

Interim report to shareholders in Sugar Terminals Limited

On behalf of the Board of Directors of Sugar Terminals Limited it is with pleasure that I report to shareholders on the improvement in the financial position for your Company and the constructive outlook for 2001/02.

Improved Profitability

Last year, the year ended 30 June 2001, Sugar Terminals Limited made a net profit of \$9.7 million and paid out \$9.36 million to growers and millers in a dividend of 2.6 cents per share. That dividend was fully franked. The trading result was for an eleven month period, as the Company commenced commercial operations in the previous August; in that period the Company incurred substantial establishment costs.

In the first six months of this financial year, to 31 December 2001, the Company has made a net profit after tax of \$6.61 million. Your Directors expect that the net profit after tax for the full year will exceed last year's profit. This improved outcome for Sugar Terminals Limited reflects the increased rental revenues for the bulk sugar terminals and the reduction in costs associated with the establishment of this unlisted public company.

Your Company holds substantial reserves and is free of debt.

Dividend Prospects

The Directors of Sugar Terminals Limited have adopted a policy to pay to shareholders annually, from the net profit for the period, as high a dividend as possible, having regard to the Company's cash position.

On that basis your Directors expect to approve for payment in September 2002 an annual dividend to shareholders in excess of last year's initial dividend of 2.6 cents per share.

Shares in Sugar Terminals Limited have value.

- In last year's Annual Report your Directors advised that the net tangible asset backing per share was \$1.05.
- The earnings per share after tax in the first year's operation was 2.96 cents. Your Directors believe earnings per share in this financial year (2001/02) will show a substantial improvement.

Exempt Market Approved

Shareholders will welcome the establishment of the Exempt Market for 'G' Class shares in Sugar Terminals Limited which is to commence operation early in March 2002.

The Exempt Stock Market will be operated by stockbrokers ABN AMRO Morgans Limited, only for 'G' Class shares. Intending buyers and sellers will be able to obtain on a daily basis "buy" and "sell" price quotations, as well as quantities for sale or purchase.

Before the Exempt Stock Market opens, each shareholder will be sent an information pack including an Information Booklet, Rules of Operation, Order Forms and a Stockbroker's financial analysis of the Company.

Shareholders are reminded that two favourable rulings were received last year from the Australian Taxation Office.

- The initial gifting of shares to eligible growers and millers would not be assessable to the recipients under either the capital gains tax (CGT) or the general assessable income tax provisions of the income tax law.

- Initial share recipients would also be deemed to have paid consideration for each share equal to its market value of \$1.08 at the time of gifting. (This is an important declaration that should be referred to if there is a disposal of shares).

Leases with Port Authorities

In August 2000 the majority of the bulk sugar terminal assets and each port authority lease were transferred to Sugar Terminals Limited. Those original leases were for a period of 99 years, and are now partially expired.

Sugar Terminals Limited has been negotiating for some time with each port authority to establish new long term leases of 100 years with options for renewal to replace the partially expired 99 year leases. Those negotiations have resulted in the finalisation or near completion of leases covering six of the seven bulk sugar terminal locations.

Major Capital Works

Following a recommendation from Queensland Sugar Limited, Sugar Terminals Limited approved a capital expenditure of up to \$1.5 million for a wharf upgrade at Bundaberg, associated with the deepening of the port channel. Larger vessels are expected to use the improved facilities in March 2002.

Queensland Sugar Limited, with industry support, is planning to construct a third shed at the Townsville Port with capacity to store 400,000 tonnes of raw sugar. It is expected that the new facility will receive sugar in the 2003 season. Sugar Terminals Limited has agreed to fund the construction of the new terminal from reserves and borrowings.

Arrangements are in place for Queensland Sugar Limited to lease the new facility on completion.

Directors and Management

There has been no change in the composition of the Board of Directors of Sugar Terminals Limited in the six months under review. The Directors are Messrs H R Bonanno, M D Brown, J A Desmarchelier, AM ED, P G James and W A Martin.

Mr J M Craigie resigned as Company Secretary in October 2001 and the General Manager, John Desmarchelier, accepted the additional responsibilities of Company Secretary and Public Officer.

Annual General Meeting

The second Annual General Meeting of the Company is to be held in October 2002.

On behalf of Directors of Sugar Terminals Limited



M D Brown
Chairman
20 February 2002