Sugar Terminals Limited

Annual General Meeting 2010

Chairman's Address

Firstly let me talk about the financial results for the year ended 30 June 2010 and other related matters.

The financial result for the year was a net profit after tax of $41.5 million compared with a net profit after tax for the previous year of $24.8million, an increase of $16.7 million. It includes net profit after tax of $20.9 million arising from the sale of the Brisbane Terminal. The decline in profit from operations of $4.2 million is principally due to reduced rental received under the new Sub-lease agreement with Queensland Sugar Ltd. A forfeited deposit of approximately $1.8 million on a sale contract for the Brisbane terminal was also included in 2009.

Dividends

The Company's policy is to pay from the net profit for the period, as high a dividend as possible, having regard to the Company's cash position.

In accordance with this policy, the directors paid an interim dividend of 2.9 cents per share fully franked as to 30% (a total of $10.44 million) on 31 March 2010 and a final dividend of 2.8 cents per share 70% franked as to 30% (a total of $10.08 million), making a total distribution of 5.7 cents per share, or $20.52 million.

In addition to these dividends a special dividend of 5.8 cents per share, $20.88 million, was paid to shareholders on 16 October 2009 to distribute the profit on the sale of a Brisbane terminal. This dividend was 50% franked.

Capital Return

Following approval by class meetings of shareholders held at the time of last year's AGM, a capital return of 3.5 cents per share, $12.6 million, was paid to shareholders on 23 November 2009. This was made up of surplus cash arising from the sale of the Brisbane terminal and other surpluses generated during the preceding years.

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Ten Years of Operations

As this is the tenth year of operations, I would like to provide you with some statistics for that ten year period.

Total revenue earned amounted to $441 million. Profit after tax was $212 million, all of which has been distributed as dividends. In addition to dividends, $52 million has been returned to shareholders as capital. A total of 73 cents per share has been paid to shareholders.

$89 million has been invested in capital expenditure on the terminals, the major item being the new shed number 3 at Townsville which has cost about $70 million to date.

Borrowings

Sugar Terminals Limited has no cash borrowings although we do have lines of credit available for drawdown with our bankers.

Queensland Sugar Limited

We are almost two years into the new five year sub-lease with QSL effective from 1 January 2009. The annual rental is $42 million subject to adjustment up or down for capital expenditure. The capital expenditure target was met for the year ended 30 June 2010, so rent for the year ending 30 June 2011 will remain at $42 million. We continue to enjoy a constructive working relationship with QSL.

The Terminals

Brisbane

As I reported last year, the Brisbane terminal was sold in the year under review. Settlement was made on 21 September 2009. Two previous contracts for sale of the terminal did not complete. Originally the final contract was for $36 million. After further negotiation the sale price was reduced to $34.2 million. The price is considered to be an excellent outcome for the company under the economic conditions at the time. As set out above, all cash generated from this sale was distributed to shareholders.

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Cairns

Again, as I reported last year, a long term licence agreement with the Department of Defence to allow the Royal Australian Navy to use the Cairns wharf when not in use for sugar and related products was signed after four years of negotiations. The rent is shared with QSL. This agreement is working well and will provide a valuable source of income for many years.

Townsville

Work on the new conveyor system to replace the air support conveyors is proceeding well. Stage 1 has been completed, as have engineering drawings for the final stage. Tender documents were released last week for the construction of the main works. The project is on schedule to be completed by June 2011.

When it is completed, there will be only two relatively small items outstanding. These are the rectification of longitudinal cracking which will be completed in 2013, and storm water drainage works which should be completed by 2011.

After that, the Townsville Shed 3 Project which commenced in 2001 will be completed.

In Conclusion

I would like to thank my fellow Board members Mark Day, Steve Guazzo, Con Christofides, Jim Hesp and Stuart Gregory and of course our General manager Richard Farquhar for their contribution throughout what has been a very busy year.

Jim Hesp retires by rotation at the conclusion of this meeting and is not offering himself for re-election. Jim has been a board member for six years. I am sure all Board members join me in thanking him for his contribution.

MD Brown
Chairman
Brisbane
29 October 2010

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