

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

**Seventy Fifth Annual Report  
Year ended 28<sup>th</sup> February 2006**





# 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 one hundred things 1% better
- achieving world's best practice standards across our total business

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**

Luigi James (Lou) Raiteri

Chairman (since 26/05/05)

Frederick William (Dick) Dray

Deputy Chairman (to 26/05/05)

John David Mau

Chairman (retired 26/05/05)

Russell William Biggs

Deputy Chairman (since 26/05/05)

Mark Alfred Blair

Director

Ivan Vincent Ivanoff

Director

Anthony Joseph (Tony) Large

Director

Geoffrey Valmadre

Director (since 26/05/05)

Director

**Management Team**

Chris Connors

General Manager

Ian McBean

Company Secretary

Mick Wesener

Chief Engineer

Laurie Watson

Chief Chemist

Eddie Childs

Chief Electrical Engineer

Ron Worth

Cane Supply Manager

John Ievers

Human Resources Manager

Jasmin Davis

Workplace Health & Safety Team Leader

Graham Hudson

Manager Materials

Neale Williams

IT Manager

Amanda Hadlow

Financial Controller

**Registered Office**

Main Street

Proserpine Qld 4800

**Contents**

**Page**

Statutory Information..... 1

Glossary ..... 2

Overview..... 3

Chairman's Comments..... 4 - 5

General Manager's Comments ..... 6 - 7

Financial Reports ..... 8 - 11

Notes ..... 12 - 13

Directors' Report..... 14 - 17

Director's Declaration..... 18

Statement by Principal

Accounting Officer..... 18

Auditor's Report ..... 19

Statistics ..... 20

**Communications Contacts**

P O Box 101

Proserpine Qld 4800

Telephone: 07 4945 1755

Facsimile: 07 4945 2701

Email: psm@prosugar.com.au

**Auditors**

C E Smith & Co. Proserpine

Proserpine Qld 4800

**Bankers**

Westpac Banking Corporation

Proserpine Qld 4800

**Solicitors**

Macrossan & Amiet

Mackay Qld 4740

## GLOSSARY

---

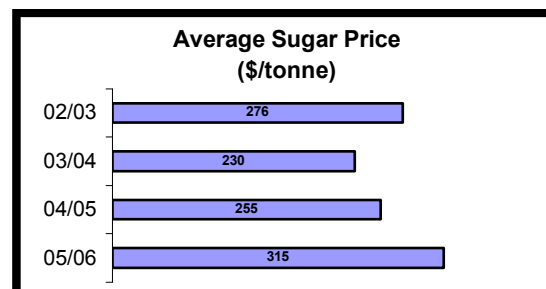
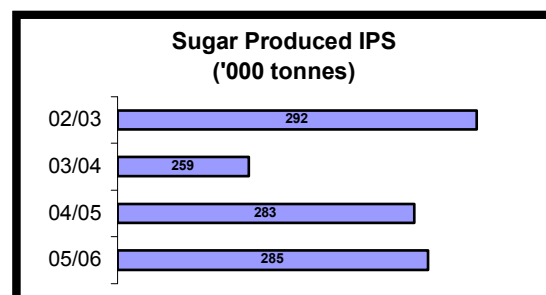
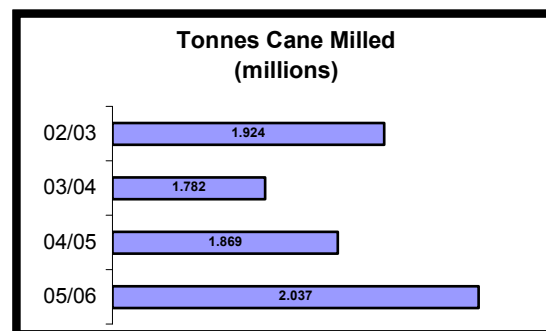
### GLOSSARY

AASB	–	Australian Accounting Standards Board
AGAAP	–	Australian Generally Accepted Accounting Principles
AIFRS	–	Australian International Financial Reporting Standards
ASMC	–	Australian Sugar Milling Council
BCSE	–	Business Council for Sustainable Energy
BSES	–	Bureau of Sugar Experiment Stations
CCS	–	Commercial Cane Sugar
COGS	–	Cost of Goods Sold
CPA	–	Cane Production Area
EPA	–	Environmental Protection Agency
FPIP	–	Farm Productivity Improvement Program
GPP	–	Grower Positioning Program
GWh	–	Gigawatt Hours
IDAS	–	Integrated Development Assessment System
IEMS	–	Integrated Environmental Management System
IFRS	–	International Financial Reporting Standards
IOG	–	Industry Oversight Group
IPS	–	International Pol Scale
LTI	–	Lost Time Injury
MRET	–	Mandatory Renewable Energy Target
MWh	–	Megawatt Hours
QDL	–	Queensland Discretionary Pool
QSL	–	Queensland Sugar Limited
QUT	–	Queensland University of Technology
R & D	–	Research & Development
RAG	–	Regional Area Group
REC	–	Renewable Energy Credits
SRDC	–	Sugar Research Development Corporation
SRI	–	Sugar Research Institute
SRL	–	Sugar Research Limited
SSP	–	Sugar Services Proserpine
STL	–	Sugar Terminals Limited
TRACC	–	Best Practice Management System

## Overview

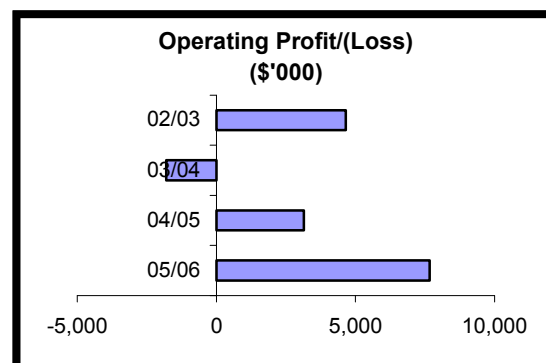
### Sugar Production

- Cane Harvested – ↑ 9% on last year**  
 2.037 million tonnes of cane were harvested in the 2005 season, compared to 1.869 million tonnes in 2004.
- Sugar Content – ↓ 8% on last year**  
 CCS dropped from 14.58 for the 2004 season to 13.47 for the 2005 season as a result of the wet weather conditions experienced during the year.
- Sugar Production IPS – marginally increased on last year**  
 High factory efficiencies (Pool Index) were maintained and a bigger crop was processed however CCS dropped away resulting in a marginal increase in sugar make for the year.



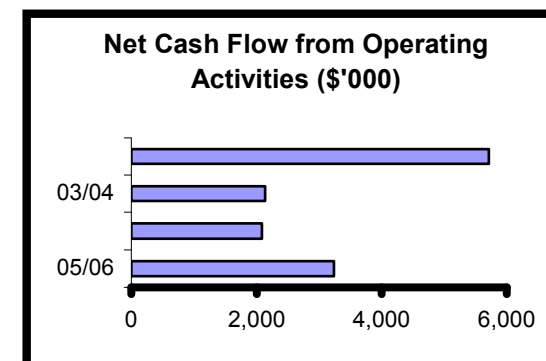
### Financial Performance

- Total Income – ↑ 21% on last year**  
 The total rise amounted to approx \$7.67 million and was contributed to by higher sugar and molasses prices, increased investment opportunities and a larger dividend from STL.
- Operating Profit – \$7,664,324**  
 The year, although wet at times, was very successful with a larger crop harvested and a rise in the sugar price of over 23.5% to an estimated \$315. Increased wages and training costs impacted on the bottom line.



### Future Prospects

- The Co-operative is budgeting on a comparable crop for the 2006 season. From the indications we have to date, sugar prices should escalate again during this coming year providing us with increased profits and hence, distributions to members.



## **CHAIRMAN'S COMMENTS**

---

### **Chairman's Comments**

On completing my first year as Chairman of the Board of Directors I am privileged to present the 75<sup>th</sup> Annual Report for Proserpine Co-operative Sugar Milling Association Limited.

The original crop estimate of 1.9 million tonnes increased to 2.037 million tonnes at the end of crushing. This was mainly due to rain in the early part of the harvesting season.

The sugar price at the start of the year was no cause for celebration with predictions of a price around \$270 per tonne. However it did improve towards the end of the year to around \$315 per tonne of sugar. At a season average of 13.47 CCS this equates to \$27.53 to growers for the 2005 crop. How this industry can change! Queensland Sugar Corporation have indicated that the 2006 season price will be up around \$450 per tonne and that light at the end of the tunnel is starting to shine pretty brightly. It certainly has been a long time coming but we will need to be prepared to deal with the competitors to sugar that will be attracted by these new prices.

The Mackay Regional Advisory Group put a lot of work into developing a business plan for this region for the period 2005 to 2009. The plan is intended to deliver a viable and sustainable sugar cane industry in this region at a price of \$260 per tonne of sugar. The plan represents a united view from the whole of industry in the central region and contains goals and action plans that should deliver sustainable outcomes when implemented. The plan was finally approved by the Industry Oversight Group (IOG) and this acceptance by the IOG cleared the way for the second payment of the Sustainability Grant, which amounted to \$2.45 million for growers, and \$1.3 million for the Mill. In total the Sustainability Grant payments injected \$7.2 million into the Proserpine Industry on an undertaking to reform. I would like to point out that we are still in a mode of reform that has to be achieved to fulfill our commitment and the Co-operative is quite prepared to assist with this task. We cannot become complacent now that the future is bright because the past created many difficulties and casualties and, should we return to those times, it is imperative that we are better placed to remain viable and sustainable.

This Association is committed to the plan and it has directed resources at Sugar Services Proserpine to ensure that we can deliver on the Grower Positioning Program (GPP) and Farm Productivity Improvement Program (FPIP), which are the critical components of grower productivity within the plan.

Because of the shortage of tradesmen, the Mill arranged to employ two electricians from South Africa. The two electricians are highly qualified and are fitting into the workforce very well. We will pursue this option further as the need arises. As a point of interest, the meatworks in Mackay have employed fifty slaughtermen from Brazil and a number of tradesmen from South Africa for this year's operation.

We have continued to investigate diversification options. The furfural project is still being progressed through the IDAS application phase and an application has been lodged for funding under the Regional and Community Projects component of the Sugar Industry Reform Program. We continue to review many diversification options and it is a fundamental part of our business plan.

Ongoing deregulation of the industry by the State Government continued and legislative changes introduced resulted in the abolition of Cane Production Boards and Cane Production Area (CPA) as of 1<sup>st</sup> January 2005. The local industry recognised the importance of an assignment system and agreed that a local Cane Assignment System should be developed, implemented and administered by the Mill. The system operates as a Memorandum of Agreement between the grower and the Mill and it is a condition of grant of assignment that the assignment holder will grow and deliver cane to the mill off 75% of the assigned area per season. It is also a condition of grant

of assignment that cane grown on the assigned area be grown according to recognised best practice management principles. There are two hundred and fifty assignment holders with a total assigned area of 27,628 hectares.

Changes to the *Sugar Industry Act* also meant that Collective Agreements were abolished and it was mandated that a grower could not supply cane or a miller accept cane without a Cane Supply Contract. Cane Supply Contracts could be individual or collective and a grower could be party to more than one contract. The Collective Cane Supply and Processing Contract was successfully negotiated for the 2005 season.

The legislative changes also impacted on the Rules of the Association and it was necessary to amend the rules to reflect the changes. Changes were explained to members at shed meetings and by circular and were adopted at the Annual General Meeting in May following a secret ballot. The active membership provisions now require a member to apply for and be granted a cane assignment and enter into a Memorandum of Agreement of Cane Assignment and a Cane Supply and Processing Contract with the Association and supply all cane to the Co-operative in accordance with the contract.

Congratulations to the students who received the annual Mill Bursaries. Marcus Rowe was awarded the Douglas Debney Memorial Bursary and Jenna Padgett was presented with the George Telford Memorial Bursary. First instalment winners were Erin Cassells and Genesta Nicolson.

On behalf of the Board I wish to express our appreciation to the management, staff, employees, growers and harvesters for a top performance again. I also would like to thank my fellow Board Members for their support during the season. Russell Biggs and Ivan Ivanoff retire by rotation this year. Russell offers himself for re- election but Ivan has indicated that he will be retiring.

### **Acknowledgements**

The assistance of the ASMC, SRI, CANEGROWERS Proserpine, Sugar Services Proserpine, and BSES is acknowledged. The committed efforts of Greg Sutherland as Chairman of the Regional Area Group and John Alcorn as the Sugar Industry Officer were instrumental in the success of the regional plan and the flow through of funds from the Sustainability Grant to members and our Co-operative. It is now up to the local industry to deliver!

**Lou Raiteri**  
**Chairman of Directors**

## **GENERAL MANAGER'S COMMENTS**

---

### **General Manager's Comment**

The marked increase in sugar prices has delivered a much-improved return for the Co-operative for the 2005 season. The factory ran at near record efficiencies and it was a credit to the team that we were still able to deliver such a good result in somewhat difficult circumstances.

On the negative side, the continued flow of skilled employees into the mining and construction industry is a major concern. A significant amount of training was necessary for replacement personnel, particularly during the crushing season.

Unfortunately the attitude and work ethic of some of the new seasonal employees left a lot to be desired and resulted in a series of terminations. This is not a situation that we are proud of but it is a policy that is respected by those that do put in the effort.

There is no doubt that the business is going to be faced with considerable cost pressures as a result of the resources boom. We need to ensure that we deliver the best efficiencies possible in both maintenance and operations to ensure our ongoing viability.

The volatile nature of the sugar market dictates that our future sustainability will be reliant on the plans we put in place now to implement genuine changes that deliver sustainability and stability at low sugar prices. We cannot afford to take our eye off the ball and must be resolute in following our business plan and focus on change and improvement

The highly competitive nature of the international sugar industry and the need to be competitive with the world's best prompted an assessment of the Co-operative's overall performance and sustainability. Prior to undertaking the assessment it was necessary to identify a system that had the proven capacity to benchmark our operations against other world-class companies and to provide a structured mechanism to deliver change. Following a comprehensive review, the TRACC system was identified as the most suitable and in late November 2004 Queensland Management Institute conducted a detailed company-wide assessment.

The system scores current performance in nine key areas and rates it against that of world-class companies. The results of the assessment showed that whilst we had an overall plant performance of 77% (above average) our maturity rating was 1.4 out of 5. This suggested that although plant performance was very good, it was not sustainable in the long term and that a structured change program needed to be developed and implemented to deliver sustainability and ensure competitiveness.

In structuring the change program it was decided to focus on four key areas (toolkits), namely:-

- ◆ Leading and Managing Change
- ◆ Teamwork
- ◆ Housekeeping (5S)
- ◆ Business Centred Maintenance

In implementing change it is necessary that the identified change be managed in a well-structured and orderly manner. TRACC is specifically designed to allow the change program to be customised to suit our needs and has a proven record of success worldwide in similar industries. The program identifies five stages to achieving world-class standards and allows for ongoing measurement and reporting on progress. Use of pilot areas allows for the system to be tested and perfected on a small scale before being rolled out across the organisation.

TRACC was implemented at the Mill on the 26<sup>th</sup> April 2005 and our objectives are:

- ◆ Short Term (12 months) – implement the four toolkits in the pilot area to stage 2
- ◆ Medium Term (3 years) - implement the four toolkits to stage 2 across the whole Association

## GENERAL MANAGER'S COMMENTS

---

- ◆ Long Term – systematically improve the four toolkits to stage 4 across the whole Association

A steering committee has been formed to implement the program and some good progress has been made. We do not underestimate the size of the challenge or the importance of success in achieving our objective of becoming a competitive world-class sugar and by-product manufacturer that maximises returns to all stakeholders. We have focused on the team approach in the way we undertake the operations and management of the business and I believe we achieve far better and more sustainable outcomes with this approach. The Best Practice Management programs are all approached from a team perspective.

The vesting arrangements previously enshrined in the *Sugar Industry Act* were officially disbanded at the end of December 2005. All of the sugar suppliers (Mills) except for Mossman and Mulgrave Mills in the North entered into Voluntary Marketing Contracts with Queensland Sugar Limited (QSL) to market the bulk raw sugars on their behalf. The contract is for three years with performance clauses intended to ensure that QSL are responsive to both supplier and market needs.

QSL offered suppliers two alternative contractual relationships - to either act as an agent on behalf of the supplier or to purchase the sugar at point of delivery. An agency arrangement offered no real advantage to Proserpine Sugar Mill whereas the purchasing arrangement allowed Proserpine Sugar Mill to use QSL's better finance credit rating to supply cash advances.

QSL also offered opportunities to price the sugar outside of the basic pool pricing option (QSL Discretionary Pool). The QSL Discretionary Pool (QDP) basically offered the same pricing mechanisms as were previously in place. Proserpine Mill elected to stay within QDP for the 2006 season and investigate options to undertake alternative pricing for 2007 season onwards. With the attractive prices being offered going forward out to 2010 through "Over the Counter Products" such as swaps, options and cap/collar products, we are putting in place facilities with a number of banks which would allow the Association to take an active part in securing longer term attractive positions. We are also investigating a mechanism to allow growers to participate in the forward pricing. The changes to the *Sugar Industry Act* have brought with it a need to think differently about how we operate in the world sugar market. There is a need to ensure support to maintain QSL as the physical marketer of bulk raw sugar. The system to allow alternative pricing options needs to be developed and the whole process needs to evolve to enable both growers and millers to make decisions in conjunction with QSL with confidence.

This was the inaugural year for the "Proserpine Mill Employee of the Year". Allan Whyte was a very popular winner. Allan has been with the Mill for over thirty-three years and his attitude and invaluable assistance in training both young apprentice electricians and many of our new employees has been a driving force in our ongoing success. Allan decided to contribute a \$5,000 donation on behalf of the Mill to the Proserpine Hospital Auxiliary, Darcey Large Memorial Fund.

The field, harvesting and transport sectors and the factory were all faced with difficulties this season and their efforts in making the season a success is recognised. This hard work was very much appreciated. The assistance of the Board of Directors and their support of the Management Team have been invaluable.

**Chris Connors**  
**General Manager**

## FINANCIAL REPORTS

---

### Income Statement for the year ended 28<sup>th</sup> February 2006

	Note	2006 \$	2005 \$
Revenue from Sugar Sales .....		90,131,118	72,971,515
Cost of Sales .....		(56,385,459)	(46,875,532)
Prior Year Adjustment.....		81,931	124,724
Gross Profit.....		33,827,590	26,220,707
Other Income .....		8,828,210	8,764,873
<b>TOTAL INCOME</b>		<b>42,655,800</b>	<b>34,985,580</b>
Manufacturing Expenses .....		7,986,520	6,906,814
Sugar Charges – Haulage .....		2,922,561	2,759,274
Repairs and Maintenance.....		9,044,491	8,708,030
Depreciation.....		4,637,128	4,618,964
General Expenses .....		6,795,256	5,461,871
Financial Expenses.....		3,605,520	3,388,214
<b>TOTAL EXPENSES</b>		<b>34,991,476</b>	<b>31,843,167</b>
<b>OPERATING PROFIT before surplus distribution and income tax</b>		<b>7,664,324</b>	<b>3,142,413</b>
Surplus Distribution.....	2	(1,700,000)	(119,739)
<b>NET PROFIT after surplus distribution and income tax</b>		<b>5,964,324</b>	<b>3,022,674</b>
Retained Earnings at beginning of the year .....		48,917,048	44,759,374
Changes in Equity.....		16,162,329	1,135,000
<b>RETAINED EARNINGS AT END OF FINANCIAL YEAR</b>		<b>71,043,701</b>	<b>48,917,048</b>

**Balance Sheet  
as at 28<sup>th</sup> February 2006**

	2006	2005
	\$	\$
<b>CURRENT ASSETS</b>		
Cash and deposits.....	29,363,640	21,694,207
Debtors and prepayments.....	35,851,061	24,162,474
Inventory – at cost.....	3,170,754	3,185,196
	<hr/>	<hr/>
<b>Total current assets</b>	68,385,455	49,041,877
	<hr/>	<hr/>
<b>NON CURRENT ASSETS</b>		
Investment – at cost .....	5,794,139	5,794,139
Intangibles – Licences & Patents .....	230,915	230,915
Property, plant and equipment .....	129,176,992	131,831,173
Deferred Tax Asset.....	16,162,329	0
Defined Benefit Superannuation Fund Surplus .....	742,469	1,135,000
	<hr/>	<hr/>
<b>Total non current assets</b>	152,106,844	138,991,227
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	220,492,299	188,003,104
	<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>		
Creditors and borrowings .....	64,396,616	49,820,652
Provisions.....	1,630,469	1,685,344
	<hr/>	<hr/>
<b>Total current liabilities</b>	66,027,085	51,505,996
	<hr/>	<hr/>
<b>NON CURRENT LIABILITIES</b>		
Creditors and borrowings .....	14,134,872	17,036,367
	<hr/>	<hr/>
<b>Total non current liabilities</b>	14,134,872	17,036,367
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	80,161,957	68,542,363
	<hr/>	<hr/>
<b>NET ASSETS</b>	140,330,342	119,490,741
	<hr/>	<hr/>
<b>EQUITY</b>		
<b>Reserves</b>		
Asset revaluation reserve.....	67,003,766	68,290,818
Capital profits reserve .....	582,512	582,512
Loan redemption reserve .....	1,700,363	1,700,363
Retained earnings .....	71,043,701	48,917,048
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	140,330,342	119,490,741
	<hr/>	<hr/>

## FINANCIAL REPORTS

---

### Cash Flow Statement for the twelve months ended 28<sup>th</sup> February 2006

	2006 \$	2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers.....	85,881,591	71,096,009
Payments to suppliers and employees .....	(80,713,482)	(67,008,596)
Interest received.....	1,534,858	1,257,874
Interest paid and borrowing costs .....	(3,466,610)	(3,259,295)
<b>Net cash provided by operating activities .....</b>	<u>3,236,357</u>	<u>2,085,992</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipment .....	(1,982,946)	(5,246,292)
Proceeds from sale of plant and equipment.....	(104,261)	(6,039)
<b>Net cash used in investing activities .....</b>	<u>(2,087,207)</u>	<u>(5,252,331)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings .....	6,279,645	2,059,972
Lease liabilities .....	240,638	68,686
<b>Net cash used in financing activities .....</b>	<u>6,520,283</u>	<u>2,128,658</u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD</b>	7,669,433	(1,037,681)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD</b>	<u>21,694,207</u>	<u>22,731,888</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD</b>	<u>29,363,640</u>	<u>21,694,207</u>

**STATEMENT OF CHANGES IN EQUITY  
for the year ended 28<sup>th</sup> February 2006**

	<b>Asset Revaluation Reserve</b>	<b>Capital Profits Reserve</b>	<b>Loan Redemption Reserve</b>	<b>Retained Earnings</b>	<b>TOTAL EQUITY</b>
<b>Balance at 1<sup>st</sup> March 2004</b>	68,290,818	582,512	1,700,363	44,759,374	115,333,067
<b>Changes in Equity</b>					
Defined Benefit Fund Surplus				1,135,000	1,135,000
Profit (loss) for the period				3,022,674	3,022,674
<b>Balance at 28<sup>th</sup> February 2005</b>	68,290,818	582,512	1,700,363	48,917,048	119,490,741
<b>Balance at 1<sup>st</sup> March 2005</b>	68,290,818	582,512	1,700,363	48,917,048	119,490,741
<b>Changes in Equity</b>					
Change in Asset Revaluation Reserve	(1,287,052)				(1,287,052)
Deferred Tax Asset				16,162,329	16,162,329
Profit (loss) for the period				5,964,324	5,964,324
<b>Balance at 28<sup>th</sup> February 2006</b>	67,003,766	582,512	1,700,363	71,043,701	140,330,342

## NOTES

### Notes to and forming part of the Accounts for the twelve months ended 28<sup>th</sup> February 2006

#### NOTE 1: Preparation of Concise Financial Report

The Concise Financial Report has been prepared in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*. The concise financial report and specific disclosures required by AASB 1039 have been derived from Proserpine Co-operative Sugar Milling Association Limited's Report to Members, and is presented in Australian dollars. A full description of the accounting policies adopted by the entity is provided in the 2006 financial statements, which form part of the Report to Members. The Concise Financial Report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Economic Entity as the Report to Members.

From 1<sup>st</sup> March 2005, Proserpine Co-operative Sugar Milling Association Limited prepares its financial statements in accordance with Australian equivalents to IFRS ('AIFRS'). Due to the requirement to publish comparative information for the previous corresponding period, the effective date for transition to AIFRS is 1<sup>st</sup> March 2004.

The Co-operative's accounting policies have been consistently applied to all periods presented in the Concise Financial Report.

#### NOTE 2: Surplus Distribution

2006	2005
\$	\$

A partially franked distribution will be paid in accordance with the Association's 10-year surplus distribution rule.

Gross Distribution.....	1,879,609	171,056
Imputation Tax Credit.....	(179,609)	(51,317)
Cash Distribution	<u>1,700,000</u>	<u>119,739</u>
<b>Surplus distribution</b>	<u>1,700,000</u>	<u>119,739</u>

#### NOTE 3: Impact of Adoption of Australian Equivalents to International Financial Reporting Standards.

From 1<sup>st</sup> March 2005, Proserpine Co-operative Sugar Milling Association Limited prepares its financial statements in accordance with Australian equivalents to IFRS ('AIFRS'). Due to the requirement to publish comparative information for the previous corresponding period, the effective date for transition to AIFRS is 1<sup>st</sup> March 2004.

To explain how the Co-operative's reported income statement and balance sheet are affected by this change in accounting policy, information previously published under Australian GAAP ('AGAAP') is restated under AIFRS in the tables that follow.

**Table A – Summary reconciliation of total equity as presented under AGAAP to that under AIFRS**

	Explanatory transition notes	28 February 2005 \$000	1 March 2004 \$000
<b>Total equity under AGAAP</b>		118,355,741	115,333,067
AIFRS adjustments to equity			
Defined Benefit Superannuation Fund Surplus	(a)	1,135,000	0
<b>Total Equity under AIFRS</b>		119,490,741	115,333,067

**Table B – Summary reconciliation of profit after tax as presented under AGAAP to that under AIFRS**

	Explanatory transition notes	Year end 28 February 2005 \$000
<b>Total profit after tax under AGAAP</b>		3,022,674
AIFRS adjustments to profit after tax		0
<b>Total Profit after tax under AIFRS</b>		3,022,674

#### **Transitional Arrangements**

The rules for first time adoption of AIFRS are set out in AASB1. In general, a company is required to determine its AIFRS accounting policies and apply these retrospectively to determine its opening balance sheet at 1<sup>st</sup> March 2004 (transitional balance sheet) under AIFRS.

#### **Explanatory Transition Notes:**

##### **(a) Defined Benefit Superannuation Fund**

Proserpine Co-operative Sugar Milling Association Limited is the sponsor of two funded plans as sub-plans of a master trust with Sunsuper. Both plans have a defined benefit section and an accumulation section. Under previous AGAAP, cumulative actuarial gains and losses on the defined benefit section were not recognised on the balance sheet. At the date of actuarial review, an asset is recognised and is measured as the difference between the present value of the employees' accrued benefits at that date and the net market value of the superannuation fund's assets at that date. The impact at the end of each actuarial review is to increase other assets for the surplus superannuation fund assets and to record the related gain in the income statement.

## 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 28<sup>th</sup> February 2006.

### Directors

The name and profile of Directors in office for the 12 months ended 28<sup>th</sup> February 2006 follow.

#### **Luigi James Raiteri**

Elected Deputy Chairman in 1998 and retained this post until elected Chairman in 2005. 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.



#### **Frederick William Dray**

Elected Chairman of the Board of Directors in 1998, and retained this post until retired in 2005. Was Deputy Chairman from 1983 to 1993, and has been an elected director from 1971 to 1980, and since 1981 to 2005.

#### **John David Mau**

Elected Director since 1992. Deputy Chairman from 1994 to 1997. Re-elected Deputy Chairman in 2005.





**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.

## DIRECTORS' REPORT

---

**Anthony Joseph Large**  
Elected Director since 2005.



**Geoffrey Valmadre**  
Elected Director since 1984.

A record of Board Meeting attendance for the twelve months ended 28<sup>th</sup> February 2006 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>
L J Raiteri	11	11	5	5
F W Dray	3	-	1	-
R W Biggs	11	11	5	4
M A Blair	11	10	5	4
I V Ivanoff	11	9	5	3
A J Large	8	8	4	4
J D Mau	11	11	5	5
G Valmadre	11	11	5	5

### **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 28<sup>th</sup> February 2006, and the results of these operations, are included in the preceding sections of this report.

### **Operating Results**

An improved crop and maintenance of high factory operating efficiencies coupled with an improved sugar price delivered an end of year profit of \$7.66 million. Positive results from operating activities and the support of investment account holders in our Co-operative, has helped to achieve a marked increase in cash held for the year of \$7.67 million.

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

World sugar prices have strengthened throughout the year with good forecasts over the next few years. Proserpine Sugar Mill has joined Queensland Sugar Limited along with 95% of the Queensland Sugar Industry in voluntary marketing arrangements. Proserpine Sugar Mill has elected to stay within the Queensland Sugar Limited Discretionary Pool for the 2006 season. Queensland Sugar Limited projects that prices for 2006 season will be at a level which should secure strong returns for farmer and miller alike. Proserpine Sugar Mill has commenced a forward pricing program (2007 – 2010) through over the counter swaps. The price range of these instruments is such that the returns to the Co-operative will be very attractive. The 2006 crop forecasts still appear strong at this stage with the hope of rain to supplement dam and on-site farm storages paramount for the 2007 season onwards.

### **Future Developments**

The Co-operative is still awaiting the outcome of its application under the RCP Scheme for the development of the furfural plant. Also on the agenda is the completion and approval of the development application for the plant. Once these outcomes are known, costs can be reassessed and a decision can be made as to whether the project can proceed. The business plan adopted targets best practice management and diversification as the key drivers of the business.

### **Environmental Regulations**

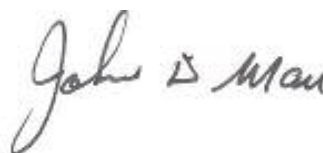
Proserpine Co-operative Sugar Milling Association Limited is subject to environmental regulations under the *Commonwealth Environmental Protection and Bio-Diversity Conservation Act*. This Act regulates the Association's emissions to air, and also allows for the Association's emissions to land to be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



**J D Mau**  
Deputy Director

Signed in accordance with a resolution of the Directors

## **DIRECTORS' DECLARATION**

---

### **Directors' Declaration**

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

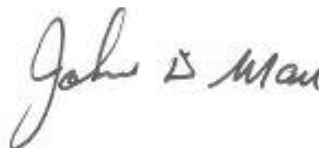
- (a) The financial statements and notes as set out on pages 8 to 17 are in accordance with the *Co-operatives Act 1997*, the *Co-operatives Regulation 1997* and the Rules of the Co-operative, including:
- (i) giving a true and fair view of the financial position of the Co-operative as at 28<sup>th</sup> February 2006 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 12<sup>th</sup> day of April 2006.

Signed in accordance with a resolution of the Directors.



**L J Raiteri**  
**Chairman**



**J D Mau**  
**Deputy Chairman**

### **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 28<sup>th</sup> February 2006, 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 2006, and of its results for the year ended on that date.

Dated at Proserpine this 12<sup>th</sup> day of April 2006.



**A M Hadlow**  
**Principal Accounting Officer**

## 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 2006, consisting of the income statement, balance sheet, statement of cash flows, statement of changes in equity, accompanying notes and the directors' declaration as set out on pages 8 to 18. 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.

This 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 2006 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:** 12<sup>th</sup> April 2006  
**Address:** 86 Main Street  
Proserpine Qld 4800

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

## AUDITOR'S REPORT

### Harvester Group Size and Equipment Statistics

Group Size (Tonnes)	No of Groups	Group % of crop	No. of Machines
> 100,000	6	36.5	8
90,000 – 100,000	6	28.1	6
80,000 – 90,000	4	17.0	4
70,000 – 80,000	2	7.3	2
60,000 – 70,000	1	3.4	1
50,000 – 60,000	2	5.4	2
20,000 - 50,000	1	1.4	1
<20,000	1	0.9	1
<b>TOTALS</b>	<b>23</b>	<b>100.0</b>	<b>25</b>

### MILL OPERATION STATISTICS

Crushing Season	2005	2004	2003	2002	2001
Number of suppliers	239	265	263	266	278
Tonnes of cane crushed	2 037 397	1 869 276	1 782 358	1 924 056	1 445 175
Season length (weeks)	21.6	19.2	18.7	18.8	15.6
Crushing rate (tonnes per hour)	655	655	632	651	637
Average CCS in cane	13.48	14.59	14.10	14.74	15.06
Average fibre in cane (%)	14.65	14.59	13.85	13.93	13.97
Green cane % supplied (as consigned)	85	67	65	60	56
Total extraction at mills (%)	97.56	97.46	97.58	97.48	97.20
Molasses made (% of cane)	3.07	3.56	3.39	3.10	2.84
Sugar made (tonnes IPS)	283 670	283 286	259 197	292 430	222 770
Pool Index	1.0368	1.0386	1.0312	1.0319	1.0228
Cane per tonne IPS sugar	7.16	6.60	6.88	6.58	6.50
Cane per hectare – tonnes	90.1	81.4	76.5	81.0	64.9
Sugar per hectare – tonnes	12.54	11.40	11.12	12.32	9.99