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CHAIRMAN'S ADDRESS
Annual General Meeting
30 October 2012

The year ended 30 June 2012 was a disappointing year for Lindsay Australia with the Group earning a net profit after tax of $25,000. This was a significant decrease on the previous year. During the financial year bad debts of $5.7 million (after tax $4 million) were provided for or written off. This significant bad debt expense occurred in respect of a long standing major customer. The major customer made up 90% of the total bad debt expense of $5.7 million.

Basic earnings per share were negligible compared with 0.7 cents per share last year.

Revenue for the year was $260 million, up 9.3% on previous year revenue of $238 million.

The Group remains focused on its two principal market segments, the transport of refrigerated produce and processed food, and the sale of rural merchandise.

Although the trading environment remained challenging for all divisions, the company achieved strong sales and divisional profitability.

Transport

Revenue from transport including internal revenue was $178 million compared with $160 million last year, an increase of 11%. Revenues from our ten largest customers by value increased by approximately 15% with these customers now contributing 45% of Transport revenues. Revenue has increased as a result of greater volumes out of most capital cities and the produce areas and an increase in applicable fuel levies. The prior year experienced severe wet weather and Cyclone Yasi which reduced produce volumes.

This increased revenue was serviced in part by increased use of sub-contractors with revenue from sub-contractors increasing 46%. As part of Transport’s growth strategy, alliances have been established with key sub-contractors who work closely with the Group. This allows additional work to be sourced and serviced without having to increase company equipment at a similar level.

Transport achieved strong growth out of North Queensland with revenue increasing to $19 million on the revenue achieved the previous year of $10.8 million. The growth in Mareeba operations that were acquired in February 2011 was particularly encouraging.

Transport's divisional contribution was $13.7 million compared with $9.2 million earned last year.

Pricing pressures from competitors and some of our customers persists requiring constant focus on both our revenue and cost bases. The transport industry has undergone further rationalisation due to competitive pricing pressure. This has resulted in a number of competitors exiting the industry or alternatively significantly downsizing the fleet which they operate. We expect to see further rationalisation in the 2013 financial year.

In late September 2012 an agreement was reached with Charter Transport to takeover some of their customers and staff as they exited the industry. Lindsay Transport will carry new frozen and refrigerated freight, including seafood and additional produce from Coffs Harbour. Revenue from this new work is estimated at $10-15 million per annum.

Rural

Revenue from rural merchandising was $84 million compared with $79 million last year. Sales for the year increased by approximately 7% compared with 2011. Rural earned a divisional contribution of $3.69 million compared with last year of $3.53 million. By product category volume growth is impacted by seasonal factors. The overall sales increase for the year is a mix of growth in packaging, fertiliser and nutrient sales partly offset by reductions in chemical and seed sales.

Sales growth potential for the Rural division is strong particularly in North Queensland as it fully recovers from the affects of Cyclone Yasi and the increasing emergence of this area as a major horticultural producer in Australia.

Sales in Emerald during the year increased with citrus volumes now increasing strongly as replanted trees mature. All citrus trees in Emerald were destroyed as a result of citrus canker in 2004. Increasing emphasis is also being placed on the broad acre market in Emerald as this area has sufficient water for a number of years.

A low cost outlet has been opened in Mareeba during the 2012 financial year. Outlets opened during the previous financial year have shown promising sales growth. The success of our low cost start up model is encouraging. We had three outlets in this model last year and one store has already transitioned and another is expected to transition into full store operations in the 2013 financial year. The Murwillumbah store that has transitioned has moved to a larger store layout as sales growth in the area continues to expand. The Mundubbera store was also restructured at the end of the financial year. The standalone premises have been closed and the Rural operations relocated to the Transport depot where additional storage capacity has been constructed. The Childers store has been relocated to a more prominent position.

Since the end of the financial year part of our Victorian operations have been restructured as the sales outlook is not strong in the short term as a result of the downturn in the food processing sector in this area. Four locations have been consolidated into two outlets.

The Rural division for the first time has also gained contracts to sell products into the Central Queensland mining industry. This entails the importation of the products into our Brisbane distribution centre and subsequent transportation by the Transport division to Central Queensland. Sales of approximately $4.5 million are expected during the 2013 financial year.

The Rural division continues to provide excellent service to customers. Consistent with the provision of this service is increased agronomy services that we are providing to customers. During the year Rural also entered into a number of distribution agreements with some key suppliers of rural products.

Outlook

For the first quarter Transport revenue including internal revenue has increased approximately 10% on the September quarter last year. Rural sales have decreased approximately 7.1% on last year.

The Directors foresee that the 2013 financial year will result in improved profitability. Potential further acquisitions and/or expansions for the Rural and Transport divisions remain a focus.

Transport’s focus is to obtain higher yielding freight and additional freight revenue in the January to April period of each year.

Rural’s focus is to further expand into Northern NSW and North Queensland markets.

Fuel Tax Credit

The recent decision in the case of the Commissioner of Taxation and Linfox Australia Pty Ltd, the Road User Charge did not to apply to fuel used in refrigeration units allows us to claim additional fuel tax credits on fuel used since 1 July 2006. The company expects that the minimum benefit before tax of additional fuel tax credits claimable net of professional fees incurred is approximately $2.5 million.

Dividend

I am pleased to announce that on 30th November 2012 we will pay a dividend of 0.5 cents per share from profits. The dividend is fully franked and the record date is 13th November 2012.

Finally I would like to thank my fellow Directors and all employees of the Group for their continuing efforts and dedication to Lindsay Australia Limited.

Thankyou Ladies and Gentlemen