



**Sugar Terminals Limited
Annual General Meeting 2012
Chairman's Address**

Firstly let me talk about the company's financial results for the year ended 30 June 2012 and other related matters.

Financial Result

The financial result for the year was a net profit after tax of \$20.8 million compared with a net profit after tax for the previous year of \$18.8 million, a increase of \$2 million. The increase in net profit is principally due to a reduction in net loss on disposal of plant and equipment of \$1.6 million (2011 included a net loss of \$1.8 million due to the write off of air support conveyors at the Townsville terminal), and a net increase in rent of \$400,000.

We budgeted for the current year's profit to be a little higher than last year and are on track to achieve that result.

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 2.8 cents per share fully franked on 30 March 2012 and a final dividend of 2.8 cents per share fully franked on 28 September 2012, making a total distribution of 5.6 cents per share, or \$20.16 million.

Townsville Terminal

In the Chairman's address in recent years, it has been reported that the new storage facility at the Port of Townsville was incomplete and that there were a number of defects to be rectified. The new conveyors to replace the air support conveyors were due to be completed in June 2011 and were sufficiently completed to receive and load sugar in the 2011 season. Minor works to complete this project continued during the year and were finally completed in June 2012. The total cost of the new facility, including the replacement of the conveyors was \$80.2 million.

Cyclone Yasi

Last year, I reported that significant damage was caused by Cyclone Yasi at the Lucinda terminal. Since then, works have been carried out to rebuild the jetty and wharf. These works were due to be completed in April but were delayed, mainly by bad weather. A ship was loaded at the wharf on 27 August and minor works to finalise the project will be completed soon. I'll be in Lucinda late next

week for the official re-opening of the terminal. The workshop, which was also destroyed, will be replaced in 2013. The total cost of the repairs to the terminal was \$51 million, with all but \$1.7 million covered by our insurance.

I also reported last year that, as a result of Cyclone Yasi, our insurer had declined to offer full cover on the Lucinda jetty and wharf. We still do not have full cover, but do have sufficient cover for damage likely to be caused by a weather event similar to Cyclone Yasi.

Roof Replacement Program

During the year, the board approved the replacement of the roof on shed 2 at Mackay. This is the first stage of a proposal presented by QSL to replace roofs on 12 of the 15 sheds at a cost of up to \$100 million. The Mackay roof project has proceeded well and was completed in September at a cost which is well below budget. We expect to receive a proposal from QSL by December this year to replace the roof on shed 3 at Mackay during the next off season. The overall program will be reviewed before commencing the next roof and it is likely to be completed over 10-12 years, thereby limiting the significant annual cash flow and therefore dividend implications.

Queensland Sugar Ltd

We are almost four years into the five year sublease of our terminals with QSL, which was 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 2012, so rent for the current year ending 30 June 2013 will be increased to \$42.8 million. We enjoy a very constructive working relationship with QSL, with STL as terminal owners and QSL as terminal operators and continue to seek ways of further improving that relationship.

In Conclusion

I would like to thank my fellow Board members Andrew Cappello, Con Christofides, Shayne Rutherford and Drew Watson and of course our General manager Richard Farquhar for their contribution throughout what has been a very busy and productive year.



Stuart Gregory
Chairman
Brisbane
26 October 2012