

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

**Seventy Fourth Annual Report
Year ended 28th February 2005**

Proserpine Co-operative Sugar Milling Association Limited

Mission Statement

Our organisation believes that the key to its progressive viability is the highest commitment to excellence from all persons involved in our organisation's performance.

We believe that excellence consists of not doing one thing 100% better, but doing 100 things 1% better.

We believe in developing a diversified base to enhance the wealth of our organisation.

We strive to be an asset to those communities in which we live and operate by lending our support to worthy causes and the needs of the community and to fostering and promoting a safe and satisfying environment.

Our aim is to build mutual respect, confidence and trust based on commitments to competence, openness, honesty and integrity, being ever mindful of the members' rights and responsibilities.

Our aims are best achieved in an atmosphere wherein personal and corporate goals can be mutually obtained.



Board Members

Frederick William (Dick) Dray	Chairman
Luigi James (Lui) Raiteri	Deputy Chairman
Russell William Biggs	Director
Mark Alfred Blair	Director (since 27/5/04)
Ivan Vincent Ivanoff	Director
William Alexander (Bill) Lade	Director (to 27/5/04)
John David Mau	Director
Geoffrey Valmadre	Director

Senior Staff

Chris Connors	General Manager (since 1/1/05) Company Secretary (to 31/12/04)
Alf Musumeci	General Manager (to 31/12/04)
Ian McBean	Company Secretary (since 1/12/04)
Mick Wesener	Chief Engineer
Laurie Watson	Chief Chemist
Eddie Childs	Chief Electrical Engineer
Ron Worth	Cane Supply Manager

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Bankers

Westpac Banking Corporation
Proserpine Qld 4800

Solicitors

Macrossan & Amiet
Mackay Qld 4740

Contents

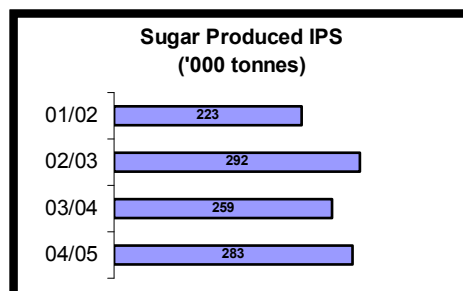
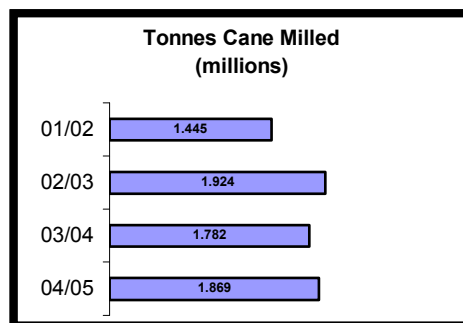
	Page
Statutory Information	1
Overview	2
Chairman's Comments	3 - 4
Operations Report	5 - 15
Financial Reports	16 - 19
Directors' Report	20 - 21
Directors' Declaration	22
Statement by Principal Accounting Officer	22
Auditor's Report	23
Statistics	24

OVERVIEW

Overview

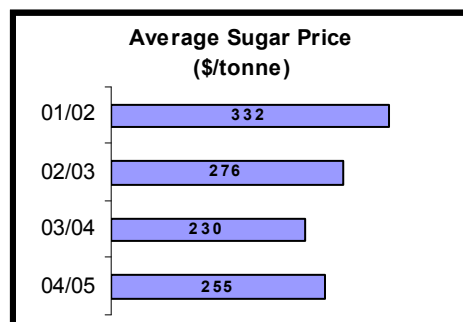
Sugar Production

- **Cane Harvested – ↑ 4.9% on last year**
1.869 million tonnes of cane were harvested in the 2004 season, compared to 1.782 million tonnes in 2003.
- **Sugar Content – ↑ 3.5% on last year**
CCS went from 14.1 in 03/04 to 14.59 in 04/05.
- **Sugar Production IPS – ↑ 9% on last year**
High factory efficiencies (Pool Index) were maintained this year, along with an increased crop and a higher CCS resulted in a comparative increase in sugar make for the year.



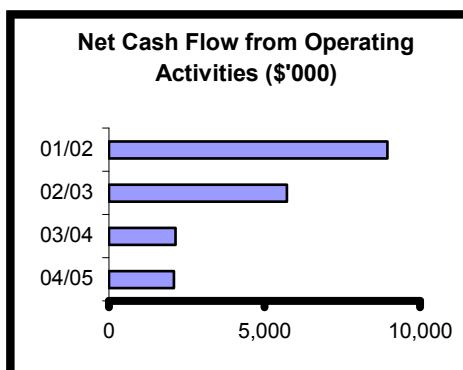
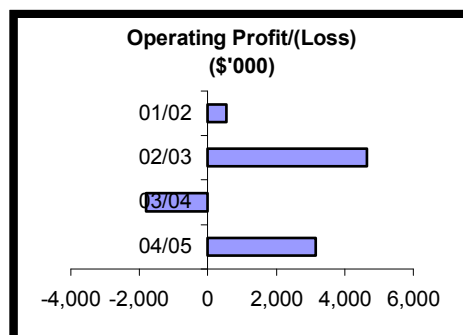
Financial Performance

- **Total Income – ↑ 25% on last year**
An increased sugar make and sugar price, coupled with a dramatic rise in electricity generation and the receipt of Government assistance monies helped to make for a substantial rise in income. This rise amounted to approx \$7 million over the 2003/04 year.
- **Operating Profit – \$3,142,413**
Whilst also a dry year, the standard of the crop increased on last year. This, combined with an increase of over 10% in the sugar price, has helped to produce a profit for the year.



Future Prospects

- The Co-operative is budgeting for an increased crop for the 2005 season. Despite some indications of slightly better sugar prices for next year, the industry is expected to remain depressed so the focus is on maintaining strict cash flow controls and high factory efficiencies.



Chairman's Comments

I very much appreciate being able to present the 74th Annual Report for Proserpine Co-operative Sugar Milling Association Limited. This is the seventh year that I've had the privilege of being able to do so. I have announced that I will be retiring this year so this will also be my last report.

It has been an eventful year with 1 869 276 tonnes crushed with an average CCS of 14.59. Our extraction rates were amongst the highest in Queensland and our sugar quality results put us amongst the top mills in the State. Considering the drought conditions, the crop was quite reasonable but well short of our productive capacity.

Bonuses amounting to \$222 515 were paid to growers as financial incentives to supply fresh cane that is low in ash, trash, tops and dirt under the cane quality scheme. Dry conditions throughout the crushing season and the cane quality scheme combined to produce low dirt levels in cane, which contributed significantly to the reduced factory downtime. Comparisons with other sugar mills in the region again suggest that the cane quality scheme has had a significant impact.

Results like these can only be obtained by the combined co-operation of miller, worker, farmer and harvester and is the foundation of a successful Co-operative.

When the engineering design of the **furfural plant** was complete the Board of Directors reassessed the economics of the project and determined that the project should proceed and approved a capital program of \$23 million. Contracts have been awarded for the digesters and the distillation columns. The remnant foundations of the former milling train were removed in January 2005.

The project had a temporary hold put on all contracts other than design in late December 2004 when Council and EPA advised us that we would be required to submit a Development Application. This was contrary to all previous advices and whilst disputed by our own pre-eminent legal adviser we are going through the process of a code assessable application. The Board assessed the risks involved in this process and, while confident we have taken all of the appropriate steps in our design, has placed a temporary hold to ensure all risks are covered. There is confidence that the project will receive all approvals.

The Board intends to again review the economics of the project following the development application process. Significantly, AusIndustry have scrutinised the project and have awarded a \$2.8 million grant from the R & D Start program. We have also placed an application for significant funds from the Sugar Industry Assistance Package under the Regional and Community Grants Scheme. It is critical that the Government supports projects like these as diversification is going to be a critical part of the ongoing success of the Australian Sugar Industry. Diversification however, will almost always come at a heavy capital cost and will place significant strains on cash flows.

One of the most critical matters we are faced with at the moment is the difficulty in keeping and attaining our tradespeople and, for that matter, our general mill workers. We have always been good corporate citizens and have a comprehensive apprenticeship system in place, which supports both the community and the trades industry. The impact of the resources boom on our doorstep however has placed considerable pressure on our ability to retain these valuable workers. It is not only in the trades area that the impact is being felt. The knowledge and resource held with the non-trades areas is also being depleted. We cannot compete at the wages level being offered by the mining and contractor companies so it is important that we maintain a strong training program and a safe and harmonious workplace.

It is also important to recognise that we have a workforce that is very loyal. In the last twelve months we have seen employees retiring after having spent nearly all of their working life at the Mill. John McNamara, Jim Stanley, Ron Nicholas, Robert Bullock, George Telford and Bruce Linneweber, retired during the year with a total service between them of over two hundred years to our Co-operative.

There have also been considerable changes to our Senior Staff. Fifteen years ago Alf Musumeci was promoted from the position of Company Secretary to General Manager. At the same time we attained the services of Chris Connors as Company Secretary. This was a team that took us from a million tonne mill to well over two million in good growing years and saw the Co-operative through many changes as a result of deregulation and, importantly, was able to bring the work force together to support our Co-operative vision. It is not that long ago that there was considerable frustration between management and our workforce but in

CHAIRMAN'S COMMENTS

recent times the attitude displayed by management in communicating and working through situations with our employees has led to far more respect being shown by our whole workforce staff and employees to the point where many issues are able to be resolved without the frustrating conflict that was prevalent in the past.

We are faced again with a change of administration with the resignation of Alf Musumeci. Chris Connors has been appointed General Manager and Ian McBean, formerly the local CANEGROWERS' Manager has taken up the position of Company Secretary. I have no concern about their expertise – Chris has demonstrated that he is more than capable and he and Ian have established a strong working relationship over the past few years, which should stand our Co-operative in good stead.

Congratulations to Kyla McCarthy and Lachlan Mee who were awarded Proserpine Mill bursaries for Year 10 students in 2004 and to Daniel O'Donnell and Kathryn Hayward 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 a top performance again. I also wish to thank my fellow Board members for their support during the year.

Geoffrey Valmadre and I retire by rotation this year and Geoffrey offers himself for re-election. As I am being turned out into the long yard I take the opportunity to thank the Directors, who have been an integral part of the time I have been on the Board, for their efforts in maintaining a stable and strong working relationship for our Co-operative. I personally express my appreciation to the staff and employees who may not always agree with my views but have always put the Co-operative first. To the members who are the backbone of our Co-operative I would remind you that being part of a Co-operative means making decisions which benefit the whole of our industry and I thank you for maintaining that attitude throughout our history.



**F W (Dick) Dray
Chairman of Directors
1998 to 2005**

F W (Dick) Dray Chairman of Directors

Dick Dray stands down from the Co-operative's Board of Directors after a distinguished career spanning thirty-three years. Dick was elected as Director in 1971, was unsuccessful in 1980 but subsequently re-elected in 1981. He was elected Chairman in 1998. Dick's service to the industry and the community was recognised in January when he was awarded the Senior Citizen of the Year in the Australia Day Awards. His character, practical knowledge and down to earth style will be sorely missed.

Operating Performance

The 2004 season commenced at 10am on Tuesday, 28 June and crushing ceased just 19.24 weeks later at 2:21am on Wednesday, 10 November. All of the available 1 869 276 tonnes of cane had been harvested from 22 962 hectares. At 81.4 tonnes of cane per hectare the crop was well below the productive capacity of the district of 90 to 95 tonnes per hectare, a consequence of the dry growing season.

At an average CCS of 14.59 and excellent factory efficiencies headlined by high milling extractions of 97.46% assisted by record low bagasse moistures averaging 46.44%, the crop yielded 283 286 tonnes IPS sugar and 66 631 tonnes of molasses. This was nearly 87 000 tonnes more cane than the 2003 season and 269 000 tonnes less than our largest crop crushed in 1996. 87% of the sugar attracted a premium under Queensland Sugar's quality scheme, placing Proserpine third in the State. Factory efficiencies and sugar quality results were the best ever obtained at Proserpine Mill.

At 3.56% on cane, molasses make was higher than usual. The 15 000 tonne bladder installed in 2003 meant that the unexpected make was able to be managed thereby maximising returns and avoiding "pressure sales" into lower returning markets.

The factory crushed cane for 88.82% of the available time with 0.78% absorbed by scheduled maintenance stops, 8.32% taken up by unscheduled factory stops and 0.92% lost because of cane supply shortages. The average weekly throughput was 97 156 tonnes of cane with week 9 recording the highest throughput of 105 773 tonnes. At 655 tonnes of cane per hour the crushing rate was intentionally constrained to assist those harvesting groups with poorer crops. The consistency of throughput and average fibre levels of 14.59% on cane combined to minimise the need for extraneous fuels.

The 2004 season start was delayed for about 18 hours because of a failure of new equipment in the weighbridge area. Then, soon after the start, there was a failure of the cane elevator drive. With spare equipment having to be sourced from Macknade Mill, it took longer than expected to overcome the problem. During the rest of the season, a few unexpected failures of key equipment and some interruptions from Ergon occurred. However, the crushing was completed in just 19.24 weeks and with high fibre levels in cane supplementary fuels were only required in emergency situations. Most of the Q124 was harvested in the first and last fortnights of the season and it was at these times when processing and mill feeding issues were encountered even though other varieties did also present challenges.

Unscheduled stops were higher than recent seasons. Root cause analyses of the failures have identified some areas for improvement. Scheduled lost time was similar to the low levels of recent times, rewarding the very good efforts by all concerned.

A dry growing season was the main reason for the reduced production with the yield at about 81.4 tonnes of cane per hectare. The average crushing rate was a record 655 tonnes per hour and weekly throughput exceeded 100 000 tonnes on ten occasions. The total lost time was a disappointing 11.18%, of which 0.92% was for cane supply and 0.78% for scheduled factory maintenance (changing shredder hammers and cleaning evaporators).

People

Tragically, **Ken Harris**, who was a seasonal employee for thirteen years and a locomotive driver since 2001, was fatally injured in a single motor vehicle accident on Tuesday 18 October. As the funeral was in Brisbane, a memorial service was held on the mill site on 25th October.

John McNamara (44 years service), **Jim Stanley** (44 years), **Ron Nicholas** (36½ years), **Robert Bullock** (30½ years), **George Telford** (26½ years) and **Bruce Linneweber** (22½ years) retired during the year.

Staff movements during the year were:

John Ievers (Employee Relations Officer) was appointed on 31 May 2004 following the resignation of **Bettina Goodwin** from 8 April 2004. **Jasmin Davis** (Workplace Health & Safety Officer) commenced on 20 September 2004 following the resignation of **Jeff West** on 21 July 2004. **Kylie Kavanagh** (Administration Officer) resigned on 24 November 2004 and **Samantha Walker** commenced on 10 January 2005. **Bob Jamieson** (Maintenance Engineer) was appointed on 19 July 2004. **Andrew Linneweber** (Design Project Engineer) was promoted internally on 1 October 2004 to replace **Dave Gordon** (Project Engineer) who resigned from 28 July 2004. **Duncan Kelly** (Control Systems Analyst) commenced on 29 November 2004. **Malcolm Alexander** (Cane Inspector) resigned from 31 December 2004. **Glen Steele** (Assistant Chief

OPERATIONS REPORT

Engineer) started on 24 January 2005. **Alf Musumeci** (General Manager) resigned as General Manager from 31 December 2004. **Ian McBean** was appointed Company Secretary from 1 December 2004 to replace **Chris Connors** who was promoted to General Manager with effect from 1 January 2005.



Ian McBean



L to R: Jasmin Davis, Samantha Walker & John Ievers



L to R: Glen Steele, Bob Jamieson & Duncan Kelly

Under **Certified Agreement V** wage rates increased by 2% from 12 April 2004 and under the **Continuous Improvement Measures Scheme (CIMS)** the efforts of the workforce were rewarded with a wage increase of 1.4% from 27 December 2004.

Under the housekeeping section of the **employee incentive scheme**, the workforce shared in a bonus pool of \$138 840 in April 2004. While under the crop and efficiency sections of the scheme, a pool of \$271 600 was shared in December 2004.

Best wishes to all the recently qualified tradesmen. These include Josh Large and Justin McDonald (Engineering Tradesperson - Mechanical), Josh Korn and William Moxham (Engineering Tradesperson - Electrical) and Shane Firth and Gavin Brko (Engineering Tradesperson - Fabrication).

Welcome to the incoming apprentices Nicholas Watson and Kane Cullen (Engineering Tradesperson - Mechanical), James Woodcraft and Shayne Warren (Engineering Tradesperson - Fabrication), Sam Orr and Christopher Harvey (Engineering Tradesperson - Electrical) and adult apprentices Robert Farrell and Myles Flynn (Engineering Tradesperson - Fabrication). Welcome also to Ella Stower and Tamara Woodcraft, (Administration Trainees) and Troy Large (Draftsperson Trainee) who were engaged in early 2005.



L to R: Tamara Woodcraft, Troy Large & Ella Stower



L to R: Christopher Harvey, Sam Orr, Kane Cullen, Nicholas Watson, Shayne Warren & James Woodcraft
Supervisors: Allan Whyte, Kevin Rains & Jeff Arnold

The effort contributed by all employees throughout both the maintenance and crushing seasons was much appreciated.

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 2005 there were in-house and external courses, seminars, workshops and conferences on safety and safety representation, first aid, project management, spreadsheets, maintenance planning, workplace assessment, machine vibration analysis, isolation/lockout procedures, personal rehabilitation procedures, working at heights, housekeeping inspections, switch board rescue and resuscitation, traffic control and locomotive driving, intermediate rigging, process control, risk assessment, workers' compensation procedures, etc. Visits to other sugar mills and regular meetings with other industry engineering and chemical personnel are also important. Seminars and annual conferences of Australian Sugar Milling Council (ASMC), Sugar Research Institute (SRI), Bureau of Sugar Experiment Stations (BSES) and Australian Society of Sugar Cane Technologists (ASSCT) were useful avenues for the skill development of personnel including directors.

The Association supported the 2004 Harvest and Craft Fair by entering a prize-winning float in the procession and proudly sponsoring **Katrina Hinschen** who was crowned Charity Queen.

Alf Musumeci was named the 2004 Rural / Remote Manager of the year at the Management Excellence Awards held in Brisbane in late October. The annual MEAs recognise the vision, achievement and skills of Queenslanders and reward them for their management and leadership excellence.

Capital Expenditure and Major Projects

Capital expenditure for the year ended 28 February 2005 amounted to \$5.042 million. Some of the major capital and maintenance items were as follows:

- ◆ Design and preliminary work in the furfural plant including a strapless baler
- ◆ Stage one of the boiler ash plant modifications were installed
- ◆ A new motor control centre and transformer were installed as part of the ash plant installation
- ◆ No's 9 and 10 Baldwin locos were rebuilt by OnTrack
- ◆ The firewater sprinkler system was extended to cover No. 4b bagasse belt
- ◆ The width of the No. 1 bagasse belt was upgraded from 1 800mm's to 2 100mm
- ◆ A rubber tyred bin creeper was installed on No. 3 empty yard line

OPERATIONS REPORT

- ◆ A new basket was installed in No. 6 low grade fugal
- ◆ The No. 1 rotary juice screen was redesigned and modified to improve its performance
- ◆ A PLC, as part of the juice sample tracking system, was replaced
- ◆ Installation of safety equipment at the weighbridge included a boom gate and safety mat
- ◆ Lighting equipment on the full yard towers was upgraded
- ◆ The retubing of No. 2 pan was completed with the replacement of the final 350 tubes
- ◆ A screw conveyor was installed on the lime hopper
- ◆ Sixteen 10 tonne bins were returned to service out of the damaged bin pool during the 2004 crush

Computer Matters

Hardware to the internet interface was upgraded prior to the start of the 2004 season to provide faster access to both the internet and email services.

The system allowing growers to access cane receivals data via their PC has been upgraded. Both hardware and software modifications were made, allowing more simultaneous users (now up to 10) as well as providing access to the information via a standard internet 'web browser'.

While a number of minor hardware failures occurred throughout the year, none impacted on crushing operations.

As part of the Furfural Project, investigations into implementing the ISO 9001:2000 quality management system have begun.

Grower / Member Matters

The **Collective Agreement** for the 2004 season was essentially the same as that which applied in 2003. A new clause has been added to address issues that arose in previous seasons with regard to damage to sidings and neighbouring property when reasonable care may not have been taken.

Under the **Productivity Grant and Loan Scheme** 119 soil analyses were subsidised to the extent of \$4 165. 55 members of the Co-operative took out interest-free loans amounting to \$856 758 with 48 members taking out the maximum loan available to them. The loans are to be repaid progressively from cane pays through the 2005 season. The scheme is available for fertiliser, mill mud and dunder purchases in 2005 and 2006.

As indicated in the financial reports, the Board has recommended a fully franked distribution that will distribute the Co-operative's **franking credits from Sugar Terminals Limited** to members in early June 2005.

Electricity Usage and Generation

- ◆ The electricity generated by the mill power station was 45 148.44 MW hours
- ◆ The amount imported from Ergon Energy was 416 MW hours
- ◆ The amount exported to Ergon Energy was 19 000.62 MW hours
- ◆ The overall usage for mill operations was 28 116.81 MW hours, which represents 13.76 kW hours per tonne of cane crushed.
- ◆ The total revenue from the exporting of electricity to Ergon Energy amounted to \$890 181 (excluding GST)
- ◆ The total revenue from Renewable Energy Credits amounted to \$602 324 (excluding GST)

Due to in-depth investigations into our co-generation strategy we were able make changes and export 8 816 MW hours of electricity more than last year. This was a good effort by all concerned.

Crop and Estimate Trends

The growers' pre-season estimate for 2004 was 1 944 000 tonnes of cane. After week 6, the estimate was revised to 1 900 000 tonnes of cane. Trending of the crop as the season progressed indicated a crop closer to 1 860 000 tonnes. Late in October the estimate was again revised, this time upwards to 1,870,000 tonnes. The final tonnage harvested was 1 869 276 tonnes, being 96.2% of the original estimate and 81.4 tonnes per hectare.

Several areas in the district suffered damage from cane grubs and harvesting groups which were affected, harvested these areas with urgency. In some cases this also involved mixing cane with cane that was not affected by cane grubs.

The variety Q124 continues to decline in area being just under 8% of the harvested area in 2004 and the 2005 season's forecast indicates approximately 4% of the area will be the variety Q124.

Weather

Again, there was frost damage over large areas of the district. Most of this damage was only moderate and growers sought the assistance of Sugar Services Proserpine personnel to devise a strategy for the harvesting of this frosted cane. Harvesting groups affected with frost damage were able to organise the prompt removal of affected cane by internal rearrangement of their normal rotation.

On 23rd August 2004 an uncontrolled bushfire started at the Bruce Highway, near Thomsett Road, and burnt cane and bush land almost through to Thoopara. The fire jumped both the O'Connell and Andromache Rivers. Approximately 10,600 tonnes of cane was burnt on five growers' farms. All but about 200 tonnes of this cane was harvested within five days of the fire. The 200 tonnes had recently been irrigated and was harvested by the seventh day. The individual amounts ranged from 500 tonnes to just over 4000 tonnes. Two extra harvesters, assisted with the harvesting of this extra cane as quickly as possible.

As with the 2003 and several previous seasons, there was very little rain during the crushing season. While this was excellent for harvesting, it was not so good for the ratooning cane, especially in areas with no irrigation. However, within a month of the season ending the majority of the district received between 100 and 150 mm of rain.

Harvest

25 harvesting groups, utilizing 29 harvesters, harvested the 2004 crop. This was a nett reduction of 2 harvesting groups and 2 harvesters from the previous year.

The lost time for cane supply (just over 40 hours this season) is roughly comparable to the lost time in the previous two dry crushing seasons. This season however, there was one day in late October when there was almost 3 hours lost to wet weather.

With the pre-season estimate similar to the estimate prior to the 2002 season, the planned crushing rate was adjusted back to 650 tonnes per hour. Most harvesting groups were able to handle their allotments based on this crushing rate. At times when they were not able to produce their daily allotment, because of harvesting conditions or breakdown, other groups were able to "fill the gap". For the harvesting groups delivering every day, the opportunity to plan and book a maintenance day was offered and was taken up in several instances. This option is very useful if their maintenance requirements do not coincide with Mill maintenance stops.

The finish to the season was very similar to the previous year, with all but 3 groups harvesting on the last day and all but 2 harvesting groups had a reasonably comfortable finish. These two groups required assistance from other harvesters on the final few days. It was very pleasing to see the assistance readily offered to those few with problems at the finish. Cane supply was continuous on the last day despite the problems faced by the abovementioned groups.

Cane Production Area

With the recent changes to sugar industry legislation Cane Production Areas (CPA) were abolished. This change also resulted in the dissolution of Cane Production Boards (CPB). The opportunity was taken to "tidy up" outstanding grants of CPA yet to be confirmed by the Proserpine CPB prior to the dissolution of the board. Growers with outstanding grants of CPA will have this outstanding amount cancelled. The Mill Board will issue an Assignment to grow and supply cane to Proserpine Mill equivalent to each grower's effective area cultivated or shown on Mill maps as at the end of December 2004.

Other than this action there was very little movement in the CPA area at Proserpine. The majority of growers are still kept busy replacing the variety Q124 and prematurely replanting other drought affected areas of cane.

OPERATIONS REPORT

Cane Transport Operations and Maintenance

A major project during 2004 has been the sign posting of all sidings, call points, crossing points and overhead electric wires. This was in conjunction with the revised induction programme for locomotive crews, including the rewrite of the operations manual for these operators. This follows inadequacies highlighted by the unfortunate collision between the Baldwin locomotives in the 2003 season.

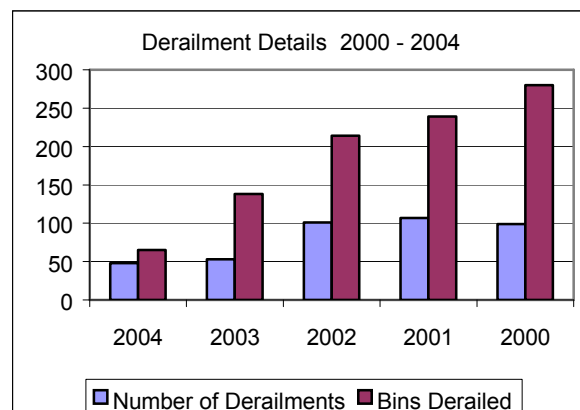
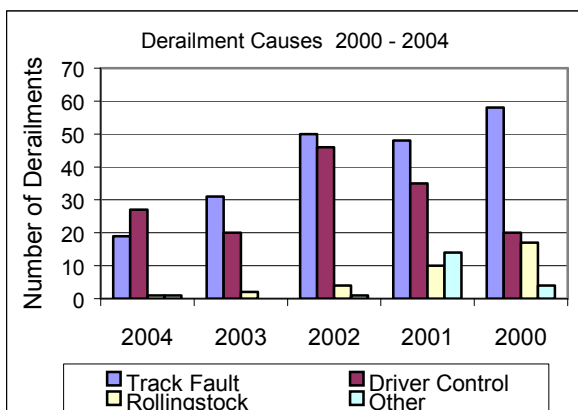
The revised induction included all personnel involved in the cane transport operations, from locomotive crews to all relevant maintenance personnel, i.e. crane drivers, locomotive fitters, electricians and track maintenance crews. All locomotive drivers attended a session on a locomotive driving simulator based at Mackay Sugar. This simulator has been modelled on the Queensland Rail simulators, but with cane railway characteristics.

Both reconstructed Baldwin locomotives returned to service at the commencement of the 2004 season.

There were four near collisions with road vehicles at level crossings at various locations. Details were collected to identify the vehicles on two of these occasions, the owners or operators were contacted and our concerns passed on.

On Sunday, 10th October 2004 at approximately 4:30pm a semi-trailer collided with some empty bins at the level crossing on the Bruce Highway at the bottom of the Mill yard. A rake of empty bins had uncoupled just prior to crossing the road. The driver of the semi-trailer claimed that the lights stopped flashing and then he proceeded through the crossing and the remainder of the rake of empty bins collided with the front of his vehicle. There were no injuries. The Police decided to take no further action. The vehicle suffered only minor damage and was able to continue on its way. Several cane bins suffered minor damage to coupling links. There was no damage to the track or any other infrastructure. The flashing lights were tested and were functioning correctly. Mill staff carried out a thorough investigation, a report was produced and the Department of Workplace Health and Safety were advised.

The comparison of the number and causes of derailments in 2004 with previous years is shown in the two graphs below. The number of derailment incidents in 2004 was down approximately 10% on the number in 2003 and the number of bins involved in these derailments was approximately 47% of the number involved in 2003.



The main capital project for 2004 was the reconstruction of a one-kilometre section of Waterson line, from the junction with Kelsey Creek line. This section of the track was 42lb rail on predominantly timber sleepers and buried in the ground. The rail on this section was very brittle and prone to frequent breaks. The section was relaid with 60lb rail on concrete sleepers and lifted up on ballast. The turnouts at both ends of McPherson's siding were replaced with refurbished redundant turnouts from the Elaroo Line. Another section of this track is planned to be reconstructed in 2005.

Major projects carried out during 2004 ranged from extensive re-sleepering, reballasting, and alignment correction to simply re-sleepering and welding. These projects were located at the following places:

- Cannonvalley Line – Strathdickie Junction to Usher Road and Jansen’s Siding to Brandy Creek
- Strathdickie Line Pini’s to Gia Road
- Conway Line – Pritchard’s Siding to end
- Elaroo Line – Mikaloo to Considine’s
- Up River Line– Hoffman’s curve

Turnouts were refurbished at the end of Elaroo Line, Nicol’s Siding on Kelsey Creek Line and Aitkin’s Siding on Cannonvalley line. Redundant main line turnouts over the entire network were removed.

Transoms were replaced on “Double Bridges” bridge on Kelsey Creek Line. It was planned to raise the height of this bridge slightly to improve the approaches. Technical advice and design of the supports was delayed, so it is now planned to complete the raising of this bridge in 2005. New welded 60lb rail was installed on this bridge as part of this project.

The bushfire mentioned previously in this report also burnt several hundred sleepers on the main line in the vicinity of Sunderland’s Siding on the Elaroo Line. These sleepers were all replaced during the later part of the season. Fortunately there were sufficient concrete sleepers to hold the track to gauge and line with speed restrictions on the relevant sections.

Welding of rails continued throughout the year. The main locations were as follows:

- Up River – beyond Nicholas’ Siding and near Riley’s Siding
- Gregory – section between Milne’s and Blair’s
- Gregory – beyond Moranino Junction
- Lethebrook – near “Dump 6”
- Elaroo – beyond Mikaloo
- Cannonvalley – Jansen’s to Brandy Creek

The swapping of rails on both sides of “Deambrogio’s Hill” on Lethebrook Line was completed. Resleepering and welding was carried out in conjunction with this project.

As has been the practice for the past few years, only “knock down” herbicide has been required to keep the track network in a reasonably clean condition because of the continued extreme dry conditions.

Cane Analysis Program and Cane Quality

The cane-analysis program and cane quality scheme was unchanged from last year with an external auditor contracted for one week of the season and Canegrowers’ representatives making weekly inspections thereafter.

The good harvesting conditions combined with the cane quality scheme contributed to a very clean cane supply.

Processing

As was the case in 2003 the evaporators operated for extended periods between cleanings and continuous pans were cleaned on the run.

Assisted by high milling extractions, the sugar recovery was the best ever achieved. Problems were experienced at the filters and the fugals due to the high levels of bagacillo from the milling train (a consequence of the good mill performance). As found in recent years, the cane juice had high levels of impurities; which resulted in record molasses production, i.e. 3.56% on cane. During the 1980’s and 1990’s the molasses as a percent of cane varied between 2.4 and 3.0%.

OPERATIONS REPORT

Sugar Production and Quality

The mill produced 283 269 tonnes of Brand 1 sugar and fifteen tonnes for local sales (quantities quoted are in tonnes IPS).

The quality of the sugar surpassed last year's record with 87% achieving premium and only 2% in discount which was the third best performance in the State.

Environmental Issues

The annual testing of stack emissions for particulates again confirmed that Proserpine Sugar Mill was compliant with the relevant environmental legislation with emissions at 18% of that allowed in the environmental licence.

The contents of the sumps at the oil store, the hazardous chemical store, the locomotive shed and the pits in the old milling train plus twenty drums of waste grease and laboratory lead waste were all dispatched for disposal by an accredited company during the year.

The annual report for the National Pollutant Inventory has been submitted.

A Stormwater Management Plan is being progressively implemented.

The Independent Environmental Audit of the sugar industry by C4ES Pty Limited was released in June 2004. The report was commissioned by the Industry Guidance Group with the intent to "...capture baseline data and recommend strategies and processes for reform with a focus on best management practices."

Amongst other findings, the report stated that...*"The Australian sugar industry may deserve more credit than it has received for improved environmental management practices over the past decade."*

The environmental performance of sugar mills was recognised as being generally of a high standard with mills operating under the controls of environmental protection licences. Monitoring systems at mills record any issues of non-compliance.

The uptake of green cane trash blanketing was recognised in the report as having led to significant gains in industry sustainability with a majority of stakeholders reporting a reduction in air pollution over the past few years from cane and trash fires.

The report commented on the link between future improvements in environmental performance and improvements in industry productivity with focus on the uptake of new farming systems and harvesting best practice. To survive and be sustainable, the industry needs to demonstrate a commitment to, and a continued improvement in, environmental performance.

Sugar Industry Reform

Australian Government Sugar Industry Reform Program

With further decline in the world market price for sugar, a strengthening Australian dollar and with sugar excluded from the Free Trade Agreement with USA, the federal coalition government reviewed its original package for financial assistance for the industry and announced details of the Sugar Industry Reform Program (SIRP 2004) on 29 April 2004. The program provides \$444.4 million over five years (including \$82.6 million in 2003-04) to assist reform and restructure of the Australian sugar industry. SIRP 2004 incorporates and extends measures from the 2002 Sugar Industry Reform Program (SIRP 2002) including income support, exit grants and funding for regional adjustment.

The package includes:

- \$146.1 million over two years for grants to sugar growers and sugar mills to sustain them through this transitional phase of reform and restructuring. The grants will be paid in two tranches: the first was paid in June 2004 and the second to be paid in 2005 (subject to satisfactory progress being demonstrated in relation to industry reform). The second tranche payment is subject to Regional Area Groups being able to satisfy government that demonstrable plans are in place which will see the industry being able to sustain its future.
- \$96.2 million over four years for one-off, tax-free, re-establishment grants to encourage and support unviable growers and harvesters who wish to exit. Growers are eligible for one-off grants of up to

\$100,000 if they exit in 2004-05, up to \$75,000 in 2005-06, and up to \$50,000 in 2006-07. Eligible harvesting contractors can receive a one-off re-establishment grant of up to \$50,000 in any of the three years. All growers and harvesters who access the re-establishment grant are eligible to access retraining assistance under current Government programmes.

- \$75 million over three years for regional industry and community projects which promote rationalisation, aggregation or diversification in the sugar industry, and for projects for community development. The Minister for Agriculture, Fisheries and Forestry will allocate grants on the recommendation of the Industry Oversight Group. Funds will be allocated for projects that are consistent with regional plans for the sugar industry or which encourage economic diversification within a region.
- \$40.5 million over three years for grants to encourage farmers electing to remain in the industry to improve farm productivity. The grants will be provided to farmers according to the land area they use to grow sugar cane and will be capped at \$15,000 per grower.
- \$23.3 million over five years to assist eligible sugar farmers to access the Age or Service Pension without the existing gifting rules applying to the transfer of their farm to the next generation. Cane growers have a three-year window of opportunity to gift their sugar cane farm and apply for the pension without normal gifting rules being applied.
- \$20.6 million over four years for income support to eligible cane growers and harvesters. Income support is available for twelve months, at a rate equivalent to the Newstart Allowance, and is subject to an income and assets test — with farm assets excluded. Recipients of income support are required to undertake financial viability assessments.
- \$15.2 million for business planning
- \$14 million to over three years to assist growers and harvesters to obtain business planning advice worth up to \$2,500 per recipient
- \$1.2 million for cooperative and single site mills to obtain business planning advice worth up to \$0.1 million to each recipient.
- \$8 million over five years to establish an advisory group network comprising a five-member Industry Oversight Group and several regional groups to oversee the implementation of the sugar industry reform process. The Industry Oversight Group is also responsible for making recommendations to the Minister for Agriculture, Fisheries and Forestry on priorities for regional industry and community projects.
- \$7 million over three years to assist the retraining and re-employment of growers who exit the industry and sugar industry workers who lose their jobs as a result of the reform process.
- \$5 million over five years for financial counselling and family support services for families in sugar growing regions.
- \$7.6 million over four years for the Department of Agriculture, Fisheries and Forestry to administer the Sugar Industry Reform Programme 2004.

Queensland Government Sugar Package

The Queensland Sugar Package is an integrated whole-of-government program aimed at securing a long-term viable future for the sugar industry by improving efficiency, optimising environmentally sustainable productivity and adopting innovative management and production systems.

The Queensland sugar package has three focus areas, namely:

- \$13 million Sugar Industry Change Management Program over 3 years involving five agencies (DPIF, DSDI, EPA, NRM&E and DET) to develop and deliver appropriate products and services, including part time champions and Sugar Resource Officers to facilitate the delivery of the program. The program's aims include improving the adoption of sustainable sugar cane farming systems; build on environmental sustainable sugar production and sustainable regional catchments; improve water use efficiency and integrated natural resource management; development of new business models for farm amalgamation, farm consolidation and harvesting; and provide accredited training to cane farmers, mill workers and others involved in the industry.
- \$10 million Sugar Industry Innovation Fund to assist participants to adopt innovative management systems and technologies, increase production of value-added products from sugar and develop more efficient supply.
- \$10 million Farm Consolidation Loan Scheme available through Queensland Rural Adjustment Authority (QRAA) offering concessional interest rates to growers and with flexibility in repayment to suit cash flow.

OPERATIONS REPORT

Sugar Industry Guidance Group Industry Reform Plan

The Industry Guidance Group (IGG) established under SIRP 2002 was required to present an overarching Industry Reform Plan. The Plan was submitted to the Australian Government in June 2003 and publicly released in September 2004.

The Reform Plan looks at the key drivers that are likely to impact most on the industry in the future and puts forward a series of goals and strategies to achieve an internationally competitive and sustainable sugar industry. The Plan draws on four priority areas for reform - productivity/cost of production; optimal business structures; environmental sustainability; and innovation and diversification.

Industry Oversight Group and Regional Advisory Groups

In August 2004 the Minister for Agriculture, Fisheries and Forestry, The Hon. Warren Truss MP made a series of announcements including:

1. The composition of the Industry Oversight Group (IOG), established to oversee progress on the implementation of sugar industry reform, including refinement of reform priorities, developing a strategic industry vision and aligning regional plans with the industry vision and provide advice to the Minister on Regional and Community Projects.
2. The composition of the six regional advisory groups (RAGs) for the Queensland sugar regions of Far North, Herbert, Burdekin, Mackay, Bundaberg, South and also one for NSW. RAGs are responsible for identifying the industry's key challenges and the most appropriate solutions, which reflect each region's unique circumstances within an overall industry strategic framework. RAGs will also work closely with the IOG to provide initial advice on Regional and Community Project proposals. Michael Cantamessa and Alf Musumeci were appointed to the Mackay RAG.

In December the Minister released for comment details of the seventy funding proposals the Department of Agriculture, Fisheries and Forestry had received under the first round of Regional and Community Projects for the sugar industry applications. The IOG is reviewing project proposals. The Co-operative has sought funding of \$5 million for the furfural project under the program.

The Central Region Sugar Group (CRSG), comprising miller, grower and harvester representatives from Proserpine to Sarina completed a Mackay regional plan and submitted it to the Mackay RAG in November 2004. The CRSG plan is a whole of value chain analysis which examines the current (2003 season) economic and environmental performance of each sector (Where are we now?), presents a vision for the region and the goals that quantify that vision (Where do we want to be?) and suggests programs which will deliver that vision (How are we going to do it?). The plan recognises that the fundamental economic building block of the industry is the cane crop. Restoring and maintaining its critical mass is paramount for the sustainability of the industry. The key elements of the plan include:

- A grower positioning program (GPP) to help growers:
 - (a) meaningfully benchmark their agronomic and financial performance
 - (b) develop business plans, and
 - (c) implement improvement programs including farm aggregation and new products both from, and in addition to, cane.
- A harvester program aimed at increasing average harvester group sizes, particularly in the Plane Creek and Mackay districts.
- A milling program exploring mill rationalisation and targeting diversification into sources of additional income streams such as electricity generation, furfural, ethanol etc.

Review of Vesting Arrangements for Raw Sugar

Prior to the *Sugar Industry Reform Act 2004*, the ownership of all sugar in Queensland, upon manufacture, vested in Queensland Sugar Limited (QSL). From 1 July 2004 a scheme of exemptions from vesting was introduced and administered by the Sugar Authority. The Authority may grant exemptions for specific purposes, that is, for use in the manufacture of alternative products such as ethanol and sugar exported in bags but not bulk. The Co-operative has not yet sought any exemptions from vesting.

The *Sugar Industry Act 1999* provides for a review of the effectiveness of and the need for the continuation, alteration or abolition of, the sugar-vesting scheme. The review is to commence no later than 1 December 2006 and be completed no later than 31 December 2007. As part of the reform packages it was agreed to develop voluntary marketing arrangements as soon as possible and to work towards a new system of marketing prior to the requirement for the review in 2006. In 2004 a working group was established

comprising representatives from CANEGROWERS, the Australian Sugar Milling Council and the Queensland Government. The recommendations of the Working Group are expected to be provided to the Queensland Government in June 2005.

Acknowledgements

Only with the excellent commitment and co-operation of everyone involved from the field sector, the harvesting sector, the transport sector and the factory were the successes of season 2004 possible. Their efforts are very much appreciated. The assistance of the Board of Directors and their support of the management team have been invaluable.

The assistance of the ASMC, SRI, CANEGROWERS Proserpine, Sugar Services Proserpine, and BSES is acknowledged. CANEGROWERS Proserpine, Mackay, and Plane Creek, Mackay Sugar and CSR Plane Creek have been forthright and positive in developing the regional plan within the Central Region Sugar Group.

Management Team

Chris Connors (General Manager from 1/1/05); Alf Musumeci (General Manager to 31/12/04); Ian McBean (Company Secretary from 1/12/04); Mick Wesener (Chief Engineer); Laurie Watson (Chief Chemist / Furfural Manager); Eddie Childs (Chief Electrical Engineer); Ron Worth (Manager Cane Supply); Jasmin Davis (Workplace Health & Safety Officer); Neale Williams (IT Manager); Amanda Hadlow (Financial Controller); John Ievers (Employee Relations Officer) and Graham Hudson (Manager Materials)

General Manager's Comment

This will be the final annual report with which I will be associated, as my active full time employment with the Co-operative ceased on 31 December 2004. As my career with the Co-operative comes to a close, I reflect proudly on the individual and collective contributions the members, employees and staff have made to the Co-operative's many positive achievements. Congratulations and thank you. I will maintain a keen interest in the progress of the Co-operative. Brenda, our family and I wish you all the best for what we are sure will be an exciting and prosperous future and thank you very much for the support and friendship we have received over the last seventeen years.

Alf Musumeci
General Manager to 31/12/2004

Our Co-operative has been through some fairly turbulent times in its history and the current situation we are facing with the depressed world sugar prices and an inflated Australian dollar, the huge shadow cast by Brazil's burgeoning sugar production and the impact of the expanding mining industry on trades availability means not only our Co-operative but the whole of the Australian Sugar Industry has to make some significant decisions going forward. There is clearly a need for our business to manage its working resources very carefully and to investigate and develop all options for diversification of our income base from sugar cane. I believe we have a strong management team in place that can make those decisions and take the Co-operative forward. Paramount in all our decisions however must be the recognition that we are an integrated industry and all sectors, growers, harvesters, millers and employees must be sustainable for our local industry to be successful.

We are continuing to review many options in the progress of our Co-operative. Options such as management best practice in our maintenance and operations, diversification through co-generation, grower support in the field, marketing options with the demise of the vesting in QSL, structural options in our Co-operative and relationships with others in the industry and particularly the central region are all matters which are being pursued.

Chris Connors
General Manager from 01/01/2005

FINANCIAL REPORTS

Statement of Financial Performance for the twelve months ended 28th February 2005

	Note	2005 \$	2004 \$
OPERATING PROFIT/(LOSS) before surplus distribution, income tax and extraordinary items		3,142,413	(1,806,635)
SURPLUS DISTRIBUTION / DISTRIBUTION FROM RESERVES	3	(119,739)	(238,325)
OPERATING PROFIT/(LOSS) after surplus distribution / distribution from reserves, income tax and extraordinary items		<u>3,022,674</u>	<u>(2,044,960)</u>
RETAINED EARNINGS AT BEGINNING OF YEAR		<u>44,759,374</u>	<u>46,804,334</u>
RETAINED EARNINGS AT END OF FINANCIAL YEAR		<u>47,782,048</u>	<u>44,759,374</u>

**Statement of Financial Position
as at 28th February 2005**

	2005 \$	2004 \$
CURRENT ASSETS		
Cash and deposits.....	21,694,207	22,731,888
Debtors and prepayments.....	24,162,474	14,683,180
Inventory – at cost.....	3,185,196	3,447,795
	<hr/>	<hr/>
Total current assets	49,041,877	40,862,863
	<hr/>	<hr/>
NON CURRENT ASSETS		
Investment – at cost		
Intangibles – Licences & Patents		
Property, plant and equipment		
	<hr/>	<hr/>
Total non current assets		
	<hr/>	<hr/>
TOTAL ASSETS		
	<hr/>	<hr/>
CURRENT LIABILITIES		
Creditors and borrowings		
Provisions.....		
	<hr/>	<hr/>
Total current liabilities		
	<hr/>	<hr/>
NON CURRENT LIABILITIES		
Creditors and borrowings	17,036,367	20,080,000
	<hr/>	<hr/>
Total non current liabilities	17,036,367	20,080,000
	<hr/>	<hr/>
TOTAL LIABILITIES	68,542,363	62,758,696
	<hr/>	<hr/>
NETT ASSETS	118,355,741	115,333,067
	<hr/>	<hr/>
EQUITY		
Reserves		
Asset revaluation reserve.....	68,290,818	68,290,818
Capital profits reserve	582,512	582,512
Loan redemption reserve	1,700,363	1,700,363
Retained earnings	47,782,048	44,759,374
	<hr/>	<hr/>
TOTAL EQUITY	118,355,741	115,333,067
	<hr/>	<hr/>

FINANCIAL REPORTS

Statement of Cash Flows for the twelve months ended 28th February 2005

	2005	2004
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers.....	71,096,009	71,976,570
Payments to suppliers and employees	(67,008,596)	(67,799,797)
Interest received.....	1,257,874	1,113,996
Interest paid and borrowing costs	(3,259,295)	(3,152,448)
Nett cash provided by operating activities.....	<u>2,085,992</u>	<u>2,138,321</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(5,246,292)	(2,963,296)
Proceeds from sale of plant and equipment.....	(6,039)	8,182
Nett cash used in investing activities	<u>(5,252,331)</u>	<u>(2,955,114)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2,059,972	7,068,512
Lease liabilities	68,686	(649,893)
Nett cash used in financing activities	<u>2,128,658</u>	<u>6,418,619</u>
NETT INCREASE /(DECREASE) IN CASH HELD	(1,037,681)	5,601,826
CASH AT THE BEGINNING OF THE REPORTING PERIOD	<u>22,731,888</u>	<u>17,130,062</u>
CASH AT THE END OF THE REPORTING PERIOD	<u>21,694,207</u>	<u>22,731,888</u>

**Notes to and forming part of the Accounts
for the twelve months ended 28th February 2005**

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 cannot 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

	2005	2004
	\$	\$
Sales Revenue	78,288,896	64,494,041
Interest	1,234,678	1,154,918
Profit/(loss) on disposal of non current asset	(6,039)	(923)
Other	2,223,838	668,024
	<u>81,741,373</u>	<u>66,316,060</u>
Total operating revenue	81,741,373	66,316,060

NOTE 3: Surplus Distributions / Distribution from Reserves

	2005	2004
	\$	\$
A fully franked distribution will be paid in accordance with the Association's 10-year surplus distribution rule.		
Gross Distribution	171,056	342,111
Imputation Tax Credit	(51,317)	(102,633)
Cash Distribution	119,739	239,478
Less prior year distribution adjustment	0	1,153
	<u>119,739</u>	<u>238,325</u>
Surplus distribution / Distribution from Reserves	119,739	238,325

DIRECTORS' REPORT

Directors' Report

The Directors present their report and the financial statements of Proserpine Co-Operative Sugar Milling Association Limited for the twelve months ended 28th February 2005.

Directors

The name and profile of Directors in office for the 12 months ended 28th February 2005 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.

Mark Alfred Blair

Elected Director since 2004.

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 and served to 2004.

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 twelve months ended 28th February 2005 follows.

Board Meeting Attendance				
Directors	Regular Meetings		Special Meetings	
	Held	Attended	Held	Attended
F W Dray	11	10	4	4
L J Raiteri	11	11	4	4
R W Biggs	11	11	4	4
M A Blair	8	8	3	3
I V Ivanoff	11	11	4	4
W A Lade	3	3	1	1
J D Mau	11	11	4	3
G Valmadre	11	11	4	3

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 twelve months ended 28th February 2005, and the results of these operations, are included in the preceding sections of this report.

Operating Results

A 4.87% increase in cane crushed and an increase in CCS contributed to a better financial year this year compared to last year. Additional income from electricity, molasses and Government assistance assisted in the generation of an operating profit, after surplus distribution, of \$3.02 million. Once again the Co-operative had a cash profit and also generated a positive cash flow from operations. After investments in plant and equipment and proceeds from borrowing, our cash held dropped \$1 million on last year.

Events Subsequent to Balance Date

World sugar prices are expected to strengthen slightly on last year although they will still remain depressed. This will be combined with a marginal increase in throughput.

Future Developments

The Association is in the final phase of design of a 5,000 tonne Furfural plant using a new SupraYield process.

A Research and Development Grant of \$2,823,573 has been awarded by AusIndustry to assist in future design and development of the Furfural Plant.

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 Association's 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.



L J Raiteri
Deputy Chairman



G Valmadre
Director

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 16 to 22 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 28th February 2005 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 15th day of April 2005.

Signed in accordance with a resolution of the Directors.



L J Raiteri
Deputy Chairman



G Valmadre
Director

Statement by Principal Accounting Officer

I, Amanda Maree Hadlow, being the officer in charge of the preparation of the accompanying accounts of Proserpine Co-operative Sugar Milling Association Limited for the year ended 28th February 2005, 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 28th February 2005, and of its results for the year ended on that date.

Dated at Proserpine this 15th day of April 2005.



A M Hadlow
Principal Accounting Officer

AUDITOR'S REPORT

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 28th February 2005, 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 16 to 22. 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 28th February 2005 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: 15th April 2005
Address: 86 Main Street
Proserpine Qld 4800

Firm: C E Smith & Co Proserpine
Chartered Accountants
Partner: A V Carroll

Harvester Group Size and Equipment Statistics

Group Size (Tonnes)	No of Groups	Group % of crop	No. of Machines
> 100,000	4	27.4	7
90,000 – 100,000	3	15.3	4
80,000 – 90,000	8	35.8	8
70,000 – 80,000	2	7.8	2
60,000 – 70,000	0	-	0
50,000 – 60,000	1	2.8	1
20,000 - 50,000	4	8.6	4
<20,000	3	2.3	3
TOTALS	25	100	29

MILL OPERATION STATISTICS

Crushing Season	2004	2003	2002	2001	2000
Number of suppliers	265	263	266	278	276
Tonnes of cane crushed	1 869 276	1 782 358	1 924 056	1 445 175	1 389 676
Season length (weeks)	19.2	18.7	18.8	15.6	15.1
Crushing rate (tonnes per hour)	655	632	651	637	637
Average CCS in cane	14.59	14.10	14.74	15.06	12.79
Average fibre in cane (%)	14.59	13.85	13.93	13.97	12.15
Green cane % supplied (as consigned)	67	65	60	56	67
Total extraction at mills (%)	97.46	97.58	97.48	97.20	95.77
Molasses made (% of cane)	3.56	3.39	3.10	2.84	2.97
Sugar made (tonnes IPS)	283 286	259 197	292 430	222 770	179 844
Pool Index	1.0386	1.0312	1.0319	1.0228	1.0139
Cane per tonne IPS sugar	6.60	6.88	6.58	6.50	7.72
Cane per hectare – tonnes	81.4	76.5	81.0	64.9	60.1
Sugar per hectare – tonnes	11.40	11.12	12.32	9.99	7.78