 2020 crush. At the same time, we delivered a comprehensive performance framework to implement operational and commercial best practice at STL terminals going forward. We achieved these twin achievements by working together methodically to identify, understand and mitigate risks.

## Capital program

STL continues to invest in its storage and handling infrastructure, which is critical in servicing the sugar industry. The Company's \$100 million reroofing program was 87% complete at 30 June 2020, with work on Shed 1 in Bundaberg now complete. Roof replacement work on Shed 1 in Mackay, the oldest of STL's 16 storage sheds, began in mid-February 2020, just as the COVID-19 pandemic closed borders and introduced additional complexity to the project. With careful planning on the part of principal contractor V2R Projects, we had 60 people on the job by May and the project was almost 20% completed as at 30 June.

When reroofing work in Mackay is completed in September 2020, STL's attention will turn to Townsville, where two final sheds will be re-roofed in 2021-2022, bringing the 10-year program to a close. Beyond that, STL will continue to focus on improving the quality of its assets, including possible refurbishment of shed walls across its network of terminals.

## Business development

In August 2019, STL signed a Memorandum of Understanding with the Gladstone Ports Corporation to investigate opportunities to attract new business to the Port of Bundaberg. During FY20, we were able to progress with concept plans, culminating in the signing of a formal term sheet in June 2020 for STL to construct, operate and maintain new common user infrastructure that will diversify the service capabilities at the Port of Bundaberg and breathe new life into the Port and wider region. Your Company is focused on investigating opportunities to replicate this type of project at other locations to improve shareholder value and supplement income from the sugar industry.

I would like to close my final report to shareholders by saying thank you. Since joining STL in early 2017, I have had the honour of meeting many people who support Queensland's sugar industry and will fondly remember my time in this role.

STL's shareholders can feel confident that the Board and management of your Company will honour their commitment to act safely, sustainably and with integrity and fairness, with the business focused on delivering value for the long term.

**John Warda** CEO





## 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

1

2

3

4

- 1 STL's \$12 million reroofing project in Mackay began in February 2020.
- 2 Loading of raw sugar at the Townsville terminal.
- 3 STL became more visible at all sites with new branding installed.
- 4 STL's CEO John Warda inspecting receival operations at the Bundaberg terminal.

# Leadership

## 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, where he is also an Adjunct Professor of Economics. 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, Queensland Foundation and Federation Board, 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.

### **Sam (Salvatore) Bonanno**

#### **Independent Non-executive Director**

Appointed 7 March 2017

Sam is an independent management consultant specialising in ports, logistics, infrastructure and mining operations. With more than 35 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 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, CQUniversity: Member of the Strategic Planning and Projects Committee, University Council

### **Drew (Donald) Watson**

#### **Non-executive Director appointed by G Class shareholders**

Appointed 28 October 2011

Drew has extensive knowledge in Queensland's sugar industry and has earned a reputation for representing the rights of cane growers in a range of forums. He is Manager and Director of a 500-hectare cane farm in Far North Queensland. Drew was Chairman of Mossman Canegrowers from 2001 to 2019 and was on the Canegrowers Policy Council from 2013 to 2019.

### **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. 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 and the 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.



**Left to right:**

Ian Davies, Leanne Muller, Drew Watson, Sam Bonanno, Tony Bartolo, Mark Gray (Chairman), Shayne Rutherford

**Shayne Rutherford****Non-executive Director appointed by M Class shareholders**

Appointed 28 October 2011

Shayne is an experienced senior executive and director with a career spanning over 30 years including corporate and commercial leadership roles for CSR Ltd and Wilmar Sugar Australia and previous directorships with the Harwood Superannuation Fund and BSES Ltd. He has particular expertise in strategy and corporate development, sales and marketing, commodity risk management, mergers and acquisitions, and project management. Shayne has worked in a broad range of industries including sugar, agribusiness, oil and gas, manufacturing, consulting and petrochemicals. Shayne holds a Bachelor of Engineering (Mechanical) (Hons 1) and an MBA. He is also a graduate member of the AICD.

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

**Current directorships/other interests**

Wilmar Sugar Australia Ltd: Executive General Manager, Strategy & Business Development, Wilmar Australia Sugar Holdings Pty Ltd (and subsidiary companies): Executive Director, Australian Sugar Milling Council Pty Ltd: Director

## Management

**John Warda****Chief Executive Officer**

Appointed 3 April 2017

John is a highly experienced senior operations executive. He has brought to STL more than 40 years of experience in logistics and supply chain strategy, primarily in agribusiness. In previous roles, John has managed the operations and maintenance of large port and storage infrastructure assets and has been accountable for developing supply chain assets for multinational agribusinesses both in Australia and overseas. This included delivering cost-effective solutions for the storage and handling of bulk commodities for the long-term benefit of industry. He is a member of the AICD.

**Current directorships/other interests**

International Cargo Handling Coordination Association (ICHCA) Australia: Chairman & Finance Director, ICHCA International: Deputy Chairman and Director

**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

# 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. This statement was adopted by the Board on 27 August 2020.

## 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

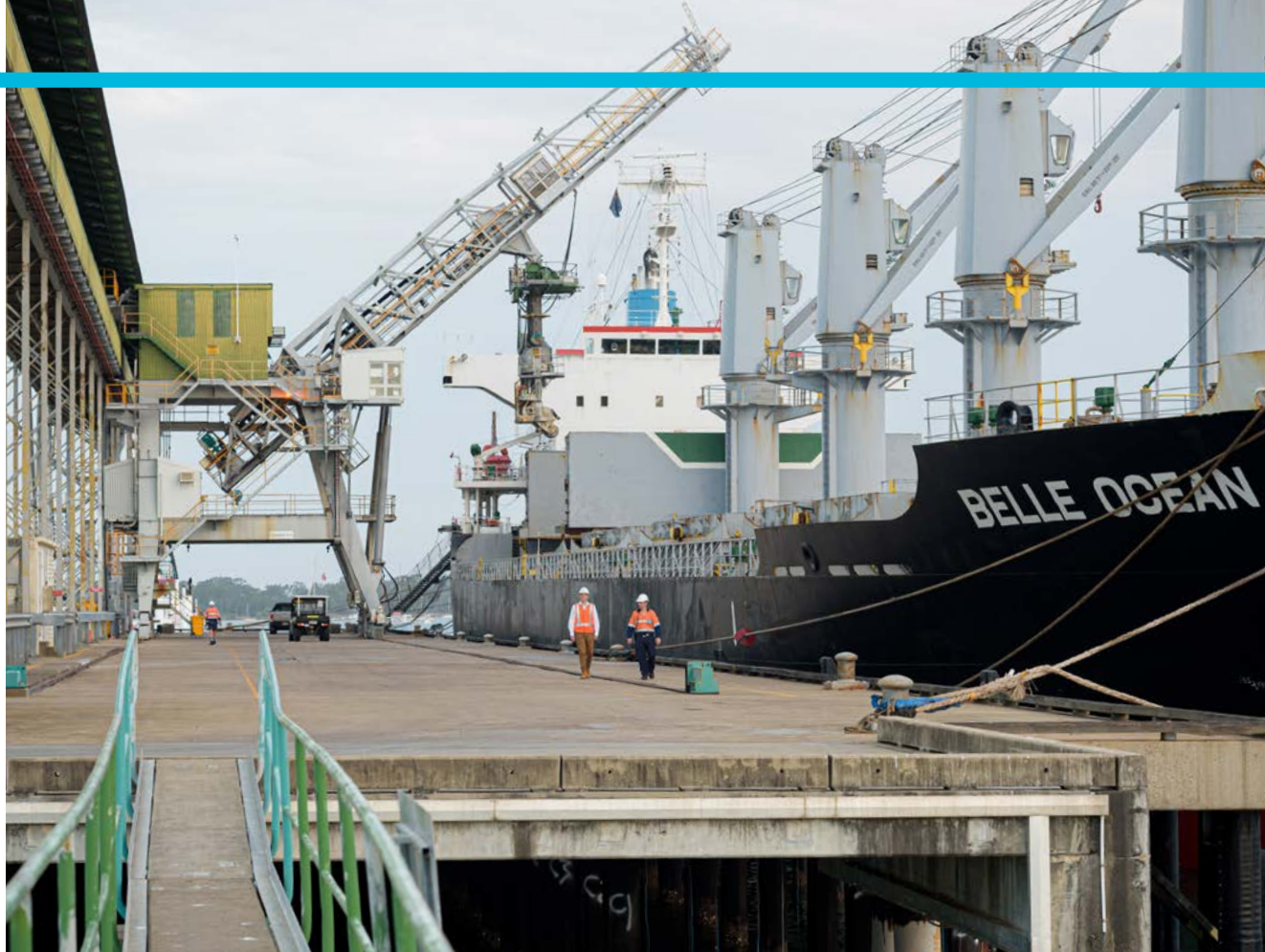
STL has a diversity and inclusion policy, which is available on the Company's website. The Company is committed to improving the diversity of its small workforce.

#### 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.





STL's Peter Bolton and QSL Operation's Dean Hartley inspect loading of a vessel at the Bundaberg 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 FY20.

### **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**

For the entirety of FY20, 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.

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

**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.

Raw sugar at the Mourilyan terminal.







Loading of raw sugar at the Lucinda 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](http://www.sugarterminals.com.au).

#### Recommendation 6.2:

##### **Investor relations program**

At its 2017 Annual General Meeting, STL's Chairman announced a renewed focus on investor relations and made a commitment for the Board to visit each location once every two years. Since then, STL's Board has held Board meetings at all six locations in Queensland and invited shareholders and other stakeholders in each region to meet with Directors and senior executives at dedicated "open days" which included site tours of STL's bulk sugar terminals.

Due to COVID-19, on-site visits by non-essential personnel have been temporarily suspended. Alternative communication methods for continued interaction (e.g. videoconferencing) have been used during these restrictions.

#### 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, 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.

## Principle 7:

### Recognise and management 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.

Cairns bulk sugar terminal.



## Principle 8:

### Remunerate 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 storage and handling agreements in place with six raw sugar marketers, invoicing the marketers directly for storage and handling services provided. These agreements expire on 30 June 2022 and include an option to extend for a further twelve months. STL has in place an operating agreement with Queensland Sugar Limited (QSL) as its key operations contractor, with a term to 30 June 2024. The term of this agreement extends by 12 months from 1 July each year, with STL able to terminate the agreement with three year's notice.

## 2. Review of operations and financial performance

STL revenue for the year ended 30 June 2020 was \$97.5 million, 0.3% above last year (2019: \$97.2 million). The revenue from bulk sugar handling was \$96.0 million (2019: \$95.5 million), comprised of revenue for availability charges of \$50.5 million (2019: \$49.8 million) and revenue from operating and testing charges of \$45.5 million (2019: \$45.6 million). Operating and testing charges are a direct recovery, from customers, of costs incurred without margin or mark up. The business 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 0.2% to \$26.7 million (2019 \$26.6 million), noting that FY19 results included the benefit of the sale of leasehold land resulting in a \$0.4M gain on sale. 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

	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Revenue from continuing operations	97,495	97,180	96,226	51,081	48,689
Profit attributable to shareholders	26,654	26,596	25,712	23,418	23,360
<b>Balance sheet</b>					
Current assets	39,158	32,379	31,431	18,157	18,887
Non-current assets	335,573	330,828	330,810	329,492	328,888
Current liabilities	(26,690)	(19,992)	(20,671)	(8,800)	(10,368)
Non-current liabilities	(13,933)	(9,348)	(9,459)	(9,050)	(8,347)
Net assets	334,108	333,867	332,111	329,799	329,061

## 3. Dividends

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

	2020 \$'000	2019 \$'000
Final dividend for the year ended 30 June 2019 of 3.5 cents per share (2018 – 3.4 cents per share), fully franked based on tax paid of 30%, paid on 30 September 2019.	12,600	12,240
Interim 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 31 March 2020.	12,960	12,600
	<b>25,560</b>	<b>24,840</b>

On 27 August 2020, the Directors determined that a final ordinary dividend of \$13.0 million (3.6 cents per fully paid share), fully franked based on tax paid at 30%, will be paid on 30 September 2020 to shareholders whose names are recorded on the Register on 11 September 2020.

## 4. Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

- a) STL's operations in future financial years, or
- b) the results of those operations in future financial years, or
- c) STL'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

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  
 Mr Shayne W Rutherford  
 Mr Drew (Donald) A Watson

## 7. Meetings of Directors

The number of meetings of STL's Board of Directors and of each Board Committee held during the year ended 30 June 2020, 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	10	10	5	5	-	-
AR Bartolo	10	10	-	-	4	4
IR Davies	10	10	5	5	4	4
AM Gray	10	10	-	-	-	-
LM Muller	10	10	-	-	4	4
SW Rutherford	10	9	5	4	-	-
DA Watson	10	10	-	-	-	-

## 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 STL'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.

STL 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 currently stands at \$400,000 which was approved by shareholders in March 2017.

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

	30 June 2020	30 June 2019
<b>Chairman</b>	\$103,121	\$103,121
<b>Independent non-executive Directors</b>	\$61,873	\$61,873
<b>Non-executive Directors appointed by G &amp; M Class shareholders</b>	\$39,388	\$39,388

STL is currently engaging with stakeholders to ascertain support for an increase in the aggregate Director's fee pool limit to allow the alignment of the fees paid to Directors given:

- the shared liability and responsibilities of all STL Directors
- the need to ensure STL maintains the ability to remunerate competitively and is able to attract and retain Industry nominated Directors with appropriate skills and experience.

It is STL's intention that any increase in fees is absorbed within STL's current cost base with no increase in total costs as a result of the initiative.

Any proposal to increase the aggregate limit is required to be voted upon by shareholders and will need to be passed by at least 50% of the votes cast by G Class shareholders and 50% of the votes cast by M Class shareholders.

### Retirement allowances for Directors

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

### Executive pay

The CEO and CFO's employment contracts do not have a minimum term. The CEO's employment contract stipulates a 6 months' notice of termination. The CFO's contract 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 2020, the fixed remuneration (inclusive of superannuation) for the CEO is \$357,000 and the CFO is \$255,000. 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:

	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Profit attributable to members of STL	<b>26,654</b>	26,596	25,712	23,418	23,360
Dividends (relating to the year)					
Interim	<b>12,600</b>	12,240	11,520	11,160	11,160
Final	<b>12,960</b>	12,600	11,880	11,520	11,160
Earnings per share (basic)	<b>7.40¢</b>	7.39¢	7.14¢	6.51¢	6.49¢
Share price at 30 June (\$)	<b>\$1.01</b>	\$0.95	\$0.92	\$0.86	\$0.79

## Details of remuneration

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

### 2020

Name	Short-term benefits					Post-employment benefits (Superannuation)	Total
	Cash salary and fees	Bonus	Leave benefits <sup>1</sup>	Non-monetary benefits	Other – termination benefit		
	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive Directors</i>							
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
<b>Subtotal non-executive Directors</b>	<b>357,901</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>26,517</b>	<b>384,418</b>
<i>Executives</i>							
PM Bolton	229,998	51,000	6,453	–	–	25,000	312,451
JP Warda	319,069	80,325	12,772	–	–	25,000	437,166
<b>Total</b>	<b>906,968</b>	<b>131,325</b>	<b>19,225</b>	<b>–</b>	<b>–</b>	<b>76,517</b>	<b>1,134,035</b>

### 2019

Name	Short-term benefits					Post-employment benefits (Superannuation)	Total
	Cash salary and fees	Bonus	Leave benefits <sup>1</sup>	Non-monetary benefits	Other – termination benefit		
	\$	\$	\$	\$	\$	\$	\$
<i>Non-executive Directors</i>							
AR Bartolo	24,730	–	–	–	–	2,349	27,079
SG Bonanno	56,504	–	–	–	–	5,368	61,872
CA Christofides	–	–	–	–	–	12,416	12,416
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
<b>Subtotal non-executive Directors</b>	<b>346,659</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>37,865</b>	<b>384,524</b>
<i>Executives</i>							
PM Bolton	224,999	50,000	10,766	–	–	25,000	310,765
JP Warda	299,391	73,500	(8,467)	–	–	24,998	389,422
<b>Total</b>	<b>871,049</b>	<b>123,500</b>	<b>2,299</b>	<b>–</b>	<b>–</b>	<b>87,863</b>	<b>1,084,711</b>

<sup>1</sup> Leave benefits includes the net movement of short-term leave benefit such as annual leave

Mr CA Christofides ceased as a Director of STL on 24 October 2018 and Mr AR Bartolo commenced as a Director of STL on 24 October 2018.

## 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

STL 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:

	2020 \$	2019 \$
PricewaterhouseCoopers Australian firm:		
Accounting advice:	—	—
Taxation advice:	—	12,000

## 10. Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporation 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 Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order 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*.



**(Alan) Mark Gray**

Chairman

Brisbane

27 August 2020

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 2020, 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.

A handwritten signature in black ink, appearing to read 'Ben Woodbridge'.

Ben Woodbridge  
Partner  
PricewaterhouseCoopers

Brisbane  
27 August 2020

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30 June 2020

# Annual financial report

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# Statement of comprehensive income

For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>Revenue from continuing operations</b>	3	<b>97,495</b>	97,180
Operating expenses	4	<b>(40,909)</b>	(41,618)
Depreciation expenses	4	<b>(13,022)</b>	(12,828)
Insurance expense		<b>(2,707)</b>	(2,465)
Employee benefits expense	4	<b>(1,356)</b>	(1,313)
Professional fees expense		<b>(883)</b>	(858)
Net gain/ (loss) on disposal of plant & equipment		<b>(67)</b>	304
Net gain/ (loss) on disposal of leasehold land		–	116
Other expenses		–	(173)
Operating profit		<b>38,551</b>	38,345
Finance costs	10	<b>(131)</b>	–
<b>Profit before income tax</b>		<b>38,420</b>	38,345
Income tax expense	5	<b>(11,766)</b>	(11,749)
<b>Profit for the period</b>		<b>26,654</b>	26,596
Other comprehensive income		–	–
<b>Total comprehensive income</b>		<b>26,654</b>	26,596
		<b>2020 Cents</b>	<b>2019 Cents</b>
<b>Earnings per share from continuing operations attributable to the ordinary equity holders of the Company</b>			
Basic and diluted earnings per share	13	<b>7.40</b>	7.39

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



# Statement of financial position

As at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	30,601	19,883
Trade and other receivables	8	1,557	5,496
Other financial assets	7	7,000	7,000
Total current assets		39,158	32,379
<b>Non-current assets</b>			
Property, plant and equipment	9	333,525	330,828
Right-of-use asset	10	2,048	–
Total non-current assets		335,573	330,828
<b>Total assets</b>		374,731	363,207
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	26,043	17,897
Current tax liabilities		497	2,095
Lease liabilities	10	150	–
Total current liabilities		26,690	19,992
<b>Non-current liabilities</b>			
Net deferred tax liabilities	12	10,759	9,348
Lease liabilities	10	3,174	–
Total non-current liabilities		13,933	9,348
<b>Total liabilities</b>		40,623	29,340
<b>Net assets</b>		334,108	333,867
<b>Equity</b>			
Contributed equity	15	317,628	317,628
Retained earnings	16	16,480	16,239
<b>Total equity</b>		334,108	333,867

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 2020

	Notes	Contributed Equity \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 1 July 2018</b>		317,628	14,483	332,111
Profit for the period		–	26,596	26,596
Other comprehensive income		–	–	–
Total comprehensive income for the year		–	26,596	26,596
<b>Transactions with owners in their capacity as owners</b>				
Dividends provided for or paid	14	–	(24,840)	(24,840)
<b>Balance at 30 June 2019</b>		317,628	16,239	333,867
Change in accounting policy	10	–	(853)	(853)
<b>Restated total equity as at 1 July 2019</b>		<b>317,628</b>	<b>15,386</b>	<b>333,014</b>
Profit for the period		–	26,654	26,654
Other comprehensive income		–	–	–
Total comprehensive income for the year		–	26,654	26,654
<b>Transactions with owners in their capacity as owners</b>				
Dividends provided for or paid	14	–	(25,560)	(25,560)
<b>Balance at 30 June 2020</b>		<b>317,628</b>	<b>16,480</b>	<b>334,108</b>

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 2020

	Notes	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		113,653	107,545
Payments to suppliers and employees (inclusive of goods and services tax)		(56,581)	(57,700)
		57,072	49,845
Interest received		292	585
Interest paid		(131)	–
Income taxes paid		(11,587)	(11,217)
<b>Net cash inflow from operating activities</b>	22	45,646	39,213
<b>Cash flows from investing activities</b>			
Payments for property, plant & equipment		(9,348)	(14,181)
Proceeds (purchases) of financial assets		–	5,000
Sale of property, plant & equipment and leasehold land		–	1,100
<b>Net cash (outflow) from investing activities</b>		(9,348)	(8,081)
<b>Cash flows from financing activities</b>			
Dividends paid to Company's shareholders		(25,560)	(24,840)
Principle element of lease payment		(20)	–
<b>Net cash (outflow) from financing activities</b>		(25,580)	(24,840)
<b>Net (decrease) increase in cash and cash equivalents</b>		10,718	6,292
Cash and cash equivalents at the beginning of the financial year		19,883	13,591
<b>Cash and cash equivalents at the end of the year</b>	6	30,601	19,883

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



# Notes to financial statements

30 June 2020

## 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.

## 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 2019. Please refer to Note 1 for further information.

## 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 contracts with each raw sugar marketers to provide storage and handling services. These contracts expire on 30 June 2022 and include an option to extend for a further twelve months.

## 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.

## 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 10) and the estimation of environmental remediation in contingent liabilities (Note 21).

## 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 Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, 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 12 of the Directors' report which is not part of this financial report.

The financial report was authorised for issue by the Directors on 27 August 2020. 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, IBM Building  
348 Edward Street  
Brisbane QLD 4000

# Notes to financial statements

30 June 2020

## Note 1 Changes in accounting policy

### AASB 16 Leases – impact of adoption

STL has adopted AASB 16 retrospectively from 1 July 2019 and as permitted under the specific transitional provisions in the standard, has not restated comparatives for the 2019 reporting period. 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, STL recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117.

#### a) Measurement of lease liabilities

Lease liabilities are measured at the present value of the remaining lease payments, discounted using an estimate of STL's incremental borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities as at 1 July 2019 was 3.9%

	2019 \$'000
Operating lease commitments disclosed as at 30 June 2019	11,692
Discounted using STL's incremental borrowing rate at the date of initial application	3,343
<b>Lease liability recognised as at 1 July 2019</b>	<b>3,343</b>
Comprising of:	
Current lease liabilities	151
Non-current lease liabilities	3,192

#### b) Measurement of right-of-use assets

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:

	30 JUN 2020 \$'000	1 JUL 2019 \$'000
Properties	2,048	2,125
<b>Total right-of-use assets</b>	<b>2,048</b>	<b>2,125</b>

#### c) Adjustments recognised in the balance sheet on 1 July 2019

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- right-of-use assets – increase by \$2,125,248
- deferred tax assets – increase by \$365,467
- lease liabilities – increase by \$3,343,473

The net impact on retained earnings on 1 July 2019 was a decrease of \$852,757.

#### (i) Impact on segment disclosures and earnings per share

Adjusted EBITDA, segment assets and segment liabilities for 30 June 2020 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 \$'000	Segment assets \$'000	Segment liabilities \$'000
Storage and handling services	151	2,414	3,324

Earnings per share decreased by 0.02 cents per share for the year to 30 June 2020 as a result of the adoption of AASB 16.

#### (ii) Practical expedients applied

In applying AASB 16 for the first time, STL 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

# Notes to financial statements

30 June 2020

## Note 2 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 3 Revenue

### a) Disaggregation of revenue from contracts with customers

	Storage & handling – raw sugar \$'000	Storage & handling – other \$'000	Interest revenue \$'000	Total \$'000
<b>2020</b>				
At a point in time	-	185	313	498
Over time	95,991	1,007	-	96,998
	<b>95,991</b>	<b>1,191</b>	<b>313</b>	<b>97,495</b>
<b>2019</b>				
At a point in time	-	192	484	676
Over time	95,463	1,041	-	96,504
	<b>95,463</b>	<b>1,233</b>	<b>484</b>	<b>97,180</b>

### b) Revenue recognised in relation to contract liabilities

	2020 \$'000	2019 \$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Storage and handling – raw sugar	1,741	3,749

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 receipt or outloading services or the timing of those services.

Revenue from storage and handling agreements 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 receipt, 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.

### d) Other revenue

#### Interest revenue:

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



## Note 4 Expenses

Profit before income tax includes the following specific expenses:

### Expenses

#### Operating expenses

	2020 \$'000	2019 \$'000
Operations contractor fee	37,654	38,180
Analytical services fee	1,352	1,406
Outgoings and licence fees	1,679	1,702
Other operating expenses	224	330
<b>Total operating expenses</b>	<b>40,909</b>	<b>41,618</b>

#### Employee benefit expense

Defined contribution superannuation	97	106
Employee remuneration and other benefits	1,259	1,207
<b>Total employee benefit expense</b>	<b>1,356</b>	<b>1,313</b>

#### Depreciation

Plant & equipment	12,945	12,828
Right-of-use-assets	77	–
<b>Total depreciation</b>	<b>13,022</b>	<b>12,828</b>

#### Operations contractor fee

STL currently achieves outcomes at its six bulk sugar terminals through the agreement with QSL as an operations contractor, with a term to 30 June 2024. 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 2021.

#### Post-employment benefits

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

## Note 5 Income tax

	2020 \$'000	2019 \$'000
<b>a) Income tax expense</b>		
Current taxation	11,177	11,828
Deferred tax relating to the increase (decrease) of deferred tax liabilities (Note 12)	589	(79)
	<b>11,766</b>	<b>11,749</b>
<b>b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Profit from continuing operations before income tax expense	38,420	38,345
Income tax calculated at the Australian tax rate of 30% (2019 – 30%)	11,526	11,503
Tax effect of permanent differences:		
Non-deductible depreciation	238	238
Sundry items	2	8
<b>Income tax expense</b>	<b>11,766</b>	<b>11,749</b>
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.

# Notes to financial statements

30 June 2020

## Note 6 Cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash at bank and on hand	30,601	19,883
	<b>30,601</b>	<b>19,883</b>
<b>a) Reconciliation to cash flow statement</b>		
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	30,601	19,883
Balances per statement of cash flows	<b>30,601</b>	<b>19,883</b>

### b) Cash at bank and on hand

Cash at bank earns a floating interest rate of 0.25%, which is the rate at 30 June 2020 (2019 – 1.00%).

For cash flow statement presentation purposes, cash at bank and on hand includes:

- 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 18.

## Note 7 Financial assets

	2020 \$'000	2019 \$'000
Term deposits	7,000	7,000
	<b>7,000</b>	<b>7,000</b>

### a) Financial assets

Term deposits earn a weighted average interest rate of 1.50%, which is the average rate on deposits invested at 30 June 2020 (2019 – 2.50%).

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, the identified impairment loss was immaterial.

STL does not have any hedging arrangements.

## Note 8 Trade and other receivables

	Current \$'000	Non-current \$'000	Total \$'000
<b>2020</b>			
Trade receivables	1,478	8	1,486
Other receivables	71	–	71
	<b>1,549</b>	<b>8</b>	<b>1,557</b>
<b>2019</b>			
Trade receivables	5,417	27	5,444
Other receivables	52	–	52
	<b>5,469</b>	<b>27</b>	<b>5,496</b>

**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
<b>Year ended 30 June 2020</b>				
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
<b>At 30 June 2020</b>				
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

	Leasehold land \$'000	Buildings, plant and equipment \$'000	Under construction \$'000	Total \$'000
<b>Year ended 30 June 2019</b>				
Opening net book amount	12,938	313,101	4,770	330,810
Additions	-	2,723	10,704	13,426
Disposals	(134)	(446)	-	(580)
Transfers	-	7,749	(7,749)	-
Depreciation charge	-	(12,828)	-	(12,828)
Closing net book amount	12,804	310,299	7,725	330,828
<b>At 30 June 2019</b>				
Cost	12,804	508,070	7,725	528,599
Accumulated depreciation	-	(197,771)	-	(197,771)
Net book amount	12,804	310,299	7,725	330,828

**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

**Cost, revaluation, depreciation methods and useful lives**

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.



# Notes to financial statements

30 June 2020

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 Leases

### a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2020 \$'000	1 JULY 2019 \$'000
Right-of-use-assets		
Properties	2,048	2,125
	<b>2,048</b>	2,125
Lease liabilities		
Current	150	151
Non-current	3,174	3,192
	<b>3,324</b>	3,343
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:

Depreciation charge right-of-use assets	77	–
Interest expense	131	–
	<b>208</b>	–
The total cash outflow for leases	<b>151</b>	–

### 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.

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

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 11 Trade and other payables

	2020 \$'000	2019 \$'000
Trade and other payables	21,586	16,022
Deferred revenue	4,457	1,875
	<b>26,043</b>	<b>17,897</b>

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.

# Notes to financial statements

30 June 2020

## Note 12 Deferred tax liabilities

	2020 \$'000	2019 \$'000
<b>a) Deferred tax assets</b>		
The balance comprises temporary differences attributable to:		
Plant and equipment	517	71
Total deferred tax assets	517	71
Set-off of deferred tax liabilities pursuant to set-off provisions	(517)	(71)
<b>Net deferred tax assets</b>	-	-
<b>b) Deferred tax liabilities</b>		
The balance comprises temporary differences attributable to:		
Plant and equipment	11,277	9,419
Total deferred tax liabilities	11,277	9,419
Set-off of deferred tax assets pursuant to set-off provisions	(517)	(71)
<b>Net deferred tax liabilities</b>	10,759	9,348
Opening balance at 1 July	9,348	9,459
Change in accounting policy – Leases AASB16	(365)	-
Restated opening balance	8,983	9,459
Tax payable adjustment from prior year	1,187	(32)
Charged to the income statement (Note 5a)	589	(79)
Closing balance at 30 June	10,759	9,348

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 13 Earnings per share

	2020 ¢	2019 ¢
<b>a) Basic and diluted earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of STL	7.40	7.39
<b>b) Reconciliation of earnings used in calculating earnings per share</b>	\$'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	26,654	26,596
<b>c) Weighted average number of shares used as the denominator</b>	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.

## 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.

### b) Dividends paid on ordinary shares during the year

Final fully franked dividend for the year ended 30 June 2019 of 3.5 cents per share (2018 3.4 cents)

Final fully franked dividend for the year ended 30 June 2020 of 3.6 cents per share (2019 – 3.5 cents)

2020 \$'000	2019 \$'000
12,600	12,240
12,960	12,600
25,560	24,840

### 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 2020, but is not recognised as a liability at year end (2019 3.5 cents)

12,960	12,600
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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.

### d) Franked dividends

The franked portion of the final dividend recommended after 30 June 2020 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 2020.

Franking credits available for subsequent reporting periods based on a tax rate of 30% (2019 – 30%)

4,923	5,665
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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.

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	5,400
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## Note 15 Contributed equity

	2020 Shares	2019 Shares	2020 \$'000	2019 \$'000
<b>a) Share capital</b>				
Ordinary shares				
Fully paid	360,000,000	360,000,000	317,628	317,628
<b>b) Movements in ordinary share capital</b>				
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.

# Notes to financial statements

30 June 2020

At 30 June 2020 there were 360 million ordinary shares fully paid, consisting of:

G Class ordinary shares	229,348,203
M Class ordinary shares	130,651,797
	<u>360,000,000</u>

During the year ended 30 June 2020, 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

Movements in retained earnings were as follows:

### Retained earnings

	2020 \$'000	2019 \$'000
Balance at 1 July	16,239	14,483
Change in accounting policy – Leases AASB16	(853)	–
Restated opening balance	<u>15,386</u>	<u>14,483</u>
Total comprehensive income	26,654	26,596
Dividends provided for or paid	<u>(25,560)</u>	<u>(24,840)</u>
Balance at 30 June	<u>16,480</u>	<u>16,239</u>

## Note 17 Commitments

### Capital commitments

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

	2020 \$'000	2019 \$'000
Capital expenditure contracted for by QSL Operations but not paid or recognised as a liability by STL at year end	5,285	2,662
	<u>5,285</u>	<u>2,662</u>

## Note 18 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:

	2020 \$'000	2019 \$'000
<b>Floating rate</b>		
Expiring within one year (bank overdraft)	<u>3,000</u>	<u>3,000</u>

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 19 Related party transactions

### a) Key management personnel

#### Key management personnel compensation

Short-term

Post-employment benefits (i.e. superannuation)

	2020 \$	2019 \$
Short-term	1,057,518	996,848
Post-employment benefits (i.e. superannuation)	76,517	87,863
	<b>1,134,035</b>	<b>1,084,711</b>

Detailed remuneration disclosures are provided in the remuneration report on pages 14 to 16.

### 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 2019	Purchases	Other changes during the year	Held at 30 June 2020
DA Watson	248,196	-	-	248,196
AR Bartolo	17,644	-	-	17,644

### b) Transactions with other related parties

The following transactions occurred with other related parties:

Provision of services to shareholders

Purchase of services from shareholders

	2020 \$	2019 \$
Provision of services to shareholders	94,603,674	93,170,770
Purchase of services from shareholders	53,610,964	51,945,930

#### 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)

Current payables (purchase of services from shareholders)

Prepaid revenue from shareholders

	2020 \$	2019 \$
Current receivables (provision of services to shareholders)	112,690	4,791,813
Current payables (purchase of services from shareholders)	21,721,112	15,940,534
Prepaid revenue from shareholders	4,254,268	1,741,418

### Terms and conditions

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

# Notes to financial statements

30 June 2020

## Note 20 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:

	2020 \$	2019 \$
<b>Auditors of STL – PwC and related network firms</b>		
<b>Assurance services</b>		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	88,245	88,500
Total remuneration for assurance services	88,245	88,500
<b>Other services</b>		
Taxation advice	-	12,000
Total remuneration for other services	-	12,000
Total services provided by PwC	88,245	100,500

## Note 21 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 the 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 2020, 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.

## Note 22 Reconciliation of profit after income tax to net cash inflow from operating activities

	2020 \$'000	2019 \$'000
Profit for the year	26,654	26,596
Depreciation	13,022	12,828
Net loss (gain) on disposal of non-current assets	67	(420)
Decrease (increase) in trade and other receivables	3,939	345
Increase (decrease) in trade and other payables	2,150	(668)
Increase (decrease) in current tax liabilities	(1,598)	643
Increase (decrease) in deferred tax liabilities	1,412	(111)
Net cash inflow from operating activities	45,646	39,213

## Note 23 Events occurring after the balance sheet date

There were no significant events occurring after the balance date.



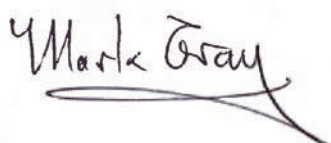
## Directors' declaration

### In the Directors' opinion:

- a) the financial statements and notes set out on pages 20 to 36 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 2020 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.

A handwritten signature in dark ink, appearing to read 'Mark Gray', with a stylized flourish underneath.

**(Alan) Mark Gray**

Chairman

Brisbane

27 August 2020

# 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 2020 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 2020
- 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 a summary of significant accounting policies
- 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 and 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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 T: +61 7 3257 5000, F: +61 7 3257 5999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.



### *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.



<i>Materiality</i>	<i>Audit scope</i>	<i>Key audit matters</i>
<ul style="list-style-type: none"> <li>For the purpose of our audit we used overall materiality of \$1.92 million, which represents approximately 5% of the Company's profit before tax.</li> <li>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.</li> <li>We chose profit before tax because, in our view, it is the benchmark against which the performance of the Company is most commonly measured.</li> <li>We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</li> </ul>	<ul style="list-style-type: none"> <li>Our audit focused on where the Company made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> </ul>	<ul style="list-style-type: none"> <li>Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:             <ul style="list-style-type: none"> <li>Revenue recognition for the Storage and Handling Agreement</li> </ul> </li> <li>This is further described in the <i>Key audit matters</i> section of our report.</li> </ul>

## Independent auditor's report continued



### 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
<p><b>Revenue recognition for the Storage and Handling Agreement</b> (Refer to note 3) \$95,991k</p> <p>Sugar Terminals Limited signed Operating Agreements with Queensland Sugar Limited and Storage and Handling Agreements (SHA) with raw sugar customers.</p> <p>Under these agreements, Sugar Terminals Limited will manage the terminals by engaging Queensland Sugar Limited as its' operation contractor to provide storage and handling services to its customers.</p> <p>The company determined there is a single performance obligation to provide stand-ready capacity to its customers for an integrated service of providing storage, receiving, outloading and testing during the financial year.</p> <p>We consider revenue recognition in relation to the Storage and Handling Agreement to be a key audit matter given it represents a significant portion of the Company's operations.</p>	<p>We have performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> <li>Assessed on a sample basis, whether revenue transactions had been recognised appropriately in accordance with the accounting policy, and with reference to the billings made to customers per invoices and payments received in the bank statements.</li> <li>Tested a sample of revenue transactions immediately prior to and post the balance date to assess whether handling and availability activities had been recognised in the correct period.</li> <li>Evaluated the adequacy of the disclosures made in the note 3 in light of the requirements of Australian Accounting Standards.</li> </ul>

### 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 2020, but does not include the financial report and our auditor's report thereon.

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.

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#### *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.

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#### *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](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*

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##### *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 2020.

In our opinion, the remuneration report of Sugar Terminals Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

## Independent auditor's report continued



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### *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*

PricewaterhouseCoopers

*Ben Woodbridge*

Ben Woodbridge  
Partner

Brisbane  
27 August 2020

# Shareholder information

30 June 2020

## 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 Limited	11,446,455
MP Australia Investments Pty Ltd	8,816,360
Queensland Sugar Limited	6,515,633
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)	10.67%
Mackay Sugar Limited	9.09%

## Distribution of shareholders

Range of units	G Class holders		M Class holders		Total shareholders		
	Holders	Securities	Holders	Securities	Holders	Securities	% of units
1 to 1,000	229	97,929	0	0	229	97,929	0.0
1,001 to 5,000	685	2,124,691	0	0	685	2,124,691	0.6
5,001 to 10,000	834	6,227,227	0	0	834	6,227,227	1.7
10,001 to 100,000	3,256	101,313,475	1	20,000	3,257	101,333,475	28.1
100,001 and Over	191	119,584,881	5	130,631,797	196	250,216,678	69.5
<b>Total</b>	<b>5,195</b>	<b>229,348,203</b>	<b>6</b>	<b>130,651,797</b>	<b>5,201</b>	<b>360,000,000</b>	<b>100.0</b>

# Corporate directory

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## Directors

(Alan) Mark Gray – Chairman  
 Anthony (Tony) R Bartolo  
 Sam (Salvatore) G Bonanno  
 Ian R Davies  
 Leanne M Muller  
 Shayne W Rutherford  
 Drew (Donald) Watson

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## Company Secretary/CFO

Peter M Bolton

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## Registered office

Level 11  
 348 Edward St  
 Brisbane Qld 4000

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## Share register

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

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## Auditor

PricewaterhouseCoopers  
 GPO Box 150  
 Brisbane Qld 4001

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## Solicitors

Clayton Utz  
 GPO Box 9806  
 Brisbane Qld 4001

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## Bankers

National Australia Bank  
 PO Box 10653  
 Brisbane Qld 4001

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## Stock exchange listing

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

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## Website

[sugarterminals.com.au](http://sugarterminals.com.au)

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## Sugar Terminals Limited

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