CIMCL

COLEAMBALLY IRRIGATION MUTUAL CO-OPERATIVE LIMITED

Coleambally Irrigation Mutual Co-operative Limited

ABN 60 785 211 497

Registered Office: 7 Brolga Place, Coleambally 2707

Annual Report

2005-2006

Contents

Chairman's Report

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 past year.

Resolution of the Australian Taxation Office Ruling

"On 27 May 2005, the High Court decided not to grant Coleambally Irrigation Mutual Co-operative Ltd leave to appeal a decision that the principle of mutuality cannot apply where the members of an organisation are prevented from obtaining the value of the assets on winding up." On Monday, 30 May, Minister Mal Brough announced that the "Government will amend the income tax law to ensure certain not-for-profit organisations are not subject to tax on income as a result of a recent High Court decision."

The legislation, Tax Laws Amendment (2005 Measures No. 6) Bill 2005 was introduced into Parliament at the end of February 2006, and was passed in the Senate in early March. It has received Royal Assent and is now law in Australia.

Our thanks go to Mrs Kay Hull for her ongoing and untiring support and Minister Mal Brough for his actions in restoring the long standing benefit of the "mutuality principle."

Lodgement of Tax Returns for 6 years

As a result of the above amendment to the legislation the co-operative lodged the tax returns for the past six years which have since duly been assessed.

Exit Fees

Currently the Australian Competition and Consumer Commission (ACCC) is reviewing the methodology used in the calculation of an exit fee. This fee is to be charged when water is permanently traded out of the district to ensure that there are no third party impacts as a result of the trade. It is important that we are not left with "stranded assets" and associated costs for the rest of the irrigation community to carry.

Investment Program

Over the past 12 months, we have been able to work towards our investment strategy of 90% growth and 10% stable. At the end of June 2006, the investment portfolio (long and short term) had a value of $6,531,150 compared with a total amount invested of $4,584,581 at June 2005.

Asset Levy

The Board has resolved to increase the levy from $2.65 per megalitre to $2.85 per megalitre of entitlement. This decision was not made easily because of the difficult irrigation season we are again facing, but it was considered that if the CIMCL levy is not maintained at least close to the amount indicated by our actuaries then it will only increase the probability of the imposition of a special levy at some future date.

CIMCL Renewal Program

The funds collected before privatisation by CICL are being used first in any replacement of irrigation infrastructure.

There is growing concern that some of the bridges are deteriorating and will not meet their design life.

Elections

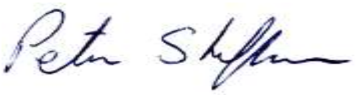
I can advise that Ray Hunt was successful in filling the vacant position reported in our last Annual Report and Jim Croll was re-appointed as the independent director. However, at the time of writing this report the election process has begun for two member directors. I report that the two directors retiring by rotation, Ian Sutherland and myself (both member directors), will seek re-election.

Training

I report that all directors of the board together with CICL directors, executive and financial staff attended a full day training event on *"How to read Financial Statements"*. The Riverina Institute of TAFE NSW facilitated the training which was specifically based on our financial systems. The training was valuable providing both directors and staff with a clear understanding of how to prepare and interpret the Financial Statements of both co-operatives.

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, together with Adrian Piccoli, State member for Murrumbidgee for their continued support during the past year.

To conclude, I would like to thank the directors of the CIMCL Board and the members of CIMCL for their support throughout this testing time. A special thanks to Company Secretary, Anne Rzeszkowski, and CEO, Murray Smith for their untiring efforts.



Peter Sheppard
Chairman

9 October 2006

Chief Executive Officer's Report

It is extremely pleasing to be able to report that taxation matters which have plagued CIMCL since inception, appear to be resolved.

CICL undertook maintenance works on many of the bridges across the irrigation area during this reporting period to optimise structure lives. This generally involved the replacement of bridge bearing rubbers. The Roads and Traffic Authority also undertook remedial works on the bridge over the Main Canal on the Sturt Highway to address issues with the approaches.

Further condition assessment testing of bridges was undertaken to better define the anticipated operational lives of key bridges. It is anticipated the final report will be available early in the new reporting year. As such it will provide critical input to the Modern Engineering Equivalent Replacement Asset (MEERA) assessment that is scheduled to be undertaken next financial year. A shift in the anticipated operational lives of structures could have a significant impact on the expenditure spikes associated with capital works for structure renewals. The MEERA assessment forms part of the five-yearly independent review and will provide significant data for the actuarial review of the renewals annuity, i.e. the CIMCL levy.

The pace of water reform has stepped up a gear over the past twelve months with a strong push by Governments to 'free-up' the permanent trade of water entitlements. This has necessitated changes to the Rules of the Co-operative. As reported last year, CIMCL has adopted an exit fee approach with a methodology that was endorsed by the State and Federal Governments under the Murray Darling Basin Commission. However it has now become evident that conformance with the MDBC approach produced exit fees that some States and departments of government consider to be excessive. As a consequence the Federal Government, with the support of the States have engaged the Australian Competition and Consumer Commission (ACCC) to review the approaches and cost structures of the various water authorities in New South Wales, Victoria, South Australia and Queensland. In the absence of specific advice from government we have assumed that exit fees will be treated as ordinary income and as such incur tax.

Uncertainty around the treatment of permanent water trading is expected to be resolved before Christmas. We will continue to work with government to ensure that the interests of the business and our members are strongly represented.

Thank you for your support in what has been a very positive year for the Mutual.

Murray Smith
Chief Executive Officer

9 October 2006

Investment Report for year ended 30 June 2006

A review of investment markets

For the third year in a row, global investment markets had unusually high returns in the year to 30 June 2006. It must be remembered that following the so called "tech crash" in 2000 most markets had a few years of negative returns. The global economic environment has benefited from a number of converging factors including:

- Strong and synchronised economic growth in major economies
- Low and stable inflation
- Low interest rates

and particularly, in the case of Australia, strong demand for energy and minerals from China and India.

As is usual there were periods of uncertainty during the year following the terrorist bombing in London, and towards June the markets became concerned by indicators emerging of pressures on inflation and interest rates. Energy prices, particularly oil, began to feed their way through to everyday goods and both before and since June central banks have been increasing official interest rates by small amounts, usually a quarter of a percent at a time. However, with unemployment rates at very low levels, it would seem that so far the tightening of interest rates has had a fairly muted impact on consumer spending in most countries. It is generally expected that central banks will be cautious in raising rates too far for fear of creating recessions.

Company profits have continued to grow at rates well above normal and this has generally kept share markets on a rising trend. However, investment analysts have significantly reduced their forecasts to single digit levels for profit growth over the next couple of years, but still above the expected rate of inflation.

In the year to 30 June 2006, the major asset markets produced excellent returns across the board, and again Australian shares produced a return of over 20% for the third year in a row (after being in or near negative territory for the years ended June 2002 and 2003.) The major share indices in Australia broke through the 5,000 level for the first time.

Individual sector returns for the last two years were:

	2006	2005
Australian shares	24.0%	25.4%
International shares	20.0%	12.5%
Listed property	18.1%	17.4%
Australian bonds	3.4%	7.8%
Liquid investments	5.8%	5.5%

The Mutual's investments

The board followed its long term investment strategy of holding a high percentage of so called "growth assets" (meaning shares and property) and the Mutual's investments remained primarily with the Macquarie van Eyk Blueprint funds which have important diversification benefits. These funds are invested across all major asset sectors and with multiple managers selected by the van Eyk Research organisation. Macquarie Investment Management, which is a subsidiary of Macquarie Bank, is the "Responsible Entity" meaning that

Macquarie is responsible for all the administration and custody of the money. This arrangement continues to be good for the Mutual. The funds are invested on a wholesale basis with very low costs, returns have been excellent and administration simplified, once again keeping our costs low.

During the year, investments of the Mutual increased from $4,584,581 to $6,531,150.

Investment outlook

It may well be that the remarkable period for economies and investments of the last three years may be drawing to a close with investment markets facing "head winds" from a number of directions, such as rising interest rates, rising inflation and corporate profit projections for the next couple of years showing slower rates of annual growth. Interestingly however, the International Monetary Fund released its forecasts in September of global economic growth speeding up to 5.1% with their economists saying there is a one-in-six chance of world growth slumping to 3.25% or less next year – still quite a respectable rate of growth.

With inflation at around present and likely levels for the foreseeable future we are advised that we should expect share market total returns (dividends and capital growth) to average 9-11% in the long term, well below the results of the past few years. Of course the long term averages are one thing and we know to expect some years when returns are negative.

Although share markets, including the Australian market, have reached new "highs", the relative values are better than what they have been as measured by P/E ratios etc, because the "E" (earnings or profits) has risen faster than the "P" (price) in the ratio.

The advice obtained from our actuaries and others is that we should be disciplined in keeping to our long term investment strategy which is designed to give the best returns in the long run, albeit with fluctuations along the way.

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

Annual Report

Year ended 30 June 2006

Contents

Directors' report

Your directors present their report on the co-operative for the year ended 30 June 2006.

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
A. V. Wray	Member Director	Deputy Chairman
H. R. Hunt	Member Director	
S. Burgess	Member Director	
I. D. Sutherland	Member Director	
J. R. Croll	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:

	2006 $	2005 $
Net surplus from ordinary activities before income tax	1,885,750	1,292,471
Less: Income tax expense attributable to net surplus	173,179	0
Net surplus from ordinary activities after income tax	1,712,571	1,292,471

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.

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 $6000 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
A V Wray	Director of the co-operative since 18 January 2000. Irrigation farmer. Previously Chairman of Coleambally Irrigation Co-operative Limited and antecedent bodies for 14 years.	Deputy Chairman
H R Hunt	Director of the co-operative since 18 January 2000. Irrigation farmer.	
J R Croll	Director of the co-operative since 18 January 2000. Director of Coleambally Irrigation Co-operative Limited and antecedent bodies for 9 years. Company director and management consultant.	
S Burgess	Director of the co-operative since 17 November 2001. Irrigation farmer Director of Kerarbury Channel Corporation for 5 years. Member of Country Energy Rural Advisory Group.	
I D Sutherland	Director of the co-operative since 27 November 2002. Irrigation farmer. Member of Community Environmental Committee of Coleambally Irrigation Co-operative Limited	

Meetings of directors
The number of meetings of the co-operative's board of directors held during the year ended 30 June 2006, and the number of meetings attended by each member were:

	Board Meetings
Number of meetings	**6**
P T Sheppard	6
A V Wray	6
H R Hunt	6
S Burgess	5
I D Sutherland	6
J R Croll	6

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

P T Sheppard
Director

Coleambally
9 October 2006

Auditors' Independence Declaration

As lead auditor of the audit of Coleambally Irrigation Mutual Co-operative Ltd for the year ended 30 June 2006, 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.

Johnsons MME
Chartered Accountants

Hugh McKenzie-McHarg
Partner

Albury
9 October 2006

Income statement

For the year ended 30 June 2006

	Notes	2006 $	2005 $
Revenue	2	**2,127,065**	1,550,408
Employee benefits expense		**(40,000)**	(40,000)
Consulting and legal expenses		**(153,224)**	(160,880)
Other expenses from ordinary activities		**(48,091)**	(57,057)
Profit before income tax expense		**1,885,750**	1,292,471
Income tax expense	3	**(173,179)**	0
Profit after income tax	18	**1,712,571**	1,292,471

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

Statement of changes in equity

For the year ended 30 June 2006

	Notes	2006 $'000	2005 $'000
Total equity at the beginning of the year		**6,049,065**	4,756,594
Net profit/(loss) for the year	18	**1,712,571**	1,292,471
Total equity at the end of the year		**7,761,636**	6,049,065

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

Balance sheet
As at 30 June 2006

	Notes	2006 $	2005 $
ASSETS			
Current assets			
Cash and cash equivalents	4	**79,820**	1,810,742
Trade and other receivables	5	**1,443,059**	1,432,770
Total current assets		**1,522,879**	3,243,512
Non current assets			
Other financial assets	6	**6,531,017**	2,935,005
Total non current assets		**6,531,017**	2,935,005
Total assets		**8,053,896**	6,178,517
LIABILITIES			
Current liabilities			
Trade and other payables	7	**130,837**	129,452
Current tax liabilities	8	**76,107**	0
Total current liabilities		**206,944**	129,452
Non current liabilities			
Deferred tax liabilities	8	**85,316**	0
Total non current liabilities		**85,316**	0
Total liabilities		**292,260**	129,452
Net Assets		**7,761,636**	6,049,065
EQUITY			
Reserves	9(a)	**7,761,636**	6,197,407
Retained surplus/(accumulated deficit)	9(b)	**0**	(148,342)
Total equity		**7,761,636**	6,049,065

The above balance sheet should be read in conjunction with the following notes.

Coleambally Irrigation Mutual Co-operative Limited

Cash flow statement

For the period ended 30 June 2006

	Notes	2006 $	2005 $
Cash flows from operating activities			
Receipts from customers		**1,295,484**	1,015,962
Payments to suppliers and employees		**(239,930)**	(231,132)
		1,055,554	784,830
Interest & distributions received		**458,327**	193,357
Taxation paid		**(11,756)**	0
Net cash inflow from operating activities	18	**1,502,125**	978,187
Cash flows from investing activities			
Payments for investments		**(3,233,047)**	(2,854,609)
Proceeds from sale of investments		**-**	2,747,180
Net cash outflow from investing activities		**(3,233.047)**	(107,429)
Net increase/(decrease) in cash held		**(1,730,922)**	870,758
Cash at the beginning of the financial period		**1,810,742**	939,984
Cash at the end of the financial period	4	**79,820**	1,810,742

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

Note 1. Summary of significant accounting policies

This financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, and the Co-operatives Act 1992 as amended.

The following is a summary of material accounting policies adopted by the entity in preparation of the financial report. The accounting policies have been consistently applied.

(a) Basis of preparation

This is the co-operative's first financial report prepared in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS). Australian Accounting Standard AASB 1: *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements. The financial statements of the co-operative up until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. The effect of the changes in accounting or valuation methods required to convert AGAAP balances to AIFRS balances are described at note 19.

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 made.

(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 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.

Note 1. Summary of significant accounting policies (continued)

(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 9.0% per annum.

(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 6), 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) 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.

(h) 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 9). Remaining members funds are made up of the balances of the members' contribution reserve and the sinking fund reserve.

(i) 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.

Note 2. Revenue

	2006 **$**	2005 $
Revenue from operating activities		
Levies from members	**1,305,773**	1,302,518
	1,305,773	1,302,518
Revenue from outside the operating activities – non members		
Interest	**124,703**	103,748
Movements in fair value of financial assets	**362,965**	54,534
Distributions	**333,624**	89,608
	821,292	247,890
Total revenue from ordinary activities	**2,127,065**	1,550,408

Note 3. Income tax

	2006	2005
	$	$
(a) Income tax expense		
Current tax	**(87,863)**	0
Deferred tax (i)	**(85,316)**	0
Aggregate income tax (expense)/credit	**(173,179)**	0

(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:

Net surplus from ordinary activities before income tax	**1,885,750**	1,292,471
Income tax expense calculated @ 30% (2005: 30%)	**(565,725)**	(387,741)
Tax effect of permanent differences		
Net mutual income and expenses attributable to mutual income	**392,546**	387,741
Income tax (expense)/credit	**(173,179)**	0

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

	2006	2005
	$	$
Cash at bank	**79,820**	161,167
Term Deposit	**-**	1,649,575
	79,820	1,810,742

Note 5. Current assets – Receivables

	2006	2005
	$	$
Trade debtors	**1,443,059**	1,432,770
	1,443,059	1,432,770

Note 6. Other financial assets at fair value through the profit and loss

	2006 $	2005 $
Investments in unit trusts	**6,531,017**	2,935,005
	6,531,017	2,935,005

A documented investment strategy has been developed to optimise the long term return on 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.

Note 7. Current liabilities – Payables

	2006 $	2005 $
Trade creditors and accruals	**130,837**	129,452
	130,837	129,452

Note 8. Tax liabilities

	2006 $	2005 $
Income tax	**161,423**	0
	161,423	0
Income tax liabilities have been allocated as follows:		
Current	**76,107**	0
Non-current	**85,316**	0
	161,423	0

Note 9. Reserves and retained surpluses

	Notes	**2006**	2005
		$	$
(a) Reserves			
Members' contribution reserve		**4,150,304**	2,844,531
Sinking fund reserve		**3,352,876**	3,352,876
Non-member income reserve		**258,456**	-
		7,761,636	6,197,407
Movements			
Members' contribution reserve			
Balance as at 1 July 2005		**2,844,531**	1,542,013
Transfers from retained surplus		**1,305,773**	1,302,518
Transfers to sinking fund reserve		**-**	-
Balance as at 30 June 2006		**4,150,304**	2,844,531
Sinking fund reserve			
Balance as at 1 July 2005		**3,352,876**	3,352,876
Transfers from members contribution reserve		**-**	-
Balance as at 30 June 2006		**3,352,876**	3,352,876
Non-member income reserve			
Balance as at 1 July 2005		**-**	-
Transfers from retained surplus		**696,599**	247,890
Transfers to retained surplus		**(438,143)**	(247,890)
Balance as at 30 June 2006		**258,456**	-
(b) Retained surplus/(accumulated deficit)			
Retained surpluses at the beginning of the financial year		**(148,342)**	(138,295)
Net profit for the year		**1,712,571**	1,292,471
Transfers to members' contribution reserve		**(1,305,773)**	(1,302,518)
Transfers to non-member income reserve		**(696,599)**	(247,890)
Transfers from non-member income reserve		**438,143**	247,890
Retained surplus/(deficit) at the end of the financial year		**0**	(148,342)

(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 10. Share capital

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

Note 11. 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: 2006				
	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	79,820	-	-	-	-	79,820
Receivables	5	-	-	-	-	1,443,059	1,443,059
Investments	6	-	-	-	-	6,531,017	6,531,017
		79,820	-	-	-	7,974,076	8,053,896
Weighted average interest rate		5.25%	N/A	N/A	N/A	N/A	
Financial liabilities							
Trade creditors and accruals	7	-	-	-	-	130,837	130,837
		-	-	-	-	130,837	130,837
Weighted average interest rate		N/A	N/A	N/A	N/A	N/A	
Net financial assets (liabilities)		79,820	-	-	-	7,843,239	7,923,059

			Fixed interest maturing in: 2005				
	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	161,167	1,649,575	-	-	-	1,810,742
Receivables	5	-	-	-	-	1,432,770	1,432,770
Investments	6	-	-	-	-	2,935,005	2,935,005
		161,167	1,649,575	-	-	4,367,775	6,178,517
Weighted average interest rate		4.5%	5.6%	N/A	N/A	N/A	
Financial liabilities							
Trade creditors and accruals	7	-	-	-	-	129,452	129,452
		-	-	-	-	129,452	129,452
Weighted average interest rate		N/A	N/A	N/A	N/A	N/A	
Net financial assets (liabilities)		161,167	1,649,575	-	-	4,238,323	6,049,065

Note 11. 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 12. Remuneration of auditors

	2006	2005
	$	$
Remuneration of the auditors of the co-operative for:		
Audit of the financial report	**1,900**	1,875
Other assurance services	**4,330**	2,595
Total audit and other assurance services	**6,230**	4,470
Taxations services	**15,750**	0
Total remuneration	**21,980**	4,470

Note 13. Contingent liabilities

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

Note 14. Commitments for expenditure

	2006	2005
	$	$
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 15. 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: J R Croll; H R Hunt; A V Wray; P T Sheppard; S Burgess; and I D Sutherland. The directors received remuneration of $40,000 (2005: $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 $33,997 (2005: $33,997). These levies were raised just prior to the end of the reporting period, and remain outstanding as at 30 June 2006.

Note 16. 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 17. 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 18. Reconciliation of net surplus from ordinary activities after income tax to net cash inflow/(outflow) from operating activities

	2006 **$**	2005 $
Operating profit after income tax	**1,712,571**	1,292,471
Movement in fair value of investment	**(362,965)**	(54,534)
Change in operating assets and liabilities		
(Increase) in receivables	**(10,289)**	(286,556)
(Increase) in prepayments	**0**	1,499
Increase/(decrease) in trade creditors and accruals	**1,385**	25,307
Increase/(decrease) in tax liabilities	**161,423**	0
Net cash inflow/(outflow) from operating activities	**1,502,125**	978,187

Note 19. Explanation of transition to Australian equivalents of IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs

a) At the time of transition to AIFRS: 1 July 2004

	Notes	Previous AGAAP	Effect of transition to AIFRS	AIFRS
		$'000	$'000	$'000
Non current assets				
Cash & cash equivalents		939,984		939,984
Trade and other receivables		1,146,214		1,146,214
Other		1,499		1,499
		2,087,697		2,087,697
Non current assets				
Other financial assets		2,773,043		2,773,043
Total assets		4,860,740		4,860,740
Current liabilities				
Trade and other payables		104,146		104,146
Current tax liabilities	(a)	60,171	(60,171)	0
Total liabilities		164,317		104,146
Total Assets		4,696,423		4,756,594
Equity				
Asset revaluation reserve	(b)	47,046	(47,046)	0
Other reserves		4,894,889		4,894,889
Retained profits/(losses)	(c)	(245,512)	107,217	(138,295)
		4,696,423		4,756,594

b) At the end of the last reporting period under previous AGAAP: 30 June 2005

There was no change to the net equity reported as at 30 June 2005 under AGAAP upon the adoption of AIFRS.

2) Reconciliation of profit for the year ended 30 June 2005

	Notes	Previous AGAAP	Effect of transition to AIFRS	AIFRS
Profit/(loss) before tax		1,292,471		1,292,471
Tax (expense) credit	(a)	60,171	(60,171)	0
		1,352,642	(60,171)	1,292,471

Note 19. Explanation of transition to Australian equivalents of IFRSs (continued)

3) Notes to reconciliations

(a) Decrease in current tax liability

Due to a range of taxation issues, the co-operative's taxation returns were not lodged for some years after privatisation. The correction to the tax liabilities that resulted were disclosed as a taxation credit in the 2005 AGAAP accounts. For the purposes of AIFRS the correction has been adjusted against the opening figure as at 1 July 2004.

(b) Decrease in asset revaluation reserve

Had the 2004 accounts been prepared under the accounting policies adopted under AIFRS, the asset revaluation reserve as at that date would have been part of retained earnings.

(c) Decrease in retained losses

The decrease in retained losses as at 1 July 2004 is a result of the items described in (a) and (b) above.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 11 to 23:

(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 2006 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.

Peter Sheppard

P T Sheppard
Director

Coleambally
9 October 2006

Independent audit report to the members of Coleambally Irrigation Mutual Co-operative Limited

Scope

We have audited the financial report of Coleambally Irrigation Mutual Co-operative Limited (the co-operative) for the year ended 30 June 2006 as set out on pages 11 to 24. The co-operative's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the co-operative.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements in Australia and the Co-operatives Act 1992 as amended so as to present a view which is consistent with our understanding of the co-operative's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of the co-operative is in accordance with:

(a) the Co-operatives Act 1992 as amended, including:

(i) giving a true and fair view of the co-operative's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Co-operatives Regulations; and

(b) other mandatory professional reporting requirements in Australia.

Johnsons MME
Chartered Accountants

H P McKenzie-McHarg
Partner

Albury

9 October 2006

Coleambally Irrigation Mutual Co-operative Limited

ABN 60 785 211 497
7 Brolga Place
(PO Box 103)
Coleambally NSW 2707

Telephone: 02 6950 2819
Facsimile: 02 6950 2814