Sugar Terminals Limited
Annual General Meeting 2014
Chairman's Address

Firstly let me talk about the company's financial results for the year ended 30 June 2014 and then some other important matters.

Financial Result

The financial result for the year was a net profit after tax of $21.6 million compared with a net profit after tax for the previous year of $20.7 million, an increase of $0.9 million (4%). The increase in net profit is principally due to a net increase in rent of $1.0m.

We have budgeted for the current year's profit to be about $800k higher than last year, due primarily to additional rent receivable under the new QSL Sublease, which became effective on 1 January 2014.

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 3.0 cents per share fully franked on 28 March 2014 and a final dividend of 3 cents per share fully franked on 30 September 2014, making a total distribution of 6.0 cents per share, or $21.6 million.

Roof Replacement Program

Our major capex project currently is the replacement of the roofs on a number of our BST storage sheds, some of which are now over 50 years old.
In previous years, I have reported that the board has approved the replacement of roofs on sheds 2 and 3 at Mackay, as the first stages of a proposal presented by QSL to replace roofs on 12 of the 15 sheds at a cost now estimated to be in the range $70-80 million. During this year, the board approved a proposal to replace the roofs on Sheds 1 and 2 at Lucinda at a cost of $9.9 million. This project was completed in early September 2014 and costs are expected to be below budget.

We expect to receive a proposal from QSL in December to replace the roof on Shed 2 in Cairns in 2015 and the Mourilyan shed roof in 2016. The overall program will be competed over 10-12 years so as to limit any significant impact on annual cash flows and dividends.

Queensland Sugar Sublease

The previous Sublease agreement with QSL expired on 31 December 2013 and the new Sublease, which was executed by the parties on 1 August 2013, became effective on 1 January 2014. The commencing annual rental of $44.86 million is an increase of 2.8% over the rental under the previous Sublease and there will be annual increases of 2.5% in each year from now on. Apart from some minor amendments, other terms and conditions of the Sublease are unchanged. The new agreement contributed about 50% of the $0.9 million increase in net profit for the year. Directors increased the dividend in 2014 to 6 cents per share, and estimate that the new Sublease should support annual dividends increasing progressively to around 6.8 cents per share by the end of the 5 year term.

Sugar Marketing

The impact on the Queensland sugar industry of the decision of Wilmar, MSF/Mitr Phol and Tully/Cofco to market their export sugar independently of QSL is still unclear. Canegrowers, as well as QSL, are attempting to establish a model, which they hope will allow QSL to continue to be a viable export sugar marketer. STL is in the secure position of controlling the 6 Queensland bulk sugar terminals with very long leases from the respective port authorities. While these terminals are subleased to QSL for 5 years from 1 January 2014, the Sublease is dependent on QSL controlling certain percentages of the sugar that is stored and handled at each terminal. Should QSL's percentages drop below the nominated levels, STL may terminate the Sublease or exclude the affected terminal(s) and enter into alternative arrangements. The Board of STL is monitoring the situation closely and notes that both the State Government and Federal Senate are conducting enquiries which are due to report in April/May next year and will ensure that the company is well prepared for any changes to the export marketing of Queensland sugar, which may occur from July 2017.

In Conclusion

I would like to thank my fellow Board members Andrew Cappello, Con Christofides, Shayne Rutherford and Drew Watson and our hard working General Manager, Richard Farquhar, for their contribution throughout what has been another busy and productive year.

Stuart Gregory
Chairman
Brisbane
21 October 2014

Sugar Terminals Limited
GPO Box 945, Brisbane Qld 4001
Level 3, IBM Building, 348 Edward Street, Brisbane Qld 4000
Phone: (07) 3221 7017 Fax: (07) 3221 5593 E-mail: info@sugarterminals.com.au Website: www.sugarterminals.com.au