

# Coleambally Irrigation Mutual Co-operative Limited



ABN 60 785 211 497

Registered Office: 7 Brolga Place, Coleambally 2707

# Annual Report

## 2009-2010

### Contents

Chairman's Report	1
Chief Executive Officer's Report	3
Investment Report	4
Financial Report	5

## **Chairman's Report**

For the year ended 30 June 2010

On behalf of the Board of Coleambally Irrigation Mutual Co-operative Limited (CIMCL), I am pleased to present to you the annual report for the year ending 30 June 2010.

### **Overview**

Last year was difficult on a variety of fronts as we coped with the continuation of the drought, ongoing Government initiated reviews and reforms, and delays in the announcement of the Murray-Darling Basin Authority's Sustainable Diversion Limits (SDLs). However, we have not lost sight of our primary purpose and that is to ensure that our infrastructure assets can be replaced when necessary.

### **Investment Program**

The Board has continued to use CPG Research and Advisory Service Pty. Ltd. as our investment adviser. This last twelve months, while still volatile, were a little more certain than the preceding 12 months and on the advice of CPG, the Board has moved more of its cash back into long term investments.

At 30 June 2010, our investment portfolio (the mix of managed funds, long and short term) had a value of \$9,008,020 compared to a total amount invested of \$5,149,198 at the 30 June 2009. Our cash and cash equivalent investments at 30 June 2010, are \$3,615,529 compared to \$5,378,359 as at 30 June 2009.

### **Asset Levy**

There was no increase in the asset levy for 2010. The Board is mindful of current cost pressures that members are facing and so resolved to maintain the levy at \$3.00 + GST based on delivery entitlements. The Board is determined to monitor costs closely to minimize impact on members.

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**

CIMCL had asked CIGL to arrange for the replacement of two bridges on the Kidman Way and these works were to be undertaken in winter 2010. Two parties responded to CIGL's call for tenders, one of which was the Murrumbidgee Shire Council. Council quoted as per the stated requirements but also offered another, less costly, solution. The additional time required to ensure that the alternative and less costly solution would meet the RTA's requirements and for the other party to also quote on the alternative meant that there was a delay in awarding the contract. The contract has been awarded to the Shire but the revised program of works will now see the bridge near Burke Lane replaced with a culvert this summer and a like replacement of the Boona Channel Bridge, near Pine Drive, during winter 2011. More recently, a regulator on Coly 8, Culley Rd, was replaced.

## **Chairman's Report**

For the year ended 30 June 2010

Coleambally Irrigation is also putting in five regulators as part of the Private Irrigation Infrastructure Operators' Program (PIIOP). These will be added to the asset register for replacement in the future.

Looking ahead, it is likely that CICL, along with all irrigation corporations, will be required by the ACCC to develop five-yearly Network Service Plans detailing any major works that will be undertaken on its delivery system. If that requirement comes to pass, CICL will also be required to seek inputs from its shareholders and there will have to be even closer consultation between CICL and CIMCL to ensure that the replacement implications of any new works are given the required level of consideration.

### **Termination and Access Fees**

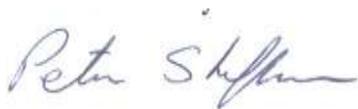
As a result of the review by the ACCC of Termination Fees and following the Government's enactment of related legislation, the Termination Fee for permanent water transfers out of Coleambally will now be based on 10 times the annual access fee. Thus, the CIMCL Termination Fee is \$33.00 (including GST)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

### **Election Results**

During the year, the terms of Ian Sutherland and Peter Sheppard finished. However these two Board members were subsequently returned to office un-opposed.

On behalf of the Board, I would like to express sincere thanks to our Federal Members of Parliament, Kay Hull and Sussan Ley, the Members for Riverina and Farrer respectively, for their continued support during the past year. Kay Hull has been an untiring supporter of our interests and the people of Coleambally. I would like to wish Kay every success in what lies ahead and thank her for all her hard work. I congratulate Michael McCormack on his election as Federal member for Riverina and look forward to having a good working relationship with him. 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 to 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 Richard de Koning, Financial Services Manager.



Peter Sheppard  
Chairman  
21<sup>st</sup> September, 2010

## **Chief Executive Officer's report**

For the year ended 30 June 2010

I note that your Chairman has chosen to comment on the drought in the opening lines of his report and it is impossible for me not to do likewise because there has been no other event or influence that impacted as heavily upon us all.

Much of CIMCL's work goes unnoticed but when major parts of our delivery system come to the end of their design life, the importance of this work will be very apparent. Quite simply, CIMCL's role is to raise and grow a 'sinking fund' and to ensure that the funds cannot be used for any other purpose than replacing our infrastructure when that becomes necessary. In the meantime CIMCL's involvement in future planning, such as that envisaged under the PIOP program, is increasing in recognition of the fact that assets created by CICL have to be replaced by CIMCL.

Our asset replacement program currently sees CIMCL having to make major investments in the period 2020 to 2032. However this replacement profile is subject to review from time to time to take account of the fact that in some areas we have to estimate lives, or rely on the estimates of others, and over time these estimates can be overly optimistic or overly cautious. Asset management is therefore necessarily dynamic in nature.

Like CICL, CIMCL has to take account of the changing regulatory framework within which Irrigation companies have to operate. Throughout this year, CIMCL has had cause to refer a matter brought about by changes to the basis of termination payments as determined by the Australian Competition and Consumer Commission (ACCC) to the Australian Tax Office for a ruling. This is another example of the important, but often invisible, work being done by the Mutual on your behalf.

In sum, the dual Co-operative structure adopted by Coleambally's farmers at the time of privatisation continues to serve its intended purpose. However the number and complexity challenges being faced by both CIMCL and CICL are likely to increase in 2010-2011. If that proves to be the case, there may be a need for the Board or I to communicate with you more frequently than has been the case to date. In that eventuality, we will be careful to ensure that we are not duplicating advice provided by CICL and will be mindful of the need to strike the right balance between providing and overloading you with information.



John Culleton  
Chief Executive Officer

## **Investment report**

For the year ended 30 June 2010

The 2009-10 financial year has seen continuing economic volatility across the globe. After optimism on global economic recovery late in the first quarter of 2009-10 the June quarter saw a return of negative sentiment with concerns focusing on the possibility of a double-dip recession. These concerns focused on sovereign debt risk particularly in Europe (especially Greece and Spain) and doubts on the strength of the recovery of the US economy.

The above concerns were reflected in the performance of both the Australian and global share markets, with both registering a decline of more than 10% in the June Quarter in local currency terms. This increasing nervousness about the strength of the global economic recovery led to investors having a reduced appetite for risk resulting in a weaker \$A late in 2009-10.

As stated previously, the Australian share market suffered a significant decline during the last quarter of 2009-10, (S&P/ASX300 Accumulation Index down by 11.2%) due to concerns relating the stability of the global economic recovery. Additionally unemployment levels in the US and in Europe remained uncomfortably high.

The Australian economy has been a stand out performer when compared to other G20 countries and this can be attributed to the success of the government's economic stimulus package and the continuing strength of mineral commodity exports. Australian GDP grew by 2.7% across 2009-10 and our debt/GDP ratio was amongst the lowest of the developed economies. Whilst the Reserve Bank of Australia raised the official cash rate in April and May 2009-10 from 4.0% to 4.5%, Australian borrowing rates are similar to those of the past decade.

During 2009-10 Coleambally Irrigation Mutual Co operative Limited moved to conservatively, but progressively adopt the investment strategy developed by the independent financial advisors. Notwithstanding this, given share market volatility, the Mutual's investment portfolio remained underweight in terms of equities exposure. Importantly, 2009-10 saw the Mutual claw back most of the losses incurred on its investment portfolio in 2008-09 as a result of the global financial meltdown. The Mutual's return on its equities and fixed interest assets was 10.6% in 2009-10.

The investment climate in 2010-11 is anticipated to remain challenging and global economic recovery will remain piecemeal with some countries, most notably Australia and China, outperforming the US and European economies. Mutual will continue to maintain a conservative risk position in respect to equities and currency exposure.

Bruce Brown  
Independent Director  
21<sup>st</sup> September 2010

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

# Financial Statements

Year ended 30 June 2010

<b>Contents</b>	<b>Page</b>
Directors' report	6
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Statement of cash flows	11
Notes to the financial statements	12
Directors' declaration	21
Independent auditor's report to the members	22

## Directors' report

For the year ended 30 June 2010

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Your directors present their report on the co-operative for the year ended 30 June 2010.

### 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	
S. W. Rice	Member Director	
K. A. Arthur	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:

	2010 \$	2009 \$
Profit/ (loss) before income tax expense	2,356,806	2,175,906
Less: Income tax (expense)/credit attributable to net surplus	(294,076)	166,379
Net profit/ (loss)	<u>2,062,730</u>	<u>2,342,285</u>
Total comprehensive result for the year	<u>2,062,730</u>	<u>2,342,285</u>

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

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.

## **Directors' report**

*For the year ended 30 June 2010*

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### **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 \$2,505.72 (2009: \$3,215) for the year.

### **Information on directors**

<b>Director</b>	<b>Experience</b>	<b>Special Responsibilities</b>
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. Chairman of Community Environmental Committee of Coleambally Irrigation Co-operative Limited. Community Member Murrumbidgee Demonstration Farm and the Coleambally Lions Club.	Deputy Chairman
S W Rice	Commenced as a director of the Co-operative on 15 November 2007. Irrigation farmer. Member of RGA – Coleambally branch.	
K A Arthur	Commenced as a director of the Co-operative on 15 November 2007. Irrigation farmer. Vice President RGA- Coleambally Branch. Central Executive RGA-Environment and Water 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.	

## Directors' report

For the year ended 30 June 2010

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### Auditors' independence declaration

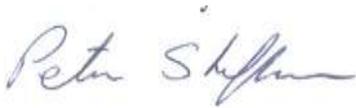
A copy of the auditors' independence declaration as required by the *Co-operatives Act 1992* is set out on this page.

### Meetings of directors

The number of meetings of the co-operative's board of directors held during the year ended 30 June 2010, and the number of meetings attended by each member were:

	<b>Board Meetings</b>
<b>Number of meetings</b>	<b>4</b>
P T Sheppard	4
I D Sutherland	4
S W Rice	4
K A Arthur	4
B M Brown	4

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



P T Sheppard  
Director

Coleambally  
21 September 2010

### Auditors' Independence Declaration

As lead auditor of the audit of Coleambally Irrigation Mutual Co-operative Ltd for the year ended 30 June 2010, 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  
21 September 2010

Coleambally Irrigation Mutual Co-operative Limited  
**Statement of comprehensive income**  
For the year ended 30 June 2010

	Notes	2010 \$	2009 \$
<b>Income</b>	2	<b>2,496,278</b>	3,872,707
Employee benefits expense		(40,840)	(41,343)
Consulting and legal expenses		(39,892)	(49,960)
Net distributions and movement in fair value of investments		0	(1,551,035)
Other expenses		(58,740)	(54,463)
<b>Profit before income tax expense/(benefit)</b>		<b>2,356,806</b>	2,175,906
Income tax (expense)/credit	3	(294,076)	166,379
<b>Profit after income tax</b>		<b>2,062,730</b>	2,342,285
<b>Other comprehensive income</b>			
Other comprehensive income		0	0
<b>Total comprehensive result for the year</b>		<b>2,062,730</b>	2,342,285

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

**Statement of financial position**

As at 30 June 2010

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	Notes	2010 \$	2009 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	3,615,528	5,378,359
Receivables	5	1,595,182	1,650,372
<b>Total current assets</b>		<b>5,210,710</b>	<b>7,028,731</b>
<b>Non current assets</b>			
Other financial assets	6	9,008,020	5,149,198
Deferred tax assets	7	892,505	1,085,088
<b>Total non current assets</b>		<b>9,900,525</b>	<b>6,234,286</b>
<b>Total assets</b>		<b>15,111,235</b>	<b>13,263,017</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	8	143,437	165,856
Current tax liabilities	9	43,863	235,956
<b>Total current liabilities</b>		<b>187,300</b>	<b>401,812</b>
<b>Total liabilities</b>		<b>187,300</b>	<b>401,812</b>
<b>Net assets</b>		<b>14,923,935</b>	<b>12,861,205</b>
<b>EQUITY</b>			
Reserves	10(a)	15,590,302	14,153,989
Retained surplus/(accumulated deficit)	10(b)	(666,367)	(1,292,784)
<b>Total equity</b>		<b>14,923,935</b>	<b>12,861,205</b>

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

**Statement of changes in equity**

For the year ended 30 June 2010

	Notes	2010 \$	2009 \$
<b>Total equity at the beginning of the year</b>		<b>12,861,205</b>	10,518,920
Total comprehensive result for the year		<b>2,062,730</b>	2,342,285
<b>Total equity at the end of the year</b>		<b>14,923,935</b>	12,861,205

*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 2010

	Notes	2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		<b>1,490,901</b>	3,670,723
Payments to suppliers and employees		<b>(161,289)</b>	(145,857)
		<b>1,329,612</b>	3,524,866
Interest & distributions received		<b>420,376</b>	420,253
Taxation paid		<b>(293,586)</b>	(109,900)
<b>Net cash inflow from operating activities</b>	19	<b>1,456,402</b>	3,835,219
<b>Cash flows from investing activities</b>			
Payments for investments		<b>(3,219,233)</b>	(5,267,000)
Proceeds from sale of investments		<b>0</b>	6,379,739
<b>Net cash outflow from investing activities</b>		<b>(3,219,233)</b>	1,112,739
<b>Net increase/(decrease) in cash held</b>		<b>(1,762,831)</b>	4,947,958
Cash and cash equivalents at the beginning of the financial period		<b>5,378,359</b>	430,401
<b>Cash and cash equivalents at the end of the financial period</b>	4	<b>3,615,528</b>	5,378,359

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

## Notes to the financial statements

30 June 2010

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### 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% (2009:10%) per annum.

## Notes to the financial statements

30 June 2010

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### 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 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.

**Notes to the financial statements**

30 June 2010

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**Note 2. Income**

	2010	2009
	\$	\$
<b>Income from operating activities</b>		
Levies from members	1,436,313	1,507,945
Termination fees	0	2,207,031
Net distributions and movement in fair value of investments	855,407	0
	<u>2,291,720</u>	<u>3,714,976</u>
<b>Income from outside the operating activities – non members</b>		
Interest	204,558	157,731
	<u>204,558</u>	<u>157,731</u>
<b>Total income from ordinary activities</b>	<u>2,496,278</u>	<u>3,872,707</u>

**Note 3. Income tax**

	2010	2009
	\$	\$
<b>(a) Income tax expense</b>		
Current tax	(101,493)	(269,209)
Deferred tax (i)	(192,583)	435,588
Aggregate income tax (expense)/credit	<u>(294,076)</u>	<u>166,379</u>

(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:

Net surplus from ordinary activities before income tax	<u>2,356,806</u>	<u>2,175,906</u>
Income tax expense calculated @ 30% (2009: 30%)	(707,042)	(652,772)
Tax effect of permanent differences		
Net mutual income and expenses attributable to mutual income	442,420	829,368
Tax over/(under) provided in prior years	(29,454)	(10,217)
Income tax (expense)/credit	<u>(294,076)</u>	<u>166,379</u>

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**

	2010	2009
	\$	\$
Cash at bank	1,035,443	108,053
Term Deposits	2,580,085	5,270,306
	<u>3,615,528</u>	<u>5,378,359</u>

**Notes to the financial statements**

30 June 2010

**Note 5. Current assets – Receivables**

		2010	2009
		\$	\$
Trade debtors	(a)	1,590,722	1,645,310
Prepayment		4,460	5,062
Accrued Income		0	0
		<u>1,595,182</u>	<u>1,650,372</u>

**(a) Ageing**

The ageing of receivables balance date was:

	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
	\$	\$	\$	\$
Not past due	1,579,945	0	1,642,468	0
Past due 31 – 60 days	0	0	0	0
Over 60 days	10,777	0	2,842	0
	<u>1,590,722</u>	<u>0</u>	<u>1,645,310</u>	<u>0</u>

**Note 6. Other financial assets**

	2010	2009
	\$	\$
Financial assets at fair value through the profit and loss	9,008,020	5,149,198
Available-for-sale financial assets	0	0
	<u>9,008,020</u>	<u>5,149,198</u>

**Note 7. Deferred tax assets**

	2010	2009
	\$	\$
Future income tax benefit	892,505	1,085,088

**Note 8. Current liabilities – Payables**

	2010	2009
	\$	\$
Trade creditors and accruals	143,437	165,856

**Note 9. Current tax liabilities**

	2010	2009
	\$	\$
Income tax	43,863	235,956

**Notes to the financial statements**

30 June 2010

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**Note 10. Reserves and retained surpluses**

	Notes	2010 \$	2009 \$
<b>(a) Reserves</b>			
Members' contribution reserve		7,590,302	6,153,989
Sinking fund reserve		8,000,000	8,000,000
Non-member income reserve		0	0
		<u>15,590,302</u>	<u>14,153,989</u>
<b>Movements</b>			
<i>Members' contribution reserve</i>			
Balance as at 1 July 2009		6,153,989	2,439,013
Transfers from retained surplus		1,436,313	3,714,976
Transfers to sinking fund reserve		0	0
Balance as at 30 June 2010		<u>7,590,302</u>	<u>6,153,989</u>
<i>Sinking fund reserve</i>			
Balance as at 1 July 2009		8,000,000	8,000,000
Transfers from members contribution reserve		0	0
Balance as at 30 June 2010		<u>8,000,000</u>	<u>8,000,000</u>
<i>Non-member income reserve</i>			
Balance as at 1 July 2009		0	79,907
Transfers from retained surplus		0	0
Transfers to retained surplus		0	(79,907)
Balance as at 30 June 2010		<u>0</u>	<u>0</u>
<b>(b) Retained surplus/(accumulated deficit)</b>			
Retained surpluses at the beginning of the financial year		(1,292,784)	0
Total comprehensive result for the year		2,062,730	2,342,285
Transfers to members' contribution reserve		(1,436,313)	(3,714,976)
Transfers to non-member income reserve		0	0
Transfers from non-member income reserve		0	79,907
Retained surplus/(deficit) at the end of the financial year		<u>(666,367)</u>	<u>(1,292,784)</u>

**(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.

**Notes to the financial statements**

30 June 2010

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**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:

		<b>Fixed interest maturing in:</b>					
		<b>Floating interest rate</b>	<b>1 year or less</b>	<b>over 1 to 5 years</b>	<b>More than 5 years</b>	<b>Non- interest bearing</b>	<b>Total</b>
<b>2010</b>	<b>Notes</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>							
Cash	4	1,326,553	2,288,975	-	-	-	3,615,528
Receivables	5	-	-	-	-	1,595,182	1,595,182
Investments	6	-	-	-	-	9,008,020	9,008,020
		<u>1,326,553</u>	<u>2,288,975</u>			<u>10,603,202</u>	<u>14,218,730</u>
Weighted average interest rate		4.0%	5.6%			N/A	
<b>Financial liabilities</b>							
Trade creditors and accruals	8	-	-	-	-	143,437	143,437
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,437</u>	<u>143,437</u>
Weighted average interest rate						N/A	
Net financial assets/(liabilities)		<u>1,326,553</u>	<u>2,288,975</u>	<u>-</u>	<u>-</u>	<u>10,459,765</u>	<u>14,075,293</u>

		<b>Fixed interest maturing in:</b>					
		<b>Floating interest rate</b>	<b>1 year or less</b>	<b>over 1 to 5 years</b>	<b>More than 5 years</b>	<b>Non- interest bearing</b>	<b>Total</b>
<b>2009</b>	<b>Notes</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>							
Cash	4	108,053	5,270,306	-	-	-	5,378,359
Receivables	5	-	-	-	-	1,650,372	1,650,372
Investments	6	-	-	-	-	5,149,198	5,149,198
		<u>108,053</u>	<u>5,270,306</u>	<u>-</u>	<u>-</u>	<u>6,799,570</u>	<u>12,177,929</u>
Weighted average interest rate		2.7%	4.1%			N/A	
<b>Financial liabilities</b>							
Trade creditors and accruals	8	-	-	-	-	165,856	165,856
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,856</u>	<u>165,856</u>
Weighted average interest rate						N/A	
Net financial assets/(liabilities)		<u>108,053</u>	<u>5,270,306</u>	<u>-</u>	<u>-</u>	<u>6,633,714</u>	<u>12,012,073</u>

**Notes to the financial statements**

30 June 2010

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**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**

	2010	2009
	\$	\$
Remuneration of the auditors of the co-operative for:		
Audit of the financial statements	3,125	3,050
Other assurance services	4,240	4,750
Total audit and other assurance services	<u>7,365</u>	<u>7,800</u>
Taxation services	4,435	4,955
Other taxation consulting	7,070	13,390
Total remuneration	<u>18,870</u>	<u>26,145</u>

**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**

	2010	2009
	\$	\$
<b>Capital commitments</b>		
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	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

**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; K A Arthur and B M Brown. The directors received remuneration of \$40,840 (2009: \$41,343).

**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 \$55,723 (2009: \$54,747). These levies were raised just prior to the end of the reporting period, and remain outstanding as at 30 June 2010.

## Notes to the financial statements

30 June 2010

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### 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

	2010 \$	2009 \$
Profit after income tax	2,062,730	2,342,285
Movement in fair value of investment	(639,589)	1,482,870
Change in operating assets and liabilities		
(Increase) in receivables	54,588	(44,253)
(Increase) in prepayments	602	(1,723)
(Increase) in accrued income	0	330,687
(Increase) in tax assets	192,583	(443,992)
Increase/(decrease) in trade creditors and accruals	(22,419)	1,632
Increase/(decrease) in tax liabilities	(192,093)	167,713
Net cash inflow/(outflow) from operating activities	<u>1,456,402</u>	<u>3,835,219</u>

### 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).

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.

During the Global Financial Crisis in 2008/09 a number of growth assets in the investment portfolio were liquidated to protect against further capital losses. In 2009/10, following the earlier adoption of a new investment strategy, progressive re-investment occurred in line with this portfolio strategy.

**Notes to the financial statements**

*30 June 2010*

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**Note 20. Financial Risk Management (continued)**

**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.

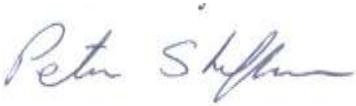
## **Directors' declaration**

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 2010 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  
21 September 2010

Coleambally Irrigation Mutual Co-operative Limited  
**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 2010, 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 2010 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  
21 September 2010