

Interim Report to Shareholders



SUGAR TERMINALS LIMITED

Financial Summary

For the Period

1 July 2000 to 31 December 2000*

- Revenue (\$'000s) 11,639
- Net Profit (\$'000s)..... 4,075
(after tax)
- Earnings per share 1.13 cents
(after tax)
- Total assets (\$'000's)..... 387,039
- Net tangible asset backing \$1.06
per share
- Shares issued:
 - 229 348 203 “G” Class Shares to growers
 - 130 651 797 “M” Class Shares to mill owners
- Number of shareholders:
 - 12,500 “G” Class Shareholders
 - 11 “M” Class Shareholders

* Operations commenced on 2 August 2000

Highlights

- Transfer of Bulk Sugar Terminal assets to the sugar industry
- Industry ownership of the terminals secured with 360 million shares in Sugar Terminals Limited transferred to individual growers and millers
- Sub-lease arrangements agreed with Queensland Sugar Limited with commercial rent based upon asset value
- Net profit of \$4.075 million achieved
- Basic earnings per share of 1.13 cents
- Ex -gratia relief from Stamp Duty on share transfer
- Progress on negotiations with Port Authorities for rolling 100 year leases at peppercorn rental

It is a pleasure to present this review of Sugar Terminals activities over the five months ended December 2000. This is the first time interim results have been presented. The company is committed to ensuring shareholders are informed about the operations of the company.

Sugar Terminals Limited

Company Profile

Sugar Terminals Limited is an industry-owned unlisted public company. It holds leases over bulk sugar terminal facilities at Cairns, Mourilyan, Lucinda, Townsville, Mackay, Bundaberg and Brisbane. The company owns the bulk sugar terminal buildings, specified plant and equipment in each terminal. Queensland Sugar Limited is charged a commercial rent for the use of the facilities.

The company is subject to Federal income tax and liable to tax on its taxable income at a rate of 34%. With the accumulation of profits, it is the intention of the Board to pay dividends to shareholders. To the extent that these dividends are funded out of after-tax profits, they will be franked.

Establishment of Sugar Terminals Limited

Sugar Terminals Limited (STL) was incorporated as an Australian public company limited by shares on 25 August 1998. It commenced full operations on 2 August 2000 with the transfer of the bulk sugar terminal assets and the leases with each Port Authority previously held by the Queensland Sugar Corporation.

The assets transferred to the company included the "fixed" depreciable assets of the bulk sugar terminals that comprised the buildings and specified plant and equipment. The balance of the depreciable bulk sugar terminal assets comprising the "operating assets" were transferred to Queensland Sugar Limited (QSL).

The value of the depreciable assets transferred to STL was \$338.85 million.

In addition, the company received from Queensland Sugar Corporation \$17,479,960 representing the share of the depreciation reserve relating to the fixed assets. The consideration for the transfer of assets to the company was the issue of 360 million shares to the Queensland Sugar Corporation.

Industry Ownership Achieved

Industry ownership of the company was achieved in late December 2000 with the transfer of 360 million shares from Queensland Sugar Corporation to eligible growers and eligible millers in the proportions of:

- 229 348 203 "G" Class Shares to growers
- 130 651 797 "M" Class Shares to mill owners

There are a total of 12,500 Grower Shareholders and 11 Miller Shareholders.

The distribution of "G" Class Shareholders is:

Range	Members		Shares	
	Numbers	%	Numbers	%
1-1000	706	5.64	338,439	0.14
1001-5000	2,164	17.32	6,468,279	2.82
5001-10000	2,506	20.04	18,624,395	8.12
10001-50000	6,387	51.11	140,805,805	61.40
50001-100000	600	4.80	39,662,183	17.30
100001 and over	137	1.09	23,449,102	10.22
All ranges	12,500	100.00	229,348,203	100.00

Taxation Implications of the Gifting of Shares

Since February 1998, PricewaterhouseCoopers has been negotiating on behalf of STL with the Australian Taxation Office ("ATO") in relation to the taxation implications for recipients (eligible growers and millers) of STL shares.

An advance opinion received from the ATO in 1998 stated that the gifting of shares would create no capital gains ("CGT") or income tax consequences for recipients and that recipients would be deemed to have paid consideration for each share equal to its market value at the time of gifting. It should be noted that this was an advance opinion on a proposed transaction that was not binding on the ATO.

Cost Base per Share for Capital Gains Tax Purposes

The transaction gifting the shares has now occurred and two requests for Private Binding Ruling ("PBR") have been lodged with the ATO, one on behalf of an eligible miller and one on behalf of an eligible grower.

The PBRs seek to confirm that there are no CGT or income tax consequences resulting from the gifting of shares and that a market value cost base will be inherited for each share received. PricewaterhouseCoopers has prepared a market valuation that establishes this value at \$1.08 per share.

At the time of printing, STL had not received confirmation on the PBRs from the ATO.

Board of Directors

The Directors of the company are:

M D Brown – Chairman

Michael Brown is Chairman of Energex Retail Pty Ltd, Chairman of Forest Place Group Limited and a Director of Grainco Australia Ltd. He was previously a Member of the Queensland Sugar Corporation Board for six years.

A Fellow of the Institute of Chartered Accountants in Australia, he held senior positions as a partner in Queensland for Price Waterhouse and as Chairman of the Institute of Chartered Accountants Queensland.

H R Bonanno

Harold Bonanno is Chairman of Queensland Cane Growers' Organisation Ltd – CANEGROWERS. He is a Director of Queensland Sugar Limited and of Pivot Limited.

Previous offices held include Member of The Sugar Board, Board Member of the Bureau of Sugar Experiment Stations and Vice President of the National Farmers' Federation.

J A Desmarchelier AM, ED

John Desmarchelier is General Manager of the Australian Sugar Milling Council Pty Limited, General Manager of the Australian Sugar Milling Association, Union of Employers and General Manager of Sugar Terminals Limited.

He has extensive experience in the management of sugar industry associations and represented the industry in many overseas negotiations as well as domestic sugar enquiries. He is a Member of the Senate of the University of Queensland.

P G James

Peter James is General Manager, Sugar Mills Group, CSR Limited. He is a Director of Australian Molasses Trading Pty Ltd and the Australian Sugar Milling Council Pty Limited.

Previously he was President of Hydro Conduit Corporation, a CSR Limited subsidiary in USA, and had been Queensland Manager for the Readymix Group.

W A Martin

Warren Martin is Executive Chairman of the Australian Cane Farmers Association. He is a Director of Queensland Sugar Limited and of the Queensland Regulatory Adjustment Authority.

Previously he was a Member of the Cairns Cane Growers Executive and of the Mulgrave Mill Suppliers Committee, and was a Board Member of the Bureau of Sugar Experiment Stations.

STL Management

General Manager

J A Desmarchelier B.Com, B.Econ, MBA, FAIM, FAICD Dip.

Company Secretary

J M Craigie B.Com, MBA, LLB, ASA, FARLF

Relationship with Queensland Sugar Limited

In August 2000 the company granted to Queensland Sugar a sublease over the Terminals situated at each of the seven ports. Set out below is a brief summary of some key features contained in the sublease:

- The initial term expires on 30 June 2008 but this may be extended by ten further periods each of three years, subject to either party giving three years notice to the other to terminate the sublease.
- Queensland Sugar may utilise the terminals for the storage and loading of products and for such other purposes to which the company consents and which are permitted under the terminal leases with the Port Authorities.
- Queensland Sugar must pay rent monthly in advance to the company.
- The valuation of the terminals and rate of return payable and other matters are subject to review.
- Queensland Sugar manages the terminals and must ensure that the terminals are maintained to their optimum use.
- Queensland Sugar is responsible for operating costs.
- Sugar Terminals is responsible for expenditure of a capital nature.
- Either Queensland Sugar or Sugar Terminals can during the term of the sublease propose an expansion in the terminal facilities.

Expansion of Terminal Facilities

Queensland Sugar is investigating a proposal to construct an additional storage shed at Townsville and is expected to consult further with industry on this proposal. STL intends to be closely involved in the proposal during the consultation process.

Relationship with Port Authorities

The company is negotiating new 100-year lease agreements with each of the Port Authorities. It is expected that the new lease arrangements will be in place with each Port Authority by mid-2001.

Financial Results

The operating profit for the five months of commercial operation to 31 December was \$4.075 million after provision for income tax and significant "one off" establishment costs. These included:

- advice on establishing the company and the transfer of assets and issue of shares;
- taxation advice including capital gains tax, GST and stamp duty on the transfer of assets and shares;
- determination of entitlements for eligible growers and eligible millers;
- notification and distribution of shares to eligible growers and eligible millers;
- assisting shareholders in resolving issues about their share entitlements;
- dealing with objections and appeals over share entitlements;
- valuation of assets and valuation of the company;
- preparation of leases and negotiations with port authorities;
- preparation of sublease with Queensland Sugar Limited;
- establishment of the share register, exempt market and web site.

The majority of costs related to accurately determining share entitlements for each eligible grower and eligible miller. Tracing changes in ownership and lease arrangements over the entitlement period consumed considerable resources.

With the bulk of professional costs now behind the company, an increase in profitability of the company is expected in the second half.

Dividend Policy

Directors intend to declare a dividend for the financial year ending 30 June 2001 at 100% of the net profit of the company. Unfortunately the maiden dividend will be unfranked as it will be paid out of pre-taxed profits. In the future, shareholders can expect to receive franking credits on dividends paid.

Looking to the Future

The company is in a strong financial position with no debt. Revenue from rents is expected to increase in the medium-term from annual rental adjustments contained in the sublease with Queensland Sugar Limited.



H R Bonanno



M D Brown



W A Martin



J A Desmarchelier



P G James

Shareholder Information

Exempt Stockmarket

Sugar Terminals Limited is establishing an exempt stock market for “G” Class Shares that will be operated by ABN AMRO Morgans. The market will match those people wishing to sell their STL shares with those who seek to buy them. It will operate in a similar way to the Australian Stock Exchange but will be restricted to “Active Growers”. Further information about the Exempt Market for STL will be provided in the near future. Douglas Heck & Burrell maintain the share registry.

Share Registry

There is no cost to the shareholder to have their name and number of shares listed on the Register. You may contact Douglas Heck & Burrell for all details about your shareholdings by telephoning (07) 3221 4244. Alternatively, you may prefer to write to:

Sugar Terminals Limited Share Registry
c/- Douglas Heck and Burrell
GPO Box 35
BRISBANE QLD 4001
Fax: (07) 3221 3149

Change of Address

To notify the company of change of address details, shareholders should immediately forward a signed letter quoting their shareholder number and nominating their new address, to Douglas Heck & Burrell at the address above.

Change of Name

Shareholders who change their name should notify the company share registry in writing, attaching a certified copy of a relevant marriage certificate or deed poll. Change of name information should be forwarded to Douglas Heck & Burrell at the address above.

Share Transfers

“G” Class shares can only be transferred to “Active Growers” and “M” Class shares can only be transferred to “Active Millers”. The definitions of “Active Growers” and “Active Millers” and “Inactive Growers” and “Inactive Millers” are set out in the document sent to shareholders entitled “Information for Shareholders”; a copy of which has been posted on the company’s web site.

A copy of a share transfer form and declaration may be obtained from Douglas Heck & Burrell. The executed share transfer documentation (stamped for stamp duty purposes), together with a declaration from the transferee that the transferee is an Active Grower or Active Miller, should be forwarded to Douglas Heck & Burrell at the address above for processing.

Inactive Grower or Miller Status

Under the Constitution of the company, members who become either Inactive Growers or Inactive Millers must immediately notify the Directors of the company in writing that they have become inactive and must dispose of their shares as soon as practicable. An example of an Inactive Grower is one who has not been an Active Grower for two consecutive production seasons or part thereof. An example of an Inactive Miller is one who has not been an Active Miller for two consecutive production seasons or part thereof.

The Directors of the company recognise that upon the issue of the shares a number of members are no longer Active Growers, and have allowed those members an adequate time to sell their shares. Members who fall within the definition of Inactive Growers or Millers as at 1 March 2001 and who have notified the company of their inactive status by 31 March 2001 will have until 31 December 2002 to dispose of their shares. **To qualify for this concession you must notify the company in writing about your inactive status by 31 March 2001.**

Contact Details

Registered Office
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Level 6 Reserve Bank Building
102 Adelaide Street
BRISBANE QLD 4000

Postal Address

Sugar Terminals Limited
GPO Box 945
BRISBANE QLD 4001
Telephone: (07) 3221 7017
Facsimile: (07) 3221 5593
E-mail: sugarterminals@powerup.com.au

Web Site

Web Site: www.sugarterminals.com.au

Share Registry

Sugar Terminals Limited Share Registry
c/- Douglas Heck & Burrell
GPO Box 35
BRISBANE QLD 4001
Telephone: (07) 3221 4244
Facsimile: (07) 3221 3149

Exempt Market Information

ABN AMRO Morgans
GPO Box 202
BRISBANE QLD 4001
Telephone: (07) 3334 4888
Facsimile: (07) 3831 0593

Solicitor

Clayton Utz
GPO Box 55
BRISBANE QLD 4001

Auditor

PricewaterhouseCoopers
GPO Box 150
BRISBANE QLD 4001