

February 2002

Attractive Dividend Yield

The state's bulk sugar terminal assets and leases were transferred to Sugar Terminals Limited (STL) in recognition of the raw sugar industry's role in fully funding the original assets. Sugar Terminals Limited is a conservative income producing investment with a sustainable fully franked dividend yield.

Key Data

	2001	2002*	2003*
Revenue (\$m)	26.0	30.6	33.0
Net Profit (\$m)	9.7	11.4	12.3
Earnings Per Share (cents)	3.0	3.5	3.8
Dividend (cents)	2.6	3.1	3.3
Dividend Yield (%) (grossed up – on a pre-tax equivalent)	3.7	4.4	4.7
Franking (%)	100	100	100
Net Tangible Assets per share	\$1.05		

* Forecasts have been prepared by ABN AMRO Morgans Limited.

STL receives a rental income from Queensland Sugar Limited for the use of the bulk sugar terminal facilities. The rental income is NOT subject to changes in the sugar price, volumes handled or currency movements.

Assuming an exempt market price range of \$0.65 to \$1.10 and our 2002 forecast dividend of 3.1 cents (fully franked) we estimate the grossed up dividend yield range to be between 6.8% and 4.0%. This is attractive when compared to current deposit rates.

In the first 11 months of operation, to 30 June 2001, a net profit after tax of \$9.7 million was achieved. A dividend of 2.6 cents per share was paid to growers and millers. Management is optimistic of increased rental revenues and a reduction in professional fees in the current financial year.

ABN AMRO Morgans will operate an Exempt Market in STL for holders of the "G" class growers' securities.

The Business

Sugar Terminals Limited was incorporated in August 1998 as a public company, however it did not start full commercial operation until August 2000. STL was established to facilitate the final phase of transferring ownership of Queensland's bulk sugar terminals and long term leases with port authorities to the sugar industry. Under Queensland legislation the bulk sugar terminal assets and the existing leases for each port, valued at approximately \$340m, were transferred to STL. In December 2000, the STL shares were gifted to cane farmers and sugar millers. Share entitlements for individual growers and mill owners were developed based on ownership of a cane production area or a sugar mill at the end of 1997 and the value of production in the

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The Business Cont'd

1989 to 1997 seasons. The Queensland raw sugar industry owns and operates some of the world's most efficient bulk sugar storage facilities, located at seven ports. The terminals, in Cairns, Mourilyan, Lucinda, Townsville, Mackay, Bundaberg and Brisbane, have a capacity to store more than two million tonnes of bulk raw sugar. The facilities, including receiving, storage and, in some cases wharves, were wholly funded by cane farmers and sugar millers over four decades.

Sugar Terminals Limited charges Queensland Sugar Limited for the use of these bulk storage facilities. This rent is paid monthly in advance to STL and the rate of return payable is reviewed on a regular basis. Queensland Sugar Limited manages the terminals and pays all costs relating to the operation of the facilities. STL is responsible for the capital expenditure on the terminals.

Queensland Sugar Limited pays a rental to STL based on the value of the asset base. It is important to note that this revenue is NOT affected by sugar prices, volumes or currency movements. There is no commodity risk in the rental revenue from QSL. This rent is reviewed on a regular basis.

STL also earns interest from its invested cash position. Approximately \$1.4 million was generated from \$38 million dollars in 2001. These funds are invested in rolling fixed interest deposits with a range of maturities. STL, therefore, has a strong cash position and no debt.

QSL has announced plans to construct a new bulk sugar facility in Townsville during 2002/2003. STL expects that the capital expenditure will be in excess of \$50 million; and will be funded from the STL cash reserves and a moderate draw down of debt. STL expect the new Townsville facility to add to the revenue stream during the sugar season 2003.

Outlook

Based on a confidential arrangement with QSL, STL is budgeting on an increase in the rental income in 2001/2002 and 2002/2003. This return is based on the valuation of the assets. Our forecasts reflect ABN AMRO Morgans estimate of increases in rental income over the next two years.

Apart from the new facilities at Townsville there is no further major capital expenditure planned in the current or next reporting period. Planned capital expenditure will be funded by cash held, and the draw down of a conservative and manageable amount of debt. STL currently has no debt, therefore the use of gearing would be appropriate for the company moving forward.

Dividend Policy

STL paid an interim dividend of 2.6 cents per share, fully franked, in respect of the 11 month period to 30 June 2001. STL pays a dividend annually following the announcement of the full year result. The dividend policy of the company is to pay out the maximum amount of net profit after tax to shareholders, taking into account the relative cash position of the company at the time the dividend is announced. ABN AMRO Morgans believe that future dividend payout ratios will be high. We forecast the next full year dividend to be approximately 3.1 cents per share with a grossed up dividend yield, calculated on \$1.00 per share, of 4.4%. All dividends are expected to have full franking.

Dividend Policy Cont'd

The dividend matrix below displays the various grossed up yields for the "G" class shares at different market prices. This table is provided as reference and does not indicate the likely price of the shares on the Exempt Market.

Sugar Terminals Limited - Dividend Yield Matrix

	2002	Forecast	
Price	Forecast	Dividend	*Grossed up
	Dividend	Yield (%)	Yield (%)
\$ 1.10	3.1	2.82	4.03
\$ 1.05	3.1	2.95	4.22
\$ 1.00	3.1	3.10	4.43
\$ 0.95	3.1	3.26	4.66
\$ 0.90	3.1	3.44	4.92
\$ 0.85	3.1	3.65	5.21
\$ 0.80	3.1	3.88	5.54
\$ 0.75	3.1	4.13	5.90
\$ 0.70	3.1	4.43	6.33
\$ 0.65	3.1	4.77	6.81

*Grossed up yield reflects the pre-tax equivalent of the dividend allowing for franking credits at the company tax rate of 30%.

Capital Structure

The consideration for the transfer of the assets to STL was the issue of 360 million shares in the company to QSC. In December 2000, the 360 million shares were "gifted" to 12 491 eligible growers and to 11 eligible millers. The shares were issued in two classes in the following manner;

- 229,348,203 "G" class shares to **growers**;
- 130,651,797 "M" class shares to **mill owners**.

"G" class shares can be transferred only to "active growers" and "M" class shares can be transferred only to "active millers". The rights of "active growers" and "active millers" are;

Share	Permitted Ownership	Voting	Dividend	Wind-up
"G"	Active Growers	Yes	Yes	Yes
"M"	Active Millers	Yes	Yes	Yes

Board and Management

The Board of Directors is responsible for the overall direction of STL business and affairs on behalf of the company. To provide efficiencies and cost savings, the Australian Sugar Milling Council provides management and administrative services under an agreement with STL. The board has five directors. Two represent "G" class shareholders, two represent "M" class shareholders, leaving one independent director. The board consists of;

Chairman	Michael Brown	Director of Grainco, Summit Rural, Energex
Director	John Desmarchelier	GM of Sugar Terminals Limited
Director	Harry Bonanno	Director of Queensland Sugar Limited
Director	Peter James	Director of Australian Sugar Milling Council
Director	Warren Martin	Director of Queensland Sugar Limited

Financial Information

Sugar Terminals Limited - Forecast Revenue*

	2001	2002	2003
	Jun-30	Jun-30	Jun-30
Revenue (\$m)**	26.0	30.6	33.0
Net Profit (\$m)	9.7	11.4	12.3
EPS (cents)	3.0	3.5	3.8
Dividend (cents)	2.6	3.1	3.3
Dividend Yield (%)***	3.7	4.4	4.7
Franking (%)	100.0	100.0	100.0
Current NTA - \$1.05			

* ABN AMRO Morgans Limited forecasts.

** Forecasts for 2002 and 2003 have been based on annualised earnings from 2001.

***Based on Exempt Market price of \$1.00 and franking credits. See yield matrix.

Balance Sheet - Year ended 30 June 2001

	2,001
	\$000
CURRENT ASSETS	
Cash assets	38,198
Receivables	457
Deferred tax assets	33
Other	1
TOTAL CURRENT ASSETS	<u>38,689</u>
NON-CURRENT ASSETS	
Property, plant and equipment	347,519
TOTAL NON-CURRENT ASSETS	<u>347,519</u>
TOTAL ASSETS	<u>386,208</u>
CURRENT LIABILITIES	
Payables	1,631
Current tax liabilities	4,913
Provisions	9,360
TOTAL CURRENT LIABILITIES	<u>15,904</u>
TOTAL LIABILITIES	<u>15,904</u>
NET ASSETS	<u>370,304</u>
EQUITY	
Contributed Equity	369,956
Retained Profits	348
TOTAL EQUITY	<u>370,304</u>

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