Coleambally Irrigation Mutual Co-operative Limited

ABN 60 785 211 497

Registered Office: 7 Brolga Place, Coleambally 2707

Annual Report

2011-2012

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Chairman's report

For the year ended 30 June 2012

On behalf of the Board of Coleambally Irrigation Mutual Cooperative Limited (CIMCL), I have pleasure in presenting to you the annual report for the past year 2011-2012.

Overview

It is good to see two years of high allocations and farms getting back into full production. There is still some uncertainty due to the Murray-Darling Basin Authority's sustainable diversion limits (SDLs) and what the final negotiated outcome will be. Despite this uncertainty, our primary purpose is still to ensure that our infrastructure assets can be replaced when necessary.

Investment Program

The Board has continued to use 358 Pty Ltd (formerly 358 Australia) as our investment advisers. The last twelve months has been a difficult year for investments due to volatility created by the ongoing global financial crisis playing out in the US and Europe.

At 30th June, 2012, our investment portfolio (a mixture of managed funds, long and short term) had a value of $10 934 741 compared to a total amount invested of $14 321 661 at 30th June, 2011. Our cash and cash equivalent investments at 30th June, 2012, are $ 7 102 855 compared to $2 050 037 as at 30th June, 2011. With the uncertainty of the market, the Board held more funds in cash. The investment portfolio showed a return of 4.98% for the year.

Asset Levy

The Board has resolved to leave the levy at $3 + GST for 2012-2013. The levy has remained constant for the last four years.

The five yearly Modern Engineering Equivalent Replacement Asset (MEERA) Report has been completed. The results from the review have recommended an increase in the design life of the road culverts and small regulators from 60 to 80 years and reduced the design life on the bridges which have regulators attached from 100 to 80 years.

Your levy will ensure that the future cost of replacing our infrastructure can be met and we anticipate our first big round of replacements in the period 2020-2032.

CIMCL Renewal Program

The Board has approved the replacement of up to 60 drainage inlets. A lot of these have deteriorated concrete pipes or they have been washed out during the big rain events of the last year or two. We also approved the funding for 4 road culverts and walk ways requiring replacement due to end of life.

Termination and Access Fees

As a result of the review by the ACCC of Termination Fees and following the Government's enactment of related legislation, the Termination Fee for permanent water transfers out of Coleambally is based on 10 times the annual access fee. Thus, the CIMCL Termination Fee is currently $33.00 (including GST) per megalitre of delivery entitlement.

Director's Remuneration

At this year's AGM, the directors will be asking members to approve an increase in the total directors' remuneration. The current total remuneration is $40 000 between the directors. This figure has not changed since CIMCL was incorporated in 2000 and is markedly below what other directors in similar organisations receive. We would like members to approve an increase of $15 000 to take the total annual remuneration fees to $55 000. This will take it part way to what similar organisations remunerate their directors.

On behalf of the Board, I would like to express sincere thanks to our Federal Members of Parliament, Michael McCormack and Sussan Ley, the Members for Riverina and Farrer respectively, for their continued support during the past year. I also thank Adrian Piccoli for his support as the State Member for Murrumbidgee.

To conclude, my thanks are also extended to my fellow directors and you the members of CIMCL for your support throughout the year. I would also like to acknowledge the contribution of John Culleton, CEO; Anne Rzeszkowski, Company Secretary; and Kevin Kelly, Asset & Maintenance Manager; and Richard deKoning, Finance Manager.

Peter Sheppard
Chairman
25 September 2012

Chief Executive Officer's report

For the year ended 30 June 2012

In his report, CIMCL's Chairman, has alluded to three business influences that were with us in 2010-2011 and that continue to be with us: high water allocations, global financial instability and the Basin Plan; at least the first of these is welcomed. CIMCL's Board and Management team therefore continue to wrestle with the question of what is the best way to respond to the latter two challenges and unfortunately, there are no simple answers. Accordingly, CIMCL has allowed CICL to focus on the Basin Plan and concentrated its efforts on seeking to understand emerging risks to its investments. It has done so by maintaining even closer contact with its investment advisory service, 358 Pty Ltd (formerly 358 Australia) and requiring 358 to 'stress test' our investment strategy. Our challenge has been to strike the right balance between the safety that comes with locking up reserves in cash/term deposits and positioning ourselves to benefit from opportunities for growth. As a result of that testing, a decision was taken late in the reporting period to make some adjustments to our portfolio and the transition to the adjusted strategy continues in 2012-2013. Suffice to say, that I think it reasonable to suggest that a 4.98% return on our investments under the volatile market conditions that prevailed has been a solid outcome.

In last year's report, I advised that a major review of our asset replacement program would occur during 2011-2012. As advised in the Chairman's report, this process was completed and the combined effect of the independent engineering and actuarial assessments undertaken by Sinclair Knights & Mertz's (SKM) and Mercer's respectively were of great assistance in the Board's decision to leave CIMCL's charges unchanged this season. Some of the key assessments from these two external reviews of our asset replacement arrangements are that :

- the current value of assets which are subject to replacement by CIMCL is $141,000,000
- the average remaining life of the infrastructure assets that have to be replaced is 38 years
- as replacements become due, CIMCL should seek to separate rather than combine, regulators with bridges because this will extend the life of the bridges and provide for increased safety while maintaining regulators
- over the long term, CIMCL investment strategy should focus on growth rather than defensive assets, but in the current climate CIMCL's conservative approach is not unwarranted

If you are interested in reading the full reports provided by SKM and Mercer's, they may be accessed at www.colyirr.com.au

CIMCL's asset replacement arrangements were also reviewed by financial auditors from Deloittes and asset management specialists from Aurecon who were engaged by the Australian Consumer and Competition Commission's review of CICL's Network Services Plan (2012-2017). It took some time for the auditors to understand why we have a dual co-operative structure but once they did, and with the benefit of having seen the work done by SKM and Mercers, their opinion was that CIMCL's decision to leave its charges as unchanged was reasonable. While The auditors did not comment specifically on CIMCL's asset replacement profile and projections because their focus was on CICL and the nearer term (2012-2017, they did observe that CICL's planning for capital expenditures was prudent and underpinned by sound and integrated planning. This finding could not have been established without reference to CIMCL's role and work.

Coleambally Irrigation Mutual Co-operative Limited

Chief Executive Officer's report

For the year ended 30 June 2012

In my last report to you, I spoke of the growing level of collaboration between CIMCL and CICL and this has since been reinforced by the addition of CIMCL's Chairman, Peter Sheppard, to CICL's Asset & Refurbishment Committee as an ex-officio member. This means that Peter is able to contribute freely, although not vote on, asset management within CICL. The logic here is that if CICL is considering asset management actions that might ultimately adversely impact on CIMCL, he is able to comment on them at the time and in doing so to cause CICL to reflect on the related arrangements. Alternatively, if the proposed arrangements are soundly-based but are likely to have impacts on CIMCL's asset replacement profile, CIMCL will have early visibility of the potential impacts.

At a higher level, CIMCL will also take a keen interest in a Business Review that is underway in CICL and of a review of its strategic planning, to be conducted in the first quarter of 2013, because while both Co-operatives exist for a different purpose, they cannot act in isolation of each other.

In sum, CIMCL continues to collect funds and 'grow' them for a single purpose, while benefitting from the tax advantages that accrue from being structured according to the legal principles of Mutuality. While the much of the work done by the Mutual attracts little attention, it remains critical to the future of our irrigation system.

John Culleton
Chief Executive Officer
25 September 2012

Investment report

For the year ended 30 June 2012

Global financial markets experienced continuing volatility during the 2011–2012 financial year. In particular, concerns relating to Euro-Zone debt and the financial health of European Banks was highlighted again during the 2011-2012 year.

Notwithstanding the above comments, Euro-Zone debt issues in Greece and to a lesser extent, in Italy, Portugal and Spain, were only part of the volatility picture. Economic growth remained sluggish in the USA and unemployment figures remained close to 10%. In addition, the USA lost its AAA credit rating for the first time and debt ceiling negotiations became protracted.

In Europe, low economic growth generally and in particular, in Germany, combined with poor unemployment figures raised fears of a double dip recession.

The Australian economy, despite its “two speed” nature remained strong in 2011-2012 when compared with the other G20 nations. However, economic growth figures were revised down slightly during the last quarter of 2011-2012. Additionally, the strong Australian dollar was causing difficulties for export and import competing industries.

During 2011-2012, CIMCL continued to use 358 Pty Ltd (formerly 358 Australia Pty Ltd) as its investment advisor. CIMCL’s investment portfolio continued to remain under weight in terms of equities exposure. Despite continuing volatility in global financial markets, the return on CIMCL’s investment portfolio was 4.98% in 2011-2012 which compares favourably with the industry benchmark of 3.02%

Given the continuing uncertainty relating to global economic growth and Euro-Zone debt levels, 2011-2012 was a challenging year for world financial markets. Notwithstanding this, CIMCL will continue to adopt a conservative position vis a vis its investment portfolio and, in particular, in relation to equities and currency exposure.

30 September 2012

Coleambally Irrigation Mutual Co-operative Limited
ABN 60 785 211 497

Financial Statements

Year ended 30 June 2012

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Directors' report

For the year ended 30 June 2012

Your Directors present their report on the Co-operative for the year ended 30 June 2012.

Directors

The following persons were Directors of the Co-operative during the whole of the financial year and up to the date of this report:

P. T. Sheppard	Member Director	Chairman
I. D. Sutherland	Member Director	Deputy Chairman
S. W. Rice	Member Director	
A. J. Hayes	Member Director	
B. M. Brown	Independent Director	

Principle activities

The primary activity of the Co-operative during this reporting period is the collection and investment of levies from members for the purpose of the long term replacement of irrigation infrastructure in the Coleambally Irrigation District.

Dividends

The Co-operative does not have a share capital and accordingly does not pay dividends.

Review of operations

A summary of the Co-operative's results is set out below:

	2012 **$**	2011 $
Profit/ (loss) before income tax expense	**1,837,429**	3,771,895
Less: Income tax (expense)/credit attributable to net surplus	**4,856**	(756,109)
Net profit/ (loss)	**1,842,285**	3,015,786
Total comprehensive result for the year	**1,842,285**	3,015,786

During the year the Co-operative raised contribution levies from members and invested those funds in accordance with its charter. The return on these investments of 4.98% was in line with expectations given the uncertain market conditions that prevailed throughout the year.

The life and replacement value of the infrastructure assets which CIMCL is required to replace in the future were independently reviewed during 2011-12 and the results of this review, and the estimated return on CIMCL's investments over time, were then examined by a leading actuarial firm. Based on the results of these independent and expert reviews, the Directors formed the view that the levy could remain unchanged for 2012-13 and consider that CIMCL is appropriately positioned to achieve the objectives of the Co-operative. However, as noted in past reports, the future is inherently unpredictable and actual outcomes cannot be guaranteed.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Co-operative during the year.

Matters subsequent to the end of the financial year

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Co-operative, the results of those operations, or the state of affairs of the Co-operative, in subsequent financial years.

Likely developments and expected results of operations

Information on likely developments in the Co-operative's operations and the expected results from operations has not been included in this report because the Directors believe it may result in unreasonable prejudice to the Co-operative.

Environmental regulation

In terms of its current operations, the Co-operative is not subject to any significant environmental regulation.

Insurance of officers

During the financial year, the Co-operative paid premiums to insure the Directors and officers against liability incurred to the extent permitted by the law. The premium for Directors and officers insurance was $2,774 (2011: $2,506) for the year.

Information on Directors

Director	Experience	Special Responsibilities
P T Sheppard	Director of the Co-operative since 16 November 2000. Irrigation farmer. Member representing CIMCL on the Asset Refurbishment & Maintenance Committee of Coleambally Irrigation Co-operative Limited. Member of Rural Industries Research and Development Committee – Rice. Member of the Community Environmental Committee. Graduate of Australian Institute of Company Directors.	Chairman
I D Sutherland	Appointed Director of the Co-operative on 27 November 2002. Irrigation farmer. Chairman of Community Environmental Committee. Community Member Murrumbidgee Demonstration Farm.	Deputy Chairman
S W Rice	Commenced as a Director of the Co-operative on 15 November 2007. Irrigation farmer. Member of RGA – Coleambally branch.	
A J Hayes	Commenced as a Director of the Co-operative on 11 November 2010. Employed in the agricultural service industry. Director Coleambally Community Bank. Graduate of Australian Institute of Company Directors.	
B M Brown	Commenced as a Director of the Co-operative on 1 March 2007. Director of Coleambally Irrigation Co-operative Limited since 20 May 2004. Senior management roles with a number of large agribusiness groups.	

Auditors' independence declaration
A copy of the auditors' independence declaration as required by the *Co-operatives Act 1992* is set out on this page.

Meetings of Directors
The number of meetings of the Co-operative's Board of Directors held during the year ended 30 June 2012, and the number of meetings attended by each member were:

	Board Meetings
Number of meetings	**6**
P T Sheppard	6
I D Sutherland	6
S W Rice	6
A Hayes	6
B M Brown	6

This report is made in accordance with a resolution of the Directors.

P T Sheppard
Director

Coleambally
25 September 2012

Auditors' Independence Declaration

As lead auditor of the audit of Coleambally Irrigation Mutual Co-operative Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements in relation to the audit;
(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Hugh McKenzie-McHarg
Partner
Johnsons MME

Albury
25 September 2012

Statement of comprehensive income

For the year ended 30 June 2012

	Notes	**2012**	2011
		$	$
Income	2	**2,004,478**	3,924,704
Employee benefits expense		**(40,754)**	(40,672)
Consulting and legal expenses		**(71,537)**	(45,023)
Other expenses		**(54,758)**	(67,114)
Profit before income tax expense/(benefit)		**1,837,429**	3,771,895
Income tax (expense)/credit	3	**4,856**	(756,109)
Profit after income tax		**1,842,285**	3,015,786
Other comprehensive income			
Other comprehensive income		**0**	0
Total comprehensive result for the year		**1,842,285**	3,015,786

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Statement of financial position

As at 30 June 2012

	Notes	**2012**	2011
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	4	**7,102,855**	2,050,037
Receivables	5	**1,441,822**	1,448,890
Prepayments		**4,942**	4,833
Total current assets		**8,549,619**	3,503,760
Non current assets			
Other financial assets	6	**10,934,741**	14,321,661
Deferred tax assets	7	**700,812**	688,095
Total non current assets		**11,635,553**	15,009,756
Total assets		**20,185,172**	18,513,516
LIABILITIES			
Current liabilities			
Payables	8	**155,548**	194,913
Current tax liabilities	9	**247,618**	378,882
Total current liabilities		**403,166**	573,795
Total liabilities		**403,166**	573,795
Net assets		**19,782,006**	17,939,721
EQUITY			
Reserves	10(a)	**19,782,006**	17,939,721
Retained surplus/(accumulated deficit)	10(b)	**0**	0
Total equity		**19,782,006**	17,939,721

The above statement of financial position should be read in conjunction with the accompanying notes.

Coleambally Irrigation Mutual Co-operative Limited

Statement of changes in equity

For the year ended 30 June 2012

	Notes	2012 $	2011 $
Total equity at the beginning of the year		**17,939,721**	14,923,935
Total comprehensive result for the year		**1,842,285**	3,015,786
Total equity at the end of the year		**19,782,006**	17,939,721

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 30 June 2012

	Notes	2012 $	2011 $
Cash flows from operating activities			
Receipts from customers		**1,417,127**	2,119,738
Payments to suppliers and employees		**(206,414)**	(101,706)
		1,210,713	2,018,032
Interest and distributions received		**205,455**	133,157
Taxation paid		**(139,125)**	(216,680)
Net cash inflow from operating activities	19	**1,277,043**	1,934,509
Cash flows from investing activities			
Payments for investments		**(1,000,000)**	(3,500,000)
Proceeds from sale of investments		**4,775,775**	0
Net cash outflow from investing activities		**3,775,775**	(3,500,000)
Net increase/(decrease) in cash held		**5,052,818**	(1,565,491)
Cash and cash equivalents at the beginning of the financial period		**2,050,037**	3,615,528
Cash and cash equivalents at the end of the financial period	4	**7,102,855**	2,050,037

The above statement of cash flows should be read in conjunction with the accompanying notes.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board.

The following is a summary of material accounting policies adopted by the Co-operative in the preparation of the financial statements. The accounting policies have been consistently applied.

The financial statements are prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at fair value. The accounting policies adopted have been consistently applied to all years presented.

(b) Income recognition

Amounts disclosed as income are net of duties and taxes paid. Income is recognised for the major business activities as follows:

(i) Levies from members

Levies are raised annually and are recognised at the time the levy is billed.

(ii) Interest and distribution income

Interest is recognised as it accrues. Distributions from investment trusts are recognised when a distribution is advised or received whichever occurs earlier.

(iii) Movements in fair value of investments

Movements in fair value of investments are brought to account as they accrue (refer note 1(f)).

(c) Income tax

Income tax expense for the year is the tax payable on the current year's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying values in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or the liabilities settled. Where temporary differences arise on initial recognition of an asset or liability, no deferred tax asset or liability is recognised in respect to these differences if they arose in a transaction that, at the time of the transaction, did not affect either the accounting or taxation profit or loss. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Deferred tax is debited/ credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case deferred tax is adjusted directly against equity.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

(e) Receivables

Accounts receivable are brought to account at their nominal amounts. This is considered to be the fair value of receivables and due to their short term nature this is not materially different from amortised cost. No provision is raised for doubtful debts as there is considered to be little likelihood of bad debts arising.

Levies are billed in June each year and are due in 30 days. Interest is charged on overdue amounts at the rate of 9.5% (2011:10.75%) per annum.

Note 1. Summary of significant accounting policies (continued)

(f) Other financial assets at fair value through the profit and loss

Financial assets at fair value through the profit and loss are financial assets that are managed and their performance evaluated on a fair value basis, in accordance with a documented investment strategy (summarised at note 20), and information about these investments is provided and monitored internally by the Board on a regular basis. These financial assets comprise investments in managed funds and are reflected at fair value based on advice from the fund managers. They are included in non-current assets unless the Co-operative intends to dispose of the investment within 12 months of the balance date. Changes in the fair value of "financial assets at fair value through the profit and loss" are recognised in the statement of comprehensive income in the period in which they arise.

(g) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally floating note securities, are non-derivatives that are either designated in this category or not classified in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities or determinable payments and management intends to hold them for the medium to long term.

(h) Trade and other creditors

These amounts represent liabilities for goods and services provided to the Co-operative prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Due to the short term nature of payables, measurement at cost is not materially different from amortised value.

(i) Reserves

As a mutual entity the Co-operative receives funds from members and non-members. The Co-operative separately accounts for the balance of members' funds. In order to illustrate this, and the Co-operative's compliance with rules 20 and 21 of the Co-operative's rules, reserves have been created (refer note 10). Remaining member's funds are made up of the balances of the members' contribution reserve and the sinking fund reserve.

(j) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(k) Accounting standards issued but not yet effective

The Australian Accounting Standards Board has issued new, revised and amended Standards and Interpretations that have mandatory application dates for future reporting periods. The Board of Directors have reviewed the requirements of the new and revised standards and have assessed the impact on the Co-operative is not likely to be material.

Note 2. Income

	2012 $	2011 $
Income from operating activities		
Levies from members	**1,290,408**	1,302,516
Termination fees	**118,200**	675,390
Net distributions and movement in fair value of investments	**388,855**	1,813,640
	1,797,463	3,791,546
Income from outside the operating activities – non members		
Interest	**207,015**	133,158
	207,015	133,158
Total income from ordinary activities	**2,004,478**	3,924,704

Note 3. Income tax

(a) Income tax expense

	2012	2011
Current tax	**(7,861)**	(551,699)
Deferred tax (i)	**12,717**	(204,410)
Aggregate income tax (expense)/credit	**4,856**	(756,109)

(i) Deferred income tax expense is entirely comprised of movements in the deferred income tax asset balance.

(b) Numerical reconciliation of income tax expense to prima facie tax payable

The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the net surplus from ordinary activities. The differences are reconciled as follows:

	2012	2011
Net surplus from ordinary activities before income tax	**1,837,429**	3,771,895
Income tax expense calculated @ 30% (2010: 30%)	**(551,229)**	(1,131,569)
Tax effect of permanent differences		
Net mutual income and expenses attributable to mutual income	**415,592**	382,429
Tax over/(under) provided in prior years	**130,781**	(6,969)
Income tax (expense)/credit	**4,856**	(756,109)

The Co-operative continues to account for its taxation on the basis that the concept of mutuality is applicable to levy contributions from members.

Note 4. Current assets – Cash and cash equivalents

	2012	2011
Cash at bank	**493,734**	438,467
Term Deposits	**6,609,121**	1,611,570
	7,102,855	2,050,037

Note 5. Current assets – Receivables

		2012 **$**	2011 $
Trade debtors	**(a)**	**1,440,262**	1,448,890
Accrued Income		**1,560**	0
		1,441,822	1,448,890

(a) Ageing

The ageing of receivables balance date was:

	Gross 2012 $	**Impairment 2012 $**	Gross 2011 $	Impairment 2011 $
Not past due	**1,425,028**	**0**	1,432,767	0
Past due 31 – 60 days	**0**	**0**	0	0
Over 60 days	**15,234**	**0**	16,123	0
	1,440,262	**0**	1,448,890	0

Note 6. Other financial assets

Financial assets at fair value through the profit and loss	**10,934,741**	14,321,661
Available-for-sale financial assets	**0**	0
	10,934,741	14,321,661

Note 7. Deferred tax assets

Future income tax benefit	**700,812**	688,095

Note 8. Current liabilities – Payables

Trade creditors and accruals	**155,548**	194,913

Note 9. Current tax liabilities

Income tax	**247,618**	378,882

Note 10. Reserves and retained surpluses

	Notes	2012 $	2011 $
(a) Reserves			
Members' contribution reserve		**7,183,226**	6,892,818
Sinking fund reserve		**11,000,000**	10,000,000
Non-member income reserve		**1,598,780**	1,046,903
		19,782,006	17,939,721
Movements			
Members' contribution reserve			
Balance as at 1 July 2011		**6,892,818**	7,590,302
Transfers from retained surplus		**1,290,408**	1,302,516
Transfers to sinking fund reserve		**(1,000,000)**	(2,000,000)
Balance as at 30 June 2012		**7,183,226**	6,892,818
Sinking fund reserve			
Balance as at 1 July 2011		**10,000,000**	8,000,000
Transfers from members contribution reserve		**1,000,000**	2,000,000
Balance as at 30 June 2012		**11,000,000**	10,000,000
Non-member income reserve			
Balance as at 1 July 2011		**1,046,903**	0
Transfers from retained surplus		**551,877**	1,046,903
Transfers to retained surplus		**0**	0
Balance as at 30 June 2012		**1,598,780**	1,046,903
(b) Retained surplus/(accumulated deficit)			
Retained surpluses at the beginning of the financial year		**0**	(666,367)
Total comprehensive result for the year		**1,842,285**	3,015,786
Transfers to members' contribution reserve		**(1,290,408)**	(1,302,516)
Transfers to non-member income reserve		**(551,877)**	(1,046,903)
Transfers from non-member income reserve		**0**	0
Retained surplus/(deficit) at the end of the financial year		**0**	0

(c) Nature and purpose of reserves

(i) Members' contributions reserve
The members contributions reserve has been established to record and control the receipt of all members' contributions. Funds are allocated from the members' contributions reserve as required to fund the costs and expenses and overheads of the Co-operative and to transfer amounts to the sinking fund reserve as required by Rule 20.4.

(ii) Sinking Fund Reserve
Under Rule 20.4(b)(i) of the Co-operative's rules, it is required to set aside reserves in a fund to be known as the "Sinking Fund" to cover capital expenditure for the construction, refurbishment and replacement of future and existing irrigation assets in the existing area of operations of Coleambally Irrigation Co-operative Limited. The funds so set aside can only be used for this purpose.

(iii) Non-member income reserve
Under Rule 21.3 of the Co-operative's rules, it is required to establish a separate reserve fund for the purpose of separating contributions from the non-member funds. All non-member funds must be held in the non-member income fund and must be identifiable in the Co-operative's accounts. These funds may be drawn to fund operations as required.

Note 11. Share capital

Coleambally Irrigation Mutual Co-operative Limited is a Co-operative without share capital.

Note 12. Financial instruments

(a) Interest rate risk exposures
The Co-operative's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table:

Fixed interest maturing in:

2012

	Notes	Floating interest rate $	1 year or less $	over 1 to 5 years $	More than 5 years $	Non-interest bearing $	Total $
Financial assets							
Cash	4	493,734	6,609,121				7,102,855
Receivables	5					1,441,822	1,441,822
Investments	6					10,934,741	10,934,741
		493,734	6,609,121			12,376,563	19,479,418
Weighted average interest rate		3.95%	5.53%				
Financial liabilities							
Trade creditors and accruals	8					155,548	155,548
						155,548	155,548
Net financial assets/(liabilities)		493,734	6,609,121			12,221,015	19,323,870

Fixed interest maturing in:

2011

	Notes	Floating interest rate $	1 year or less $	over 1 to 5 years $	More than 5 years $	Non-interest bearing $	Total $
Financial assets							
Cash	4	438,467	1,611,570				2,050,037
Receivables	5					1,448,890	1,448,890
Investments	6					14,321,661	14,321,661
		438,467	1,611,570			15,770,551	17,820,588
Weighted average interest rate		4.25%	5.91%				
Financial liabilities							
Trade creditors and accruals	8					194,913	194,913
						194,913	194,913
Weighted average interest rate							
Net financial assets/(liabilities)		438,467	1,611,570			15,575,638	17,625,675

Note 12. Financial instruments (continued)

(b) Net fair value of financial assets and liabilities
The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying amounts.

(c) Credit risk exposures
The credit risk on financial assets which have been recognised on the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.

Note 13. Remuneration of auditors

	2012	2011
	$	$
Remuneration of the auditors of the Co-operative for:		
Audit of the financial statements	**3,350**	3,300
Other assurance services	**4,400**	4,400
Total audit and other assurance services	**7,750**	7,700
Taxation services	**9,685**	6,290
Total remuneration	**17,435**	13,990

Note 14. Contingent liabilities

At the date of signing the financial statements the Co-operative is not aware of any contingent liability.

Note 15. Commitments for expenditure

Capital commitments

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:		
Not later than one year	**0**	0
	0	0

Note 16. Related parties

Key management personnel
The names of persons who were Directors of the Co-operative at any time during the financial period are as follows:
P T Sheppard; I D Sutherland; S W Rice; A Hayes and B M Brown. The Directors received remuneration of $40,000 (2011: $39,982).

Loans to key management personnel
There were no loans to key management personnel or their related entities.

Transactions of key management personnel concerning shares
The Co-operative does not have a share capital and accordingly the key management personnel own no shares.

Other transactions with key management personnel and their related entities
During the year the Co-operative raised levies on those key management personnel who are members of the Co-operative or their related entities on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with them at arm's length in the same circumstances. The total value of levies raised by the Co-operative from key management personnel and their related entities was $48,461 (2011: $48,427). These levies were raised just prior to the end of the reporting period, and remain outstanding as at 30 June 2012.

Note 17. Event occurring after reporting date

No matter or event has arisen since the reporting date that is considered likely to have a significant effect on the Co-operative in future financial years.

Note 18. Segment information

The Co-operative operates in order to replace irrigation infrastructure in the Coleambally Irrigation Area located in the Riverina region of New South Wales. The Co-operative has no operations in any other industry or geographic segment.

Note 19. Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities

	2012	2011
	$	$
Profit after income tax	**1,842,285**	3,015,786
Movement in fair value of investment	**(388,855)**	(1,813,641)
Change in operating assets and liabilities		
(Increase)/decrease in receivables	**7,068**	141,832
(Increase)/decrease in prepayments	**(109)**	(373)
(Increase) in tax assets	**(12,717)**	204,410
Increase/(decrease) in trade creditors and accruals	**(39,365)**	51,476
Increase/(decrease) in tax liabilities	**(131,264)**	335,019
Net cash inflow/(outflow) from operating activities	**1,277,043**	1,934,509

Note 20. Financial Risk Management

The Co-operative's activities expose it to credit and liquidity risks. The Co-operative's overall risk management program focuses on the key risk of unpredictability in financial markets and seeks to minimise potential adverse affects on the financial performance of the Co-operative. The Board monitors these risks through quarterly Board meetings where management reports are presented and analysed.

a) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks as well as credit exposures including outstanding receivables and long term investments. The maximum exposure to credit risk at balance date is the carrying amount of financial assets as summarised in note 12(a).

During the second half of 2011-2012 the Co-operative liquidated a number of the growth assets in the investment portfolio. This was in response to global financial market volatility associated with high Euro Zone debt and continuing high unemployment level plus low economic growth in the USA.

During 2011-2012 the Co-operative reviewed its investment strategy and as a result has continued to adopt a conservative approach to the mix of assets held in the investment portfolio. As at the end of 2011-2012 approximately 50% of the investment portfolio was held in the form of fixed interest securities, term deposits and cash.

b) Liquidity risk

Liquidity risk is the risk that the Co-operative will encounter difficulty in meeting obligations associated with financial liabilities. The maximum exposure to liquidity risk at balance date is the carrying amount of financial liabilities as summarised in note 8. To manage its liquidity risk the Committee monitors its cash flow requirements on a monthly basis to maintain sufficient cash to pay its debts as and when they fall due.

Directors' declaration

The Directors declare that the financial statements and notes set out on pages 4 to 15:

(a) comply with Accounting Standards, the *Co-operatives Act 1992* as amended and other mandatory professional reporting requirements; and

(b) give a true and fair view of the Co-operative's financial position as at 30 June 2012 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the Directors' opinion 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.

This declaration is made in accordance with a resolution of the Directors.

P T Sheppard
Director

Coleambally
25 September 2012

Independent audit report to members

Report on the Financial Statements

We have audited the financial statements of Coleambally Irrigation Mutual Co-operative Limited, which comprise the statement of financial position at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of accounting policies, other explanatory notes and the Directors' declaration.

Directors' Responsibility for the Financial Statements

The Directors of Coleambally Irrigation Mutual Co-operative Limited are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Co-operatives Act 1992.* This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Co-operatives Act 1992.*

Auditor's Opinion

In our opinion the financial statements of Coleambally Irrigation Mutual Co-operative Limited are in accordance with the *Co-operatives Act 1992,* including:

a) giving a true and fair view of Coleambally Irrigation Mutual Co-operative Limited's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

b) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and complying with the *Co-operatives Regulations.*

Johnsons MME
Chartered Accountants

H P McKenzie-McHarg
Partner

Albury
25 September 2012

Frequently asked questions

Q. Why do we have two Co-operatives?

A. At the time of privatisation, a decision was taken to adopt a dual-co-operative structure. This meant that tax would not be paid on contributions from members paid to CIMCL for the purposes of asset replacement. It also means that the funds that are collected for this purpose cannot be expended for any other purpose.

Q. Why do we need two Boards – couldn't the one Board oversee the operations of both co-operatives?

A. It's a requirement under the Co-operatives Act that both businesses have a Board that is elected by its members and while the membership of both co-operatives are similar, they are not identical. The point of difference is that whereas CICL is a member of CIMCL, CIMCL is not a member of CICL.

Q. How can members be sure that contributions collected for the purpose of replacing assets are not used for other purposes?

A. CIMCL exists for a single purpose; it is structured separately from CICL; and its rules place strict limits on how its funds may be utilised. There is therefore very little prospect of the funds it collects being used for another purpose.

Q. How securely are CIMCL's funds invested?

A. CIMCL financial advisors are highly experienced and professionally well-regarded and our portfolio is highly diversified across a range of investments and within each investment class. As at 30 June 2012, our funds were invested as follows:

- 37.76% - Australian Equities
- 12.84% - Overseas Equities (of which most was hedged against currency movements)
- 9.75% - Fixed Term (Medium Term) Funds
- 39.65% - Cash/Short Term Deposits

Notwithstanding the conservative and diversified structure of our portfolio and other arrangements the Board has made to limit its risks, all investment is subject to a degree of risk.

Q. What is the value of the assets that CIMCL has an obligation to replace?

A. Approximately $141m.

Q. When will the first major round of replacements occur?

A. The latest expert review of the anticipated design life of our irrigation infrastructure assets and their replacement value predicts expenditures in the order of $48m during the period 2032-2042 and $75m between 2042-2065.