



Coleambally Irrigation Mutual Co-operative Limited

ABN 60 785 211 497

Registered Office: 7 Brolga Place, Coleambally 2707

Annual Report

for the year ended 30 June 2014

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Chairman's report

For the year ended 30 June 2014

I have pleasure in presenting to you the Coleambally Mutual Co-operative Annual Report.

The Mutual was set up to ensure that the assets of the irrigation system will be replaced when they reach the end of their operating life. To facilitate this your levies are invested in a long term investment program with the aim of ensuring that there are sufficient funds available to cover the significant capital cost involved in the replacement of these assets.

The Board has continued to use 358 Pty Ltd for independent investment advice with Simon Ibbetson being our principal adviser. The performance of the equity and cash investments is reported to our Chief Financial Officer (Paul Clarke) and forwarded to us on a monthly basis. On top of this Paul carries out regular ongoing monitoring of fund performance. Using this process the Board is kept aware of the ongoing performance of the whole portfolio and considers any changes if recommended.

To help guide our Investment Advisor the Board has developed a new set of investment parameters which have been included in our updated Investment Policy.

At 30th June, 2014, our investment portfolio (a mixture of equity managed funds, cash managed funds and bank term deposits) had a net value of \$23,635,957 compared to \$20,940,055 at 30th June, 2013. Total return on investments has been in the order of 6.42%. Term deposit rates have continued to decline over the past 12 months and we have been closely monitoring the fund managers who have underperformed. With these factors in mind and the long term requirements the Board is constantly reviewing the investment options.

With the relative low returns in mind the Board adopted an increase in the levy for 2014-15 to \$3.09 per Megalitre + GST. This is the first increase in the levy in six years. The Board reviews the need for adjustments to the levy annually. Overlaying this, every 5 years, a major external engineering review of the condition of assets (MEERA report) and projected future income and expense needs (actuarial report) is conducted. The next review will commence toward the end of this current financial year and conclude in 2016.

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.

As reported in last year's Annual Report the CIMCL Renewal Program has commenced. This consisted of the replacement of 1 bridge crossing over the upper reaches of the Main Canal. The replacement of drainage inlets scheduled to commence at this time last year has been delayed due to the workload involved in the significant winter works program carried out this past year. Those structures in the worst condition have been attended to and others rescheduled. The Assets and Refurbishment Committee (joint CACL and CIMCL) with the assistance of staff has the job of overseeing this scheduling of the maintenance and refurbishment of infrastructure.

Finally, at this time last year there was a vacancy on the Mutual Board due to there being no nominations received for the position vacated by Stan Rice. The Board sought out several people who had expressed interest in a position on the Mutual Board and this resulted in Matt Toscan being offered and agreeing to fill the vacant position as a casual vacancy, I ask that you endorse this decision at this AGM. Thank you my fellow directors Iain, Bruce, Adrian and Matt and you the Members of CIMCL for

Coleambally Irrigation Mutual Co-operative Limited

Chairman's report

For the year ended 30 June 2014

your support throughout the year. Also this is an opportunity to acknowledge the contributions of John Culleton, CEO and Anne Rzeszkowski, Company Secretary along with all other staff who have contributed to another successful Mutual year.

Thank You

A handwritten signature in black ink that reads "I. Sutherland". The signature is written in a cursive style with a long, sweeping tail on the letter 'd'.

Ian Sutherland
Chairman
1st October 2014

Chief Executive Officer's report

For the year ended 30 June 2014

In my last Annual Report to Members, I observed that it's usual for CEO's to report on the high and low points of their business operations in Annual Reports but the nature of CIMCL's business doesn't lend itself to reporting on highs and lows and that remains as valid today as it was then. I also highlighted the uncertainty of the investment market; work that was being undertaken in relation to the division of responsibilities between CIMCL and CICL; and work to strengthen asset management and I want to stay with these matters this year because they have remained central to the Mutual's considerations in 2013-14.

Investment Strategy: In the face of continued uncertainty in the investment market, the CFO, I and your Board have had to continue to devote a considerable amount of time to CIMCL's investments. We have increased the frequency of meetings with our Investor Advisor and Fund Managers, tightened our investment parameters and adjusted investments consistent with advice we have been given and the Board's and Management's assessment of that advice and the state of the market more generally. Striking the right balance between getting a good return and managing risk has been and will continue to be challenging in the near to mid term.

Division of Responsibilities between CIMCL and CICL: The work to clarify the responsibilities between the two Co-operatives continued throughout 2013-14, albeit slowly because Management's priority was understandably on the delivery of the largest work's program undertaken by CICL since privatisation and the DE Incentive Offer – and both of these endeavours stand to have long-term, but positive, consequences for CIMCL. That said, some progress was made and work is now underway to further explore the legal and financial consequences of two of six options that might be pursued to clarify management responsibilities that have never been fully resolved between the two Co-operatives. This work will be accelerated in the latter half of 2014 and the first half of 2015.

Asset Management: CIMCL continues to take a close interest in work being done within CICL to strengthen asset management because any 'gain' from such work ultimately benefits Members of both Co-operatives. We note that major development in 2013-14 in this regard was the merger of the Water Operation and Maintenance Departments to make better use of the engineering expertise that exists within CICL and to improve works and maintenance planning.

Changes of Key Personnel CIMCL's and CICL's long-serving Company Secretary, Anne Rzeszkowski will retire in late 2014. Anne has been an outstanding employee and we wish her and John the very best for the next phase of their journey.

In summary, CIMCL continues to do what is required of it quietly and efficiently, as evidenced by solid return of 6.42% on its investments and a net increase in its portfolio of \$2,695,902.



John Culleton
Chief Executive Officer
1 October 2014

Investment report

For the year ended 30 June 2014

Global financial markets continued to experience a high degree of volatility over the 2013-14 financial year. This volatility did not detract from strong performance in most of the major global equity markets.

The US market was particularly strong with the S&P 500 index achieving all-time highs, this in spite of global political tensions most notably in the Middle East and Ukraine.

Some analysts regard this growth in equity markets as counter intuitive and contrary to the underlying condition of the world economy. This has resulted in concerns in some quarters that equities are currently over-priced.

In Australia, economic growth remained sluggish and there were continuing fears of reduced company profits and a significant reduction in mining sector capital expenditure. Whilst the Australian dollar fell against the major currencies during 2012-2013 its relative strength was still creating difficulties for both the export and import competing sectors. On the positive side, the ASX finished 2013-2014 with a second consecutive year of annual growth of in excess of 15%.

The uncertainty in the world markets has resulted in CIMCL continuing to maintain a very conservative position with regard to it's investment portfolio during 2013-2014, especially in relation to both equities and currency exposure. The return on CIMCL's investment portfolio was 6.42% against our benchmark of 6.44%. Our exposure to Australian Equities increased slightly over the year from 48% to 54% due to the decision to invest an additional \$2.1m in an Australian market neutral fund. The portfolio's international equity exposure remained the same at 24.5% with the balance being held in cash and fixed interest products.

During 2013-2014, CIMCL held ongoing discussions with it's investment advisor, 358 Pty Ltd and will continue to adopt a conservative position in relation to investment portfolio decision making.

1 October 2014

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

Financial Statements

Year ended 30 June 2014

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Directors' report

For the year ended 30 June 2014

Your Directors present their report on the Co-operative for the year ended 30 June 2014.

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:

I. D. Sutherland	Member Director
A. J. Hayes	Member Director
I. G. Stewart	Member Director
B. M. Brown	Independent Director

S.W. Rice was a director from the beginning of the financial year until his retirement on 7 November 2013. No nominations were received for the position of the retiring member director. M.A. Toscan was appointed to fill the casual vacancy effective as of 8 November 2013 and he continues in office as at the date of this report.

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:

	2014	2013
	\$	\$
Profit/ (loss) before income tax expense	2,669,569	3,107,183
Less: Income tax (expense)/credit attributable to net surplus	(121,933)	(497,013)
Net profit/ (loss)	<u>2,547,636</u>	<u>2,610,170</u>
Total comprehensive result for the year	<u>2,547,636</u>	<u>2,610,170</u>

During the year the Co-operative raised contribution levies from members and invested those funds in accordance with its charter. The return on investments for the year amounted to \$1.12 million (2013:\$1.69 million).

The directors formed the view that the levy should increase by 3% for the 2014-15 year and consider that CIMCL is appropriately positioned to achieve the objectives of the Co-operative. However, as noted in past reports, the future can be unpredictable and actual outcomes cannot be guaranteed.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

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

Likely developments and expected results of operations

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

Environmental regulation

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

Directors' report

For the year ended 30 June 2014

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 \$2,747 (2012: \$2,733) for the year.

Information on Directors

Director	Experience	Special Responsibilities
I D Sutherland	Commenced as a Director of the Co-operative on 27 November 2002. Irrigation farmer. Chairman of the Murrumbidgee Demonstration Farm. Ian has an Industrial Chemistry Certificate.	Chairman since 9 November 2012
A J Hayes	Commenced as a Director of the Co-operative on 11 November 2010. Employed in the agricultural service industry. Director Coleambally Community Bank. Adrian has an advanced Diploma in Agriculture and is a Graduate of the Australian Institute of Company Directors (GAICD).	Deputy Chairman
I G Stewart	Commenced as a director of the Co-operative on 9 November 2012. Irrigation farmer. Member of the Rice Growers Association – Coleambally branch. Iain has an Advanced Diploma of Applied Science, a Bachelor of Commerce and a Master of Wealth Management.). Iain is a recent Graduate of the Australian Institute of Company Directors (GAICD)	
M A Toscan	Commenced as a casual appointment to the position of Member Director effective 8 November 2013. Irrigation farmer. Matt has a Bachelor of Applied Science (Agriculture).	
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. Bruce has a Diploma of Agriculture (Hons) and Bachelor of Agricultural (Economics Major), (Hons 1)	

Directors' report

For the year ended 30 June 2014

Auditors' independence declaration

A copy of the auditors' independence declaration as required by the *Co-operatives National Law* 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 2014, and the number of meetings attended by each member were:

	Board Meetings
Number of meetings	6
I D Sutherland	5
A J Hayes	6
S W Rice	4
I G Stewart	6
M A Toscan	2
B M Brown	5

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



I D Sutherland
Director

Coleambally
24 September 2014

Auditors' Independence Declaration

As lead auditor of the audit of Coleambally Irrigation Mutual Co-operative Limited for the year ended 30 June 2014, 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
24 September 2014

Income Statement

For the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Income	2	2,834,110	3,269,566
Employee benefits expense		(55,403)	(50,036)
Consulting and legal expenses		(38,446)	(55,154)
Other expenses		(70,692)	(57,193)
		<hr/>	
Profit before income tax expense/(benefit)		2,669,569	3,107,183
Income tax (expense)/credit	3	(121,933)	(497,013)
		<hr/>	
Profit after income tax		2,547,636	2,610,170
		<hr/> <hr/>	
Other comprehensive income			
Other comprehensive income		0	0
		<hr/> <hr/>	
Total comprehensive result for the year		2,547,636	2,610,170
		<hr/> <hr/>	

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

Balance Sheet

As at 30 June 2014

		2014	2013
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	4	4,143,588	5,712,512
Receivables	5	1,467,942	1,431,112
Prepayments		4,372	4,437
Total current assets		5,615,902	7,148,061
Non current assets			
Other financial assets	6	19,492,369	15,227,543
Deferred tax assets	7	0	217,377
Total non current assets		19,492,369	15,444,920
Total assets		25,108,271	22,592,981
LIABILITIES			
Current liabilities			
Payables	8	129,978	200,805
Current tax liabilities	9	0	0
Total current liabilities		129,978	200,805
Total current liabilities		129,978	200,805
Non-current liabilities			
Deferred tax liabilities	10	38,481	0
Total non-current liabilities		38,481	0
Total liabilities		168,459	200,805
Net assets		24,939,812	22,392,176
EQUITY			
Reserves	11(a)	24,939,812	22,392,176
Retained surplus/(accumulated deficit)	11(b)	0	0
Total equity		24,939,812	22,392,176

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

Statement of changes in equity

For the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Total equity at the beginning of the year		22,392,176	19,782,006
Total comprehensive result for the year		2,547,636	2,610,170
Total equity at the end of the year		24,939,812	22,392,176

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 2014

	Notes	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers		1,534,194	1,305,483
Payments to suppliers and employees		(172,077)	(117,126)
		1,362,117	1,188,357
Interest and distributions received		194,904	287,252
Taxation (paid)/received		24,055	(261,196)
Net cash inflow from operating activities	20	1,581,076	1,214,413
Cash flows from investing activities			
Payments for investments		(3,150,000)	(9,436,022)
Proceeds from sale of investments		0	6,831,266
Net cash outflow from investing activities		(3,150,000)	(2,604,756)
Net increase/(decrease) in cash held		(1,568,924)	(1,390,343)
Cash and cash equivalents at the beginning of the financial period		5,712,512	7,102,855
Cash and cash equivalents at the end of the financial period	4	4,143,588	5,712,512

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

Notes to the financial statements

30 June 2014

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 adopted have been consistently applied to all years presented.

The financial statements are prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at fair value.

(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 income statement 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 deposits at call which are readily convertible to cash on hand and 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 8.5% (2013: 8.5%) per annum.

Notes to the financial statements

30 June 2014

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, and information about these investments is provided and monitored internally by the Board on a regular basis. These financial assets comprise investments in managed funds and are reflected at fair value based on advice from the fund managers. They are included in non-current assets unless the Co-operative intends to dispose of the investment within 12 months of the balance date. Changes in the fair value of “financial assets at fair value through the profit and loss” are recognised in the 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. Due to the short term nature of payables, measurement at cost is not materially different from amortised value.

(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 11). Remaining member’s funds are made up of the balances of the members’ contribution reserve and the sinking fund reserve.

(i) 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 balance sheet are shown inclusive of GST.

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

(k) Accounting standards issued but not yet effective

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

Note 2. Income

	2014	2013
	\$	\$
Income from operating activities		
Levies from members	1,517,563	1,290,174
Termination fees	1,500	5,520
Net distributions and movement in fair value of investments	1,120,143	1,688,046
	2,639,206	2,983,740
Income from outside the operating activities – non members		
Interest	194,904	285,826
	194,904	285,826
Total income from ordinary activities	2,834,110	3,269,566

Notes to the financial statements

30 June 2014

Note 3. Income tax

	2014	2013
	\$	\$
(a) Income tax expense		
Current tax	133,925	(13,518)
Deferred tax (i)	(255,858)	(483,495)
Aggregate income tax (expense)/credit	<u>(121,933)</u>	<u>(497,013)</u>

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

(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>2,669,569</u>	3,107,183
Income tax expense calculated @ 30% (2013: 30%)	(800,871)	(932,155)
Tax effect of permanent differences		
Net mutual income and expenses attributable to mutual income	446,101	388,705
Tax offset for franking and foreign tax credits	158,907	106,615
Tax over/(under) provided in prior years	73,930	(60,178)
Income tax (expense)/credit	<u>(121,933)</u>	<u>(497,013)</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

Cash at bank	85,382	555,477
Term Deposits	2,007,192	5,157,035
Cash Investment Fund	2,051,014	0
	<u>4,143,588</u>	<u>5,712,512</u>

Notes to the financial statements

30 June 2014

Note 5. Current assets – Receivables

		2014	2013
		\$	\$
Trade debtors	(a)	1,421,298	1,430,978
Tax refund receivable		46,644	0
Accrued Income		0	134
		<u>1,467,942</u>	<u>1,431,112</u>

(a) Ageing

The ageing of receivables balance date was:

	Gross 2014	Impairment 2013	Gross 2013	Impairment 2013
	\$	\$	\$	\$
Not past due	1,421,298	0	1,427,956	0
Past due 31 – 60 days	0	0	0	0
Over 60 days	0	0	3,022	0
	<u>1,421,298</u>	<u>0</u>	<u>1,430,978</u>	<u>0</u>

Note 6. Other financial assets

Financial assets at fair value through the profit and loss	19,492,369	15,227,543
	<u>19,492,369</u>	<u>15,227,543</u>

Note 7. Deferred tax assets

Future income tax benefit	0	217,377
	<u>0</u>	<u>217,377</u>

Note 8. Current liabilities – Payables

Trade creditors and accruals	129,978	200,805
	<u>129,978</u>	<u>200,805</u>

Note 9. Current tax liabilities

Income tax	0	0
	<u>0</u>	<u>0</u>

Note 10. Deferred tax liabilities

Provision for deferred income tax	38,481	0
	<u>38,481</u>	<u>0</u>

Notes to the financial statements

30 June 2014

Note 11. Reserves and retained surpluses

	Notes	2014 \$	2013 \$
(a) Reserves			
Members' contribution reserve		7,764,912	6,473,400
Sinking fund reserve		13,226,051	13,000,000
Non-member income reserve		3,948,849	2,918,776
		<u>24,939,812</u>	<u>22,392,176</u>
Movements			
<i>Members' contribution reserve</i>			
Balance as at 1 July 2013		6,473,400	7,183,226
Transfers from retained surplus		1,517,563	1,290,174
Transfers to sinking fund reserve		(226,051)	(2,000,000)
Balance as at 30 June 2014		<u>7,764,912</u>	<u>6,473,400</u>
<i>Sinking fund reserve</i>			
Balance as at 1 July 2013		13,000,000	11,000,000
Transfers from members contribution reserve		226,051	2,000,000
Balance as at 30 June 2014		<u>13,226,051</u>	<u>13,000,000</u>
<i>Non-member income reserve</i>			
Balance as at 1 July 2013		2,918,776	1,598,780
Transfers from retained surplus		1,030,073	1,319,996
Transfers to retained surplus		0	0
Balance as at 30 June 2014		<u>3,948,849</u>	<u>2,918,776</u>
(b) Retained surplus/(accumulated deficit)			
Retained surpluses at the beginning of the financial year		0	0
Total comprehensive result for the year		2,547,636	2,610,170
Transfers to members' contribution reserve		(1,517,563)	(1,290,174)
Transfers to non-member income reserve		(1,030,073)	(1,319,996)
Transfers from non-member income reserve		0	0
Retained surplus/(deficit) at the end of the financial year		<u>0</u>	<u>0</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 2014

Note 12. Share capital

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

Note 13. 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:					Total
		Floating interest rate	1 year or less	over 1 to 5 years	more than 5 years	Non-interest bearing	
Notes	\$	\$	\$	\$	\$	\$	
2014							
Financial assets							
Cash	4	2,136,396	2,007,192			4,143,588	
Receivables	5				1,467,942	1,467,942	
Investments	6				19,492,369	19,492,369	
		<u>2,136,396</u>	<u>2,007,192</u>	<u>0</u>	<u>0</u>	<u>20,960,311</u>	
Weighted average interest rate		3.55%	3.75%				
Financial liabilities							
Trade creditors and accruals	8				129,978	129,978	
					<u>129,978</u>	<u>129,978</u>	
Net financial assets/(liabilities)		<u>2,136,396</u>	<u>2,007,192</u>	<u>0</u>	<u>0</u>	<u>20,830,333</u>	

		Fixed interest maturing in:					Total
		Floating interest rate	1 year or less	over 1 to 5 years	More than 5 years	Non-interest bearing	
Notes	\$	\$	\$	\$	\$	\$	
2013							
Financial assets							
Cash	4	555,477	5,157,035			5,712,512	
Receivables	5				1,431,112	1,431,112	
Investments	6				15,227,543	15,227,543	
		<u>555,477</u>	<u>5,157,035</u>			<u>16,658,655</u>	
Weighted average interest rate		1.94%	4.06%				
Financial liabilities							
Trade creditors and accruals	8				200,805	200,805	
					<u>200,805</u>	<u>200,805</u>	
Net financial assets/(liabilities)		<u>555,477</u>	<u>5,157,035</u>			<u>16,457,850</u>	

Notes to the financial statements

30 June 2014

Note 13. Financial instruments (continued)

(b) Net fair value of financial assets and liabilities

The co-operative measures and recognises its financial assets at fair value through the profit and loss on a recurring basis after initial recognition.

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

- Level 1 - Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Measurements based on unobservable inputs for the asset or liability.

The co-operative's financial assets at fair value through the profit and loss are classified as level 1. There has been no change in the valuation technique used to calculate the fair values disclosed in the financial statements.

Other financial assets and liabilities

The carrying value of other financial assets and liabilities approximates fair value.

(c) Credit risk exposures

The credit risk on financial assets which have been recognised on the balance sheet is generally the carrying amount, net of any provisions for doubtful debts.

Note 14. Remuneration of auditors

	2014	2013
	\$	\$
Remuneration of the auditors of the Co-operative for:		
Audit of the financial statements	5,200	4,600
Other assurance services	2,000	3,500
Total audit and other assurance services	<u>7,200</u>	<u>8,100</u>
Taxation services	6,685	6,700
Other consulting services	525	18,400
Total remuneration	<u><u>14,410</u></u>	<u><u>33,200</u></u>

Note 15. Contingent liabilities

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

Note 16. Commitments for expenditure

Capital commitments

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:

Not later than one year

<u>0</u>	<u>0</u>
<u><u>0</u></u>	<u><u>0</u></u>

Notes to the financial statements

30 June 2014

Note 17. 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: I D Sutherland; A J Hayes; S W Rice; I G Stewart, M Toscan and B M Brown. The Directors received remuneration of \$54,984 (2013: \$49,568). The AGM approved ceiling is \$55,000.

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 \$38,917 (2012: \$53,741). These levies were raised just prior to the end of the reporting period, and remain outstanding as at 30 June 2014.

Note 18. 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 19. 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 20. Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities

	2014	2013
	\$	\$
Profit after income tax	2,547,636	2,610,170
Movement in fair value of investment	(1,114,826)	(1,688,046)
Change in operating assets and liabilities		
(Increase)/decrease in receivables	9,814	10,710
(Increase)/decrease in prepayments	65	505
(Increase) in tax assets	170,733	483,435
Increase/(decrease) in trade creditors and accruals	(70,827)	45,257
Increase/(decrease) in tax liabilities	38,481	(247,618)
Net cash inflow/(outflow) from operating activities	<u>1,581,076</u>	<u>1,214,413</u>

Notes to the financial statements

30 June 2014

Note 21. 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 is the risk of financial loss to the Co-operative if a party to a financial instrument fails to meet its contractual obligations. Credit risk arises from the financial assets disclosed in note 13. Cash deposits are held with reputable banking institutions.

Units in investment trusts are managed in accordance with a documented investment strategy. The investment strategy has been developed to optimise the investment return and minimise the risk of volatility over the time the funds are expected to be held. As at 30 June 2014 the investment portfolio is spread across the following:

	2014	2013
Australian Equities	53.69%	48.07%
International Equities	24.49%	24.65%
Fixed Interest	4.29%	0.00%
Cash at Call	9.04%	2.65%
Term Deposits	8.49%	24.63%

The performance of these investments are reported to, and monitored by the Board each quarter. In addition, the performance of our investment advisor is also closely monitored.

In respect of debtors the risk is significantly mitigated by a charge over customers water rights afforded by the Water Management Act 2000.

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 National Law* 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 2014 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.



I D Sutherland
Director

Coleambally
24 September 2014

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 balance sheet at 30 June 2014, and the income statement, 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 National Law*. 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.

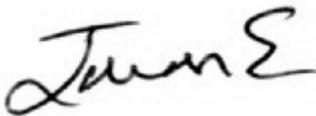
Independence

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

Auditor's Opinion

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

- a) giving a true and fair view of Coleambally Irrigation Mutual Co-operative Limited's financial position as at 30 June 2014 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 National Regulations*.



Johnsons MME
Chartered Accountants



H P McKenzie-McHarg
Partner

Albury
24 September 2014

Frequently asked questions

Q. Why do we have two Co-operatives?

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

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

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

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

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

Q. How securely are CIMCL's funds invested?

A. CIMCL financial advisors are highly experienced and professionally well-regarded and our portfolio is highly diversified across a range of investments and within each investment class. As at 30 June 2014, our funds were invested as follows:

- 53.69% - Australian Equities
- 24.49% - Overseas Equities
- 21.82% - Cash/Short Term Deposits

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

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

A. Approximately \$141m.

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

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