

Year at a glance

HIGHLIGHTS 2000/01

- Transfer of Bulk Sugar Terminal assets and leases to the raw sugar industry
- Industry ownership of the terminals secured with 360 million shares in Sugar Terminals Limited transferred to individual growers and millers
- Operation of a share register for "G" class shareholders
- Sub-lease arrangements (commercial rent based on asset value) agreed with Queensland Sugar Limited
- Net profit of \$9.71 million
- Basic earnings of 2.96 cents per share
- Distribution of \$9.36 million to shareholders through a fully franked dividend of 2.6 cents per share
- Ex-gratia relief from stamp duty on share and assets transfer
- Initial survey and design for an additional storage facility at Townsville Terminal
- Progress on negotiations with Port Authorities for rolling 100 year leases at peppercorn rental

FINANCIAL SUMMARY

For the Period 1 July 2000 to 30 June 2001*

Revenue (\$'000s).....	25,847
Net Profit (\$'000s) (after tax)	9,708
Earnings per share (after tax).....	2.96 cents
Total assets (\$'000s).....	386,209
Net tangible asset backing per share	\$1.05

Shares issued:

- 229,348,203 "G" class shares to growers
- 130,651,797 "M" class shares to mill owners

Number of shareholders at 31 December 2000:

- 12,491 "G" class shareholders
- 11 "M" class shareholders

**Operations started on 2 August 2000*

Sugar Terminals Limited

- an industry owned company

Company Profile

Sugar Terminals Limited (STL) is an unlisted public company. It owns the bulk sugar terminal buildings, specified plant and equipment at each terminal and holds long-term leases over land from port authorities at Cairns, Mourilyan, Lucinda, Townsville, Mackay, Bundaberg and Brisbane ports. Queensland Sugar Limited (QSL) is charged commercial rent for the use of these facilities.

STL is subject to Federal income tax at the corporate rate, which was 34 percent in 2000/01 and will fall to 30 percent in 2001/02. The Board plans to pay franked dividends to shareholders from after-tax profits.

Establishment of Sugar Terminals Limited

STL was incorporated as an Australian public company limited by shares on 25 August 1998. It started full operation on 2 August 2000 with the transfer of the bulk sugar terminal assets and each port authority lease previously held by Queensland Sugar Corporation (QSC).

The assets transferred included land valued at \$16.98 million and the "fixed" depreciable assets of the bulk sugar terminals (the buildings, specified plant and equipment) with a value of \$338.85 million. The "operating assets" were transferred to QSL.

In addition, STL received a payment of \$17.48 million from QSC for its share of the fixed asset depreciation reserve. In return, QSC was issued with 360 million shares.

Industry Ownership Achieved

In late December 2000, the sugar industry assumed ownership of STL with the transfer of 360 million shares from QSC to eligible growers and millers in the proportions of:

- 229,348,203 "G" class shares to growers
- 130,651,797 "M" class shares to mill owners

As at 31 August 2001 STL had 12,160 grower shareholders and 11 miller shareholders.

Control

The Board of Directors, which sets STL's policy direction, consists of five Directors, two representing "G" class shareholders, two representing "M" class shareholders and one Independent Director. To provide efficiencies and cost savings, the Australian Sugar Milling Council provides management and administrative services under an agreement with STL.

Chairman's Overview

It is with pleasure that I bring to you the Chairman's report of your company's first year of operations and activities.

Sugar Terminals Limited (STL) commenced its principal operations on 2 August 2000 when, by legislation of the Parliament of Queensland, the assets and leases for the seven bulk sugar terminals were transferred to STL, a company owned by cane farmers and sugar millers.

This was the outcome from many years of industry discussions with government in Queensland, as well as participation in inquiries/taskforces established to review certain aspects of the raw sugar industry.

I am pleased to tell you that, in its 11 months of operation to 30 June 2001, STL has produced a net profit after income tax of \$9.7 million, and will pay a dividend of 2.6 cents per share which amounts to a payment of \$9.36 million to growers and millers.

In setting up the company and arranging the transfer of bulk sugar terminal assets and leases, STL received the support of the Government of Queensland in a number of ways, not the least being the ex-gratia relief of stamp duty to the value of \$26.7 million, payable on the transfer of the assets and the shares.

Favourable rulings were also received from the Australian Taxation Office (ATO) which exempted the share transactions from capital gains tax (CGT) and income tax.

The ATO also accepted that the market valuation on each share received by growers and millers was \$1.08. This value may be used as the "cost" for CGT purposes.

Lengthy negotiations have been undertaken with Port Authorities to establish new 100-year rolling leases at a peppercorn rental. Leases have been negotiated for three terminals and discussions are progressing for the remaining four terminals.

It is pleasing also to note the good working relationships between your company and Queensland Sugar Limited (QSL). A sublease was negotiated with QSL which manages the operations of all the terminals.

The year under review was a busy one with many achievements for both shareholders and the company, brought about by the consistent efforts of the Directors and management.

There is more to be done; and your Directors look to an improved financial position in 2001/02.



MD Brown
Chairman

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General Manager's Report

Sugar Terminals Limited has faced a challenging year, but one from which it has emerged with a clear direction and a strong financial position.

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Transfer of Assets

Under Queensland legislation (*Sugar Industry Act 1999*), the majority of the bulk sugar assets and each port authority lease were transferred from QSC to STL in August 2000, in recognition of the raw sugar industry's role in fully funding the original assets. Apart from Brisbane terminal the original leases for the land occupied by the bulk sugar terminals were for 99 years.

The assets transferred to STL included:

- depreciable assets with a written down value of : \$338.85 million
- land valued at : \$ 16.98 million
- depreciation reserve : \$ 17.48 million

QSC retained a small proportion of the assets relevant to the management and operations of the terminals to market Queensland raw sugar, together with the depreciation reserve relating to those assets.

The consideration for the transfer of the assets to STL was the issue of 360 million shares in the company to QSC. In December 2000, the 360 million shares were "gifted" to 12,491 eligible growers and to 11 eligible millers:

- 229,348,203 "G" class shares to growers
- 130,651,797 "M" class shares to mill owners

Lease with Queensland Sugar Limited (QSL)

The relationship between STL and QSL has been constructive.

In August 2000, STL granted QSL a formal sub-lease over the terminals at the seven ports. The rental arrangements negotiated reflected the serious economic conditions facing the industry stakeholders at the time, as well as the interests of shareholders.

Key features of the sub-lease include:

- An initial eight-year term to 30 June 2008, which could be extended by 10 additional three-year periods, subject to either party giving three years' notice to terminate the sub-lease.
- QSL's use of the terminals for storage and loading of products and for other purposes agreed to by STL and permitted under the terminal leases.
- QSL's payment of rent monthly in advance.
- Regular reviews of the valuation of the terminals, the rate of return payable and other matters.
- QSL's management of the terminals and its commitment to maintain them for optimum use.
- QSL's responsibility for operating costs.
- STL's responsibility for capital expenditure.
- That either QSL or STL can propose an expansion of the terminal facilities during the term of the sub-lease.

Regular meetings are held between senior staff of STL and QSL to discuss major maintenance and capital improvement planning issues.

Lease Arrangements with Port Authorities

With the adoption of the recommendations of the Bulk Sugar Terminal Taskforce in March 1998, STL began negotiating with the port authorities for new long-term leases to replace the partially expired 99-year leases. The negotiation parameters were established by the "Key Conditions of Lease" and "Principles of Transfer" approved by Government. The negotiations have been protracted predominantly due to the identification of land at some ports surplus to the sugar industry's future requirements.

New 100 year-leases, with options to renew for a further 100 years, have been finalised with the Bundaberg Port Authority and with Ports Corporation of Queensland (PCQ) for Lucinda and Mourilyan. Arrangements with two other port authorities are almost complete.

Terminal Inspections

The STL Directors inspected the receipt, storage and loading facilities at each of the seven bulk terminal ports. In addition, the General Manager and Company Secretary undertook a number of visits for capital works and insurance purposes.

Management of STL

Rather than establish a separate entity at some cost to shareholders, the Directors of STL entered into an arrangement with the Australian Sugar Milling Council (ASMC) to provide accommodation and a range of administrative and management services. This agreement continued some of the services provided to the Bulk Sugar Terminals Management Group (BSTMG) without fee from April 1998 until August 2000. The agreement has been cost-effective for STL operations and has been extended until 30 June 2002.

Operating Revenue

STL achieved a total income of \$25.85 million for its first year of operation (11 months from 2 August 2000). The majority of the income was from rent on the assets (\$24.51 million) and from interest on funds invested (\$1.41 million).

These investments have earned a competitive return in a low interest environment. After providing for depreciation (\$9.06 million) and income tax (\$4.88 million), the company had a net profit of \$9.71 million.

Directors have declared a 2.6 cents per share dividend for the financial year, distributing \$9.36 million to shareholders.

The before tax operating profit, after provision of establishment costs, was \$14.64 million. Establishment costs included:

- advice on establishing the company, transferring assets and issuing 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 millers;
- notification and distribution of shares to eligible growers and millers;
- resolution of issues about growers' and millers' share entitlements;
- resolution of objections and appeals over share entitlements;
- valuation of the company and its assets;
- preparation of leases and negotiations with port authorities;
- preparation of the sub-lease with QSL;
- establishment of the share register, exempt market and web site.

Under its sub-lease, STL has an ongoing responsibility to insure its terminal assets.

Exempt Market

The approval process to establish an exempt market for "G" class shareholders has consumed considerable resources. The exempt market is expected to be fully operational in the last quarter of this calendar year.

Future Financial Position

STL is in a strong financial position with no debt, substantial cash invested and the bulk of establishment costs covered. Directors are budgeting for a significant reduction in professional fees in 2001 and an increase in revenue from rent, and as a result, are confident of an improvement in the financial position in 2001/02.

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... support to proceed with an additional 400,000 tonne-capacity storage facility at Townsville.

Favourable Taxation Outcomes

From its inception in 1998, STL has been negotiating with the Australian Taxation Office (ATO) through PricewaterhouseCoopers (PWC), on the taxation implications for eligible growers and mill owners receiving shares in the company. Two ATO Private Binding Rulings were received in June 2001 advising that the gifting of shares would not be assessable to the recipients under either the capital gains tax (CGT) or the general assessable income tax provisions of the income tax law. Share recipients would also be deemed to have paid consideration for each share equal to its market value at the time of gifting¹. This is an important declaration that should be referred to if there is a disposal of the shares in the future.

Specifically, the private binding rulings addressed two issues:

- “The first element of the cost base of each share gifted ... by QSL is the market value of that share at the time of its acquisition”; and
- “The gifting of the STL shares ... by QSL does not constitute assessable income ...”.

It should be noted that the two Private Binding Rulings are only on the Commissioner of Taxation as against each rulee taxpayer. However, another taxpayer whose circumstances are reasonably similar to the rulee should be able to rely on the ruling issued.

The Queensland Government also provided welcome support with an ex-gratia stamp duties refund paid on the transfer of the STL shares and the value of the assets transferred to the company. Producer organisations applied for ex-gratia relief in December 1998. The application was supported in principle by the Government, subject to the normal Office of State Revenue (OSR) processes, recognising that the bulk sugar terminal assets had been fully funded by mill owners and cane growers.

The total value of stamp duty assessed, and subject to relief, was \$26.68 million.

Capital Expenditure

STL paid QSL \$0.9 million in reimbursements for approved capital expenditure at the terminals.

Following recommendations from QSL, STL has approved capital expenditure of \$4.2 million in 2001/02, including \$1.5 million for the Bundaberg wharf upgrade (associated with the deepening of the port channel).

Additional Storage – Townsville

The sugar industry has been considering for some time the development of additional bulk sugar storage to enhance marketing operations. Following a presentation to the industry in March 2001, QSL received support to proceed with an additional 400,000 tonne-capacity storage facility at Townsville.

Consultants have been retained for engineering design options, design and pre-works. Formal approval for the design and construction is expected early in 2002, with practical completion in mid-2003.

STL plans to finance the construction of the new terminal from cash reserves and borrowings.

When completed, STL will receive from QSL a rental return on the new facility based on the capital value of the project.



John Desmarchelier
General Manager

¹ Prior to the advice from the ATO, PWC had prepared a market valuation that established that value, related to the asset backing, at \$1.08 per share.

Historical Background

- industry ownership of terminals

The Queensland raw sugar industry owns and operates some of the world's most efficient bulk sugar storage facilities. In 1952, the sugar industry pioneered the installation of bulk handling facilities at ports, progressively replacing the handling of raw sugar in jute bags. Between 1954 and 1964, the Queensland industry fully converted from manual handling in bags to bulk handling. Located at seven Queensland ports, terminals have a capacity to store more than two million tonnes of bulk raw sugar.

More than 110 million tonnes of sugar has been shipped through the terminals since 1957, when Mackay terminal started operation. The facilities – including receipt, storage and, in some cases, the wharves – were wholly funded by cane farmers and sugar millers over more than four decades. The total replacement value of these industry assets exceeds \$600 million.

Although the industry paid for the assets, ownership remained with the Queensland Government through the respective port authorities for historical reasons. The sugar industry held 99-year leases over the terminal land within the port facilities. Special provisions were inserted in the *Harbours Act (1955)* to facilitate the development of the terminals.

With the move towards corporatisation of government-owned assets during the 1980s, the sugar industry wanted to ensure there was clear industry ownership of the terminal assets. This was facilitated by the establishment of Queensland Sugar Corporation (QSC) in 1991 to replace The Sugar Board, which was not a body corporate and was, therefore, unable to hold fixed assets.

In 1992, the Industry Commission (an independent Commonwealth Commission) strongly recommended that the ownership pass to the industry.

After extended consultations, the Commonwealth and Queensland Governments agreed in principle in February 1993 that the industry ownership of the terminals be formally recognised and that the terminals continue to be managed as one entity.

From that time, the raw sugar industry actively pursued the transfer of assets and leases. The *Report of the Sugar Industry Review Working Party* in November 1996 strongly endorsed the Queensland Government's commitment to vest ownership of the terminals.

In November 1997, the Queensland Minister for Primary Industries announced the establishment of a taskforce to facilitate the transfer of the bulk terminals. It was directed to:

- develop an acceptable corporate structure as the vehicle or entity to acquire ownership of the land (preferably as freehold) and buildings involved;
- ensure that the owner was not subject to takeover by other parties and that the assets could not be sold;
- ensure that implementation could occur on or before 31 March 1998.

In late March 1998, the taskforce delivered its final recommendations to the Queensland Government, including a recommended set of principles to facilitate the transfer of the assets and leases to a sugar industry-owned company.

In May 1998, the Government agreed to the transfer with security of tenure guaranteed by granting 100-year leases to STL with perpetual options to renew. Government approved the establishment of a committee of sugar industry representatives responsible for developing and implementing the company structure and share entitlements. The taskforce was reconstituted to develop a dispute resolution mechanism and timeframes for the transfer.

The raw sugar industry established the Bulk Sugar Terminals Management Group (BSTMG) comprising the Chairmen and General Managers of the three industry producer organisations. To progress the work of BSTMG, a co-ordinator and consultants were appointed.

In August 1998, the Queensland Government confirmed its support for the previous Government's decision to transfer the assets and leases and reconstitute the taskforce.

Although STL was incorporated in August 1998 as an Australian public company limited by shares, it did not start full commercial operation until August 2000.

Share entitlements for individual growers and mill owners were developed based on ownership of a cane assignment (cane production area) at the end of 1997 and the value of their production in the 1989 to 1997 seasons.

During this period, the terminal assets were revalued and, in March 1999, negotiations with individual port authorities started on new lease arrangements. These negotiations were based on the "Principles of Transfer" and "Key Conditions of Lease" endorsed by the Queensland Government in April 1998.

STL initiated a strategic alliance with the marketing body to ensure a seamless transfer of responsibilities. In August 2000, STL and Queensland Sugar Limited (QSL) agreed on lease arrangements under which QSL would continue to manage the terminal operations (receival, storage and shipping) on behalf of the raw sugar industry.

Under Queensland legislation (*Sugar Industry Act 1999*), the bulk sugar terminal assets and the existing leases for each port were transferred to STL on 2 August 2000. In return, QSC was issued with 360 million shares in STL. In December, the STL shares were transferred to cane farmers and sugar millers.

In the distribution of assets, QSL received the assets relevant to the day-to-day terminal management and operation, and marketing of Queensland raw sugar.

The "First Directors" under the STL Constitution were:

- Messrs Harold Rosario Bonanno and Warren Alfred Martin, representing "G" class shareholders;
- Messrs John Anthony Desmarchelier and Geoffrey Edmund Mitchell, representing "M" class shareholders; and
- Mr Michael Douglas Brown, Independent Director, subsequently appointed Chairman.

STL produced a profit in its first financial year and, on 28 August 2001, announced a distribution of profits to shareholders of \$9.36 million through a fully franked dividend.

Organisation - Corporate Governance

Attention to the quality and effectiveness of key relationships, decision-making processes and governance practices is contributing to the development of Sugar Terminals Limited.

Governance Relationships

The Board of Directors is responsible for the overall direction of STL business and affairs on behalf of the company. In running STL for the benefit of all shareholders, the Board and management act within the framework of requirements, expectations and interests of customers and communities.

Communication with Shareholders

Apart from the *Annual Report*, STL kept shareholders informed with an *Interim Report to Shareholders (1 July 2000 to 31 December 2000)* released on 22 February 2001. It covered:

- company profile
- establishment of STL
- industry ownership achieved
- taxation implications of the gifting of shares
- cost base per share for capital gains tax purposes
- information on Directors
- STL management
- relationship with QSL
- expansion of terminal facilities
- relationship with port authorities
- dividend policy
- looking to the future

The *Interim Report* and *Information to Shareholders* documents are posted on the STL web site.

The Annual General Meeting provides a forum for questions as well as an opportunity for contact with Directors and management.

Directors plan a series of regional meetings starting in December 2001.

The Board

The First Directors were:

- Geoffrey Edmund Mitchell;
- Harold Rosario Bonanno;
- Warren Alfred Martin;
- John Anthony Desmarchelier; and
- Michael Douglas Brown.

Mr Brown was elected Chairman. Mr Mitchell resigned on 16 October 2000 and Peter Graham James replaced him as a Director on 17 October 2000. Mr Desmarchelier was appointed General Manager on 1 August 2000. Mr Mitchell, the inaugural Company Secretary, resigned on 15 August 2000 and Mr John Maxwell (Max) Craigie replaced him on 15 August 2000.

The Directors must ensure that the first term of appointment of each of the First Directors is such that:

- 1 Grower Director and 1 Miller Director retire at the annual general meeting held in the year 2002;
- 1 Grower and 1 Miller Director retire at the annual general meeting held in the year 2003;
- the Independent Director retires at the annual general meeting held in the year 2004.

Retiring Directors are eligible for re-election.

Board Committees

Major policy decisions are matters for the Board as a whole. The Audit and Risk Committee is the Board's only standing committee. The Audit and Risk Committee comprises a Grower Director (Mr Bonanno) and a Miller Director (Mr James). Mr Craigie assists with professional support. The functions of the committee are to keep the following matters under review and report to the STL Board as appropriate:

- quality of external audits
- accounting procedures and reporting
- adequacy of accounting controls
- financial investment planning and reporting
- compliance with legislation
- maintenance of records and minutes
- identification of risk:
 - a) leases with port authorities
 - b) sublease with QSL
 - c) environment in respect to (a) and (b)
- insurance of STL assets
- maintenance of STL assets

Board Leadership and Support

The Chairman carries out a leadership role in the conduct of the Board and its relations with shareholders and other stakeholders. He maintains a close relationship with the General Manager and his management team and acts as a mentor as required. He chairs Board meetings, as well as general meetings of shareholders, and concerns himself with the good order and effectiveness of the Board.

The Company Secretary supports the Board in carrying out its role, including assistance in communications between Board and management, attends meeting and records minutes of the proceedings. The Secretary is appointed by the Board.

Board Meetings

The Board held 14 meetings during the 12-month period to 30 June 2001. It plans to hold 11 regular meetings in the current year, with some held in regional centres. The agenda for the meetings is prepared in conjunction with the Chairman and the General Manager. Submissions and papers on Board items are circulated in advance. The Board conducts periodic reviews of strategic issues, considers regular business and monthly financial reports, and approves major transactions. Directors have access to independent professional advice.

Management

The Australian Sugar Milling Council provides STL with management and administrative services under contract.

Mike Brown has been a Board Member since 25 July 2000. He was appointed Chairman on 1 August 2000. An accountant and partner of Price Waterhouse from 1971 until his retirement in June 2000, Mike holds Directorships in a number of other companies, including Grainco Limited, Summit Rural (Qld) Pty Ltd, Forest Place Group Limited, and Southern Electricity Retail Corporation. He is a past Director of Queensland Sugar Corporation.

Harry Bonanno has been a Board Member since 25 August 1998. He was Chairman of Queensland Cane Growers' Organisation Ltd - (CANEGRROWERS) for 12 years, until his retirement on 30 April 2001. Harry is a Director of Queensland Sugar Limited and Pivot Limited. He was previously a Member of the Sugar Board, Board Member of Bureau of Sugar Experiment Stations, and Vice President of the National Farmers' Federation. Harry is a cane grower and supplies Isis Mill.

John Desmarchelier has been a member of the Board since 20 June 2000. He is also General Manager of STL. He has been General Manager of the Australian Sugar Milling Council since 1988. He has represented the sugar industry in many overseas negotiations as well as domestic sugar inquiries. John is a Member of the Senate of the University of Queensland and also an Adjunct Professor at that University.

Peter James has been on the Board since 17 October 2000. Peter has worked with CSR for 31 years, and is currently General Manager, Sugar Mills Group. He is also a Director of Australian Molasses Trading Pty Ltd and of the Australian Sugar Milling Council. Peter has been President and Chief Executive Officer of Hydro Conduit corporation, a CSR subsidiary based in Texas, USA; and Queensland General Manager for the Readymix Group.

Warren Martin has been a Board member since 25 August 1998. He is Executive Chairman of Australian Cane Farmers Association, Director of Queensland Sugar Limited and of the Queensland Rural Adjustment Authority. Warren was previously a Member of the Cairns Cane Growers' Executive, and a Board Member of the Bureau of Sugar Experiment Stations. Warren is a cane grower and supplies Mulgrave Mill.

Max Craigie has been Company Secretary since 15 August 2000. Max has worked in the raw sugar industry since 1978. He is currently Deputy General Manager of the Australian Sugar Milling Council. He holds degrees in Law and Commerce, and a Masters of Business Administration. Max is a graduate of the Australian Rural Leadership Program.

Financial Report

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Statement of financial performance for the year ended 30 June 2001

	Note	2001 \$000	2000 \$000
Revenue from ordinary activities	2	25,964	–
Depreciation and amortisation expense		9,057	–
Other expenses from ordinary activities		2,319	–
Profit from ordinary activities before income tax expense	3	14,588	–
Income tax expense	4	4,880	–
Profit from ordinary activities after income tax expense		9,708	–
Net profit attributable to members of Sugar Terminals Limited		9,708	–
Basic earnings per share (cents per share)	21	2.96	–

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2001

	Note	2001 \$000	2000 \$000
CURRENT ASSETS			
Cash assets	5	38,198	-
Receivables	6	457	-
Deferred tax assets	7	33	-
Other	8	1	-
TOTAL CURRENT ASSETS		<u>38,689</u>	<u>-</u>
NON-CURRENT ASSETS			
Property, plant and equipment	9	347,519	-
TOTAL NON-CURRENT ASSETS		<u>347,519</u>	<u>-</u>
TOTAL ASSETS		<u>386,208</u>	<u>-</u>
CURRENT LIABILITIES			
Payables	10	1,631	-
Current tax liabilities	11	4,913	-
Provisions	12	9,360	-
TOTAL CURRENT LIABILITIES		<u>15,904</u>	<u>-</u>
TOTAL LIABILITIES		<u>15,904</u>	<u>-</u>
NET ASSETS		<u>370,304</u>	<u>-</u>
EQUITY			
Contributed equity	13	369,956	-
Retained profits	14	348	-
TOTAL EQUITY		<u>370,304</u>	<u>-</u>

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2001

	Note	2001 \$000	2000 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		25,084	–
Payments to suppliers and employees		(1,148)	–
Interest received		951	–
Net cash inflow from operating activities	20	24,887	–
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(905)	–
Net cash outflow from investing activities		(905)	–
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		14,281	–
Share Issue Costs		(65)	–
Net cash inflow from financing activities		14,216	–
Net increase in cash held		38,198	–
Cash at 1 July 2000		–	–
Cash at 30 June 2001	5	38,198	–

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2001

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

a. Income Tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

b. Property, Plant and Equipment

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to depreciation. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	1.25–14.29%

c. **Cash**

For the purpose of the statement of cash flows, cash includes:

- Cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- Investments in money market instruments with less than 14 days to maturity.

d. **Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

e. **Rounding of Amounts**

The Company has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1,000.

NOTE 2: REVENUE	2001	2000
	\$000	\$000
Revenue From Operating Activities		
– rental revenue	24,506	–
Revenue From Outside The Operating Activities		
– interest received	1,408	–
– other revenue	9	–
– sale of non-current assets	41	–
Total Revenue From Ordinary Activities	<u>25,964</u>	<u>–</u>

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES	2001	2000
	\$000	\$000
Profit from ordinary activities before income tax includes the following specific net gains and expenses		–
Expenses:		
Depreciation of non-current assets:		
– Plant and equipment	9,057	–
Net loss on disposal of property, plant & equipment	77	–

NOTE 4: INCOME TAX EXPENSE

The income tax expense for the financial year differs from the amount calculated on profit. The differences are reconciled as follows:

	2001	2000
	\$000	\$000
Profit from ordinary activities before income tax expense	14,588	–
Income tax calculated at 34% (2000: 36%)	4,960	–
Tax effect of permanent differences:		
– Non-deductible depreciation and amortisation	169	–
– Sundry Items	(22)	–
Income Tax Adjusted for Permanent Differences	5,107	–
Net adjustment to deferred income tax liabilities and assets to reflect the decrease in company tax rate to 30%	(227)	–
Income tax expense	4,880	–
Income tax expense comprises:		
– Current taxation provision	3,177	–
– Deferred income tax provision	1,736	–
– Future income tax benefit	(33)	–
	4,880	–

NOTE 5: CURRENT ASSETS – CASH

	2001	2000
	\$000	\$000
Cash at bank	3,198	–
Deposits at call	35,000	–
	38,198	–

Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash	38,198	–
------	--------	---

NOTE 6: CURRENT ASSETS – RECEIVABLES

	2001	2000
	\$000	\$000
Other Debtors	457	–

NOTE 7: CURRENT ASSETS – DEFERRED TAX ASSETS

	2001	2000
	\$000	\$000
Future income tax benefit	33	–
a. The future income tax benefit is made up of the following estimated tax benefits:		
– timing differences	33	–
b. Future income tax benefits not brought to account relating to capital losses	23	–

NOTE 8: CURRENT ASSETS – OTHER ASSETS

	2001	2000
	\$000	\$000
Prepayments	1	–

NOTE 9: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	2001	2000
	\$000	\$000
LAND AND BUILDINGS		
Freehold land		
– At cost	16,975	–
– Subsequent additions at cost	–	–
Total Land	<u>16,975</u>	<u>–</u>
PLANT AND EQUIPMENT		
Plant and equipment		
– At cost	339,601	–
– Accumulated depreciation	(9,057)	–
Total Plant and Equipment	<u>330,544</u>	<u>–</u>
	<u>347,519</u>	<u>–</u>

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Freehold Land	Plant & Equipment	Total
Balance at the beginning of year	–	–	–
Additions	16,975	339,718	356,693
Disposals		(117)	(117)
Depreciation expense		(9,057)	(9,057)
Carrying amount at the end of year	<u>16,975</u>	<u>330,544</u>	<u>347,519</u>

NOTE 10: CURRENT LIABILITIES – PAYABLES

	2001	2000
	\$000	\$000
Trade creditors	1,159	–
Sundry creditors and accrued expenses	472	–
	<u>1,631</u>	<u>–</u>

NOTE 11: CURRENT LIABILITIES – TAX LIABILITIES

	2001	2000
	\$000	\$000
Income tax	3,177	–
Provision for deferred income tax	1,736	–
	<u>4,913</u>	<u>–</u>

NOTE 12: CURRENT LIABILITIES – PROVISIONS

	2001	2000
	\$000	\$000
Dividends	9,360	–

NOTE 13: CONTRIBUTED EQUITY

	Note	2001 \$000	2000 \$000
360,000,000 (2000 nil) fully paid ordinary shares	13a	369,956	–
		<u>369,956</u>	<u>–</u>
a. Ordinary shares			
At the beginning of the reporting period		–	–
Shares issued during the year			
– 360,000,000 on 2 August 2000		374,106	–
Transaction costs relating to share issues		(4,150)	–
		<u>369,956</u>	<u>–</u>
At reporting date			
Movements in ordinary share capital			
At the beginning of reporting period		–	–
Shares issued during year			
– 2 August 2000		360,000,000	–
		<u>360,000,000</u>	<u>–</u>
At reporting date			

Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands

b. Redeemable Preference Shares

At beginning of the reporting period	3	
All shares were redeemed for nil during the reporting period	(3)	
	<u>–</u>	
At reporting date		

NOTE 14: RETAINED PROFITS

	2001 \$000	2000 \$000
Retained profits at the beginning of the financial year	–	–
Net profit attributable to members of Sugar Terminals Limited	9,708	–
Dividends provided for or paid	(9,360)	–
	<u>348</u>	<u>–</u>
Retained profits at the end of the financial year		

NOTE 15: DIVIDENDS

	2001 \$000	2000 \$000
Ordinary Shares		
Final dividend of 2.6 cents fully franked per fully paid share recognised as a liability and is expected to be paid on or before 24 September 2001.	9,360	–

NOTE 16: FINANCIAL INSTRUMENTS**Interest rate risk exposures**

The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity is set out in the following table.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Company intends to hold fixed rate assets and liabilities to maturity.

2001	Notes	Floating Interest Rate \$000	Fixed Interest maturing in 1 year or less \$000	Non-interest bearing \$000	Total \$000
Financial Assets					
Cash & deposits	5	3,198	35,000	0	38,198
Receivables	6	0	0	457	457
		<u>3,198</u>	<u>35,000</u>	<u>457</u>	<u>38,655</u>
Weighted average interest rate		4.75%	5.20%		
Financial Liabilities					
Trade & other creditors	10	0	0	1,631	1,631
		<u>0</u>	<u>0</u>	<u>1,631</u>	<u>1,631</u>
Net financial assets (liabilities)		<u>3,198</u>	<u>35,000</u>	<u>(1,174)</u>	<u>37,024</u>

NOTE 17: CONTINGENT LIABILITIES

Estimates of the maximum amounts of contingent liabilities, that may become payable:

Following upon the issue of shares to eligible growers and millers at the end of 2000, some description errors occurred in respect of a small number of shareholders in January 2001. Steps have been taken by the Company to rectify the share register and in the year ended 30 June 2001, certain legal costs have been incurred.

The Company expects to spend further monies in settling this issue, but believes that it shall be reimbursed by a third party for most or all of such costs, including costs incurred (and expensed) in the year ended 30 June 2001.

Accordingly, in preparing the financial statements as at 30 June 2001 no further amounts have been provided for costs on this matter that may be incurred subsequent to 30 June 2001.

NOTE 18: REMUNERATION AND RETIREMENT BENEFITS

	2001 \$	2000 \$
a. Directors' Remuneration		
Income paid or payable to all directors of each entity in the economic entity by the entities of which they are Directors and any related parties	123,601	—
	No.	No.
\$ 0—\$ 9,999	1	—
\$10,000—\$19,999	4	—
\$50,000—\$59,999	1	—
b. Retirement and Superannuation Payments		
	\$	\$

Amounts of a prescribed benefit given during year by the Company to a director or a prescribed super fund in a connection with the retirement from a prescribed office:

	7,301	—
--	-------	---

Full particulars are not provided as the directors believe this would be unreasonable.

NOTE 19: AUDITORS' REMUNERATION

	2001	2000
	\$	\$
Remuneration of the auditor of the parent entity for:		
– Auditing or reviewing the financial report	38,500	–
– Other services	473,946	–

NOTE 20: RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001	2000
	\$000	\$000
Profit from ordinary activities after income tax	9,708	–
Cash flows excluded from profit from ordinary activities attributable to operating activities		
Non-cash flows in profit from ordinary activities		
Depreciation	9,057	–
Net loss on disposal of property, plant and equipment	77	–
Reinstatement of non-current assets	(8)	–
Increase in trade and term debtors	(457)	–
Increase in prepayments	(1)	–
Increase in future income tax benefit	(33)	–
Increase in trade creditors and accruals	1,631	–
Increase in provision for income taxes payable	3,177	–
Increase in provision for deferred income taxes payable	1,736	–
Net cash inflow from operating activities	<u>24,887</u>	<u>–</u>

Non-cash Financing and Investing Activities

i. Share issue

360,000,000 ordinary shares were issued for consideration of the transfer of the bulk sugar terminal assets and leases for the seven bulk sugar terminals.

ii. During the year the Company acquired land valued at \$16,975,000 and plant and equipment with an aggregate value of \$338,805,000 by issue of 360,000,000 shares. These acquisitions are not reflected in the statement of cash flows.

NOTE 21: EARNINGS PER SHARE

	2001	2000
Basic earnings per share (cents)	2.96	–
Earnings used in the calculation of basic earnings per share	9,708,099	–
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	328,438,356	–

NOTE 22: RELATED PARTIES**Directors**

The names of persons who were directors of Sugar Terminals Limited at any time during the financial year are as follows: MD Brown; HR Bonanno; JA Desmarchelier; PG James; and WA Martin. All of these persons were directors during the year ended 30 June 2000, except for MD Brown who was appointed on 25 July 2000 and PG James who was appointed on 17 October 2000. In addition, GE Mitchell held office as a director until his resignation on 16 October 2000.

Remuneration and Retirement Benefits

Information on remuneration and retirement benefits of directors is disclosed in note 18 to the accounts.

Transactions of directors and director-related entities concerning shares

Aggregate numbers of shares of Sugar Terminals Limited acquired or disposed of by the directors of the company or their director related entities from the company;

Acquisitions	2001 No.	2000 No.
Ordinary Shares		
HR Bonanno	65,325	–
WA Martin	34,826	–

Disposals

Redeemable Preference Shares		
JA Desmarchelier	1	–

Aggregate number of shares of Sugar Terminals Limited held directly, indirectly or beneficially by directors of the company or their director-related entities at balance date

Ordinary Shares		
HR Bonanno	65,325	–
WA Martin	34,826	–
Redeemable Preference Shares		
JA Desmarchelier	–	1

Other transactions with directors and director-related entities

Directors HR Bonanno and WA Martin are directors of Queensland Sugar Limited. During the reporting period Sugar Terminals Limited granted and Queensland Sugar Limited accepted a sub-lease of the sugar terminals so that Queensland Sugar Limited can utilise the sugar terminals for storage and loading of products and for such other purposes to which Sugar Terminals Limited consents and which are permitted under the terminal lease arrangement which Sugar Terminal Limited has in respect to each of the Port Authorities. In return Sugar Terminals Limited receives rent. The sub-lease was based on normal commercial terms and conditions.

A director, Mr GE Mitchell (resigned 16 October 2000) is the chairman of the Australian Sugar Milling Council Pty Ltd. A director, Mr JA Desmarchelier is the general manager of the Australian Sugar Milling Council Pty Ltd. The Australian Sugar Milling Council Pty Ltd provides administrative, secretarial and management services to Sugar Terminals Limited. Under the terms of the arrangement provision of these services is to be reviewed by 30 April 2002. The services are provided on normal commercial terms and conditions.

A director, Mr MD Brown was engaged by the Bulk Sugar Terminals Management Group as project coordinator for the establishment of Sugar Terminals Limited. Under this appointment he was remunerated. His position as project coordinator was completed on 31 October 2000. The appointment was based on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with directors and their director-related entities:

	2001 \$000	2000 \$000
Rent received from Queensland Sugar Limited	24,506	–
Services provided by Australian Sugar Milling Council Pty Ltd	192	–
Payments made to Mr MD Brown	25	–

Directors' Report

Your directors present their report together with the financial report of Sugar Terminals Limited ("the Company"), and the auditor's report on the Company for the financial year ended 30 June 2001.

Directors

The names of directors in office at any time during or since the end of the year are:

Mr Michael M Brown	Mr Harold R Bonanno
Mr John A Desmarchelier AM, ED	Mr Peter G James (appointed 17.10.2000)
Mr Warren A Martin	Mr Geoffrey E Mitchell (Resigned 16.10.2000)

Principal Activities

The principal activities of the Company during the financial year were:

- ownership of bulk sugar terminal assets;
- protection of the bulk sugar terminal assets;
- managing, development, and financing of bulk sugar terminals; and
- negotiating long term leases with Port Authorities.

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

Operating Results

The consolidated profit of the Company after providing for income tax amounted to \$9,708,000.

Dividends Paid or Recommended

Dividends paid or declared for payment are as follows:

Final ordinary dividend of \$0.026 per share fully franked was resolved by the directors on 28 August 2001. Total dividend to be paid – \$9,360,000

Review of Operations

Sugar Terminals Limited commenced full commercial operation on 02 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 \$338.81 million; the value of land transferred to STL was \$16.98 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 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 were a total of 12,491 "G" Class Shareholders and 11 "M" Class Shareholders.

Significant Changes in State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Company during the financial year under review.

After Balance Date Events

In the opinion of the directors, no matter or circumstance has arisen since 30 June 2001 that has significantly affected, or may affect:

- (a) Company's operations in future financial years; or
- (b) results of those operations in future financial years; or
- (c) Company's state of affairs in future financial years.

Future Developments

The likely developments in the operations of the Company and the expected results of those operations in future financial years are as follows: To meet marketing requirements of Queensland Sugar Limited, a new storage shed at Townsville is expected to be constructed. The Company will finance the proposed shed at a cost of approximately \$50 million.

Environmental Issues

Queensland Sugar Limited, manager of the Bulk Sugar Terminal Assets under a sub-lease arrangement with the Company, takes responsibility for the environmental impact of the Terminals and holds the environmental licences under the Environmental Protection Act 1994.

Information on Directors

Michael D Brown – (Chairman) (Non-executive)

Qualifications – Fellow of the Institute of Chartered Accountants

Experience – Board member since 25 July 2000. Formerly a partner of the international accountancy firm – Price Waterhouse from 1971 until retirement.

Director of Grainco Limited, Summit Rural (Qld) Pty Ltd; Forest Place Group Limited; Southern Electricity Retail Corporation. Past directorships include Sanctuary Cove (Discovery Bay Developments Ltd) (1989-1991) and Queensland Sugar Corporation (1991-1997). Former Chairman of the Queensland Branch of the Institute of Chartered Accountants and former member of the National Council of the Institute of Chartered Accountants in Australia.

Special Responsibilities – Mr Brown is Chairman

Harold R Bonanno – Director (Non Executive)

Experience – Board member since 25 August 1998. Formerly Chairman of the Queensland Cane Growers Organisation Ltd (CANEGRROWERS). Offices presently held include: Director, Queensland Sugar Limited and 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.

Special Responsibilities – Mr Bonanno is a Grower Representative Member of the Audit Committee.

John A Desmarchelier – Director (Non Executive)

Qualifications – Bachelor of Commerce (Applied Psychology) UNSW; Bachelor of Economics, UQ; Master of Business Administration, UNE; Company Directors Diploma, UNE; Fellow, Australian Institute of Management; Fellow, Australian Institute of Company Directors; Reserve Force Medal (RFM), Efficiency Decoration (ED); Member of the General Division of the Order of Australia (AM)

Experience – Board member since 20 June 2000, General Manager of the Australian Sugar Milling Council since its incorporation in 1988, General Manager 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 and is an Adjunct Professor at that University.

Special Responsibilities – Responsibilities include management as General Manager of the company.

Peter G James – Director (Non Executive)

Qualifications – Dip.Ed, Assoc. Dip. Accounting

Experience – Board member since 17 October 2000. Peter James has been employed by CSR Limited for 31 years and took up his present position of General Manager, Sugar Mills Group in January 1995. He is responsible for the operations of CSR's seven sugar mills in Queensland. He is a Director of the Australian Sugar Milling Council Pty Ltd and Australian Molasses Trading Pty Ltd.

Between 1990 and 1994 Mr James was President and Chief Executive Officer of Hydro Conduit Corporation, a construction material company (and a CSR subsidiary) based in Texas, USA. Prior to transferring to the USA he was Queensland General Manager for the Readymix Group.

Special Responsibilities – Mr James is the Miller Representative Member of the Audit Committee.

Warren A Martin – Director (Non Executive)

Qualifications – Master of Business Administration

Experience – Board member since 25 August 1998. Warren Martin is Executive Chairman of the Australian Cane Farmers Association. He is a Director of Queensland Sugar Limited and of the Queensland Rural 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.

Special Responsibilities – None

Geoffrey E Mitchell resigned 16/10/00 – Director (Non-Executive)

Qualifications – Diploma Industrial Chemistry (QUT)

Experience – Geoff Mitchell is Managing Director of Bundaberg Sugar Ltd and a Director of Queensland Sugar Limited. He has extensive experience in the sugar industry including direct involvement with cane growing, raw sugar milling, refining, marketing and distilling. He is also Chairman of Finasucre Investments (Australia) Pty Limited. He is a Board Member of the Queensland Sugar Limited and was a Board Member of Queensland Sugar Corporation for six years until 1997 and of Sugar Terminals Limited until October 2000. Mr Mitchell is a member of Rabo Australia's Food and Agribusiness Advisory Board, and has been a member of the Business Council of Australia.

Special Responsibilities – Previously Secretary of the Company until 15 August 2000

Meetings of Directors – During the financial year, 16 meetings of Directors (including committees of Directors) were held. The number of meetings attended by each Director during the year is stated in this report.

	DIRECTORS' MEETINGS		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Michael D Brown	14	14	0	0
Harold R Bonanno	14	14	2	2
John A Desmarchelier	14	14	0	0
Peter G James	10	8	2	2
Geoffrey E Mitchell	4	4	0	0
Warren A Martin	14	13	0	0

Indemnifying Officers

During or since the end of the financial year the Company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has entered into an agreement to indemnify the current and former Directors, Company Secretary and Officers of Sugar Terminals Limited. It is also a combined limit over both the Directors' and Officers' policy and the Company Reimbursement policy. Excess includes a \$10,000 on the Company reimbursement policy, nil on the Directors, and Officer Policy excludes: 15% Major shareholder exclusion; insolvency exclusion; and USA/Canada Exclusion. Cost of premium \$15,754.60.

The Company has paid premiums to insure each of the following Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was \$1,899.98.

Mr Michael D Brown
Mr Harold R Bonanno
Mr John A Desmarchelier
Ms Peter G James
Mr Warren A Martin
Mr Geoffrey E Mitchell

Options

No options were issued.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

No shares have been issued by virtue of the exercise of an option during the year or to the date of this report.

Proceedings on Behalf of Company


No person has applied for leave of Court to bring proceedings on behalf of the company or 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 any part of those proceedings.

The company was not a party to any such proceedings during the year.

Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors.

Director  Director
M D Brown


J A Desmarchelier AM ED

Dated this 28th day of September 2001.

Directors' declaration

The directors declare that the financial statements and notes set out on pages 13 to 23:


- (a) comply with Accounting Standards, as detailed above, and the Corporations Regulations 2001; and
- (b) give a true and fair view of the Company's financial position as at 30 June 2001 and of its performance, as represented by the results of its operations and its cashflows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; 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.

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

Director  Director
M D Brown


J A Desmarchelier AM ED

Dated this 28th day of September 2001.

Audit Report

Independent audit report to the members of Sugar Terminals Limited

Scope

We have audited the financial report of Sugar Terminals Limited (the Company) for the financial year ended 30 June 2001 as set out on pages 13 to 23. The Company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act 2001 in Australia so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of the Company is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2001 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.

PricewaterhouseCoopers
Chartered Accountants



R J Roach
Partner

Brisbane
28 September 2001

Information for Shareholders

Annual General Meeting

The Annual General Meeting of Sugar Terminals Limited will be held on 29 October 2001 at:

The Sheraton Brisbane Hotel and Towers,
249 Turbot Street,
Brisbane Qld 4000
Commencing at 10:00am.

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.

Share Registry

There is no cost to the shareholders to have their name and number of shares listed on the register. Shareholders may contact Douglas Heck & Burrell for all details about their shareholdings by telephoning (07) 3228 4219 or writing to:

Sugar Terminals Limited Share Registry
C/- Douglas Heck & 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 detailing their new address to Douglas Heck & Burrell.

Change of Name

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

Share Transfers

"G" class shares can be transferred only to "active growers" and "M" class shares can be transferred only to "active millers". The definitions of "active growers", "active millers", "inactive growers" and "inactive millers" are set out in the *Information for Shareholders* document sent to shareholders. A copy of the document has been posted on the company's web site.

Shareholders can obtain a copy of a share transfer form and declaration 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 for processing.

Inactive Grower or Miller Status

Under the Constitution of the company, shareholders who become either inactive growers or inactive millers must immediately notify the company Directors in writing that they have become inactive and must dispose of their shares as soon as practicable. An inactive grower is one who has not been an active grower for two consecutive production seasons or part thereof. An inactive miller has not been an active miller for two consecutive production seasons or part thereof.

The company Directors recognise that on the issue of the shares, a number of "G" class shareholders were no longer active growers, and have allowed them adequate time to sell their shares. Members who were inactive 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.

Registered Office

Sugar Terminals Limited
Level 6
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
Email: sugarterminals@powerup.com.au

Share Registry

Sugar Terminals Limited Share Registry
C/- Douglas Heck & Burrell
Level 22/300 Queen Street, Brisbane
GPO Box 35
Brisbane Qld 4001
Telephone (07) 3228 4219
Facsimile (07) 3221 3149

Exempt Market Information

ABN AMRO Morgans
GPO Box 202
Brisbane Qld 4001
Telephone (07) 3334 4888
Facsimile (07) 3831 0593

Web Site

Web site: www.sugarterminals.com.au

Solicitors

Clayton Utz
GPO Box 55
Brisbane Qld 4001

Auditors and Taxation Accountants

PricewaterhouseCoopers
GPO Box 150
Brisbane Qld 4001

Bankers

National Australia Bank
Capital Office
Ground Floor/308-322 Queen Street
Brisbane Qld 4000

Accountants

Manning Hickson Maletz
GPO Box 1108
Brisbane Qld 4001

Insurers

Marsh Pty Ltd
GPO Box 2743
Brisbane Qld 4001