



## **Sugar Terminals Limited 2005 Annual General Meeting**

### **Chairman's Address**

Welcome to the 2005 Annual General Meeting of Sugar Terminals Limited.

Firstly let me talk about the financial results and matters pertaining there to for the year ended 30 June 2005.

Net profit after tax for the year was \$18.96 million which compares of a net profit, after tax for the previous year of \$16.81 million.

The increase in profit is principally due to rental being received for the new Townsville storage facility for a full year in 2005 compared with seven months rental in 2004.

At last years Meeting I advised that the new storage facility at the Port of Townsville was incomplete and there were a number of defects and outstanding contractual commitments. I also advised that a notice of dispute had been issued by the building contractor Walter Construction Group (Walter), and that the Company expected that Walter would commence court proceedings.

In December 2004, the company received a statement of claim from Walter claiming \$15.01 million as damages pursuant to the Trade Practices Act, or alternatively, various claims for moneys due under the contract amounting to \$18.96 million excluding interest. These claims were and are denied, and STL was in the process of preparing its defence and counterclaim when Walter appointed administrators in February 2005, following an announcement by its parent company that it was filing for insolvency in Germany. Walter was placed in liquidation on 30 March 2005.

STL has since applied for and obtained a court order for security for costs. The action is presently stayed and it is not known whether the liquidator or some other party will proceed with the action. As time goes by, our advisors consider that it is becoming less likely that the action will proceed. Our efforts are being directed towards determining the best way to rectify various defective works. The major defective defects works include the air support conveyors and concrete cracking in the floor and tunnels. Experts are being used to assist in this process and the rectification costs will not be known for some time.

QSL continues to manage the dispute as STL's agent, and STL's general manager, Richard Farquhar, is involved and plays a major role on the committee managing the project.

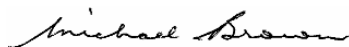
At last years Annual General Meeting I advised you that because of the then pending claim by Walter your directors had determined to pay a lesser dividend of 2c per share fully franked. At that time I advised shareholders that should circumstances change in relation to any pending claim your directors would consider a further dividend distribution. Because it now seems fairly remote that Walter and or its liquidator will go ahead with that claim your directors resolved to pay a 2 cent fully franked "catch up dividend". This was paid on 5 July 2005.

A further dividend of 5c per share fully franked will be paid from the profits for the year ended 30 June 2005 on 15 December 2005 to shareholders on the register at 2 December 2005. Your directors are confident that the company has sufficient cash resources to rectify the defective works at the Townsville shed and pay the dividends.

Under the terms of the sublease with QSL both parties were required to have a review of the rental arrangements and treatment of maintenance effective from 1 July 2005. This review has been satisfactorily completed since the end of the financial year.

We continue to have a very good working relationship with QSL, manager of the terminal operations.

On 13 October 2005 CANEGROWERS, the Australian Sugar Milling Council and the Queensland Government executed a Memorandum of Understanding providing a framework for the introduction of a new marketing system for the sugar industry. Under this Memorandum of Understanding, when the Government is satisfied that there is sufficient support to successfully implement the new marketing arrangement it will introduce amending legislation. It is expected that the Government will make an announcement soon on whether the new marketing system would apply from 1 January 2006. This may cause Sugar Terminals Limited and Queensland Sugar Limited to review their overall relationship and arrangements as set out under the terms of the sub lease.



MD Brown  
Chairman  
Brisbane  
27 October 2005