Sugar Terminals Limited
Annual General Meeting
Thursday 23 October 2008

Let me talk about the financial results for the year ended 30 June 2008 and other matters.

The net profit after tax for the year was $25.1 million which compares with a net profit for the previous year of $24.7 million. The increase in profit is principally due to increased rental and reductions in costs principally interest on borrowings.

Dividends. The company's dividend policy is to pay from the net profits for the period, as high an amount as is possible, having regard to the Company's overall cash position. In accordance with this policy, the directors resolved to pay a final dividend of 3.9 cents per share (a total of $14.04 million) from retained profits. This dividend was paid on 30 September 2008. Together with the interim dividend of 4 cents per share paid on 31 March 2008 total dividends paid this year amounted to $28.44 million ie. 7.9 cents per share.

Cash. The final installment of the $45 million borrowing to finance the construction of the Townsville shed was paid on 30 June 2008.

Terminals.

The Townsville Shed. The air support conveyors at the new Townsville shed remain an issue.

At this time last year I reported that modifications had been made to the air support conveyors based on successful modifications made by a West Australian bulk grain handler. Unfortunately these modifications have not resulted in any operational improvements at Townsville. Possible reasons for this are humidity and the sticky nature of sugar compared to grain.

It is now considered that all avenues to find a way to make the air support conveyors operate satisfactorily have been exhausted.

We are working with QSL to appoint an engineering firm to investigate options to convert to a conventional conveyor system, utilising the existing structures as much as possible.

Because of the uncertainty of the work involved it is not possible at this time to estimate the cost.

There has been no change in the action brought against Sugar Terminals by Walter Construction Group. The action has been stayed, and the likelihood of the claim proceeding is now considered to be remote.

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Cairns. Negotiations with the Department of Defence to enter into a long term licence agreement for the Royal Australian Navy to use the Cairns wharf, when it is not being used for sugar or related products, are in final stages and completion is expected in the near future. We now have overall agreement but are awaiting final sign off by the parties to the agreement.

Brisbane. On 15 July 2008 a conditional contract was signed for the sale of the Brisbane terminal property for $40m. This contract is now unconditional and due to settle on 15 December 2008. Directors will consider distribution of the proceeds after settlement, by way of a special dividend and a capital return, which will be subject to shareholder approval.

Relations with Queensland Sugar Ltd. I reported to shareholders at last year's Annual General Meeting on negotiations with Queensland Sugar Limited (QSL) on an appropriate structure for the operation of the terminals post the expiry of the sub-lease on 30 June 2008.

I also advised that your Board appointed Gresham Advisory Partners Limited (Gresham) to undertake a full review of the overall financial structure of STL and to identify all of the options available to STL as it moves into the future.

That report has been received and considered by the board. Following that report, an engineering expert was appointed to provide advice in relation to a Depreciated Optimised Replacement Cost valuation of the terminals. Based on this advice and other work conducted by Gresham, a detailed proposal for the terminal arrangements beyond 30 June 2008 was presented to QSL in June this year.

Also, in June this year, it was agreed with QSL that QSL will occupy the terminals on the basis of a monthly tenancy terminable by either party on one months notice in writing to the other and otherwise on the same terms and conditions as the Sub-lease which terminated on 30 June 2008. The month to month tenancy will continue (unless terminated) pending the outcome of discussions with QSL regarding long term arrangements for the terminals.

Since then, discussions, which are confidential, have continued.

I would like to thank my fellow Board members Mark Day, John Grasso, Steve Guazzo and Jim Hesp and of course our General Manager Dick Farquhar for their contribution throughout the year.

Michael Brown

MD Brown
Chairman
Brisbane
23 October 2008

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