

Coleambally Irrigation Mutual Co-operative Limited



ABN 60 785 211 497

Registered Office: 7 Brolga Place, Coleambally 2707

Annual Report

2006-2007

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Chairman's Annual 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.

The 2006/07 year has seen the consolidation of our investment program given the resolution of outstanding tax related matters.

Investment Program

Over the past 12 months, we have continued to work towards our investment strategy of 90% growth and 10% stable. At the end of June 2007, the investment portfolio (long and short term) had a value of \$8,595,008 compared with a total amount invested of \$6,531,017 at June, 2006. Revenue was made up of levies of \$1,400,820 and returns on investments of \$1,107,630.

Asset Levy and Actuarial Review

The Board resolved to increase the levy from \$2.85(2006/07) to \$2.98 per megalitre (2007/08). This decision was made to ensure that the levy kept pace with the need to meet the asset renewals program. However due to the continuing drought the decision will be reviewed as the season progresses.

CICL initiated a Modern Engineering Equivalent Replacement Asset (MEERA) review. This involves condition assessment of assets together with determining averaged expected operational lives. CIMCL will provide this data to an actuary for their consideration in confirming or revising the adequacy of the renewals annuity – the CIMCL Levy. This process is undertaken every five years and will be available for next year's Annual Report.

Elections

I can advise that Ian Sutherland and I were successful in filling the vacant positions reported in our last Annual Report.

In February, Independent Director, Jim Croll, retired from the Board with this vacancy being filled by Bruce Brown on a casual basis. Jim had been with the Board since its inception and had made a significant contribution over the last seven years. In September, Alan Wray retired after seven years with the Board. His commitment and contribution to the Coleambally Irrigation community has spanned twenty years taking us through the processes of privatisation to where we are today.

On behalf of the Board, I would like to express sincere thanks to our Federal Members of Parliament Kay Hull, Member for Riverina and Sussan Ley, Member for Farrer and Adrian Piccoli, State member for Murrumbidgee for their continued support during the 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
16 October 2007

Chief Executive Officer's Report

CIMCL Renewal Program

Whilst there have been concerns over many of our bridges achieving their design operating life, it has been pleasing to see the outcomes of the trials on the bridge deck replacement carried out by CICL this year on the Yamma Offtake bridge on Main Canal Road.

This has effectively upgraded the bridge to Road-train loadings and provided additional width utilising new hollow core technology beams. This has been an extremely cost effective approach.

Termination and Access Fees

The mechanism to facilitate trade out of Irrigation Corporations remained in a state of flux for much of the year as the Government changed parameters around the calculation of fees. The Exit Fee approach was ruled invalid by Government with the ACCC and the MDBC providing a revised framework for calculation of an Access Fee for those irrigators wishing to pay an ongoing fee for entitlement transferred out of a bulk licence, or a one off Termination Fee equal to fifteen times the annual Access Fee.

Fees needed to be established by 1st July 2007. The Board approved the following charges to apply from this date:

Tax inclusive

Access Fee	CIMCL
General Security Water	\$4.21/ML
High Security Water	\$6.01/ML

Termination Fee	CIMCL
General Security Water	\$63.15/ML
High Security Water	\$90.15/ML

Our advice is that these fees would be treated as ordinary income and as such subject to taxation. Unless provided with written advice from Government, we will base fees on a tax inclusive basis.



Murray Smith
Chief Executive Officer
16 October 2007

Investment Report for year ended 30 June 2007

For the fourth calendar year in succession, Australian shares produced returns of over 20%. This has not happened before. Private equity investors were a feature during the year with several major companies being a target. Our economy has remained in good shape with investment returns benefiting from the strong demand for resources. Very low unemployment has resulted and inflationary pressures have led the Reserve Bank to increase the official interest rate on three occasions. The year has seen a sharp rise in US\$ oil prices, moderated somewhat here by the stronger Australian Dollar. Domestically the “resource” rich states of West Australia and Queensland have enjoyed strong growth with mixed results in the rest of the country. Drought has dragged on in many parts of the country, reducing income in rural communities.

Despite several periods of worries about inflation and interest rates in many countries, investment markets generally also produced strong returns in their currencies of origin. The inflation rate in several countries is at or near the top of stated ranges. Volatility in markets has been unprecedented and seems to have become a fixture for the time being. The inevitable fluctuations of markets will continue and some years we will see investments producing negative returns as was the case in the two to three years following the “tech crash” in 2000.

China and India continue to power along, no doubt contributing to higher prices for oil and other commodities. Both China and India are heavily dependent on the US continuing to import goods from these areas and some worry what will happen when the US has its next recession. The Japanese economy seems to have finally emerged from its period in the doldrums and this too should give global growth a boost.

In the US the housing market has been slowing for some time and since the end of the financial year we have witnessed serious problems in what is known as the “sub-prime” mortgage market and this has spread to other credit markets. The US Federal Reserve Bank has moved to ease interest rates in light of the problems in the sub-prime market.

Company profits have continued to grow at rates well in excess of inflation. How much longer this can continue is open to much discussion.

In the year to 30 June, the major asset markets overall produced excellent returns with the exception of international shares which suffered from the strengthening of the Australian Dollar. As was the case in 2006, the rises in official interest rates in Australia depressed the bond return figure. With Australian shares returning over 20% for the fourth year in a row, we truly have been blessed with benefits flowing from strong demand for Australian resources and a well managed domestic economy. The major share indices in Australia finished the year at around 6,400.

Individual asset sector returns for the last three years were:

	2007	2006	2005
Australian shares	22.0%	24.0%	25.4%
International shares	1.5%	20.0%	12.5%
Listed property	28.4%	18.1%	17.4%
Australian bonds	3.7%	3.4%	7.8%
Liquid investments	6.2%	5.8%	5.5%

The Mutual's investments

Our long term investment strategy as recommended by our actuaries is to maintain a high percentage of “growth assets” meaning mainly Australian and International shares. With the strong Australian Dollar during the year, rising to around US84c, this affected the returns in Australia on International shares as can be seen in the table above.

Funds are invested principally with the Macquarie van Eyk Blueprint funds which provide important diversification benefits, and low management fees. As the size of our portfolio increases, your Board is considering adding a further wholesale investment manager in order to obtain further diversification. We will again seek a quality wholesale investment manager able to provide investment solutions using multi managers and multi asset sectors, but one which has an investment “style” that is different from the Macquarie van Eyk funds.

During the year, investments of the Mutual increased from \$6,531,017 to \$8,595,008.

Investment outlook

The uncertainty of the future always presents a challenge in looking forward to what might happen. At the present time, it seems that markets are going to remain more volatile than history would suggest. With the past four years giving such strong returns, one could surmise that the cycle will turn, but predicting the turning point would be fraught with danger. However, so long as the US economy keeps away from a recession, inflation remains in check and subject to the geo political situation also not changing adversely, it would seem that investment market returns should be positive again, if not at the unusually high levels of the recent past.

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

Annual Report

Year ended 30 June 2007

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Directors' report

30 June 2007

Your directors present their report on the co-operative for the year ended 30 June 2007.

Directors

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

P. T. Sheppard	Member Director	Chairman
I.D. Sutherland	Member Director	Deputy Chairman
H. R. Hunt	Member Director	
S. Burgess	Member Director	
A.V. Wray	Member Director	

Mr J R Croll was a director from the beginning of the financial year until his resignation on 28 February 2007.

Mr B M Brown was appointed as director on 1 March 2007 and 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:

	2007	2006
	\$	\$
Net surplus from ordinary activities before income tax	2,396,184	1,885,750
Less: Income tax expense attributable to net surplus	226,402	173,179
Net surplus from ordinary activities after income tax	<u>2,169,782</u>	<u>1,712,571</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.

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.

Directors' report

30 June 2007

Information on directors

Director	Experience	Special Responsibilities
P T Sheppard	Director of the co-operative since 16 November 2000. Irrigation farmer. Member of Community Environmental Committee of Coleambally Irrigation Co-operative Limited. Member representing CIMCL on the Asset Refurbishment & Maintenance Committee of Coleambally Irrigation Co-operative Limited. Committee member of Rural Industries Research and Development Committee – Rice.	Chairman
I D Sutherland	Appointed director of the co-operative on 27 November 2002. Irrigation farmer. Member of Community Environmental Committee of Coleambally Irrigation Co-operative Limited.	Deputy Chairman
A V Wray	Director of the co-operative since 18 January 2000. Irrigation farmer. Chairman Coleambally Irrigation Co-operative Limited and antecedent bodies for 14 years.	
H R Hunt	Director of the co-operative since 18 January 2000. Irrigation farmer.	
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.	
Mr 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

30 June 2007

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 2007, and the number of meetings attended by each member were:

	Board Meetings
Number of meetings	5
P T Sheppard	5
A V Wray	5
H R Hunt	5
S Burgess	5
I D Sutherland	5
J R Croll	4
B M Brown	1

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



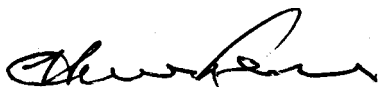
P T Sheppard
Director

Coleambally
16 October 2007

Auditors' Independence Declaration

As lead auditor of the audit of Coleambally Irrigation Mutual Co-operative Ltd for the year ended 30 June 2007, 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
16 October 2007

Income statement

For the year ended 30 June 2007

	Notes	2007 \$	2006 \$
Revenue	2	2,508,450	2,127,065
Employee benefits expense		(40,000)	(40,000)
Consulting and legal expenses		(19,952)	(153,224)
Other expenses from ordinary activities		(52,314)	(48,091)
		<hr/>	<hr/>
Profit before income tax expense		2,396,184	1,885,750
Income tax expense	3	(226,402)	(173,179)
		<hr/>	<hr/>
Profit after income tax		2,169,782	1,712,571

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

Balance sheet*As at 30 June 2007*

	Notes	2007 \$	2006 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	194,341	79,820
Trade and other receivables	5	1,552,322	1,443,059
Total current assets		<u>1,746,663</u>	<u>1,522,879</u>
Non current assets			
Other financial assets	6	8,595,008	6,531,017
Deferred tax assets	7	114,072	0
Total non current assets		<u>8,709,080</u>	<u>6,531,017</u>
Total assets		<u>10,455,743</u>	<u>8,053,896</u>
LIABILITIES			
Current liabilities			
Trade and other payables	8	139,979	130,837
Current tax liabilities	9	384,346	76,107
Total current liabilities		<u>524,325</u>	<u>206,944</u>
Non current liabilities			
Deferred tax liabilities	9	0	85,316
Total non current liabilities		<u>0</u>	<u>85,316</u>
Total liabilities		<u>524,325</u>	<u>292,260</u>
Net assets		<u>9,931,418</u>	<u>7,761,636</u>
EQUITY			
Reserves	10(a)	9,931,418	7,761,636
Retained surplus/(accumulated deficit)	10(b)	0	0
Total equity		<u>9,931,418</u>	<u>7,761,636</u>

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

Statement of changes in equity

For the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
Total equity at the beginning of the year		7,761,636	6,049,065
Net profit/(loss) for the year	10	2,169,782	1,712,571
Total equity at the end of the year		9,931,418	7,761,636

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

Cash flow statement

For the year ended 30 June 2007

	Notes	2007 \$	2006 \$
Cash flows from operating activities			
Receipts from customers		1,422,744	1,425,736
Payments to suppliers and employees		(234,312)	(370,182)
		1,188,432	1,055,554
Interest & distributions received		1,492,546	458,327
Taxation paid		(117,551)	(11,756)
Net cash inflow from operating activities	19	2,563,427	1,502,125
Cash flows from investing activities			
Payments for investments		(2,448,906)	(3,233,047)
Proceeds from sale of investments		-	-
Net cash outflow from investing activities		(2,448,906)	(3,233,047)
Net increase/(decrease) in cash held		114,521	(1,730,922)
Cash at the beginning of the financial period		79,820	1,810,742
Cash at the end of the financial period	4	194,341	79,820

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

Notes to the financial statements

30 June 2007

Note 1. Summary of significant accounting policies

(a) Basis of preparation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group 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 preparation of the financial report. The accounting policies have been consistently applied.

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

(b) Revenue recognition

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

(i) Levies from members

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

(ii) Interest and distribution revenue

Interest is recognised as it accrues. Distributions from investment trusts are recognised when a distribution is 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 debited/credited in the income statement except where it relates to items that may be credited directly to equity, in which case deferred tax is adjusted directly against equity.

(d) Cash and cash equivalents

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

(e) Receivables

Accounts receivable are brought to account at their nominal amounts. No provision is raised for doubtful debts as there is considered to be little likelihood of bad debts arising.

Levies are billed in June each year and are due in 30 days. Interest is charged on overdue amounts at the rate of 10.0% (2006: 9.0%) per annum.

Notes to the financial statements

30 June 2007

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 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 10). 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

	2007 \$	2006 \$
Revenue from operating activities		
Levies from members	1,400,820	1,305,773
	<u>1,400,820</u>	<u>1,305,773</u>
Revenue from outside the operating activities – non members		
Interest	43,640	124,703
Distributions and movements in fair value of financial assets	1,063,990	696,589
	<u>1,107,630</u>	<u>821,292</u>
Total revenue from ordinary activities	<u>2,508,450</u>	<u>2,127,065</u>

Notes to the financial statements

30 June 2007

Note 3. Income tax

	2007 \$	2006 \$
(a) Income tax expense		
Current tax	(425,790)	(87,863)
Deferred tax (i)	199,388	(85,316)
Aggregate income tax (expense)/credit	<u>(226,402)</u>	<u>(173,179)</u>

(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	<u>2,396,184</u>	<u>1,885,750</u>
Income tax expense calculated @ 30% (2006: 30%)	(718,855)	(565,725)
Tax effect of permanent differences		
Net mutual income and expenses attributable to mutual income	414,574	392,546
Tax overprovided in prior years	77,879	0
Income tax (expense)/credit	<u>(226,402)</u>	<u>(173,179)</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

	2007 \$	2006 \$
Cash at bank	39,630	79,820
Term Deposit	154,711	-
	<u>194,341</u>	<u>79,820</u>

Note 5. Current assets – Receivables

	2007 \$	2006 \$
Trade debtors	<u>1,552,322</u>	<u>1,443,059</u>
	<u>1,552,322</u>	<u>1,443,059</u>

Notes to the financial statements

30 June 2007

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

	2007	2006
	\$	\$
Investments in unit trusts	8,595,008	6,531,017
	<u>8,595,008</u>	<u>6,531,017</u>

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. Deferred tax assets

	2007	2006
	\$	\$
Future income tax benefit	114,072	0
	<u>114,072</u>	<u>0</u>

Note 8. Current liabilities – Payables

	2007	2006
	\$	\$
Trade creditors and accruals	139,979	130,837
	<u>139,979</u>	<u>130,837</u>

Note 9. Tax liabilities

	2007	2006
	\$	\$
Income tax	384,346	161,423
	<u>384,346</u>	<u>161,423</u>

Income tax liabilities have been allocated as follows:

Current	384,346	76,107
Non-current	0	85,316
	<u>384,346</u>	<u>161,423</u>

Notes to the financial statements

30 June 2007

Note 10. Reserves and retained surpluses

	Notes	2007 \$	2006 \$
(a) Reserves			
Members' contribution reserve		904,000	4,150,304
Sinking fund reserve		8,000,000	3,352,876
Non-member income reserve		1,027,418	258,456
		<u>9,931,418</u>	<u>7,761,636</u>
Movements			
<i>Members' contribution reserve</i>			
Balance as at 1 July 2006		4,150,304	2,844,531
Transfers from retained surplus		1,400,820	1,305,773
Transfers to sinking fund reserve		(4,647,124)	-
Balance as at 30 June 2007		<u>904,000</u>	<u>4,150,304</u>
<i>Sinking fund reserve</i>			
Balance as at 1 July 2006		3,352,876	3,352,876
Transfers from members contribution reserve		4,647,124	-
Balance as at 30 June 2007		<u>8,000,000</u>	<u>3,352,876</u>
<i>Non-member income reserve</i>			
Balance as at 1 July 2006		258,456	-
Transfers from retained surplus		1,107,630	696,599
Transfers to retained surplus		(338,668)	(438,143)
Balance as at 30 June 2007		<u>1,027,418</u>	<u>258,456</u>
(b) Retained surplus/(accumulated deficit)			
Retained surpluses at the beginning of the financial year		0	(148,342)
Net profit for the year		2,169,782	1,712,571
Transfers to members' contribution reserve		(1,400,820)	(1,305,773)
Transfers to non-member income reserve		(1,107,630)	(696,599)
Transfers from non-member income reserve		338,668	438,143
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 2007

Note 11. Share capital

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

Note 12. Financial instruments**(a) Interest rate risk exposures**

The co-operative's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table:

		Fixed interest maturing in:					
		Floating interest rate	1 year or less	over 1 to 5 years	More than 5 years	Non- interest bearing	Total
Notes	\$	\$	\$	\$	\$	\$	\$
2007							
Financial assets							
Cash	4	194,341	-	-	-	-	194,341
Receivables	5	-	-	-	-	1,552,322	1,552,322
Investments	6	-	-	-	-	8,595,008	8,595,008
		194,341	-	-	-	10,147,330	10,341,671
Weighted average interest rate		6.62%	N/A	N/A	N/A	N/A	
Financial liabilities							
Trade creditors and accruals	8	-	-	-	-	139,979	139,979
		-	-	-	-	139,979	139,979
Weighted average interest rate		N/A	N/A	N/A	N/A	N/A	
Net financial assets (liabilities)		194,341	-	-	-	10,007,351	10,201,692
2006							
Fixed interest maturing in:							
Notes	Floating interest rate \$	1 year or less \$	over 1 to 5 years \$	More than 5 years \$	Non- interest bearing \$	Total \$	
Financial assets							
Cash	4	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	8	-	-	-	-	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

Notes to the financial statements

30 June 2007

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

	2007 \$	2006 \$
Remuneration of the auditors of the co-operative for:		
Audit of the financial report	2,800	2,700
Other assurance services	2,900	3,530
Total audit and other assurance services	<u>5,700</u>	<u>6,230</u>
Taxations services	2,600	15,750
Other services	9,250	0
Total remuneration	<u>17,550</u>	<u>21,980</u>

Note 14. Contingent liabilities

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

Note 15. Commitments for expenditure

	2007 \$	2006 \$
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>-</u>	<u>-</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; A V Wray; H R Hunt; S Burgess; I D Sutherland; J R Croll and B M Brown. The directors received remuneration of \$40,000 (2006: \$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.

Notes to the financial statements

30 June 2007

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 \$36,566 (2006: \$33,997). These levies were raised just prior to the end of the reporting period, and remain outstanding as at 30 June 2007.

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

	2007 \$	2006 \$
Profit after income tax	2,169,782	1,712,571
Movement in fair value of investment	384,915	(362,965)
Change in operating assets and liabilities		
(Increase) in receivables	(109,263)	(10,289)
(Increase) in prepayments	-	-
(Increase) in tax assets	(114,072)	-
Increase/(decrease) in trade creditors and accruals	9,142	1,385
Increase/(decrease) in tax liabilities	222,923	161,423
Net cash inflow/(outflow) from operating activities	<u>2,563,427</u>	<u>1,502,125</u>

Directors' declaration

30 June 2007

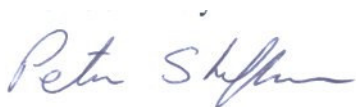
The directors declare that the financial statements and notes set out on pages 5 to 15:

- (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 2007 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the *Co-operatives Act 1992* as amended; and
- (b) there are reasonable grounds to believe that the co-operative will be able to pay its debts as and when they become due and payable.

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



P T Sheppard
Director

Coleambally
16 October 2007

Independent audit report to the members

30 June 2007

Report on the Financial Report

We have audited the financial report of Coleambally Irrigation Mutual Co-operative Limited, which comprises the balance sheet at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

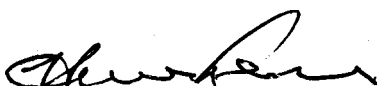
Auditor's Opinion

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

- a) giving a true and fair view of Coleambally Irrigation Mutual Co-operative Limited's financial position as at 30 June 2007 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
16 October 2007

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

30 June 2007