Sugar Terminals Limited

Annual General Meeting 2011

Chairman's Address

Firstly let me talk about the financial results for the year ended 30 June 2011 and other related matters.

Financial Result

The financial result for the year was a net profit after tax of $18.8 million compared with a net profit after tax for the previous year of $41.5 million, a decrease of $22.7 million. Last year's result included net profit after tax of $20.9 million arising from the sale of the Brisbane Terminal. The decline in profit from operations of $1.8 million is principally due to the write off of the air support conveyors at Townsville, which have now been replaced with conventional conveyors.

Dividends

The Company's policy is to pay as high a dividend as possible, having regard to the Company's cash position and the tests set out in section 254T of the Corporations Act. Dividends are usually paid bi-annually in March and September.

In accordance with this policy, the directors paid an interim dividend of 2.9 cents per share fully franked on 21 January 2011 (earlier than usual because of some significant financial stress in the industry) and a final dividend of 2.9 cents per share fully franked on 30 September 2011, making a total distribution of 5.8 cents per share, or $20.88 million.

Townsville Terminal

I am pleased to report that the Townsville shed 3 project which is managed by QSL, has now reached another milestone. The air support conveyors have been replaced by a conventional conveyor system which was commissioned this month and is reported to be working well. This conveyor system cost $10.05 million, bringing the total cost of the project to $80.2 million.

There are now only two relatively small items outstanding to complete the project. These are the rectification of longitudinal cracking which will be completed in 2013, and storm water drainage works which have been delayed again by the Port and should now be completed in 2012.

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

Cyclone Yasi

In January this year, some of our terminals were in the line of Cyclone Yasi. The Mackay and Bundaberg terminals were unaffected and there was very little damage at Cairns. There was some minor damage at Mourilyan and Townsville, which did not disrupt operations. At Lucinda, the workshop and amenities block were destroyed and there was other minor damage on the site. The workshop and amenities block will be replaced at a cost of $1.2 million which will be paid by the company because this amount is less than the windstorm deductible under the insurance policy. Significant damage was caused by water surge to the offshore conveyor gallery and wharf. Some preliminary works were completed in June and a contractor has been appointed to carry out the main works. The target completion date is 31 March 2012. The cost of repairs is estimated to be about $50 million which will be paid by our insurer, subject to a policy deductible of $0.5 million.

As a result of the damage at Lucinda, our insurer has placed a damage limit of $15 million on this facility in this year. A worldwide search has so far failed to identify any alternate suitable cover. Steps are being taken to minimise this risk in the future, including a redesign of the wharf decking so that it can withstand greater upward forces from ware action.

Queensland Sugar Ltd

We are almost three years into the 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 exceeded for the year ended 30 June 2011, so rent for the year ending 30 June 2012 will be increased to $42.6 million. We continue to enjoy a constructive working relationship with QSL, with STL as terminal owners and QSL as terminal operators.

QSL has presented a proposal to replace roofing material on 12 of the 15 sheds. These sheds are all greater than 40 years old and their roofs are at or near the end of their useful lives and have reached or are reaching the point where it is no longer practical to maintain them. The projected cost of the proposal is $100.7 million over 7 years, although we are working on ways to extend that time frame.

The board has obtained independent advice that the roof of shed 2 at Mackay is in urgent need of replacement, and has agreed to commence its replacement in the 2011/12 year. The remainder of the project will be reassessed after the completion of this roof, and in conducting this assessment the board will take steps to ensure that there is a minimal impact on dividends and/or the need for borrowings over the term of the project.

In Conclusion

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

Mark Day and Stephen Guazzo retire by rotation at the conclusion of this meeting and are not eligible for re-election. Mark and Steve have served the maximum term permitted by our Constitution of 9 years. I am sure all Board members will join me in thanking them for their valuable contribution to this company.

Stuart Gregory
Chairman
Brisbane
28 October 2011