

**Proserpine Co-operative  
Sugar Milling Association  
Limited**

**Seventy Second Annual Report  
Year ended 28<sup>th</sup> February 2003**



## Board Members

Frederick William (Dick) Dray	Chairman
Luigi James (Lui) Raiteri	Deputy Chairman
Russell William Biggs	Director
Ivan Vincent Ivanoff	Director
William Alexander (Bill) Lade	Director
John David Mau	Director
Geoffrey Valmadre	Director

## Senior Staff

Alf Musumeci	General Manager
Chris Connors	Company Secretary
Peter Guernieri	Chief Electrician
Laurie Watson	Chief Chemist
Mick Wesener	Chief Engineer
Ron Worth	Manager Cane Supply

## Registered Office

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Proserpine Qld 4800

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## Auditors

C E Smith & Co Proserpine  
86 Main Street  
Proserpine Qld 4800

## Bankers

Westpac Banking Corporation

## Solicitors

Macrossan & Amiet

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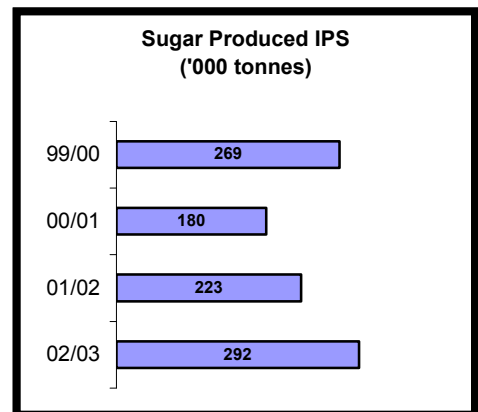
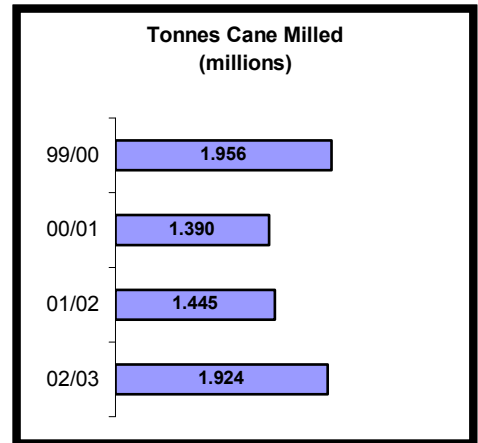
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## Overview

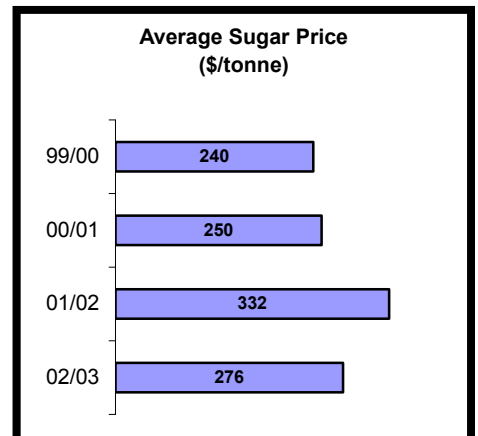
### Sugar Production

- **Cane Harvested – ↑ 33% on last year**  
1,924,075 tonnes of cane were harvested in the 2002 season, compared to 1,445,089 in 2001.
- **Sugar Content – ↓ 2% on last year**  
CCS went from 15.06 in 01/02 to 14.74 in 02/03.
- **Sugar Production IPS – ↑ 31% on last year**  
Increased crop and a high factory efficiency (Pool Index) delivered a record sugar make.



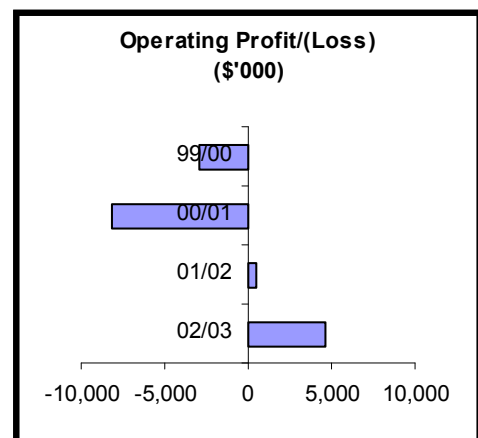
### Financial Performance

- **Total Income – ↑ 21% on last year**  
An increased sugar make, improved price for molasses and additional income from electricity resulted in an increase in income of \$5.9 million compared to 01/02.
- **Operating Profit – \$4,649,761**  
A larger crop, increased factory efficiencies and a controlled maintenance program delivered an improved financial result.



### Future Prospects

The Co-operative is budgeting on a similar crop and sugar price for the 2003 season. Fixed price, longer-term contracts have been put in place for molasses, which will stabilise molasses income at higher prices.



## CHAIRMAN'S COMMENTS

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### Chairman's Comments

As Chairman of the Proserpine Co-operative Sugar Milling Association Limited I have much pleasure in presenting my fifth and the Co-operative's 72<sup>nd</sup> Annual Report.



The 2002 season ended with a much more positive result than the previous two seasons. It commenced with the prospect of a sugar price of \$240 - \$250 a tonne and an estimate of 1.85 million tonnes of cane, which some thought was too high. It concluded after processing a crop of almost 1.93 million tonnes of cane with a CCS of 14.74 and a sugar price of around \$276 per tonne giving a price for cane of about \$27 per tonne and the production of a record sugar make of 292 430 tonnes, 2 307 tonnes more than the previous best in 1996.

The crushing commenced in the week after Show Whitsunday and ended almost 19 weeks later on 6 November. The factory performance was exceptional with an average throughput of 102 381 tonnes of cane per week and a record fibre rate of 90.75 tonnes per hour. These figures were achieved even with 36.5% of the harvested area being Q124, which with its poor quality low fibre content of around 10.5% caused feeding and bagasse moisture problems at the mills and processing problems at the mud filters.

To produce a record sugar make at the rate the cane was crushed without significant processing hold-ups was a commendable performance and the efforts of everyone involved is very much appreciated. There is no doubting the calibre of the team in the factory and the benefits that flow from a good clean fresh cane supply. Of course all these things could not happen if the cane was not delivered to the factory on time and once again the transport system played its part admirably with few breakdowns and derailments.

During the crushing 30 ten tonne bins were added to the fleet and 2002 has seen the last of the four tonne bins which have been the cause of quite a few derailments in recent times. Another 30 ten tonne bins will be added to the fleet for the 2003 crush.

Once again harvesting conditions were not impacted upon by wet weather and the harvesting sector had a far better season than the two previous. But I feel they are still under quite a bit of pressure and they are an important link in the production chain. I feel that a change of attitude by growers in some ways could significantly assist them and not cost anyone anything.

The income generated from supplying electricity to the State grid and from strong molasses sales helps with the bottom line. A scheme to secure more molasses for Co-operative members in future droughts will be developed in consultation with relevant cattle producers who are also members.

The Board has decided not to proceed with expansion of the mill tipper, feeding and carrier system, as the current capacity is capable of handling any crop in the foreseeable future.

Negotiations in regard to the formation of Central Queensland Sugar Co-operative with Mackay Sugar have been shelved indefinitely until the whole of the industry settles down. The State Government commissioned CIE Report has destabilised the industry with its outlandish and largely unsubstantiated conclusions and it is hoped that common sense will prevail. In particular, the suggestion that the marketing single desk for domestic sugar be deregulated is ill conceived and reckless. Politicians, bureaucrats and economists continually demonstrate that they have little appreciation as to how the industry functions. They talk of the importance of improving efficiencies and production as if the industry doesn't recognise it. Since 1990, Proserpine has doubled its productive capacity to 2 million tonnes of cane and doubled its sugar make. It has doubled its throughput since 1987 to over 200 000 tonnes of cane per fortnight. Orange rust and low sugar prices have seriously injured the industry but the rebuilding has begun.

Since August 2002 the Board has been examining the feasibility of producing a solvent, furfural, from bagasse. A project team journeyed to Durban in South Africa to make further inquiries into its production. The signing of an agreement between Proserpine Sugar and International Furan Technology (IFT) for access to new technology followed. A pre-feasibility study for marketing and producing furfural at Proserpine Mill has been completed and work has progressed on technical and design work. Laurie Watson will travel to Durban in March as will Mick Wesener in May, to oversee the feasibility trials and finalise the commercial

design. When the trials and full feasibility study are complete the Board will decide, hopefully by July 2003, whether or not to continue to commercial production.

The 2002 season was a little disappointing in the fact that it could have provided a record crop but the lack of rain in March and no useful winter rain prevented that. Until the first week in February prospects for 2003 did not look too good but since then, thank God, beneficial rain has fallen over the whole district. We can only hope that further rains fall to ensure a reasonable crop. Let's also hope that the sugar price remains at a reasonable level and the Australian dollar depreciates to realistic levels.

The Board of Directors undertook a road trip during June investigating alternative products and visiting our major molasses customer Riverina Stock Feeds in Warwick. A part of the trip also included participation in the Co-operative Expo held in King George Square and the Co-operative conference held in conjunction with the expo.

The outbreak of *Mimosa pigra* at Lake Proserpine is on Crown Land. It is a potential threat to the region and needs to be eradicated. Unfortunately, the State Government, through SunWater and the Department of Natural Resources and Mines, do not appear to be dealing with the issue with the vigour that it deserves. It seems that lack of resources is at the crux of the matter. The Federal Government also has a role to play in this regard. The Association has joined with the Whitsunday Shire Council, CANEGROWERS-Proserpine and Agforce to encourage greater urgency and commitment.

December 2002 saw the retirement of the long serving head of the Cane Inspectors' Department, Ted Pointing who joined the co-operative in 1974 and became Chief Cane Inspector in 1987. He played a major role in facilitating the rationalisation of the district's transport and harvesting sector so that it is now regarded as one of the strongest in the Queensland sugar industry. He has the ability to look outside the square and at the broad picture. Ted may not have been the most popular fellow around but then he had to make some hard decisions in his day. As you know, you cannot please all of the people all of the time. The thing I liked about Ted was that you could agree to disagree and he never held a grudge. On behalf of us all thank you Ted and all the best. As Manager Cane Supply, Ron Worth has responsibility for both cane supply and cane railway maintenance. We wish him the best and look forward to his positive contribution to the Co-operative.

Congratulations to Sarah Farlow and Elizabeth Cassells who were awarded Proserpine Mill bursaries for 2002 year 10 students and to Andrew Dorman and Ellen Webster who received the Douglas Debney and George Telford memorial bursaries for year 12 students.

On behalf of the Board I wish to express our appreciation to the management, staff and employees for such a top factory performance and please God, the run is just as good this year.

I wish to thank my fellow Board members for their input and support during the past year. I would like to take this opportunity to thank everyone at Proserpine Mill and all who visited me and sent me best wishes whilst in hospital.

Two directors, Ivan Ivanoff and Russell Biggs retire by rotation this year and offer themselves for re-election. I wish them all the best.

**F W (Dick) Dray**  
**Chairman of Directors**

## OPERATIONS REPORT

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### Operating Performance

The 2002 season commenced at 5pm on Thursday, 27 June with the expectation of almost 1.85 million tonnes of cane available for harvest. When crushing ceased just 18.8 weeks later at 2.14am on Wednesday, 6 November, all of the available 1 924 075 tonnes of cane had been harvested from 23 741 hectares. At 81 tonnes of cane per hectare the crop was better than the 2001 crop (65 tonnes per hectare) but not at the productive capacity of the district of 90 to 95 tonnes per hectare. All sectors welcomed the crop improvement.

With the best performance since continuous crushing was introduced in 1991, the factory crushed cane for 93.73% of the available time with 0.56% absorbed by scheduled maintenance stops, 4.37% taken up by unscheduled factory stops and 1.34% lost because of cane supply shortages. The average weekly throughput exceeded 100 000 tonnes of cane for the first time with week 11 recording the highest throughput of 108 057 tonnes. The crushing rate although intentionally constrained was a record 651 tonnes per hour. The consistency of throughput and average fibre levels of 13.93% on cane combined to minimise the need to use extraneous fuels.

At an average CCS of 14.74 and excellent factory efficiencies headlined by milling extractions of 97.48%, the crop yielded a record 292 430 tonnes IPS sugar and 60 168 tonnes of molasses. 87% of the sugar complied with Queensland Sugar's standards for all sugar quality parameters with 31% of production attracting premiums.

The electricity generated by the power station was 38 116MWhr. The amount imported from Ergon Energy was 556MWhr. The amount exported to Ergon Energy was 12 389MWhr. The overall usage for mill operations was 26 283MWhr that represents 13.7 kWhr per tonne of cane crushed. As an accredited power station Proserpine Sugar Mill earns Renewable Energy Certificates (REC) for generation above the calculated baseline of 22 961MWhr, which represented typical generation levels up to 1997. For the 2002 crushing season a total of 10 435 RECs were earned by the Co-operative.

### Capital Expenditure and Major Projects

Capital expenditure for the year ended 28 February 2003 amounted to \$1.1 million. Some of the major capital and maintenance items undertaken during the year are as follows:

- ◆ Hydraulic drives on No's 2 & 3 cane belt were replaced with electromechanical drives.
- ◆ A 300 kW air fan and six 4 kW conditioner's were installed on No. 4 boiler as part of the installation of four swirl bagasse feeders which was a Sugar Research Institute project funded under the Greenhouse Gas Abatement Program.
- ◆ 713 tubes were replaced in No. 2 pan calandria
- ◆ A portable bagasse conveyor was built to load the bagasse truck with a moving floor.
- ◆ Two four post vehicle hoists have been modified and installed in the bin maintenance shed.
- ◆ A 3.3 km section of the effluent pipeline was installed.
- ◆ A 75 kW variable speed drive was installed on the maceration pump.
- ◆ Air ducting was installed in the bagasse bin to enhance the cooling of the bagasse reclaim motors.
- ◆ Portable three phase earth leakage protection devices were assembled and issued to personnel for increased protection against electric shock from damaged power leads.
- ◆ The SCADA system for the milling train operating system was converted from Scan 3000 to Cimplicity.
- ◆ A lubrication system was installed on No. 5 mill turbine to separate the turbine and gearbox oil systems.
- ◆ The slat carrier was rebuilt with new chains, sprockets and boards.
- ◆ No.1 mill bull gear shaft was replaced because of cracks in the keyways.
- ◆ Three phase outlets for the milling train were relocated to reduce the risk of electric shock from damage to power supply leads running across the floor to the main work areas.
- ◆ New conveyor belts were fitted to No. 3 cane belt and No. 1 mud belt.
- ◆ Hydraulic drive on No's 7 & 8 crystallisers was replaced with an electro mechanical drive.
- ◆ A 300 kW ABB variable speed drive and 280 kW motor was installed as a replacement for the failed drive components on No. 2 ID fan on No. 3 boiler

## People Matters

After 30 years of service, **Ted Pointing** retired from the position of Chief Cane Inspector on 19 December 2002. Other staff movements were:

**Bettina Goodwin** (Employee Relations Officer) was appointed on 11 April 2002. **Jeff West** (Workplace Health & Safety Officer) was appointed on 22 May. **Peter Murphy** (Assistant Chief Engineer) resigned on 20 June after 8 years service while **Peter Steindl** (Shift Chemist) resigned on 1 November after 26 years. With effect from 1 July 2002, **Jim Hinschen**, **Tom Stoneham** and **Rodney Andrews** were elevated to the position of Plant Engineer following a reorganisation of the Engineering Department. On 1 January 2003, **Ron Worth** was promoted to the position of Manager Cane Supply with responsibilities for field matters, cane supply and cane railways.

Six apprentices and two trainees were engaged early in 2003.

## Industrial Relations Matters

The efforts of the workforce in meeting many of the efficiency and processing targets set under the **continuous improvement measures** (CIMS) scheme as defined under Certified Agreement (IV), which expires on 11 April 2003, were rewarded with a wage increase of 4.3% with 2% paid from 16 June 2002 and 2.3% paid from 30 December 2002. Negotiations for Certified Agreement (V) have commenced with CIMS again being the centrepiece.

Under the housekeeping section of the **employee incentive scheme**, the workforce shared in a bonus pool of \$117 000 in April 2002 while under the crop and efficiency sections of the scheme pool of \$227 200 was shared in December 2002.

## Environmental Matters

Following replacement of the effluent line from Pig Creek to the effluent ponds in 2001, a new pipe was installed from Pig Creek to within 200 metres of the factory prior to the 2002 season in a new corridor which avoids houses and cane paddocks. The final 200 metre section is under the QR mainline and will be replaced at an appropriate time.

The annual tests showed that particulate emissions from the stacks are just 15% of that allowed in the environmental licence.

Manufacturing companies, including sugar milling companies, are required to report a range of emissions on the National Pollutant Inventory. During 2002 the National Reporting Tool, a common reporting system throughout Australia was introduced.

An inspection by the Environmental Protection Agency suggested enhancements to documentation and review procedures, a testing regime for effluent water and some minor bunding. The matters are being dealt with progressively.

## Training and Workplace Health and Safety

Training of personnel is an on-going activity to satisfy skill needs, meet statutory requirements, facilitate greater flexibility in the workforce and improve operations generally. During the year ended February 2003 there were in-house and external courses, seminars, workshops and conferences on safety, first aid, resuscitation, sugar quality, electricity supply, locomotive driving, tractor driving, environmental issues, payroll processes, computer-based mapping, ethanol production, overhead crane, dogging, rigging, process control, risk assessment, accounting standards and financial reporting, etc. Visits to other sugar mills are also important with issues such as mud filters, bagacillo management, boilers, cane bin hoists, laboratory processes being of particular interest during 2002. Seminars and annual conferences and seminars of Australian Sugar Milling Council (ASMC), Co-operative Federation of Queensland (CFQ), Sugar Research Institute (SRI), Sugar Industry Development Advisory Council (SIDAC) and Australian Society of Sugar Cane Technologists (ASSCT) were useful avenues for the skill development of personnel including directors.

The Minister for Industrial Relations, Gordon Nuttall released the **Sugar Industry Workplace Health and Safety Taskforce Report and Recommendations** in April 2002. The Minister and his Parliamentary Committee visited Proserpine Mill and met senior staff and the Workplace Health and Safety Committee.



## OPERATIONS REPORT

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The Minister told The Guardian, "We were very impressed with the way the mill has taken on a number of recommendations in the report. I hope other mills have as much enthusiasm toward the report as the Proserpine Mill."

### Sugar Industry Reform

The Association has been heavily involved in the sugar industry reform issue. Initially a joint submission with CANEGROWERS was made to the independent assessment under the chair of Clive Hildebrand. The submission incorporated the growing, harvesting and milling sectors and in the detail identified the Proserpine sugar industry's economic drivers and strategies, identified the impediments and issues for each and suggested appropriate actions and solutions.

Following the release of the "Independent Assessment of the Sugar Industry 2002" the Commonwealth and State governments agreed a Memorandum of Understanding (MoU) under which the Federal government will provide up to \$120 million over three years and the Queensland government will provide \$30 million over four years. The Commonwealth will implement programs to provide:

- Income support and business planning to stabilise the industry
- Assistance for farmers who wish to exit the industry
- Interest rate subsidies for replanting
- Funding for regional initiatives to support industry change and adjustment

The Queensland Government will implement programs to provide:

- Low interest, concessional loans for farm consolidation
- Assistance for projects that encourage value-adding, innovation and new practices
- Programs that assist farm viability and address environmental, water and training issues affecting the industry.

The governments agreed that the programs would be delivered at a regional level through Regional Guidance Groups and an overarching Industry Guidance Group.

The MoU commits both governments to a joint approach on regulatory change to the *Sugar Industry Act*. It identified three areas of the Act which seem to impede change and the State Government engaged the Centre for International Economics (CIE) to assess the costs and benefits to the industry and dependent communities of regulatory change in:

- cane production area (CPA) system
- compulsory bargaining system
- compulsory acquisition of raw sugar for marketing and selling within the domestic market

In December 2002, CIE released its report "Cleaning up the Act: The Impact of Changes to the *Sugar Industry Act 1999*" which concluded:

- Removal of the CPA system is a low-risk, high payoff strategy for the industry and regions, because it will encourage competition for cane supply
- Removal of the statutory bargaining is a low risk economic option that may hold the only promise of the industry's survival, but it is a high-risk political option that will attract opposition from less efficient growers.
- Removal of compulsory acquisition of sugar for sale on the domestic market is a low-risk strategy with some possible small benefits.

Proserpine Sugar joined with Mackay Sugar, CANEGROWERS Mackay, Plane Greek and Proserpine to respond essentially that:

- The positive aspects of the CPA system and collective bargaining will be adopted in Co-operative mill areas even if the legislation changed
- Removal of compulsory acquisition on the domestic is unjustified and reckless.

Proserpine Sugar and Mackay Sugar are the only mill owners who have argued against deregulation of compulsory acquisition of sugar for the domestic market.

A joint communiqué from the governments on legislative change is expected in due course.

### **Grower / Member Matters**

The **Collective Agreement** for the 2002 season was, apart from some enhancements, the same as that which applied in 2001. The enhancements were designed to provide growers with more timely and better information, to encourage growers to focus on best farming practice and to refine the CCS allocation procedures.

The 2002 season was the last season **four tonne cane bins** would be available. The bins were sold to growers at a nominal fee initially and then to the public.

During the season harvester operators were reminded of the long-standing policy not to allow harvesting groups to operate in the same siding concurrently to minimise the risk for all parties operating in a **dual workplace**.

At the Annual General Meeting on 30 May 2002 the **Productivity Grant and Loan Scheme** was announced. The scheme was in two parts:

1. A grant subsidising a soil analysis and fertiliser recommendation on blocks, which were to be plant cane for harvest in 2003, and
2. An interest-free loan to assist with the purchase of fertiliser, dunder and mill mud for the 2003 crop.

415 soil analyses were subsidised to the extent of \$15 621. 74 members of the Co-operative took out interest-free loans amounting to \$837 411. The loans are to be repaid progressively from cane pays through the 2003 season.

At 28 February 2003, the **unallocated pool of CPA** available to the Cane Production Board, within the 24 week season constraint, is 1 042.7 hectares. Apart from releasing some of this CPA for new growers to build up to 60 hectares, CANEGROWERS have not supported the release of CPA to growers generally, suggesting that there is ample unutilised CPA in the hands of growers for others to lease or purchase if they require CPA.

The Association was again heavily involved in discussion with the Federal Government and the taxation department aimed at amending the Tax Act dealing with **franked dividends and co-operative distributions**. The previous legislation did not allow co-operatives to use any taxation credits that they received. The Association is currently carrying franking credits from distributions made by Sugar Terminals Limited. Effectively this money was being held by the ATO and could not be accessed. With the assistance of Senator Ron Boswell changes have been introduced, which allow the Association to attach taxation franking credits to any distribution it makes. As indicated in the financial reports, the Board has recommended to members a fully franked distribution that will distribute the franking credits to members in early June 2003.

Whitsunday Shire Council decided to widen, seal and partly realign Conway Beach Road from **Orchid Creek to McDonald's Siding** for a budgeted cost of \$600 000. However, Council only had \$400 000 available in the 2002/03 budget and planned to complete the project in two stages but could not guarantee that stage two would be approved in the 2003/04 budget. To facilitate completion of the project prior to the 2003 crushing, the Association made available an amount of up to \$200 000 as a loan to Council. Prima facie the loan will accrue interest at the rate 10% per annum compounded monthly but all interest will be waived if the loan is repaid in full by 31 July 2003. At 28 February, the project was on track for timely completion but Council had not requested any loan monies.

## OPERATIONS REPORT

### Statistics

#### Group Size and Equipment Statistics

Group Size (Tonnes)	No of Groups	Group % of crop	No. of Machines
> 100,000	2	14.2	4
90,000 – 100,000	5	23.9	5
80,000 – 90,000	4	17.9	5
70,000 – 80,000	4	15.3	4
60,000 – 70,000	3	10.3	3
50,000 – 60,000	1	2.8	1
20,000 - 50,000	7	13.0	7
<20,000	3	2.6	4
<b>TOTALS</b>	<b>29</b>	<b>100</b>	<b>33</b>

#### MILL OPERATION STATISTICS

Crushing Season	2002	2001	2000	1999	1998
Number of suppliers	290	278	276	256	253
Tonnes of cane crushed	1 924 056	1 445 175	1 389 676	1 956 155	2 075 017
Season length (weeks)	18.8	15.6	15.1	20.3	27
Crushing rate (tonnes per hour)	651	637	637	612	603
Average CCS in cane	14.74	15.06	12.79	13.48	12.06
Average fibre in cane (%)	13.93	13.97	12.15	14.32	13.58
Green cane % supplied (as consigned)	60	56	67	57	70
Total extraction at mills (%)	97.48	97.20	95.77	95.56	95.86
Molasses made (% of cane)	3.10	2.84	2.97	2.91	2.90
Sugar made (tonnes IPS)	292 430	222 770	179 844	268 682	256 574
Pool Index	1.0319	1.0228	1.0139	1.0206	1.0270
Cane per tonne IPS sugar	6.58	6.50	7.72	7.28	8.09
Cane per hectare – tonnes	81.0	64.9	60.1	87.4	105.8
Sugar per hectare – tonnes	12.32	9.99	7.78	12	13.09

**Statement of Financial Performance  
for the twelve months ended 28<sup>th</sup> February 2003**

	Note	2003 \$	2002 \$
<b>OPERATING PROFIT/(LOSS) before surplus distribution, income tax and extraordinary items</b>		4,649,761	538,464
<b>SURPLUS DISTRIBUTION</b>	3	(708,450)	0
<b>OPERATING PROFIT/(LOSS) before income tax and extraordinary items</b>		<u>3,941,311</u>	<u>538,464</u>
<b>INCOME TAX</b>		0	0
<b>EXTRAORDINARY ITEMS</b>	4	<u>0</u>	<u>(170,000)</u>
<b>OPERATING PROFIT/(LOSS) after surplus distribution, income tax and extraordinary items</b>		3,941,311	368,464
<b>RETAINED EARNINGS AT BEGINNING OF YEAR</b>		<u>42,863,023</u>	<u>42,494,559</u>
<b>RETAINED EARNINGS AT END OF FINANCIAL YEAR</b>		<u>46,804,334</u>	<u>42,863,023</u>

## FINANCIAL REPORTS

### Statement of Financial Position as at the 28<sup>th</sup> February 2003

	2003 \$	2002 \$
<b>CURRENT ASSETS</b>		
Cash and deposits.....	17,130,062	10,362,203
Debtors and prepayments.....	21,088,624	12,820,983
Inventory – at cost.....	3,039,233	2,980,121
	<hr/>	<hr/>
<b>Total current assets</b>	41,257,919	26,163,307
	<hr/>	<hr/>
<b>NON CURRENT ASSETS</b>		
Investment – at cost .....		
Property, plant and equipment .....		
	<hr/>	<hr/>
<b>Total non current assets</b>		
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>		
	<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>		
Creditors and borrowings .....		
Provisions.....		
	<hr/>	<hr/>
<b>Total current liabilities</b>		
	<hr/>	<hr/>
<b>NON CURRENT LIABILITIES</b>		
Creditors and borrowings .....	20,080,000	20,731,743
	<hr/>	<hr/>
<b>Total non current liabilities</b>	20,080,000	20,731,743
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	62,926,850	56,343,421
	<hr/>	<hr/>
<b>NET ASSETS</b>	117,476,515	113,535,205
	<hr/>	<hr/>
<b>EQUITY</b>		
<b>Reserves</b>		
Asset revaluation reserve.....	68,389,307	68,389,307
Capital profits reserve .....	582,512	582,512
Loan redemption reserve .....	1,700,363	1,700,363
Retained earnings .....	46,804,334	42,863,023
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	117,476,515	113,535,205
	<hr/>	<hr/>

**Statement of Cash Flows  
for the twelve months ended 28<sup>th</sup> February 2003**

	2003 \$	2002 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers.....	78,598,220	77,074,130
Payments to suppliers and employees .....	(70,666,446)	(65,599,506)
Interest received.....	547,915	345,058
Interest paid and borrowing costs .....	(2,766,873)	(2,870,692)
<b>Net cash provided by operating activities .....</b>	<b>5,712,816</b>	<b>8,948,990</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipment .....	(1,063,601)	(2,625,398)
Proceeds from sale of plant and equipment.....	13,091	17,773
<b>Net cash used in investing activities .....</b>	<b>(1,050,510)</b>	<b>(2,607,625)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings .....	2,664,821	4,439,935
Repayment of borrowings .....	0	(2,000,000)
Lease liabilities .....	(559,268)	(382,642)
<b>Net cash used in financing activities .....</b>	<b>2,105,553</b>	<b>2,057,293</b>
<b>NET INCREASE /(DECREASE) IN CASH HELD</b>	<b>6,767,859</b>	<b>8,398,658</b>
<b>CASH AT THE BEGINNING OF THE REPORTING PERIOD</b>	<b>10,362,203</b>	<b>1,963,545</b>
<b>CASH AT THE END OF THE REPORTING PERIOD</b>	<b>17,130,062</b>	<b>10,362,203</b>

## FINANCIAL REPORTS

### Notes to and forming part of the Accounts for the twelve months ended 28<sup>th</sup> February 2003

**NOTE 1: Basis of preparation of the Concise Financial Report**

The financial statements and specific disclosures included in the concise financial report have been derived from the financial report. The concise financial report can not be expected to provide as full an understanding of the financial performance, financial position, and financing and investment activities of Proserpine Co-operative Sugar Milling Association as the financial report. The concise financial report has been prepared in accordance with Accounting Standard AASB1039 and the accounting policies have been consistently applied and are consistent with the prior year.

**NOTE 2: Operating Revenue**

	2003 \$	2002 \$
Sales Revenue .....	85,624,336	76,120,224
Interest .....	564,961	356,743
Profit/(loss) on disposal of non current asset .....	(13,047)	(25,681)
Other .....	338,810	190,732
<b>Total operating revenue</b>	<u>86,515,060</u>	<u>76,642,018</u>

**NOTE 3: Surplus Distributions**

	2003 \$	2002 \$
A partially franked distribution will be paid in accordance with the Association's 10 year surplus distribution rule.		
Gross Distribution .....	877,794	0
Imputation Tax Credit @ 30% .....	(169,345)	0
Cash Distribution .....	<u>708,449</u>	<u>0</u>

The gross distribution equates to \$0.05 per tonne of Member's ten year aggregate tonnes of cane.

**NOTE 4: Extraordinary Items**

	2003 \$	2002 \$
A levy of \$170 000 was paid to the Department of Natural Resources as settlement of outstanding benefited area charges from 1997 – 1999 on the Proserpine River and Six Mile Creek Water schemes .....	0	170,000

## Directors' Report

The Directors present their report and the financial statements of Proserpine Co-Operative Sugar Milling Association Limited for the 12 months ended 28 February 2003.

### Directors

The name and profile of Directors in office for the 12 months ended 28 February 2003 follow.

#### Frederick William Dray

Elected Chairman of the Board of Directors in 1998, and retained this post to the date of this report. Was Deputy Chairman from 1983 to 1993, and has been an elected director from 1971 to 1980, and since 1981 to current.

#### Luigi James Raiteri

Elected Deputy Chairman in 1998 and retained this post to the date of this report. Also held the post of Deputy Chairman from 1993 to 1994. First elected Director in 1991 to 1994, and then again in 1995 to current.

#### Russell William Biggs

Elected Director since 1994.

#### Ivan Vincent Ivanoff

First elected Director in 1992 and served to 1995 and then again in 1997 to current.

#### William Alexander Lade

Elected Director since 1998.

#### John David Mau

Elected Director since 1992. Deputy Chairman from 1994 to 1997.

#### Geoffrey Valmadre

Elected Director since 1984.

A record of Board Meeting attendance for the 12 months ended 28 February 2003 follows.

<b>Board Meeting Attendance</b>				
<b>Directors</b>	<b>Regular Meetings</b>		<b>Special Meetings</b>	
	<b>Held</b>	<b>Attended</b>	<b>Held</b>	<b>Attended</b>
F W Dray	11	8	4	4
L J Raiteri	11	11	4	4
R W Biggs	11	10	4	3
I V Ivanoff	11	11	4	4
W A Lade	11	10	4	4
J D Mau	11	10	4	3
G Valmadre	11	11	4	3

## **DIRECTORS' REPORT**

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### **Primary Activity of the Association**

The primary activity of the Association is to acquire, transport to the factory, and process the sugar cane of the members and to distribute the commodities produced from such cane.

### **Review of Operations**

A review of the operations of the Association during the 12 months ended 28 February 2003, and the results of these operations, are included in the preceding sections of this report.

### **Operating Results**

A significant increase in throughput from 1.4 million to 1.9 million tonnes of cane along with increased factory efficiencies delivered a satisfactory profit for the year. Molasses income also increased dramatically as a result of higher productivity and higher prices.

### **Events Subsequent to Balance Date**

Future sugar prices are expected to remain stable at current year prices. Crop expectations for the 2003 season are similar to the 2002 season.

### **Future Developments**

The Association has a program of investigation into production of alternative products which will compliment our sugar production.

### **Environmental Regulations**

Proserpine Co-operative Sugar Milling Association Limited is subject to environmental regulations under the *Commonwealth Environmental Protection and Bio-Diversity Conservation Act*. This Act regulates the Associations emissions to air, and also allows for the Association's emissions to land to be internally tested and regulated.

### **Indemnification of Officers**

The Association has Directors' and Officers liability insurance which covers all loss which Directors and Officers have become legally obligated to pay on account of any claim for a wrongful act while serving the Association.



**FW Dray**  
Chairman



**LJ Raiteri**  
Deputy Chairman

Signed in accordance with a resolution of the Directors

**Directors' Declaration**

In the opinion of the Directors of Proserpine Co-operative Sugar Milling Association Limited:

- (a) The financial statements and notes as set out on pages 9 to 14 are in accordance with the *Co-operatives Act 1997*, the *Co-operatives Regulation 1997* and the Rules of the Co-operative, including:
  - (i) giving a true and fair view of the financial position of the Co-operative as at 28<sup>th</sup> February 2002 and of its performance, as represented by the results of its operations and cash flows, for the year ended on that date in accord with the basis of accounting described in Note 1; and
  - (ii) complying with Accounting Standards to the extent described in Note 1 and including the applicable provisions of Chapter 2M.3 of the Corporations Law; and
- (b) There are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they become due and payable.

Dated at Proserpine this 9th day of April 2003.

Signed in accordance with a resolution of the Directors.



**F W Dray**  
Director



**L J Raiteri**  
Director

**Statement by Principal Accounting Officer**

I, Christopher George Connors, being the officer in charge of the preparation of the accompanying accounts of Proserpine Co-operative Sugar Milling Association Limited for the year ended 28<sup>th</sup> February 2003, state that to the best of my knowledge and belief such accounts give a true and fair view of the state of affairs of the Association as at 28<sup>th</sup> February 2003, and of its results for the year ended on that date.

Dated at Proserpine this 9th day of April 2003



**C G Connors**  
Principal Accounting Officer

## AUDITOR'S REPORT

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### Independent Auditor's Report

To the Members of Proserpine Co-operative Sugar Milling Association Limited,

#### Scope

We have audited the financial report of Proserpine Co-operative Sugar Milling Association Limited for the financial year ended 28<sup>th</sup> February 2003, consisting of the statement of financial performance, statement of financial position, statements of cash flows, accompanying notes and the directors' declaration as set out on pages 9 to 15. The Co-operative's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Co-operative.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Co-operative's financial position and the financial performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

#### Audit Opinion

In our opinion, the financial report of Proserpine Co-operative Sugar Milling Association Limited is properly drawn up:

- (a) so as to give a true and fair view of the Co-operative's financial position as at 28<sup>th</sup> February 2003 and of its financial performance for the financial year ended on that date;
- (b) in accordance with the provisions of the *Co-operatives Act* 1997 and Co-operatives Regulation 1997 including applicable provisions of Chapter 2M.3 of the Corporations Law;
- (c) in accordance with the Rules of the Co-operative; and
- (d) in accordance with Accounting Standards and other mandatory professional reporting requirements.



**Date** 9th April 2003  
**Address** 86 Main Street  
Proserpine Qld 4800

**Firm** C E Smith & Co Proserpine  
Chartered Accountants

**Partner** A V Carroll