STL

Annual Report
2018–2019

Cover:
STL Directors and management participate in a stakeholder inspection of the wharf and shiploader at the Bundaberg terminal

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 2019. It complies with Australian reporting requirements and was authorised for issue by the Directors on 29 August 2019. The Directors have the power to amend and reissue the financial statements included in this report.

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

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

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

Report objectives
This annual report is provided for the benefit of STL's shareholders. It provides a clear and concise summary of STL's performance for the 2019 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
STL will hold its AGM on Wednesday 23 October 2019 at the office of Clayton Utz,
Level 28, 71 Eagle 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.

STL provides sustainable and globally competitive storage and handling solutions for bulk sugar and other commodities through its operations 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 $340 million and over 5,300 shareholders. Share ownership is restricted to sugar industry participants (growers and millers).

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Chairman's message

Fiscal year 2019 was a challenging period for the Queensland sugar industry. Subsidised raw sugar production in India has led to depressed global prices at the same time that Queensland growers and millers are encountering increased input costs.

Cost control

Against this background, STL has sought to play its part by keeping costs as low as possible. Operating expenses in fiscal year 2019 were lower than in the previous year. Furthermore, activity charges to raw sugar customers reduced by 0.4%, despite the terminals handling 8% more raw sugar volume. STL will continue this commitment by again keeping costs lower in fiscal year 2020 by driving further productivity and efficiency improvements at its six bulk sugar terminals.

Delivering value

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

- The terminals stored on average 18% more raw sugar across fiscal year 2019 than in 2018, representing a significant increase in the value of the terminals to the Queensland sugar industry
- Underlying profit has increased by just 1.3% (with a headline increase of 3.4% due to the sale of a minor portion of land and buildings at the Cairns terminal to Ports North)
- Dividends to shareholders have increased by 6.2% to $24.8 million (fully franked)

Strategic focus

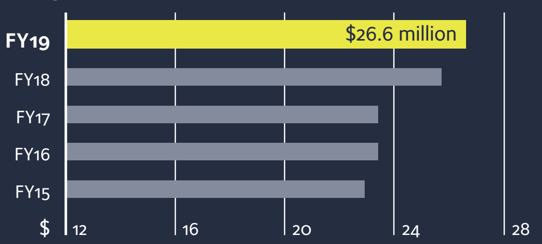
In response to the ongoing challenges to the sugar industry, STL and its operations contractor QSL Operations have agreed a strategic partnership to implement enhanced commercial practices at the terminals and pursue opportunities to expand other income opportunities. This is a major initiative to continue to improve our pricing to customers whilst operating the terminals safely and maintaining our exceptional levels of service.

Whilst raw sugar will always be the priority for the terminals, STL recognises the need to diversify its income base by increasing the storage and handling of other products. This growth in other products will reduce the cost burden on the industry whilst at the same time providing our shareholders with an opportunity to improve their returns.

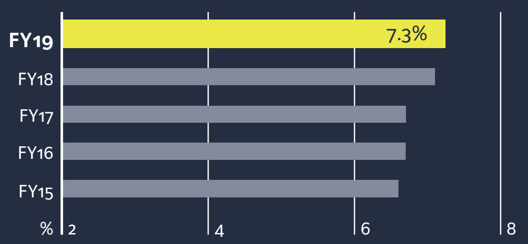
STL is actively engaged in pursuing new business opportunities across all six of its terminals. For example, at the Port of Bundaberg we are proposing to share our infrastructure and provide local operational resources to expand the use of the Port for other commodities. Updates on our

2019 Performance

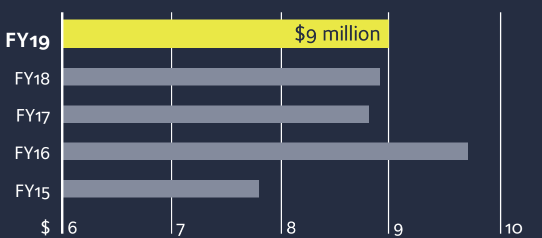
Net profit after tax ($ millions)*



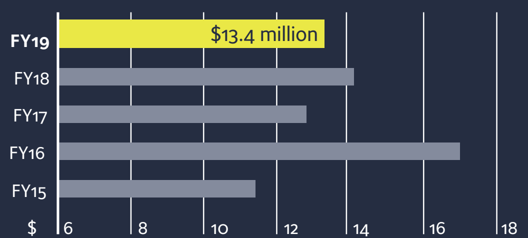
Return on assets (%)*



Roof replacement investment ($ millions)



Capital expenditure ($ millions)



*Full year NPAT as a percentage of total assets as at 30 June

"STL is actively engaged in pursuing new business opportunities across all six of its terminals."

progress in this area will be provided in future annual reports.

Director fees

Given the challenging conditions confronting the industry, STL Directors have elected to freeze Directors' fees for the 2020 fiscal year. This action demonstrates your Board's personal commitment to addressing the adverse conditions currently being faced by the Queensland sugar industry.

As a further measure to contain costs, the Board also has decided to suspend for now its announced intention to align fees paid to Directors appointed by G Class and M Class shareholders with the fees paid to Independent Directors.

Notwithstanding this decision, the Board will engage with stakeholders over the next twelve months to review the merits of this proposal. Subject to this engagement, the intention is to seek an increase in the aggregate limit at the 2020 Annual General Meeting, to allow the alignment to take place.

Stakeholder engagement

As 2019 represents only the second year under the new operating model for STL, the Board has continued to engage with our local stakeholders at each terminal, to seek feedback on operations and identify areas for improvement. It was a pleasure to meet with many of you at public events held at our terminals in Cairns, Mackay and Lucinda in 2019, with high attendances at each of these events. I look forward to continuing these forums and building lasting relationships with stakeholders across all our locations.

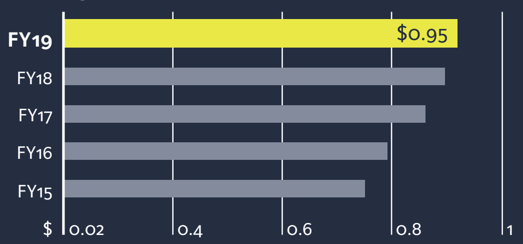
In closing, I would like to thank my fellow Directors and STL management for their hard work throughout the year in guiding STL. I would also like to take this opportunity to welcome our newest Director, Mr Tony Bartolo, who was elected to represent G Class shareholders at STL's 2018 Annual General Meeting and has been a valuable addition to the Board.

I appreciate the ongoing support of our shareholders and other stakeholders and look forward to STL continuing its important contribution to the industry in 2020.

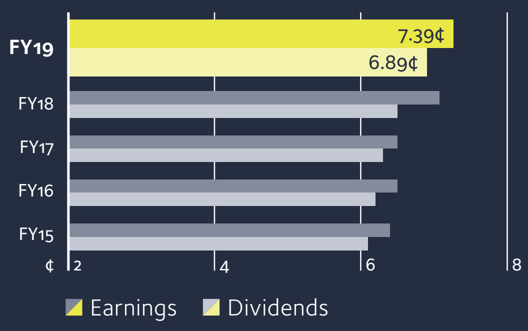
Mark Gray Chairman

Mourilyan terminal stakeholder event

Share price (NSX: SUG) ($)



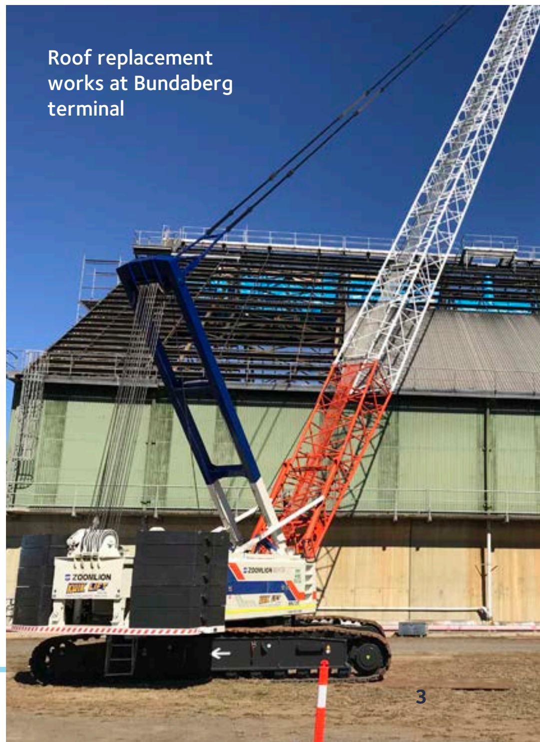
Earnings & Dividends per share (¢)



132,274m²

RE-ROOFING COMPLETED SINCE 2012

Once completed the project will have re-roofed an area equivalent to roughly 23 football fields.



Roof replacement works at Bundaberg terminal

Chief Executive Officer's report

In only our second year of operating under the new business model, I am pleased to report that STL has made strong progress in its aspiration to be a sustainable, globally competitive provider of storage and handling solutions for bulk sugar and other commodities.

This endeavour can only be achieved when we are managing and operating our facilities safely. STL has now finalised its safety, health and environment management system which will ensure we maintain our focus on keeping the terminals a safe place to work. This year, through the efforts of QSL Operations, the terminals maintained a 12-month rolling TRIFR rate of 2.5, an improvement on the rate of 7.5 recorded for last year.

As part of STL's evolution, we welcomed David Richards to the STL team as the Engineering Manager. It is an important appointment as David is responsible for improving the stewardship of our terminal assets which are a crucial component of Queensland's $4 billion sugar industry. David is also assisting to identify new opportunities for the terminals to provide storage and handling services for other commodities. David has adapted quickly to the role, applying more than two decades of experience in operations and asset management at Dalrymple Bay Coal Terminal to STL's operating environment.

Over the past 12 months, our efforts have focused on the five key imperatives identified in STL's strategic plan presented to shareholders last year:

1. **Improve service:** Working closely with QSL Operations, we have identified opportunities across our operations to improve efficiency and increase capacity for the storage and handling of raw sugar. These efforts resulted in lower activity charges for our raw sugar customers, while sugar volumes increased by 8% and our customers enjoyed 100% delivery in full on time.
2. **Improve investor returns:** Our ability to control costs and grow other income contributed to 6.2% growth in the dividends paid to shareholders, with the trading price of STL's G Class shares increasing by 3.3%.
3. **Grow other income:** STL actively explored opportunities to increase revenues from other commodities during the year to offset costs to the sugar industry and simultaneously improve shareholder returns. This imperative will have a heightened focus for both the STL and QSL Operations team over the next 12 months.
4. **Enhance investor and stakeholder engagement:** STL has delivered on its commitment to engage with shareholders and other key stakeholders at each of its six terminals every two years. This year, STL held successful events in Cairns, Mackay and Lucinda. In fiscal 2020, STL will engage with local stakeholders in Bundaberg, Townsville and Mourilyan.
5. **Plan for the future:** Work on the $100 million roof replacement program was 67% complete (in terms of sqm) by 30 June 2019, with the $18 million project to reroof two sheds at Bundaberg terminal expected to be completed in calendar 2019 and planning now underway for roof upgrades at STL's Mackay and Townsville terminals.

I would like to thank the STL team for all their work in delivering measurable progress towards our business objectives this year. Each of STL's team members, including our Directors, has made a valuable contribution to the business: evaluating new initiatives, building relationships with our key stakeholders and methodically working towards achieving our purpose. I would also like to acknowledge our key operations contractor and strategic partner, QSL Operations, for effectively and safely managing terminal operations on our behalf.

Finally, I wish to thank our valued customers and shareholders for their ongoing support as we begin another exciting year as an increasingly important link in Queensland's bulk commodity supply chain.

John Warda CEO

OUR PURPOSE

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

OUR VALUES

We are passionate about being:

- **Safe –**
  A team that cares for people
- **Sustainable –**
  Responsible stewards of our assets and the environment, maintaining and creating long term value in the business
- **Service orientated –**
  Focused on customer satisfaction, cost-efficiency, excellence and quality
- **Innovative –**
  Future-focused, always improving, flexible, responsive and transforming
- **Independent –**
  Equitable and honest, acting with integrity, providing open access

Leadership

BOARD OF DIRECTORS

(Alan) Mark Gray
Independent Non-executive Chairman
Appointed 7 March 2017

Mark's career spans some 45 years and encompasses an extensive array of senior executive and board appointments. He has served in executive roles in government and private sector organisations, including as Under Treasurer of the Queensland Treasury Department, Chief Executive Officer of the Queensland Competition Authority and the Queensland Independent Commission of Audit, Office Head at Macquarie Group and Executive Director with BDO. 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: *Chairman (Queensland Section) and Director (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*, Presbyterian and Methodist Schools Association: *Non-executive Director*, Brisbane Boys' College Council: *Chairman*

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*, QInsure: *Non-executive Director*, Peak Services: *Non-executive Director*, Guide Dogs Queensland: *Non-executive Director*

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*

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*

Tony (Anthony) Bartolo
Non-executive Director appointed by G Class shareholders
Appointed 24 October 2018

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

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

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*.

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.

Left to right:

1 Leanne Muller
2 Ian Davies
3 John Warda
4 Drew Watson
5 Sam Bonanno
6 Tony Bartolo
7 Mark Gray (Chairman)
8 Shayne Rutherford

MANAGEMENT TEAM

John Warda
Chief Executive Officer
Appointed 3 April 2017

John is a highly experienced senior operations executive. He brings 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. In more recent years, he has been accountable for developing supply chain assets for multinational agribusinesses both in Australia and overseas. This has 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: *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*

GUIDING PRINCIPLES

STL's Board has established five fundamental principles to guide the Company's new business model:

- **OPEN ACCESS THAT IS TRANSPARENT AND CONFLICT-FREE**
- **EQUITABLE AND COMPLIANT PRICING AND ACCESS TERMS**
- **EXCELLENT SERVICE AND COST CONTROL**
- **LONG TERM ASSET PRESERVATION**
- **RESPONSIVENESS TO RISKS AND OPPORTUNITIES**

Governance

STL's Board of Directors is responsible for the overall direction and affairs of the business.

It operates in accordance with the STL Constitution and within the framework of requirements, expectations and interests of customers and communities.

The Chairman oversees the conduct of the Board and its relations with shareholders and other stakeholders. He chairs Board meetings and general meetings of shareholders and works closely with the Chief Executive Officer and Chief Financial Officer/Company Secretary.

STL's Board Charter provides detailed information on the operation of the Board and can be downloaded from the Company's website.

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 Sam (Salvatore) Bonanno
Mr Ian R Davies
Ms Leanne M Muller
Mr Shayne W Rutherford
Mr Drew (Donald) A Watson

Ms Tony (Anthony) R Bartolo was appointed as a Director on 24 October 2018. Mr Constantine A Christofides ceased to be a Director on 24 October 2018.

Board composition

The Board of STL comprises seven members. In accordance with the STL constitution, G Class and M Class shareholders have equal representation on the Board, with two G Class appointed Directors and two M Class appointed Directors. In addition, STL has three Independent Directors, including the Company's Chairman.

Independent Directors currently Chair STL's Finance and Audit Committee and the Safety, Health, Environment and Risk Committee.

Independence

All Directors are legally required to act in the best interests of STL. These obligations are openly discussed as a Board. A Director who has a material interest in a matter being considered at a Directors' meeting must not be present while the matter is being considered at the meeting or vote on the matter unless the rest of the Board have passed a consent resolution.

Board committees

Major policy decisions are a matter for the Board as a whole. The Board has two standing committees: a Safety, Health, Environment & Risk Committee and a Finance & Audit Committee.

The Safety, Health, Environment & Risk Committee oversee STL's strategic and operational approach to safety, health and environmental compliance. In addition, this Committee ensures that STL has an appropriate risk management framework to ensure key risks are identified and appropriately managed. The Committee meets at least quarterly and is comprised of three Directors: Mr Sam Bonanno (Chair), Mr Ian Davies and Mr Shayne Rutherford.

The Finance & Audit Committee is comprised of Directors Ms LM Muller (Chair), Mr Ian Davies, Mr Con Christofides (to 24 October 2018) and Mr Tony Bartolo (from 28 February 2019). The Committee assists the Board in discharging its duties regarding the Company's financial management and control framework.

STL Directors Sam Bonanno and Tony Bartolo participate in a stakeholder inspection of the Mackay terminal

The Committee will review, monitor and, where necessary, recommend improvements to:

- The financial management framework and reporting process;
- The external audit process; and
- Legal and regulatory compliance.

Safety, health and environment

STL is committed to safeguarding the people and environment associated with its operations. STL's Safety, Health and Environment Policy is published on the Company's website.

Communication and disclosure

STL is committed to providing timely, full and accurate disclosure and to keeping shareholders informed. The Company posts regular releases to the NSX and its website, including annual and half-yearly reports. All material matters are disclosed to the NSX immediately, as required by NSX Listing Rules.

"STL is committed to providing timely, full and accurate disclosure and to **keeping shareholders informed.**"

STL Chairman Mark Gray with Canegrowers Chairman Paul Schembri at the Mackay terminal

Directors' Report

Review of operations

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

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

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

STL revenue for the year ended 30 June 2019 was $97.2 million, 1.0% above last year (2018: $96.2 million). The revenue from bulk sugar handling was $95.5 million (2018: $94.6 million), represented by revenue for availability charges of $49.8 million (2018: $48.8 million) and revenue from operating and testing charges of $45.6 million (2018: $45.8 million), which represent a direct recovery from customers of costs incurred without margin or mark up. The business operational costs were below last year in real terms despite an 8% increase to the raw sugar tonnes handled over the past year (compared to the twelve months ending 30 June 2018), thereby delivering significant additional value to customers.

The profit attributable to STL shareholders has grown by 3.4% to $26.6 million (2018 $25.7 million). The growth on last year is reduced to 1.3% when excluding the one-off favourable impact of the sale of a minor portion of land and buildings at the Cairns terminal. This underlying result is in line with STL's ongoing ambition to achieve stable, reliable and sustainable returns to our investors, whilst maintaining responsible cost control for customers.

Comparative financial information

	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Revenue from continuing operations	**97,180**	96,226	51,081	48,689	47,023
Profit attributable to shareholders	**26,596**	25,712	23,418	23,360	22,930
Balance sheet					
Current assets	**32,379**	31,431	18,157	18,887	24,386
Non-current assets	**330,828**	330,810	329,492	328,888	323,738
Current liabilities	**(19,991)**	(20,671)	(8,800)	(10,368)	(12,551)
Non-current liabilities	**(9,348)**	(9,459)	(9,050)	(8,347)	(7,552)
Net assets	**333,868**	332,111	329,799	329,061	328,021

Dividends

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

	2019 $'000	2018 $'000
Final dividend for the year ended 30 June 2018 of 3.4 cents per share (2017 – 3.2 cents per share), fully franked based on tax paid of 30%, paid on 28 September 2018.	**12,240**	11,520
Interim dividend for the year ended 30 June 2019 of 3.5 cents per share (2018 – 3.3 cents per share), fully franked based on tax paid of 30%, paid on 29 March 2019.	**12,600**	11,880
	24,840	23,400

On 29 August 2019, the Directors determined that a final ordinary dividend of $12.6 million (3.5 cents per fully paid share), fully franked based on tax paid at 30%, will be paid on 30 September 2019 to shareholders whose names are recorded on the Register on 13 September 2019.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

(a) the Company's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Company's state of affairs in future financial years.

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.

Information on Directors

Information on Directors and is provided on pages 6 to 7.

Meetings of Directors

The number of meetings of the Company's Board of Directors of each Board Committee held during the year ended 30 June 2019, and the numbers of meetings attended by each Director were:

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

Remuneration report

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

Principles used to determine the nature and amount of remuneration

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

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

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

Non-executive Directors

Fees and payments to non-executive Directors reflect the duties and responsibilities of STL Directors. Non-executive Directors' fees are reviewed periodically by the Board.

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 2019	30 June 2018
Chairman	$103,121	$101,020
Independent non-executive Directors	$61,873	$60,612
Non-executive Directors appointed by G & M Class shareholders	$39,388	$33,688

The Board will engage with stakeholders over the next twelve months to review the merits of aligning the fees paid to Directors that are appointed by G Class and M Class shareholders with those paid to Independent Directors. Subject to this engagement, the intention is to seek an increase in the aggregate limit at the 2020 Annual General Meeting, to allow the alignment to take place.

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 2019, the fixed remuneration (inclusive of superannuation) for the CEO is $350,000 and the CFO is $250,000. 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:

	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Profit attributable to members of STL	**26,596**	25,712	23,418	23,360	22,930
Dividends (relating to the year)					
Interim	**12,240**	11,520	11,160	11,160	10,800
Final	**12,600**	11,880	11,520	11,160	11,160
Earnings per share (basic)	**7.39¢**	7.14¢	6.51¢	6.49¢	6.37¢
Share price at 30 June ($)	**$0.95**	$0.92	$0.86	$0.79	$0.75

Details of remuneration

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

2019	Short-term benefits					Post-employment benefits (Superannuation)	Total
	Cash salary and fees	Bonus	Annual and long service leave	Non-monetary benefits	Other – termination benefit		
Name	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-executive Directors							
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
Subtotal non-executive Directors	**346,659**	**–**	**–**	**–**	**–**	**37,865**	**384,524**
Executives							
PM Bolton	224,999	50,000	10,766	–	–	25,000	310,765
JP Warda	299,391	73,500	(8,467)	–	–	24,998	389,422
Total	**871,049**	**123,500**	**2,299**	**–**	**–**	**87,863**	**1,084,711**

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

2018

Name	Short-term benefits: Cash salary and fees	Bonus	Annual and long service leave	Non-monetary benefits	Other – termination benefit	Post-employment benefits (Superannuation)	Total
	$	$	$	$	$	$	$
Non-executive Directors							
SG Bonanno	55,353	–	–	–	–	5,259	60,612
CA Christofides	8,688	–	–	–	–	25,000	33,688
IR Davies	33,688	–	–	–	–	–	33,688
AM Gray (Chairman)	92,256	–	–	–	–	8,764	101,020
SC Gregory	10,228	–	–	–	–	972	11,200
LM Muller	31,588	–	–	–	–	3,000	34,588
SW Rutherford	33,688	–	–	–	–	–	33,688
DA Watson	30,765	–	–	–	–	2,923	33,688
Subtotal non-executive Directors	**296,254**	**–**	**–**	**–**	**–**	**45,918**	**342,172**
Executives							
PM Bolton	205,000	51,750	13,134	–	–	25,000	294,884
PW Trimble	821	–	–	–	40,000	20,012	60,833
JP Warda	293,077	58,500	(5,457)	–	–	25,000	371,120
Total	**795,152**	**110,250**	**7,677**	**–**	**40,000**	**115,930**	**1,069,009**

Mr Stuart Gregory ceased as a Director of STL on 6 September 2017 and Ms Leanne Muller commenced as a Director of STL on 6 December 2017. Mr Peter Trimble ceased employment as General Manager of STL on 31 July 2017.

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

Loans to Directors and executives

There are no loans to Directors or executives.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company is important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for non-audit services provided during the year are set out below:

	2019	2018
	$	$
Non-audit services		
PricewaterhouseCoopers Australian firm:		
Accounting advice:	**0**	0
Taxation advice:	**12,000**	**7,950**

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 pages 14 to 15.

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.

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*.

Rounding of amounts

The Company 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.

Auditor

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

(Alan) Mark Gray
Chairman

Brisbane
29 August 2019

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 2019, I declare that to the best of my knowledge and belief, there have been:

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

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

Ben Woodbridge
Partner
PricewaterhouseCoopers

Brisbane
29 August 2019

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

30 JUNE 2019

Annual financial report

Lucinda terminal

The financial report is presented in Australian currency.

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

Sugar Terminals Limited
Level 11, IBM Building
348 Edward St
Brisbane QLD 4000

A description of the Company's operations and its principal activities is included in the review of operations and activities on page 10 of the Directors' report which is not part of this financial report.

The financial report was authorised for issue by the Directors on 29 August 2019. The Directors have the power to amend and reissue the financial statements.

Statement of comprehensive income

AS AT 30 JUNE 2019

	Notes	2019 $'000	2018 $'000
Revenue from continuing operations	6	**97,180**	96,226
Operating expenses	7	**(41,618)**	(42,001)
Depreciation expenses	7	**(12,828)**	(12,439)
Insurance expense		**(2,465)**	(2,338)
Employee benefits expense	7	**(1,313)**	(1,133)
Professional fees expense		**(858)**	(935)
Net gain on disposal of plant & equipment		**304**	(302)
Net gain on disposal of leasehold land		**116**	–
Other expenses		**(173)**	–
Profit before income tax		**38,345**	37,080
Income tax expense	8	**(11,749)**	(11,368)
Profit for the period	17	**26,596**	25,712
Other comprehensive income		**-**	-
Total comprehensive income		**26,596**	25,712

		2019 Cents	2018 Cents
Earnings per share from continuing operations attributable to the ordinary equity holders of the Company			
Basic and diluted earnings per share	26	**7.39**	7.14

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

Statement of financial position

AS AT 30 JUNE 2019

	Notes	2019 $'000	2018 $'000
Assets			
Current assets			
Cash and cash equivalents	9	**19,883**	13,591
Trade and other receivables	11	**5,496**	5,840
Other financial assets	10	**7,000**	12,000
Total current assets		**32,379**	31,431
Non-current assets			
Property, plant and equipment	12	**330,828**	330,810
Total non-current assets		**330,828**	330,810
Total assets		**363,207**	362,241
Liabilities			
Current liabilities			
Trade and other payables	13	**17,897**	19,219
Current tax liabilities	14	**2,095**	1,452
Total current liabilities		**19,992**	20,671
Non-current liabilities			
Net deferred tax liabilities	15	**9,348**	9,459
Total non-current liabilities		**9,348**	9,459
Total liabilities		**29,340**	30,130
Net assets		**333,867**	332,111
Equity			
Contributed equity	16	**317,628**	317,628
Retained earnings	17	**16,239**	14,483
Total equity		**333,867**	332,111

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

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Contributed Equity $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2017		317,628	12,171	329,799
Profit for the period		–	25,712	25,712
Other comprehensive income		–	–	–
Total comprehensive income for the year		–	25,712	25,712
Transactions with owners in their capacity as owners				
Dividends provided for or paid	18	–	(23,400)	(23,400)
Balance at 30 June 2018		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**
Transactions with owners in their capacity as owners				
Dividends provided for or paid	18	**-**	**(24,840)**	**(24,840)**
Balance at 30 June 2019		**317,628**	**16,239**	**333,867**

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

Statement of cash flows

AS AT 30 JUNE 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**107,545**	100,026
Payments to suppliers and employees (inclusive of goods and services tax)		**(57,700)**	(48,079)
		49,845	51,947
Interest received		**585**	320
Income taxes paid		**(11,217)**	(9,887)
Net cash inflow from operating activities	24	**39,213**	42,380
Cash flows from investing activities			
Payments for property, plant & equipment		**(14,181)**	(11,334)
Proceeds (purchases) of financial assets		**5,000**	(2,000)
Sale of property, plant & equipment and leasehold land		**1,100**	
Net cash (outflow) from investing activities		**(8,081)**	(13,334)
Cash flows from financing activities			
Dividends paid to Company's shareholders		**(24,840)**	(23,400)
Net cash (outflow) from financing activities		**(24,840)**	(23,400)
Net (decrease) increase in cash and cash equivalents		**6,292**	5,646
Cash and cash equivalents at the beginning of the financial year		**13,591**	7,945
Cash and cash equivalents at the end of the year	9	**19,883**	13,591

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

30 JUNE 2019

Notes to financial statements

Notes to financial statements

30 JUNE 2019

Note 1
Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies are consistent with those of the previous financial year, unless otherwise stated.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group interpretations and the *Corporations Act 2001*. STL is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The financial report of STL also complies with International Financial Reporting Standards (IFRS) as used by the International Accounting Standards Board.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2018:

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers

The Company has evaluated the impact of the new standards on its accounting policies and believes it aligns with the requirements of the new standards, with no requirement to make retrospective adjustments as a result of adopting the new standards. Further detail is provided in Note 2.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	AASB 16 Leases
Nature of change	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.
Impact	The Company has reviewed all of its agreements to determine if a lease is defined in the contract and the estimated values to be recognised on the balance sheet.
Impact (continued)	As at the reporting date, the Company expects to recognise right-of-use assets in the range of $1.8 to $2.1 million on 1 July 2019, lease liabilities of $3.0 to $3.4 million and a net deferred tax asset of $0.4 million. Overall net assets will be approximately $0.9 million lower. Operating cash flows will increase and financing cash flows decrease by approximately $0.1 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. STL has signed 100 year leases with the port authorities, with options to extend these leases that are in control of the Company. The rental consideration for each lease is a nominal $1.00 per annum. Commencing in 2001, the value of the land attributable to each has been recognised on STL's balance sheet as Leasehold Land. As the value attributable to the lease liability for the head leases is considered immaterial, no change will be made to their accounting treatment under AASB 16. The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements.
Mandatory application date/ Date of adoption by group	The group will apply the standard from its mandatory adoption date of 1 July 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

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

Critical accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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.

The principal activities of the business changed from 1 July 2017 to become an infrastructure services provider. The Company is now responsible for the operation of the bulk sugar terminals and has in place three-year contracts with each of the raw sugar marketers to provide them storage and handling services. These contracts expire on 30 June 2021 and include options to extend for a further two years.

Accordingly, the Directors have prepared the financial report on a going concern basis.

(b) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

(c) Revenue recognition

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

(i) Storage and handling services – raw sugar:

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

Revenue from 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 the flexibility to make real time economic decisions on storage and handling of raw sugar dependent on market conditions. Hence the customers benefit from STL standing ready to satisfy the performance obligation and are therefore considered to derive equal value throughout the contract period.

The receival, outloading and testing services provided by the Company for raw sugar are not considered to be distinct services 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.

(ii) Storage and handling services – other:

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

(iii) Interest revenue:

Interest revenue is recognised using the effective interest rate method.

(d) Income tax

The 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.

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. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. 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 the Company 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.

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

(e) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to STL, as lessee, are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(f) Foreign currency translation

Functional and presentation currency

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

(g) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents 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

Notes to financial statements (continued)

30 JUNE 2019

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.

(h) Financial assets

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.

(i) Trade receivables

Trade receivables are amounts due from customers for goods 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 doubtful debts.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. Information about the impairment of trade receivables can be found in note 2(a).

(j) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets, and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

(k) Property, plant and equipment

Property, plant and equipment is shown at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Leasehold land is not depreciated. Options to renew the leases are in the control of the Company.

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.

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

(l) 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).

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Borrowings

Borrowings are initially recognised at fair value. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(p) Employee benefits

Wages and salaries, annual leave and sick leave

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

Retirement benefit obligations

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

(q) Contributed equity

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.

(r) Dividends

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

(s) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) 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.

(t) Rounding of amounts

The Company 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.

(u) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(v) Comparatives

The Company has reported employee benefits expense for the first time for the annual reporting period commencing 1 July 2018 to align with the requirements of AASB101(104). The comparative information has been reclassified to enhance comparability.

Note 2
Changes in accounting policies

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets, instruments, liabilities and the derecognition of financial instruments, impairment of financial assets and hedge accounting. There has been no material impact on the group's financial statements either on the adoption of AASB 9 or AASB 15.

(a) AASB 9 Financial Instruments – Impact of adoption

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets, instruments, liabilities and the derecognition of financial instruments, impairment of financial assets and hedge accounting.

Impairment of financial assets

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, the Company does not provide for a loss allowance for trade receivables. 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.

The application of AASB 9 Financial Instruments from 1 July 2018 has not resulted in any significant impact to the Company's financial statements.

(b) AASB 15 Revenue from Contracts with Customers – Impact of adoption

AASB 15 is a revenue recognition standard and replaces AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

STL has evaluated the impact of the new standard on its revenue recognition policies and believes it aligns with the requirements of AASB 15, with no requirement to restate comparatives for the 2018 financial year.

Storage and handling services – raw sugar – Accounting policy

In the storage and handling agreements with raw sugar customers, STL has a single performance obligation to stand-ready to provide capacity to its customers for an integrated service of providing storage, receiving, outloading and testing services during the financial year. Revenue is recognised as STL is standing ready to provide the mandated capacity and receival/outloading over the 12 month period.

Other user specific charges are deemed separate performance obligations in the contract. The performance obligation for these services is only satisfied and revenue recognised at the time the performance is undertaken.

Storage and handling services – other products – Accounting policy

In the storage and handling agreements of other products, STL has two forms of obligations which are dependent upon the type of service provided.

- STL is to stand-ready to provide capacity to customers over 12 months and the revenue is recognised on a straight line basis over the 12 month period, or
- STL provides a performance obligation at a point in time and the revenue for these services is only satisfied and revenue recognised at the time the performance is undertaken.

Notes to financial statements (continued)

30 JUNE 2019

Note 3
Capital and financial risk management

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

(a) Credit risk

The Company had no significant concentrations of credit risk. 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 the Company considers at all times.

(i) Financing arrangements

The Company had access to the following undrawn borrowing facility at the reporting date

	2019 $'000	2018 $'000
Floating rate		
Expiring within one year (bank overdraft)	**3,000**	3,000

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

(c) Market risk

(i) Foreign exchange risk

The Company is not exposed to foreign exchange risk arising from currency exposure.

(ii) Price risk

The Company is not exposed to equity securities price risk.

(iii) Cash flow and fair value interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. There is no external debt or interest-bearing obligations.

(d) Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

Note 4
Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. At the date of signing this report, there are no estimates or assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The area involving significant estimates or judgements is the estimation of environmental remediation in contingent liabilities (Note 21).

(b) Critical judgements in applying the Company's accounting policies

There have been no significant judgements made in the application of the Company's accounting policies that have a material impact on the amounts recognised in the financial report.

Note 5
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 6

Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

	Storage & handling – raw sugar	Storage & handling – other	Interest revenue	Total
	$'000	$'000	$'000	$'000
2019				
At a point in time	**–**	**192**	**484**	**676**
Over time	**95,463**	**1,041**	**–**	**96,504**
	95,463	**1,233**	**484**	**97,180**
2018				
At a point in time	–	229	381	610
Over time	94,630	986	–	95,616
	94,630	1,215	381	96,226

	2019 $'000	2018 $'000
(b) Revenue recognised in relation to contract liabilities		
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Storage and handling – raw sugar	**3,749**	3,866

Note 7

Expenses

Profit before income tax includes the following specific expenses:

Expenses		
Operating expense		
Operations contractor service fee	**38,180**	38,663
Testing charges	**1,406**	1,387
Outgoings and licence fees	**1,702**	1,648
Other operating expenses	**330**	303
Total operating expenses	**41,618**	42,001
Employee benefits expense		
Defined contribution superannuation	**106**	121
Employee remuneration and other benefits	**1,207**	1,012
Total employee benefit expenses	**1,313**	1,133
Depreciation		
Plant & equipment	**12,828**	12,439
Total depreciation	**12,828**	12,439

Notes to financial statements (continued)

30 JUNE 2019

Note 8
Income tax expense

(a) Income tax expense	2019 $'000	2018 $'000
Current taxation	11,828	10,959
Deferred tax	(79)	409
	11,749	11,368
Deferred income tax expenses included in income tax expense comprises:		
Increase (decrease) in deferred tax liabilities (Note 15)	(79)	409
	(79)	409

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2019 $'000	2018 $'000
Profit from continuing operations before income tax expense	38,345	37,080
Income tax calculated at the Australian tax rate of 30% (2018 – 30%)	11,503	11,124
Tax effect of permanent differences:		
Non-deductible depreciation	238	238
Sundry items	8	6
Income tax expense	11,749	11,368

Note 9
Current assets – Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank and on hand	19,883	13,591
Deferred tax	19,883	13,591

(a) Reconciliation to cash at the end of the year

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

	2019 $'000	2018 $'000
Balances as above	19,883	13,591
Balances per cash flow statement	19,883	13,591

(b) Cash at bank and on hand

Cash at bank earns a floating interest rate of 1.00%, which is the rate at 30 June 2019 (2018 – 1.50%).

(c) Interest rate risk exposure

The Company's exposure to interest rate risk is discussed in Note 3.

Note 10
Current assets – Financial assets

	2019 $'000	2018 $'000
Term deposits	7,000	12,000
	7,000	12,000

(a) Financial assets

Term deposits earn a weighted average interest rate of 2.50%, which is the average rate on deposits invested at 30 June 2019 (2018 – 2.27%).

Note 11
Current assets – Trade and other receivables

	Current $'000	Non-current $'000	Total $'000
2019			
Trade receivables	5,417	27	5,444
Other receivables	52	–	52
	5,496	27	5,496
2018			
Trade receivables	5,694	–	5,694
Other receivables	146	–	146
	5,840	–	5,840

(a) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.
The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

Note 12
Non-current assets – Property, plant and equipment

	Leasehold land $'000	Buildings, plant and equipment $'000	Under construction $'000	Total $'000
Year ended 30 June 2019				
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**
At 30 June 2019				
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**
Year ended 30 June 2018				
Opening net book amount	12,938	312,952	3,602	329,492
Additions	–	3,938	10,120	14,059
Disposals	–	(302)	–	(302)
Transfers	–	8,952	(8,952)	–
Depreciation charge	–	(12,439)	–	(12,439)
Closing net book amount	12,938	313,101	4,770	330,810
At 30 June 2018				
Cost	12,938	499,683	4,770	517,391
Accumulated depreciation	–	(186,582)	–	(186,582)
Net book amount	12,938	313,101	4,770	330,810

The security for the $3 million 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.

Note 13
Current liabilities – Trade and other payables

	2019 $'000	2018 $'000
Trade and other payables	**16,022**	15,335
Deferred revenue	**1,875**	3,884
	17,897	19,219

Note 14
Current liabilities – Current tax liabilities

Income tax	**2,095**	1,452
	2,095	1,452

Notes to financial statements (continued)

30 JUNE 2019

Note 15
Non-current liabilities – Deferred tax liabilities

	2019 $'000	2018 $'000
(a) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Plant and equipment	71	14
Total deferred tax assets	71	14
Set-off of deferred tax liabilities pursuant to set-off provisions	(71)	(14)
Net deferred tax assets	–	–
(b) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Plant and equipment	9,419	9,473
Total deferred tax liabilities	9,419	9,473
Set-off of deferred tax assets pursuant to set-off provisions	(71)	(14)
Net deferred tax liabilities	9,348	9,459
Opening balance at 1 July	9,459	9,050
Tax payable adjustment from prior year	(32)	–
Charged to the income statement (Note 8)	(79)	409
Closing balance at 30 June	9,348	9,459

Note 16
Contributed equity

	2019 Shares	2018 Shares	2019 $'000	2018 $'000
(a) Share capital				
Ordinary shares				
Fully paid	360,000,000	360,000,000	317,628	317,628
(b) Movements in ordinary share capital				
Opening balance			317,628	317,628
Closing balance			317,628	317,628

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll 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.

At 30 June 2019 there were 360 million ordinary shares fully paid, consisting of:

G class ordinary shares	229,348,203
M class ordinary shares	130,651,797
Net book amount	360,000,000

During the year ended 30 June 2019, there were no movements in the total number of ordinary shares on issue.

Note 17
Retained earnings

Movements in retained earnings were as follows:

	2019	2018
Retained earnings		
Balance at 1 July	14,483	12,171
Total comprehensive income	26,596	25,712
Dividends provided for or paid	(24,840)	(23,400)
Balance at 30 June	16,239	14,483

Note 18
Dividends

	2019 $'000	2018 $'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2018 of 3.4 cents (2017 – 3.2 cents) per share paid on 28 September 2018.		
Fully franked based on tax paid @ 30%	**12,240**	11,520
Interim dividend for the year ended 30 June 2019 of 3.5 cents (2018 – 3.3 cents) per share paid on 29 March 2019.		
Fully franked based on tax paid @ 30%	**12,600**	11,880
	24,840	23,400

(b) Dividends not recognised at year end

In addition to the above dividends, since year end the Directors have determined that a final dividend of 3.5 cents per fully paid ordinary share will be paid, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend to be paid is $12.6 million to be paid on 30 September 2019, but is not recognised as a liability at year end.

(c) Franked dividends

The franked portion of the final dividend recommended after 30 June 2019 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 2019.

	2019 $'000	2018 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2018 – 30%)	**5,665**	4,675

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 $5,400,013 (2018: $5,245,714).

Note 19
Key management personnel disclosures

	2019 $	2018 $
(a) Key management personnel compensation		
Short-term	**996,848**	913,079
Termination benefits	**0**	40,000
Post-employment benefits (i.e. superannuation)	**87,863**	115,930
	1,084,711	1,069,009

Detailed remuneration disclosures are provided in the remuneration report on pages 11 to 13.

(b) Equity instrument disclosures relating to key management personnel

Share holdings

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. There were no shares granted during the reporting period as compensation.

	Held at 30 June 2018	Purchases	Other changes during the year	Held at 30 June 2019
DA Watson	248,196	–	–	248,196
AR Bartolo	17,644	–	–	17,644

Notes to financial statements (continued)

30 JUNE 2019

Note 20
Remuneration of auditors

	2019 $	2018 $
During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:		
(a) Assurance services		
PricewaterhouseCoopers – Australian firm		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*.	**88,500**	96,385
Total remuneration for assurance services	**88,500**	96,385
(b) Other services		
Taxation advice	**12,000**	7,950
Accounting advice	**0**	0
Total remuneration for other services	**12,000**	7,950
	100,500	104,335

Note 21
Contingent liabilities

Environmental remediation

The Company 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 Company'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 were permitted to expire and the relevant port did not elect to purchase the terminal facilities, the Company 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 which supports the continued utilisation of each terminal.

The Company 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 2019, 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
Commitments

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

Capital expenditure contracted for by QSL but not paid or recognised as a liability by STL amounted to $2,661,827 (2018 $11,008,366).

Note 23
Related party transactions

	2019 $	2018 $
(a) Transactions with related parties		
The following transactions occurred with related parties:		
Provision of services to shareholders	**93,170,770**	93,593,566
Purchase of services from shareholders	**51,945,930**	53,133,489
(b) Outstanding balances arising from sales/ purchases		
The following balances (inclusive of any goods and services tax) are outstanding at the end of the reporting period in relation to transactions with related parties:		
Current receivables (provision of services to shareholders)	**4,791,813**	997,225
Current payables (purchase of services from shareholders)	**15,940,534**	15,337,279
Prepaid revenue from shareholders	**1,741,418**	3,749,063

(c) Terms and conditions

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

Key management personnel

Disclosures relating to key management personnel are set out in Note 19.

Note 24
Events occurring after the balance sheet date

There were no significant events occurring after the balance date.

Note 25
Reconciliation of profit after income tax to net cash inflow from operating activities

	2019 $'000	2018 $'000
Profit for the year	**26,596**	25,712
Depreciation	**12,828**	12,439
Net loss (gain) on disposal of non-current assets	**(420)**	302
Decrease (increase) in trade and other receivables	**345**	(5,629)
Increase (decrease) in trade and other payables	**(668)**	8,076
Increase (decrease) in current tax liabilities	**643**	1,071
Increase (decrease) in deferred tax liabilities	**(111)**	409
Net cash inflow from operating activities	**39,213**	42,380

Note 26
Earnings per share

(a) Basic and diluted earnings per share

	2019 Cents	2018 Cents
Profit from continuing operations attributable to the ordinary equity holders of the Company	**7.39**	7.14

(b) Reconciliation of earnings used in calculating earnings per share

	2019 $'000	2018 $'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	**26,596**	25,715

(c) Weighted average number of shares used as the denominator

	2019 Number	2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	**360,000,000**	360,000,000

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 16 to 33 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 2019 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.

Mark Gray

(Alan) Mark Gray
Chairman

Brisbane
29 August 2019

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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 2019 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 2019
- 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Independent auditor's report (continued)

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Our audit approach

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

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

Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall materiality of $1.9 million, which represents approximately 5% of the Company's profit before tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose profit before tax because, in our view, it is the benchmark against which the performance of the Company is most commonly measured. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Company made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Revenue recognition for the Storage and Handling Agreement • These are further described in the *Key audit matters* section of our report.

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***

Revenue recognition for the Storage and Handling Agreement
(Refer to note 6)
 	
Sugar Terminals Limited signed Operating Agreements with Queensland Sugar Limited and Storage and Handling Agreements (SHA) with customers in June 2017. Under these agreements, Sugar Terminals Limited will manage the terminals by engaging Queensland Sugar Limited as its' operation contractor.
 	
After applying AASB 15 Revenue from Contracts with Customers for the first time from for their annual reporting period commencing 1 July 2018, management analysed the impact of the application and assessed the appropriateness of the accounting policy in relation to the revenue recognition for the Storage and Handling Agreement.
 	
Following their assessment, the Company determined there is a single performance obligation for STL to provide stand-ready capacity to its customers for an integrated service of providing storage, receiving, outloading and testing during the financial year.
 	
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.
	We have performed the following procedures, amongst others:
	
	• Reviewed the accounting policy in relation to revenue recognition for the SHA to assess compliance with AASB 15 Revenue from Contracts with Customers.
	• For the SHA:
	  • developed an understanding of the key terms of the arrangement including contracting parties, contract duration, background of the agreement, performance obligations and payments to be made;
	  • assessed STL's determination of performance obligations with respect to the contractual terms and commercial substance of the arrangement.
	• Assessed on a sample basis, whether revenue transactions had been recognised appropriately in accordance with their accounting policy, and with reference to the billings made to customers per invoices and payments received in the bank statements.
	• Tested a sample of revenue transactions immediately prior to and post 30 June 2019 to assess whether handling and availability activities had been recognised in the correct period.
	• Evaluated the adequacy of the disclosures made in note 1(c) and note 6 in light of the requirements of Australian Accounting Standards.

Independent auditor's report (continued)

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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 2019, 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.

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar1.pdf . This description forms part of our auditor's report.

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 11 to 13 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Sugar Terminals Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Woodbridge
Partner

Brisbane
29 August 2019

Shareholder information

30 JUNE 2019

Top 10 shareholders

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 shareholders and all of the M Class shareholders as at the balance date:

G Class shareholders

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
Queensland Sugar Limited	8,826,229
MP Australia Investments Pty Ltd	8,815,607
Queensland Sugar Limited	4,364,587
Jaswel Pty Ltd <The Jaswel Family A/C>	4,100,551
Appsolute Farming Pty Ltd	1,910,968

M Class shareholders

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)	10.19%
Mackay Sugar Limited	9.09%

Corporate directory

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
COMPANY SECRETARY/CFO	Peter M Bolton
REGISTERED OFFICE	Level 11 348 Edward St Brisbane Qld 4000
SHARE REGISTER	Sugar Terminals Limited Share Registry c/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235
AUDITOR	PricewaterhouseCoopers GPO Box 150 Brisbane Qld 4001
SOLICITORS	Clayton Utz GPO Box 9806 Brisbane Qld 4001
BANKERS	National Australia Bank PO Box 10653 Brisbane Qld 4001
STOCK EXCHANGE LISTING	Sugar Terminals Limited G Class shares are listed on the National Stock Exchange of Australia
WEBSITE	sugarterminals.com.au

Sugar Terminals Limited
ABN 17 084 059 601

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