Coleambally Irrigation Mutual Co-operative Limited

CIMCL
COLEAMBALLY IRRIGATION MUTUAL CO-OPERATIVE LIMITED

ABN 60 785 211 497
Registered Office: 7 Brolga Place, Coleambally 2707

Annual Report

2007-2008

Contents

Chairman's Annual Report

On behalf of the Board of Coleambally Irrigation Mutual Cooperative Limited (CIMCL), I am pleased to present to you the annual report for the past year.

During the year, we've seen a change in the Executive staff of CIMCL with the resignation of Murray Smith as CEO. Whilst Murray has moved onto bigger challenges, Austin Evans has filled the role as Acting CEO since early May.

Investment Progam

Over the past 12 months, we have been more conservative in our investment strategy with 80% growth and 20% stable. The Board made a decision not to re-invest the dividends in the long term portfolio rather investing them in bank instruments.

At the end of June 2008, our investment portfolio (long and short term) had a value of $7,744,807 compared with a total amount invested of $8,595 008 at June 2007. This is a decline of 9.6% which is disappointing but reflects current market returns on investments.

Asset Levy and Actuarial Revue

The Board resolved to increase the levy from $2.98 to $3.11 per megalitre based on delivery entitlement. The decision made to increase the levy is to be reviewed as the season progresses. This decision was made to ensure that the levy kept pace with the need to meet the assets renewal program.

CICL has completed a Modern Engineering Equivalent Replacement Asset (MEERA) review. CIMCL has passed the data on to the actuaries for consideration to confirm or revise the adequacy of the renewals annuity – the CIMCL levy. This process is undertaken every five years.

CIMCL Renewal program

CIMCL has asked CICL to undertake the replacement of two bridges on the Kidman Way. The bridges are on DC460 (the drainage channel bridge near Burke Lane) which will be replaced with a pipe and the Boona Channel bridge near Pine Drive which will also be replaced with a large diameter pipe. These replacements are designed to meet the future delivery entitlements downstream. These works are proposed to be undertaken as part of the winter works program in June 2009. They will be funded from the infrastructure and maintenance fund.

Termination and Access Fees

The Termination fee at the current time is fifteen times the annual access fee. Thus the Termination fee is $73.30 (including GST) per megalitre of delivery entitlement.

Elections

I advise that Kate Arthur and Stan Rice were successful in being elected to the two member director positions on the CIMCL Board. I welcome them to the Board and congratulate them on their election. I would also like to acknowledge the valuable contribution of Steve Burgess over the last six years.

This year we will be asking you to approve the appointment of Mr. Bruce Brown as the Independent director. Bruce brings vast experience in finance and agribusiness to the Board. The role of the Independent director is invaluable in bringing a different perspective to the Board.

Ray Hunt will be retiring in November, 2008 and no replacement will be required as the Board is reducing from six to five directors. Ray was a foundation director of CIMCL and the inaugural chairman. His commitment, drive and foresight have helped place CIMCL in its current sound position. We wish Ray and Lynne well in their retirement.

On behalf of the Board, I would like to express my sincere thanks to Murray Smith for his commitment over the last four years. Murray arrived at the time we were going through our battles with the ATO and helped guide us through to a successful outcome. We wish him well in his new adventures.

On behalf of the Board, I would like to express sincere thanks to our Federal Members of Parliament, Kay Hull, Member for Riverina, and Sussan Ley, Member for Farrer and Adrian Piccoli, State member for Murrumbidgee for their continued support during the pat year.

To conclude, I would like to thank the directors of CIMCL Board and the members of CIMCL for their support throughout the year. A special thanks to Company Secretary, Anne Rzeszkowski, and Acting CEO, Austin Evans for their untiring efforts.

Peter Sheppard
Chairman
14 October 2007

Investment Report for year ended 30 June 2008

Review of Investment Markets

It goes without saying that 2007-08 has been a difficult year for everyone with share or property investments and superannuation.

The 2007-08 financial year opened with Australia having enjoyed 15 years of continuous economic growth and with our economy in very good shape. The Reserve Bank had made a succession of small increases in the official interest rate as the Bank was concerned that our economy was overheating, leading to inflation pushing up to the top of the Reserve Bank's band of 2-3%. Unemployment was around record low levels and migration was being boosted to help fill an increasing shortage of skilled workers. The Australian share market had recorded four successive years of returns in excess of 20%.

In August 2007 the first signs emerged of possibly serious problems in the so called sub-prime sector of the US housing market. This caused investors to take stock which resulted in share markets retracting and a greater focus being placed on pricing of risk. However by November, in Australia the share market had fully recovered. With the price of oil seemingly rising indefinitely, along with increasing prices for raw materials and with China and India powering along, investors took the view that Australia would be insulated from whatever problems were emerging in USA.

By January the magnitude of the problem with US housing loans had escalated and evidence was emerging that the UK also had a serious looming problem in parts of its housing market. It soon became apparent that the US problems had become global with many major banks in Europe, along with many in the US revealing they had incurred multi-billion dollar losses through their holdings of securitised sub–prime housing loans. The US Federal Reserve had moved to drop its interest rate to just 2% in an effort to ease the situation.

Rumours that some banks were experiencing serious problems began spreading and this soon led to a far more cautious approach to any businesses that had high levels of debt, particularly if that debt was due to be refinanced in the near term. This crisis of confidence developed into the so called "Credit Crisis" and also soon saw hedge funds short selling those companies that had high debt (or where certain investors or management had large margin loans). The combination of factors saw the market values fall sharply of banks, other financial institutions, and real estate property trusts.

In the UK, the government nationalised Northern Rock Bank and at home the Rams Home loans business failed – it had large short term borrowings and was unable to refinance them. Other Australian businesses such as Allco, Babcock & Brown, ABC Learning etc., all of which were heavily indebted suffered dramatically.

Investors were becoming increasingly concerned that the US economy might slip into recession; however US Treasury officials repeatedly gave assurances that this would not be the case.

In the year ended 30 June, all major asset sectors with the exception of bonds and cash produced sizeable negative returns.

Individual asset sector returns for the last four years have been:

	2008	2007	2006	2005
Australian Shares	-13.4%	22.0%	24.0%	25.4%
International Shares	-21.3%	1.5%	20.0%	12.5%
Listed Property	-36.3%	29.4%	18.1%	17.4%
Australian Bonds	4.4%	3.7%	3.4%	7.8%
Liquid Investments	7.3%	6.2%	5.8%	5.5%

Source: Vanguard Investments

The Mutual's Investments

Our long term investment strategy as recommended by our actuaries is to maintain a high percentage of "growth assets" meaning mainly Australian and International shares. With growth assets suffering badly in the year, the Mutual's investment portfolio understandably has suffered a decline in value. The Board however decided not to invest the majority of the 2007 levy in the long term strategy and as a precaution most of these funds have been retained as a bank deposits.

The long term portfolio is invested principally with the Macquarie van Euk Blueprint funds which provide important diversification benefits, and low management fee. To further diversify our investments, the Board undertook a review of other highly rated fund managers and has switched some funds to Russell Private Investment and Challenger Managed Investments.

During the year, investments of the Mutual decreased from $8,595 008 to $7,744,807.

Events since 30 June 2008

Financial markets have deteriorated further with all of the top five US investment firms either failing, merging with large banks or converting to banks themselves which will bring them under the regulatory regime. In the US and the UK, some banks have failed and governments are desperately pumping liquidity into their systems and working on bailout packages. The largest US insurance company which had insured an excessive volume of sub-prime mortgages and related securities also has failed and has been bailed out by the government. It would appear that management of many financial institutions and the US regulators has been left wanting.

Commodity prices particularly for basic materials have fallen and the price of oil has fallen below US$100 a barrel after touching the US$145 level earlier in the year. Australia's Reserve Bank has begun easing monetary policy by lowering interest rates.

The credit markets have effectively frozen with banks in many cases unwilling to lend even to other banks. We surely have a crisis of confidence; until confidence is restored and until some stability returns it would seem that the Credit Crisis will not abate. The credit market can be seen as the blood of economies but in early October, the patient's veins are severely clotted.

We are fortunate in Australia that our banks are well regulated, strongly capitalised and with minimal exposure to the housing problems in the US and UK. So long as the Chinese economy does not deteriorate quickly, it is hoped that Australia will escape largely unscathed. Furthermore the Australian Federal Government is in a strong financial position with no debt and a strong budget surplus.

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

Annual Report

Year ended 30 June 2008

Contents

Your directors present their report on the co-operative for the year ended 30 June 2008.

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
H. R. Hunt	Member Director	
I. D. Sutherland	Member Director	
B M Brown	Independent Director	

Mr A V Wray was a director from 1 July 2007 till his resignation on 11 September 2007. Mr S Burgess was a director from 1 July 2007 till his resignation on 14 November 2007. Mr S W Rice and Ms K A Arthur were appointed as directors from 15 November 2007.

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:

	2008 **$**	2007 $
Net surplus from ordinary activities before income tax	**146,669**	2,396,184
Less: Income tax (expense)/credit attributable to net surplus	**440,833**	(226,402)
Net surplus from ordinary activities after income tax	**587,502**	2,169,782

During the year the co-operative raised levies from members and invested those funds in accordance with its charter. Directors are confident the long term investment strategies are appropriate and capable of delivering an investment pool to achieve the objectives of the Co-operative. However, 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
Since the end of the financial year world financial markets have been in turmoil and financial asset values world-wide have declined significantly. As at 30 September 2008 the co-operative's financial assets disclosed at Note 6 had declined by the order of $350,000. Given the current volatility of global financial markets the directors are unable to accurately quantify the amount of this decline as at the date of this report. Except for this matter, 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 have 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 $4,121 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 of Community Environmental Committee of Coleambally Irrigation Co-operative Limited. Member representing CIMCL on the Asset Refurbishment & Maintenance Committee of Coleambally Irrigation Co-operative Limited. Committee member of Rural Industries Research and Development Committee – Rice.	Chairman
I D Sutherland	Appointed director of the co-operative on 27 November 2002. Irrigation farmer. Member of Community Environmental Committee of Coleambally Irrigation Co-operative Limited. Community Member Murrumbidgee Demonstration Farm.	Deputy Chairman
H R Hunt	Director of the co-operative since 18 January 2000. Irrigation farmer.	
S W Rice	Commenced as a director of the Co-operative on 15 November 2007. Irrigation farmer. Member of RGA – Coleambally branch. Committee member of RGA Public Relations Committee.	
K A Arthur	Commenced as a director of the Co-operative on 15 November 2007. Irrigation farmer. Member of RGA-Coleambally Branch. Board Member, Riverina Regional Development Board. Steering Committee Member, Riverina Agricultural Women. Coleambally Preschool Executive Management Committee	
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 2008, and the number of meetings attended by each member were:

	Board Meetings
Number of meetings	**6**
P T Sheppard	6
A V Wray	1 of 1
H R Hunt	5
S Burgess	2 of 3
I D Sutherland	6
B M Brown	6
S Rice	3 of 3
K Arthur	3 of 3

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

P T Sheppard
Director

Coleambally
14 October 2008

Auditors' Independence Declaration

As lead auditor of the audit of Coleambally Irrigation Mutual Co-operative Ltd for the year ended 30 June 2008, 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
14 October 2008

Coleambally Irrigation Mutual Co-operative Limited

Income statement

For the year ended 30 June 2008

	Notes	**2008** **$**	2007 $
Revenue	2	**1,618,421**	2,508,450
Employee benefits expense		**(38,660)**	(40,000)
Consulting and legal expenses		**(29,290)**	(19,952)
Net distributions and movement in fair value of investments		**(1,345,993)**	-
Other expenses		**(57,809)**	(52,314)
Profit before income tax expense/(benefit)		**146,669**	2,396,184
Income tax (expense)/credit	3	**440,833**	(226,402)
Profit after income tax		**587,502**	2,169,782

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

Coleambally Irrigation Mutual Co-operative Limited

Balance sheet

As at 30 June 2008

	Notes	2008 $	2007 $
ASSETS			
Current assets			
Cash and cash equivalents	4	**430,401**	194,341
Receivables	5	**1,935,083**	1,552,322
Total current assets		**2,365,484**	1,746,663
Non current assets			
Other financial assets	6	**7,744,807**	8,595,008
Deferred tax assets	7	**641,096**	114,072
Total non current assets		**8,385,903**	8,709,080
Total assets		**10,751,387**	10,455,743
LIABILITIES			
Current liabilities			
Payables	8	**164,224**	139,979
Current tax liabilities	9	**68,243**	384,346
Total current liabilities		**232,467**	524,325
Total liabilities		**232,467**	524,325
Net assets		**10,518,920**	9,931,418
EQUITY			
Reserves	10(a)	**10,518,920**	9,931,418
Retained surplus/(accumulated deficit)	10(b)	**-**	-
Total equity		**10,518,920**	9,931,418

The above balance sheet 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 2008

	Notes	2008 $'000	2007 $'000
Total equity at the beginning of the year		**9,931,418**	7,761,636
Net profit/(loss) for the year	10	**587,502**	2,169,782
Total equity at the end of the year		**10,518,920**	9,931,418

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

Cash flow statement

For the year ended 30 June 2008

	Notes	2008 $	2007 $
Cash flows from operating activities			
Receipts from customers		**1,486,278**	1,422,744
Payments to suppliers and employees		**(122,801)**	(234,312)
		1,363,477	1,188,432
Interest & distributions received		**56,929**	1,492,546
Taxation paid		**(384,346)**	(117,551)
Net cash inflow from operating activities	19	**1,036,060**	2,563,427
Cash flows from investing activities			
Payments for investments		**(800,000)**	(2,448,906)
Proceeds from sale of investments		**-**	-
Net cash outflow from investing activities		**(800,000)**	(2,448,906)
Net increase/(decrease) in cash held		**236,060**	114,521
Cash at the beginning of the financial period		**194,341**	79,820
Cash at the end of the financial period	4	**430,401**	194,341

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

Note 1. Summary of significant accounting policies

(a) Basis of preparation

This financial report is a general purpose financial report that has 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 report. The accounting policies have been consistently applied.

The financial report is 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) Revenue recognition

Amounts disclosed as revenue are net of duties and taxes paid. Revenue 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 revenue

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 or revenue 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 effect 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 income statement 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. 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 10.0% (2007:10.0%) 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 management intends to dispose of the investment within 12 months of the balance sheet date. Changes in the fair value of "financial assets at fair value through the profit and loss" are recognised in the income statement 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.

(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 members funds are made up of the balances of the members' contribution reserve and the sinking fund reserve.

(j) Goods and Services Tax (GST)

Revenues, 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 balance sheet are shown inclusive of GST.

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

(k) Changes to accounting standards

Certain changes to accounting standards and interpretations have been published that are not mandatory for the 30 June 2008 reporting period including changes to AASB 101: *Presentation of Financial Statements,* AASB 123: *Borrowing Costs* and AASB 1004: *Contributions*. These changes have not been applied in the preparation of this financial report. They are not expected to have a material impact on the financial report when they are applied.

Note 2. Revenue

	2008 $	2007 $
Revenue from operating activities		
Levies from members	**1,535,013**	1,400,820
	1,535,013	1,400,820
Revenue from outside the operating activities – non members		
Interest	**83,408**	43,640
Distributions and movements in fair value of financial assets	**0**	1,063,990
	83,408	1,107,630
Total revenue from ordinary activities	**1,618,421**	2,508,450

Note 3. Income tax

	2008 $	2007 $
(a) Income tax expense		
Current tax	**(86,191)**	(425,790)
Deferred tax (i)	**527,024**	199,388
Aggregate income tax (expense)/credit	**440,833**	(226,402)

(i) Deferred income tax expense is entirely comprised of movements in deferred income tax liabilities.

(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:

	2008 $	2007 $
Net surplus from ordinary activities before income tax	**146,669**	2,396,184
Income tax expense calculated @ 30% (2007: 30%)	**(44,001)**	(718,855)
Tax effect of permanent differences		
Net mutual income and expenses attributable to mutual income	**484,834**	414,574
Tax overprovided in prior years	**0**	77,879
Income tax (expense)/credit	**440,833**	(226,402)

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

	2008 $	2007 $
Cash at bank	**230,401**	39,630
Term Deposit	**200,000**	154,711
	430,401	194,341

Note 5. Current assets – Receivables

		2008 $	2007 $
Trade debtors	**(a)**	**1,601,057**	1,552,322
Prepayment		**3,339**	-
Accrued Income		**330,687**	-
		1,935,083	1,552,322

(a) Ageing

The ageing of receivables balance date was:

	Gross 2008 $	Impairment 2008 $	Gross 2007 $	Impairment 2007 $
Not past due	**1,600,988**	**-**	1,540,996	-
Past due 31 – 60 days	**-**	**-**	-	-
Over 60 days	**69**	**-**	11,326	-
	1,601,057		1,552,322	-

Note 6. Other financial assets

	2008 $	2007 $
Financial assets at fair value through the profit and loss	**7,144,807**	8,595,008
Available-for-sale financial assets	**600,000**	-
	7,744,807	8,595,008

Note 7. Deferred tax assets

	2008 $	2007 $
Future income tax benefit	**641,096**	114,072
	641,096	114,072

Note 8. Current liabilities – Payables

	2008 $	2007 $
Trade creditors and accruals	**164,224**	139,979
	164,224	139,979

Note 9. Current tax liabilities

	2008 $	2007 $
Income tax	**68,243**	384,346
	68,243	384,346

Note 10. Reserves and retained surpluses

	Notes	2008 $	2007 $
(a) Reserves			
Members' contribution reserve		**2,439,013**	904,000
Sinking fund reserve		**8,000,000**	8,000,000
Non-member income reserve		**79,907**	1,027,418
		10,518,920	9,931,418
Movements			
Members' contribution reserve			
Balance as at 1 July 2007		**904,000**	4,150,304
Transfers from retained surplus		**1,535,013**	1,400,820
Transfers to sinking fund reserve		**-**	(4,647,124)
Balance as at 30 June 2008		**2,439,013**	904,000
Sinking fund reserve			
Balance as at 1 July 2007		**8,000,000**	3,352,876
Transfers from members contribution reserve		**-**	4,647,124
Balance as at 30 June 2008		**8,000,000**	8,000,000
Non-member income reserve			
Balance as at 1 July 2007		**1,027,418**	258,456
Transfers from retained surplus		**-**	1,107,630
Transfers to retained surplus		**(947,511)**	(338,668)
Balance as at 30 June 2008		**79,907**	1,027,418
(b) Retained surplus/(accumulated deficit)			
Retained surpluses at the beginning of the financial year		**-**	-
Net profit for the year		**587,502**	2,169,782
Transfers to members' contribution reserve		**(1,535,013)**	(1,400,820)
Transfers to non-member income reserve		**-**	(1,107,630)
Transfers from non-member income reserve		**947,511**	338,668
Retained surplus/(deficit) at the end of the financial year		**-**	-

Note 10. Reserves and retained surpluses (continued)

(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:

2008

			Fixed interest maturing in:				
	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	430,401	-	-	-	-	430,401
Receivables	5	-	-	-	-	1,935,083	1,935,083
Investments	6	600,000	-	-	-	7,144,807	7,744,807
		1,030,401	-	-	-	9,079,890	10,110,291
Weighted average interest rate		7.50%				N/A	
Financial liabilities							
Trade creditors and accruals	8	-	-	-	-	164,224	164,224
		-	-	-	-	164,224	164,224
Weighted average interest rate						N/A	
Net financial assets (liabilities)		1,030,401	-	-	-	8,915,666	9,946,067

Note 12. Financial instruments (continued)

(a) Interest rate risk exposures (continued)

2007

			Fixed interest maturing in:				
	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	194,341	-	-	-	-	194,341
Receivables	5	-	-	-	-	1,552,322	1,552,322
Investments	6	-	-	-	-	8,595,008	8,595,008
		194,341	-	-	-	10,147,330	10,341,671
Weighted average interest rate		6.62%				N/A	
Financial liabilities							
Trade creditors and accruals	8	-	-	-	-	139,979	139,979
		-	-	-	-	139,979	139,979
Weighted average interest rate						N/A	
Net financial assets (liabilities)		194,341	-	-	-	10,007,351	10,201,692

(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

	2008 $	2007 $
Remuneration of the auditors of the co-operative for:		
Audit of the financial report	**2,900**	2,800
Other assurance services	**2,900**	2,900
Total audit and other assurance services	**5,800**	5,700
Taxations services	**2,750**	2,600
Other services	**3,910**	9,250
Total remuneration	**12,460**	17,550

Note 14. Contingent liabilities

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

Note 15. Commitments for expenditure

	2008 $	2007 $
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	-	-
	-	-

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; A V Wray; H R Hunt; S Burgess; I D Sutherland; S W Rice; K A Arthur and B M Brown. The directors received remuneration of $38,660 (2007: $40,000).

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 $54,533 (2007: $44,528). These levies were raised just prior to the end of the reporting period, and remain outstanding as at 30 June 2008.

Note 17. Event occurring after reporting date

Since the end of the financial year world financial markets have been in turmoil and financial asset values world-wide have declined significantly. As at 30 September 2008 the co-operative's financial assets disclosed at Note 6 had declined by the order of $350,000. Given the current volatility of global financial markets the directors are unable to accurately quantify the amount of this decline as at the date of this report. No other 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

	2008 $	2007 $
Profit after income tax	**587,502**	2,169,782
Movement in fair value of investment	**1,650,201**	384,915
Change in operating assets and liabilities		
(Increase) in receivables	**(48,735)**	(109,263)
(Increase) in prepayments	**(3,339)**	-
(Increase) in accrued income	**(330,687)**	-
(Increase) in tax assets	**(527,024)**	(114,072)
Increase/(decrease) in trade creditors and accruals	**24,245**	9,142
Increase/(decrease) in tax liabilities	**(316,103)**	222,923
Net cash inflow/(outflow) from operating activities	**1,036,060**	2,563,427

Note 20. Financial Risk Management

The Co-operatives'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).

To manage its short term credit risk the Co-operative invests surplus funds in term deposits to maximise its return while reducing the potential effect of the short term unpredictability of financial markets and the effect this may have on its return on surplus funds. Due to the size of the term deposits at balance date the Co-operative's exposure to credit risk is considered immaterial to the overall profitability of the entity.

In respect of long term investments, a documented investment strategy has been developed to optimise the long term return on these investments. Initially this involved following a high growth strategy at the ratio of 70:30 in favour of growth assets. Now the growth to fixed interest ratio is being managed at a ratio of 90:10, using an implemented consulting model with a balance of active and passive managers. This allows for a strong emphasis being placed on wholesale investment with low management fees whilst using high quality professional advice.

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 15(b). 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 5 to 16:

(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 2008 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:

(a) the financial statements and notes are in accordance with the *Co-operatives Act 1992* as amended; 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.

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

P T Sheppard
Director

Coleambally
14 October 2008

Independent audit report to the members

Report on the Financial Report

We have audited the financial report of Coleambally Irrigation Mutual Co-operative Limited, which comprises the balance sheet at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Coleambally Irrigation Mutual Co-operative Limited are responsible for the preparation and fair presentation of the financial report 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 a financial report that is 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 report 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, 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 report 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 report.

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 report of Coleambally Irrigation Mutual Co-operative Limited is 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 2008 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
14 October 2008