
NEW HOLLAND
TX65

CONTENTS

Chairman's Report

Again Coleambally Irrigation customers began the irrigation season with very dry conditions and an unprecedented allocation announcement of just 14%. The business was also initially guaranteed losses of approximately 60% of our loss entitlement. This made my entry into irrigation politics very demanding, balancing the need of the irrigators to finish their winter cropping watering and the co-operative's need of enough water to deliver the customers' water requirements for the season. Rain was the saviour with enough to lift restrictions to the company and also to deliver 39 % of water by the end of December 2003. In March 2004 there was a final allocation increase to 41%.

Sunrice along with the three major irrigation corporations of Southern NSW secured more Sunrice subsidised water for the rice-cropping program of many farmers and a substantial crop for Sunrice by obtaining water on a payback scheme from Snowy Hydro. This water was to a maximum of twenty percent of entitlement and to be paid back at the beginning of the next two irrigation seasons. Some farmers also acquired water to grow other summer crops, which was not subsidised by Sunrice. Fifty percent of the borrowed Snowy Hydro water is to be paid back in the 2004/05 season.

The dedication of our water distribution staff has complimented Total Channel Control (TCC) systems in achieving significant savings in system losses during a very tight summer of low allocations.

This year has also seen the start of the formal review of the Land and Water Management Plan (LWMP). This review is critical in refining target and incentives in collaboration with the Coleambally community and Government to ensure that we have achievable targets that facilitate long-term environmental and economic sustainability of both individual farming enterprises and the district.

Water reform over the past twelve months has come under the guise of the Murrumbidgee Water Sharing Plan, Water for Rivers, Living Murray and the National Water Initiative. Within this mix Pratt Water has also been looking at potential water saving initiatives in the Murrumbidgee Basin. These are discussed in more detail later in this report. Our input to these various programs has been very significant and involved considerable travel at very short notice to attend critical meetings with key Government representatives.

Together with other Irrigation Corporations and peak bodies we have influenced the outcome of the National Water Initiative, particularly in the areas of risk assignment and water trading mechanisms. The State Government's initial position would have seen irrigators losing up to 10% of their entitlement every 10 years without compensation. The final outcome is that irrigators now carry risk of up to 3% of entitlement initially with Governments (State and Federal) carrying the risk above and beyond this point.

Government was also looking to have significantly more than 4% of entitlement freed up for permanent trade. Once again we have been successful in focusing on an outcome that is more manageable with some degree of 'checks and balances'. We will also be closely monitoring this evolving situation in terms of the impact on our business and the wider community. I am very conscious that shareholders may have the expectation that

CICL can stop Government from implementing initiatives that have adverse impacts on the community, but unfortunately this is not the case and all we can do is seek to influence Government – and in the cases in point we have been successful.

2003-04 has seen Warren Muirhead, one of CICL's founding independent Directors retire. Warren's dedication and input was highly valued by all Board members. His guidance in key science related areas achieved better outcomes for all shareholders. I join with my fellow Directors in acknowledging Warren's contribution and wish him all the best in his future endeavours.

Mark Bramston, our long serving CEO has also left CICL to take up the position in Canberra. Mark handed over to our new CEO, Murray Smith in what has proved to be a seamless transition. CICL presents a united and cohesive team in moving forward.

On behalf of the Board and members of CICL I would like to express our sincere thanks to our Federal Members of Parliament, Kay Hull and Sussan Ley and the State Member for Murrumbidgee Adrian Piccoli for all their support and assistance throughout the past year. We particularly look forward to their continued support in the forthcoming year.

The Board is acutely aware of the low allocation situation and the compounding effect of the previous two season's of drought. Rest assured that we will be working continuously to keep the cost of operations to a minimum.

Chairman

Robert Black
Chairman

Terry Hogan
Deputy Chairman

Trent Gardiner

Peter O'Connor

Jim Croll

Bruce Brown

Chief Executive Officer's Report

2003-04 has been a year of significant change in terms of staffing and water reform. Coupled with the ongoing effects of drought it has focused attention on our core water business.

We are acutely aware of the hardships faced by shareholders as a result of the deepening drought situation. In response, 2003-04 saw the implementation of a drought budget, which effectively trimmed our operating budget. Staff have been extremely committed to maintaining levels of service to our customers within these tight budget constraints. Given this operational environment maintenance works were deferred where possible.

The existing level of Total Channel Control (TCC) implementation and management resulted in a reduction in system losses and an improvement in delivering a 'near on demand' service. A number of farms also voluntarily had FlumeGate M's installed to gain increased control for their summer cropping program. However the FlumeGate 'M's' continued to experience performance related problems. This resulted in consolidating around the existing level of development until such time as technology issues are resolved. Significant advancements have been achieved over the past year, and the next irrigation season will be the litmus test of these developments.

The in-channel FlumeGate 'R's' have continued to perform well, with the only significant issues being vandalism and the stealing of solar panels. This is becoming a larger issue and we are very conscious of the associated costs that are being passed on to all customers. TCC was expanded in the winter of 2003 with the conversion of a number of in-channel regulators to FlumeGate 'R's' in the northern half of the Coleambally Irrigation District. Infrastructure upgrades were also made to monitor the escapes of all channels in the area with an on-farm FlumeGate 'M' installed on the last farm on every supply channel. The concept of having a partially automated system with in-channel regulators that are "state of the art" with manually operated farm outlets worked well minimising escape losses.

The past investment in the latest technology metering device (Accusonic meter) for bulk diversions from the Murrumbidgee River at the Gogelderie Weir pool has been pivotal in seeing a major adjustment made to total diversions to the Coleambally Irrigation District. In addition the Accusonic will become the licensed metering device in future years.

A key element of the National Water Initiative is the accurate measurement and accounting of water use and diversions. The Accusonic meter will meet the accuracy targets that are being developed, however it is probable that the inherent inaccuracy of dethridge wheels at both the high and low end of their flow spectrums will see them fall outside of these developing standards. In the near future we will need to reactivate a significant dethridge wheel replacement program.

The Land and Water Management Plan (LWMP), which was signed off by the community and Government (for which CICL has been charged with the responsibility of implementing) continues to present challenges at both the farm and district levels. The attainment of key targets by 2007 remains at the forefront of our planning, as to fail

these targets has the potential to ultimately compromise our 'bulk licence' and place all customers' water based enterprises at risk.

To this end CICL staff have continued to work closely with landholders to progress targeted initiatives. Our staff are very committed but remain conscious of the impacts of low water allocations on farm cash-flows, and the flow-on effect in our landholders capacity to implement associated initiatives. We have highlighted these issues with Government, and whilst they have acknowledged with some flexibility in meeting immediate targets, the end dates for total compliance have not been altered. A review of the LWMP has been a key activity over the past months, and we look forward to the outcomes of this review towards the latter part of the 2004-05 financial year.

It is apparent that 2004-05 will be yet another challenging year. However the commitment of our staff and the close relationship that exists with our shareholder/customer base places us in a solid position moving forward.

Murray Smith
Chief Executive Officer

Murray Smith, CEO, Carla Thomas, Executive Assistant & Anne Rzeszkowski, Company Secretary

Governance Report

Implementation of Rule changes approved by members at the AGM

A significant number of changes to the Rules of the Co-operative were put to members for their consideration at the 2003 Annual General Meeting. Most of the approved changes related to updating the Rules to accommodate legislative changes, increased clarity of a rule or minor grammatical or spelling inaccuracies.

The most significant rule change was the inclusion of Rule 3.12 of the Customer Contract, which forms part of the Rules of the Co-operative. The following was approved by members and accepted for registration by the Registry of Co-operatives:

"The Co-operative shall deal with savings of Transmission Losses as follows:

(i) by allocation to all members proportionate to their normal base allocation at a price to be determined by the Board which is fair and reasonable; or

(ii) by offer of sale to all Members proportionate to their normal base allocation at a price determined by the Board which is fair and reasonable PROVIDED THAT if a Member does not accept the offer in any year then the Co-operative may sell such water allocation as is not accepted by the member as it shall determine.

In accordance with the new rule this season the Board has implemented that policy as follows:

- making an additional 5% allocation available to all general security water users. Effectively this meant a distribution of 23,864 megalitres.
- In accordance with (ii) of Rule 3.12 the Board has made available to all members a quantity equal to 2% of to their entitlement at a cost of $70 per megalitre. This would see a potential distribution of 10,000 megalitres.

The cost at $70 per megalitre was considered fair and reasonable to members as water was trading at that time on various electronic market instruments for between $120 - $140 per megalitre.

Recommendations from the 2003 Annual General Meeting

At the 2003 AGM a resolution was passed by members recommending the Board consider *any irrigator who receives his water through the Bulk licence and uses a minimum of 10 ML in accordance with the rules of the Co-operative be entitled to be a member of the co-operative.*

In accordance with this recommendation the Board will be asking members to consider a change to Rules 10.1(c) and 15.1(b)(i) which will provide for the inclusion (as members) of irrigators who can access supply from the co-operative but whose property is not connected to the works of the Co-operative to be active members.

Members recommended *that a specific landholder be requested to submit a proposal to the Community Environmental Committee to review the LWMP with the aim to address his individual special circumstances.*

This landholder submitted his proposal to the Community Environmental Committee and the committee took a recommendation to the Board for its consideration. The Board approved the committee's recommendation, finding no environmental grounds that would justify over ruling the 4 ML/ha Rule.

The third recommendation for the Board's consideration was *to conduct a feasibility study into the minimum flow rate for dethridge wheels being set at 4 ML/day in an on-off situation in view of the current drought conditions.*

It was agreed that unless changes could be made to some of CICL's systems (e.g. water ordering system) and within the budget the above suggestion would be too difficult to implement.

Recommend a moratorium be imposed on Value Adding exercise until Excello Foods is paid for.

All value adding activities have ceased.

Recommend the Board ask Rubicon for a copy of the report conducted by Boeing Engineers.

A copy of the document was received and given to the proponents of the resolution with members being advised that a copy of the document could be obtained from the office on request.

Potential future Rule changes to accommodate the National Water Initiative

The current water year will see a requirement to recommend to members a considerable number of changes to our Rules to implement the change to water policy originating from the National Water Initiative (NWI).

Essentially the Irrigation Corporations have been asked to facilitate the permanent trade of entitlement out of the corporations rather than have Government legislate. As such the corporations agreed to permit up to 4% per annum of entitlement to be traded out of the licenses, commencing 1 July 2005. It is expected that 2014 will see the market completely open up with no barriers to trade in place.

As such the rules of the corporations will have to be changed significantly. Major changes will potentially see the Active Membership rule and Membership Qualification rule change. Along with this many of the Water Trading Rules will require review.

As the process and procedures are agreed the rules will need a complete legal review. For example the 4 ML/ha rule may need to be restructured. Potentially this rule could remain in place and ensure that there would be no stranded assets and the longer-term maintenance and refurbishment of the irrigation infrastructure would be provided for future generations. However Government may view this as a barrier to trade if this is the key reason for maintaining this rule. This is just one of many issues that the irrigation corporations and Government will have to agree before changes to the rules are put to members for their endorsement.

It is anticipated that the necessary policy changes will not be agreed in time to put to members at the AGM. As the number of changes will be significant there will be a General Meeting called prior to 30 June 2005 and the main business of the meeting will be the changes to the rules.

Operations & Maintenance Report

Maintenance

This reporting period saw bridgeworks over DC 400 and DC 500 on the Kidman Way progressed to near completion. Nine additional bridges were treated for concrete cancer to maximize their design life.

Five hundred metres of clay lining was completed in the Bundure 4 channel to address localised seepage issues.

Works below water level associated with cathodic protection of the gates at the river offtake were completed together with zinc spraying of the remaining five gates and the regulator gates at 'Grants'.

The aerial spraying of drainage channels complemented land based spraying for the first time this year. It has proven to be a great success. This will be followed up with burning and ongoing spot spraying. It is expected that the use of a helicopter for aerial spaying shall form a key component of the ongoing weed control program.

Total Channel Control (TCC)

Four regulating structures in each of the Yamma and Bundure 4 systems have been fitted with FlumeGates this year. The extension of TCC within the channel system has been significantly improving operational efficiency.

However there have been continuing difficulties with the performance of FlumeGate M's during this reporting period. In response Rubicon have made significant software and hardware upgrades. The 2004 model FlumeGate™ provides enhanced user interface functionality to assist the operator in verifying that the gate is operating correctly. These upgrades are expected to be completed early in the next irrigation season.

The user interface will now contain:

- A System Self-Test, which confirms that the FlumeGate™ hardware is functioning correctly.
- An inbuilt procedure for verifying the accuracy of the gate position and water level measurements.
- An inbuilt emplacement tilt compensation procedure.
- An inbuilt instrumentation calibration procedure.

Research continued with Melbourne University and Rubicon in relation to flow calculations to facilitate improved operations of the Main Canal and Coly 6.

Water Distribution

The 2003-04 irrigation season commenced on the 15 September and concluded on the 7 May 2004. Table 1 below provides a summary of the allocation announcements during this reporting period.

Table 1 2003-2004 Allocation Announcements

	General Security			High Security		
Date	To End Feb	Post Feb	Total	To End Feb	Post Feb	Total
4-Jul	11%	3%	14%	63%	15%	78%
15-Aug	11%	4%	15%	63%	17%	80%
20-Aug	12%	5%	17%	63%	21%	84%
27-Aug	18%	5%	23%	72%	18%	90%
9-Oct	26%	6%	32%	76%	19%	95%
30-Oct	30%	6%	36%	76%	19%	95%
1-Dec	33%	6%	39%	76%	19%	95%
15-Mar	33%	8%	**41%**	76%	19%	**95%**

The anomaly with the metering at the River Offtake (as mentioned in the CEO's Report) did drive the decision making associated with ending the irrigation season somewhat earlier than initially planned as losses at the time threatened to consume the remainder of available allocation. The fact that this matter has now largely been resolved has assisted in placing CICL and its customers in a slightly better position for the 2004-05 season, not withstanding Snowy Hydro 'payback' arrangements.

Water was held in the system rather than draining to maximise customers' available water entitlement and reduce the system fill for the 2004-05 season.

The hot and windy conditions experienced during the year, together with declining water tables over large areas of the Coleambally Irrigation District saw our seepage and evaporation losses increase slightly as a percentage of available allocation. We are now entering new territory in terms of the operating environment i.e. continued low allocation, retreating water tables (in most but not all areas) and what appears to be an early spring. Our dedicated water ordering and distribution staff will closely monitor system performance and address issues as they emerge. They understand the importance of every megalitre of water to both the business and customers.

Figure 1 provides an example of the results of the implementation of TCC coupled with tight management.

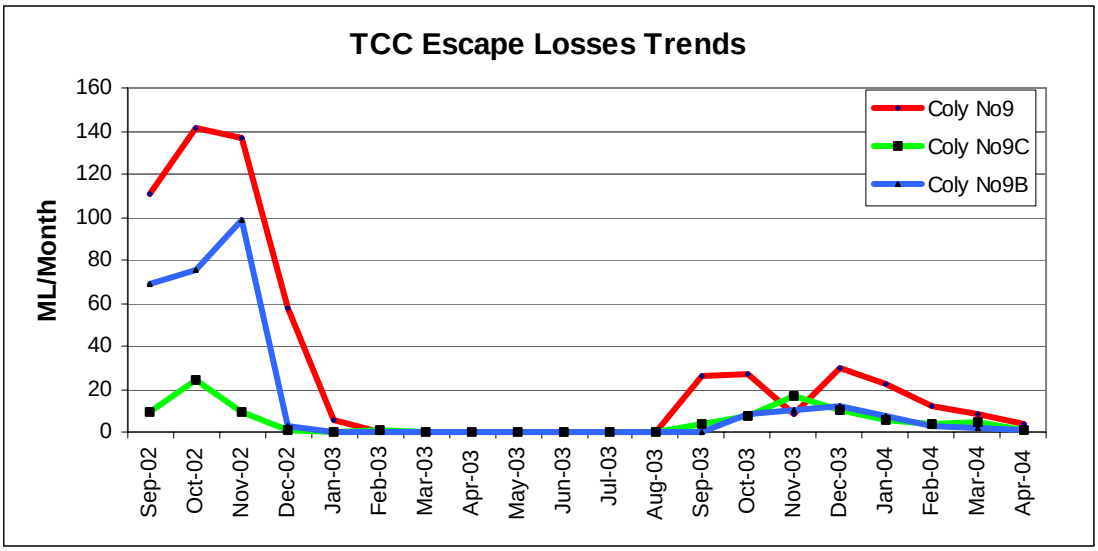

Figure 1 TCC Escape Losses Trend

Figure 2 shows the annual announced allocation and system losses as a percentage of total diversions. The 2003-04 figures have been adjusted to reflect the diversions based on our accusonic meter.

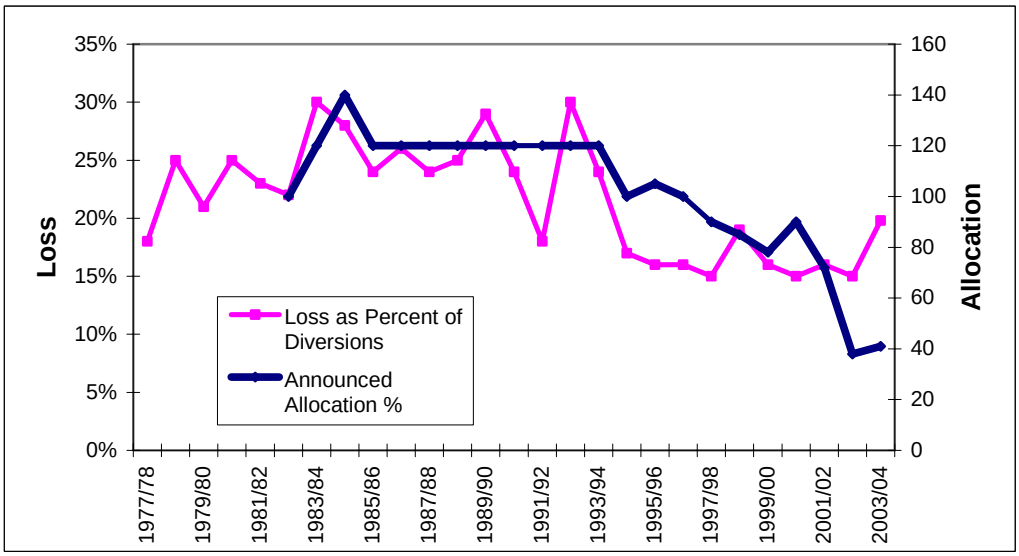

Figure 2 Distribution efficiency gains over the past 10 years

The increase in losses to just over 20% of total diversions is attributed to a range of factors including:

- A high incidence of dethridge wheels operating for extended periods at around the 2 ML/day flow (i.e. outside a dethridge wheels more accurate band).
- Significant reduction in ordered supplies to Yanco Creek.
- Low allocations.

Over the last four irrigation seasons orders for supply to the Yanco Creek system have been in the range of 42,000 ML/annum to 53,000 ML/annum (Refer to Table 2). This shift has significantly impacted on operational arrangements. During the past year Yanco Creek orders totalled just 1,055 ML. The further expansion of TCC down the Main Canal and at key offtakes will assist in addressing this issue for the 2004-05 irrigation season as orders to Yanco Creek are expected to remain low.

The distribution efficiency gains over the past decade are evident. Table 2 provides a comparison of the 2002-03 and 2003-04 water seasons.

Table 2 Comparison 2002-03 and 2003-04 Water Seasons

	2003-2004	2002-2003
Total Diversions	**362,176**	**472,103**
DIPNR Transit flows credits	36,891	65,092
Yanco Creek	1,055	15,061
Tombullen Storage	30,272	39,937
DC 800	5,564	10,042
Net Diversions	325,285	407,011
Total Farm Orders	282,260	368,103
Total Farm Deliveries	**242,966**	**296,699**
Within CIA	239,489	294,027
To Outfall Drain	3,477	2,672
PA Meter Rebate	4,428	4,795
Total Escape Flows	**39,536**	**47,257**
DC 800	16,882	24,209
Outfall Drain	16,402	9,397
CCD (Yanco Creek)	6,252	13,651
Average Supply Metered Order	< 2 ML/day	< 2 ML/day

Natural Resources & Environment

Weather conditions

Although not as severe as 2002-03, the dry conditions continued to prevail during 2003-04. The annual evaporation during the year was 1720 mm, which was 4.5 percent higher than the long-term average of 1645mm.

A total of 434 mm of rainfall was recorded at CICL's Works depot. This was 7.1 percent higher than the long-term average rainfall of 404 mm. The rainfall was very variable over the landscape even at short distances. The weather station at CSIRO, Griffith, recorded a rainfall of 353 mm, Coleambally Demonstration Farm recorded a rainfall of 337 mm and Farm 67 at Coleambally recorded a rainfall of 383 mm during the same period. The first six months of the reporting year (July 03-December 03) received 318 mm of rain and were wetter than the last six months (January 04-June 04), which received only 115 mm rain.

Figure 3 shows the monthly and long-term average rainfall recorded at CICL's Works Depot during July 03-June 04.

Average temperatures during the summer were close to the long-term average. However during January 2004, on four nights the minimum temperature dropped below 10 degree Celsius causing "cold damage" and reduction in the yields of rice crops.

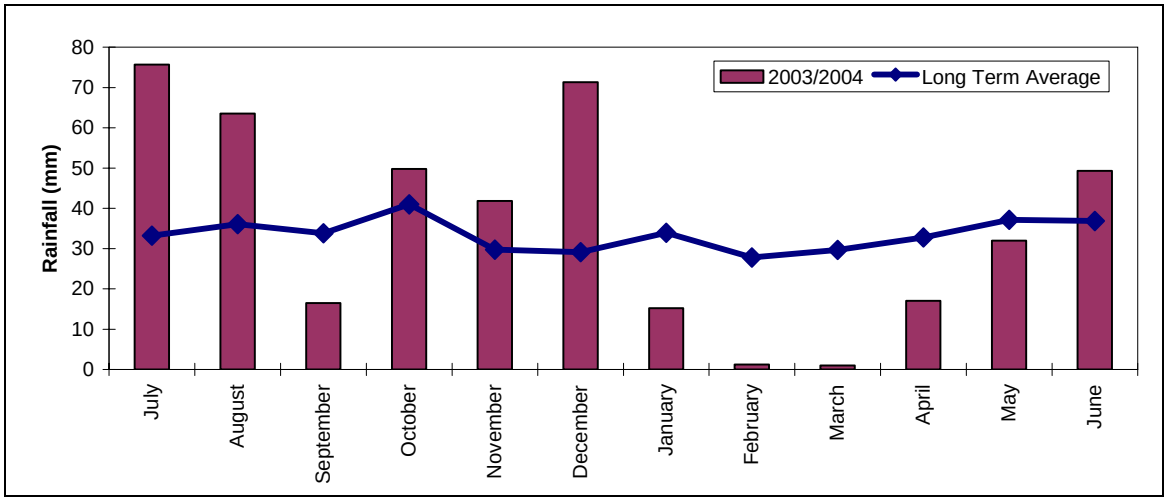

Figure 3 Monthly and long-term average rainfall – CICL Works Depot

Crop Water Usage

During the 2003-04 season water was supplied to various crops grown on a total area of 74,266 ha. This area was 7.1 percent greater than the total area planted in the 2002-03 season.

Rice remained the predominant summer crop with a total area of 12,597 ha. It was also the major water use, using 55.8 percent of total deliveries. In the past, rice crops used 72

to 77 percent of total deliveries. In 2003-04 the area of wheat remained similar to that of the previous year, but due to significant rainfall during the wheat growing season less irrigation water was used in comparison to 2002-03.

Crop area and delivery figures for the main crops in CICL's operational area are presented in Table 3.

Table 3 Crop area and delivery

	Rice		Soybeans		Corn		Wheat		Pastures		Canola	
	Area (ha)	Delivery proportion (%)	Area (ha)	Delivery proportion (%)	Area (ha)	Delivery proportion (%)	Area (ha)	Delivery proportion (%)	Area (ha)	Delivery proportion (%)	Area (ha)	Delivery proportion (%)
2003/04	12597	55.8	1938	3.5	3545	5.7	21192	14.98	12131	7.5	1763	0.7
2002/03	11395	46	1788	1	4788	9.3	21346	20.4	10183	7.4	2095	1.7
2001/02	27493	67.5	3297	3.4	3808	4.2	21103	9.2	11581	6.1	2191	0.6
2000/01	30440	73.9	4551	5.9	4074	5.7	14276	4.6	11998	4.7	2153	0.4
1999/00	24138	77.7	2185	3.9	1178	3.1	12649	6.1	7485	4.4	2152	0.7
1998/99	24491	73.8	4339	5.7	1059	1.3	13963	1.7	13879	8.1	2184	1.7
1997/98	24624	70.4	4998	7.5	1678	2.4	14943	7.4	9964	6.1	2053	0.4

Implementation of the Land and Water Management Plan (LWMP)

The water shortage during the year did focus attention on maximising available supplies. In this environment it was encouraging to be in a position to support a number of landholders in their efforts to improve water management practices on their farms. These improved practices included construction of recycling systems and on-farm storages and the design of Whole Farm Plans (WFP). In 2003-04 the LWMP incentive uptake was better than previous years.

Table 4 shows LWMP incentive uptake in 2003-04 and in previous years.

Table 4 LWMP incentive uptake in 2003-04

Total No. of Farms	Activity	Completed 2003/2004	Total Completed 1994-2004
465	Recycling	44	88
	Whole Farm Plan	45	112
	Property Management Plan	0	5
	Storage	4	8
	Rice Water Use Test	0	2
	Pressurised Irrigation	7	7
TOTAL		**100**	**222**

Trends of key environmental parameters

- ### Watertable decline

Hydrographs of watertables in the CIA have been created from piezometric levels. Geometric means from each data set have been used to produce the hydrographs.

Figure 4 is a summary of the September depths for the entire CIA. The September 2003 piezometric levels for both the lower and upper Shepparton aquifers have shown a decline from September 2002. The median piezometric levels in shallow aquifers (5-12 m deep) have declined to greater than three meters for the first time since 1990. Continued dry conditions have sustained the lower watertables.

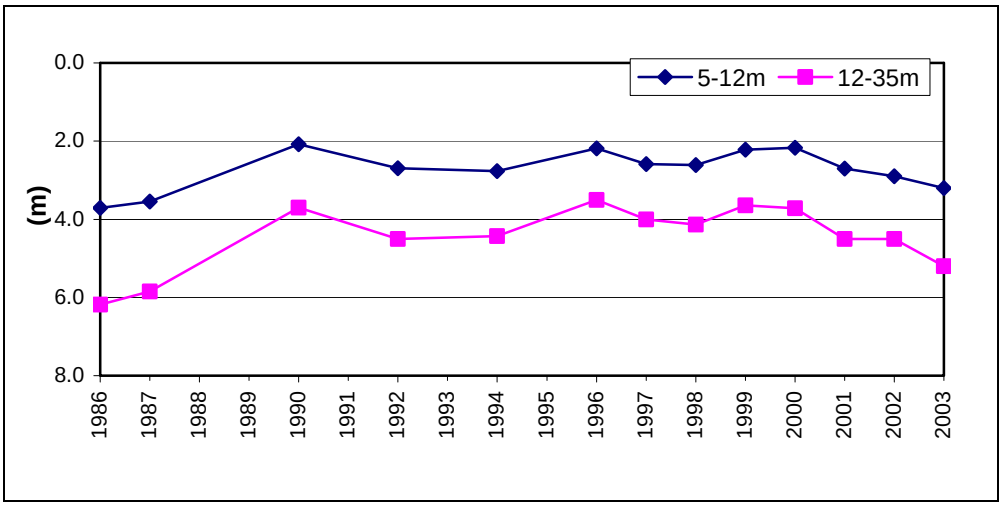

Figure 4 Piezometric levels for the Coleambally Irrigation Area

Although there is an overall decline in the piezometeric levels within the CIA, there has been an increase in piezometric levels in some areas. **This increase in piezometric levels in the southern Coleambally area is of concern to the community as it has occurred even after prolonged dry conditions.**

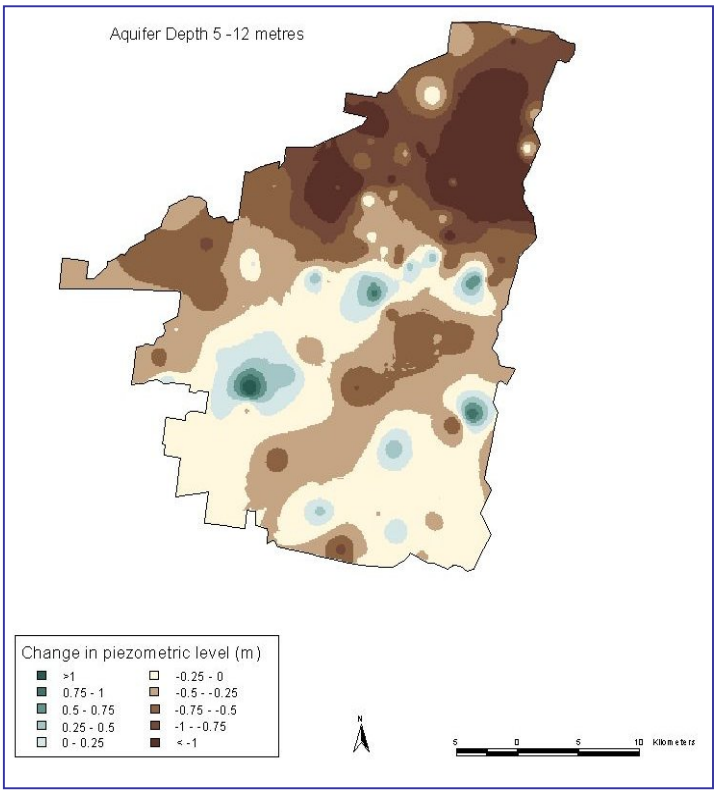

Figure 5 Piezometric level change from September 2002 to September 2003 (5 –12 m)

- ## Reduction in Drainage and Salt Export

In 2003-04 total drainage flows from the CIA were 26,480 ML, which is 26 percent of the benchmark flow. The benchmark flow from CICL's operational area is 102,697 ML, calculated as the average of drainage flows in the period 1995-96 to 1997-98. The total drainage figure for 2003-04 includes 6,997 ML of flows diverted for DIPNR through the Coly Catchment Drain and DC 800. There was almost no flow to Billabong Creek through the Coleambally Outfall Drain. In the period 1995-96 to 1997-98 an average of 31,000 ML per year flowed to Billabong Creek through the Coleambally Outfall Drain. This was reduced to 1,564 ML in 2003-04.

Similarly, salt load discharge from CICL's operational area declined to one fifth of the benchmark levels (annual average between 1995-96 and 1997-98). In 2003-04 a total of 4,244 tonnes of salt was discharged from CICL's operational area while average salt discharge during the period 1995-96 to 1997-98 was 20,221 tonnes per year.

Boona Region

For the 2003-2004 financial year, LWMP incentive funds paid out to Boona Region landholders totalled $350,187. Twenty farms completed Whole Farm Plans, seventeen completed recycle systems, six pressurised irrigation systems were installed and one on-farm storage was completed.

A LWMP Review Meeting was held on the 21st June at Farm 23 for all Boona Region landholders. The meeting gave landholders the opportunity to raise LWMP issues relevant to the region, and provide valuable feedback on the direction of the Review.

Boona Regional staff assisted investigations into several issues raised as part of the LWMP review, including the long-term sustainability of the Coleambally environmental bore. Both the Boona and Kerarbury Regions are being administered by Tracy Singh and Megan Schliebs.

Kerarbury Region

Regional staff have been working closely with Kerarbury landholders to finalise the draft Kerarbury Land and Water Management Plan. Several meetings with CEC representatives, regional staff and Kerarbury landholders have been valuable in identifying how best to approach the environmental issues confronting the area.

No landholders applied to receive incentives for Whole Farm Plans during the 2003/2004 financial year, although several landholders have expressed an interest in doing so in the future. EM-31 surveys have commenced across most of the region, although only one property has been fully completed. Majority of areas are waiting on the drilling contractors.

Coly Region

Coly Region has been successful this year in achieving its budgetary targets with respect to LWMP incentives. For the 2003-2004 financial year, five farms completed Whole Farm Plans, eleven farms completed a recycle system, and one on-farm storage was completed. LWMP funds paid out for these incentives totalled $170,064.

A LWMP Review Meeting was held on 18th June at the Coleambally Bowling Club for all Coly Region landholders. This meeting was well attended and gave the landholders the opportunity to be involved in the review process and discuss certain issues pertinent to them. The meeting went well over the scheduled time but much positive feedback was received from those landholders who attended. Such forums provided great opportunity for our regional officers, Michelle Jefferies and Lundy Lee to obtain feedback on a wide range of issues. Michelle and Lundy are also the regional officers for the Outfall Drain Region.

Outfall District Region

On 12 May 2004 CICL regional staff held a meeting at Booroorban for all Outfall District landholders. The purpose of the meeting was to inform Outfall landholders of the LWMP incentives available to them and also to give both parties an opportunity to meet each other. The meeting was very successful, with over 20 landholders attending.

A total of 11 Outfall farms are in the process of having EM-31 surveys conducted on their farms and are awaiting the drilling results to complete the surveys.

Due to the short time the Outfall District plan has been implemented no Coleambally Outfall Districts landholders have received incentive payments for Whole Farm Plans (WFP's) or Recycle Systems/Storages. However several have advised that they had commenced WFP's with Russell Healey (a contractor from Moama) but were unsure if they were eligible for incentives. Russell Healey has been placed on CICL's list of approved contractors, so those landholders will now be in a position to claim their incentive money, once their designs have been completed.

Argoon

Argoon Region, which is administered by Mark Robb exceeded its LWMP budgetary targets for the 2003-04 financial year. During this year twelve farms constructed on-farm recycling systems, 8 farms completed Whole Farm Plans, one farm installed an on-farm storage and another received its full incentive for the installation of a pressurised irrigation system. LWMP funds paid out as incentives for these works totalled $165,299.

A well-attended meeting to discuss the Coleambally LWMP Review was held for Argoon landholders on the 18th June. There was much spirited discussion and the Review Coordinator received a great deal of valuable feedback regarding the anticipated future direction of the Plan.

Yamma Region

One of the key initiatives in this region, which is being administered by Mike Ridley, has been the introduction of a Net Recharge Management (NRM) trial, which is currently underway in the southeast corner of the region. Nine landholders have been approached to participate in the program to investigate minimising accessions to the local water table, through strategic placement and choice of crop type. Also underway is an investigation, headed by the CSIRO, on the feasibility of evaporation basins in various locations around the CIA, including the Yamma Region.

Rain gauges throughout the CIA and CICL's weather station located in the Yamma region, are presently and systematically being brought back on line.

A total of $86,387.47 of LWMP incentive payments have been made in the Yamma Region during the year. This reflects the completion of an additional three recycling systems and twelve Whole Farm Plans.

Land & Water Management Plan (LWMP) Review

Implementation of the Coleambally LWMP commenced on the 1st July 1999. Being the fifth year of implementation, the process for undertaking the first 5-year review was commenced in November 2003 with endorsement at a community meeting.

Progress in implementing some of the LWMP regional and on-farm options has been good while difficulties are being encountered with some others. The impact of the drought on farm cash flows has been a significant contributing factor. During the review, consideration will be given to extending the timeframe for undertaking some of the on-farm works such as Whole Farm Plans, Storages and Recycle Systems. Changing the level of incentives provided will also be considered, as well as the possibility of providing incentives for some new options.

A Review Committee has been formed which is comprised of representatives of the following groups: CIA farmers; Local Government; Kerarbury Channel Association; Coleambally Outfall District; Landcare; CMA; and CICL. The Committee is chaired by local farmer, Peter O'Connor.

A full-time co-ordinator has been employed to manage the review process. Mark Rowe commenced in this role in May, for a twelve month period. It is intended to have a revised LWMP written and endorsed by the community, CMA and Government by the end of April 2005.

Several technical studies have been commissioned to provide additional information on issues such as minimum irrigation intensity, saline water disposal, education programs, salt and water balance, landscape management and regional storages. This will enable stakeholders to make informed decisions to chart the way forward for the next five years.

Technology & Information System Report

2003-04 has seen a strong focus on reviewing and implementing changes associated with the Water Management System. The National Water Initiative instigated by Government will also have a big impact on issues relating to water and will influence the direction of the changes required to upgrade our Water Management System for the future.

Web Water

The customer website now has a section on water which currently has allocation information and charts showing dam heights for Burrunjuck and Blowering Dams. This information is updated daily.

Rubicon Systems have been working on a review and update of their water ordering system so that it can accommodate the additional functionality required for those customers with FlumeGates. The new system will undergo testing at the start of the 2004-05 season, prior to deployment during the season. This will give web-ordering access to all customers that have web access accounts with CICL.

During the season the business also acquired Rubicon's Web-based system for accessing the water management system data via the staff Intranet. The new system is part of the development of TCC and gives staff wider access to information related to the water management structures.

Environment

The production of the Annual Environment Report has now moved totally in-house resulting in a saving of $30,000 annually on the publication cost.

In addition some environmental reference sites have been developed as an adjunct to the Annual Environment Report.

Biodiversity site – Access to the fauna and flora information collected by the Australian Museum Survey of 48 biodiversity monitoring sites within the CIA.

Groundwater site – Access to images of the Piezometric levels for the upper and lower Shepparton Aquifers and the Calivil Aquifer and the salinity levels measured in the Shepparton Aquifers.

Publications Listing - Access to a complete listing of publications associated with the LWMP is now available on the Publications section of the website.

waterMart

October 2002 saw the launch of our water trading system "waterMart" that allows customers to trade water via the On-Mart and Off-Mart market mechanisms. Further refinements to waterMart were made during this reporting period.

Water Management System

- ### Billing

The Billing system has been upgraded to increase functionality and improve efficiency.

- ### Water Statement

A major part of the Water Management System review relates to the presentation of water statements.

A proforma statement has been developed in-house that improves the readability and provides the desired information to customers. Further input was received via the Focus Group to allow this to be further refined. Major changes will also be required to address the requirements raised by the National Water Initiative. Because the whole system needs to be restructured and rebuilt it is likely that the changes to the water statement will not be available till the 2005/06 season.

- ### Monitoring Escapes

The Water Management System has been altered to allow the measurement and real time monitoring of flows over the escapes.

- ### Reconciliation

A number of management tools/reports are being developed to help reconcile information between different systems (eg. between the Share Register and Water Management System data). These upgraded facilities will have inherent system checks to validate data between and across systems.

Water Reform

There has been a suite of water reform initiatives with which CICL has been involved over the past twelve months. Ultimately it is going to be the National Water Initiative that will have the largest impact on our business operation, and that of our shareholders. Although it has been argued otherwise, there is significant overlap of objectives between initiatives such as that of the Pratt Water Group, the Joint Government Enterprise (Water for Rivers), the Living Murray and ultimately the National Water Initiative.

National Water Initiative

The Council of Australian Governments (COAG) finalised its consideration of the National Water Initiative at its meeting in Canberra on 25 June with the signing of an Inter Governmental Agreement (IGA). The key elements of the COAG decisions are as follows:

- A more secure water entitlement;
- Expansion of water trade;
- Improved specification of the environmental outcomes to be achieved for particular water systems, improved accountability arrangements for environmental managers and statutory recognition for water that is provided to ensure environmental outcomes are met.
- A phased removal of barriers to permanent trade, with all barriers removed by 2014;
- $500 million (over five years) is confirmed for immediate consideration of infrastructure projects that will help address the agreed commitment to the six icon sites and other commitments outlined in the Living Murray agreement. The six significant ecological assets identified by the Murray Darling Basin (MDB) Ministerial Council in November 2003: the Barmah-Millewa Forest, Gunbower and Koondrook-Perricoota Forests, Hattah Lakes, Chowilla Floodplain (including Lindsay-Wallpolla), the Murray Mouth, Coorong and Lower Lakes, and the River Murray Channel. Water recovery measures to be funded under the MDB Water Agreement include investment in water infrastructure and behavioural change and purchase of water on the market, with recovered water to be set-aside for environmental purposes.

- The risk assignment principles will apply from 2014, which is at the conclusion of the first ten-year period of Murrumbidgee Water Sharing Plan;
  - Irrigators accept the first 3% of reductions in entitlements arising from bona fide improvements in knowledge about water systems' capacity to sustain particular extraction levels;
  - The next 3% is paid two thirds by the Federal Government, one third by the State Government;

- Above 6% will be shared equally by the Federal and State Government;
- A major objective of the NWI is to secure the integrity of water access entitlements and environmental outcomes. As part of this, COAG has committed to:
  - Creating a new organisation, the National Water Commission which will assess progress in the implementation of the NWI; and
  - Commonwealth financial commitments to over-allocation hot-spots and infrastructure projects which are to be considered on a project-by-project basis with each State.

The Australian Government will discuss with signatories to the NWI Agreement the provision of assistance to affected regions on a case-by-case basis (including set up costs), and may also initiate on its own behalf projects, which assist with implementation of the NWI.

Implementation of the NWI will be overseen by the Natural Resource Management Ministerial Council in line with detailed implementation plans to be developed by each State and Territory over the next 12 months.

Implications for CICL

In the southern Murray-Darling Basin (MDB), necessary legislative and other actions will be taken to establish, by June 2005, an interim threshold limit to water trade out of irrigation areas of four per cent (4%) per annum, with regular assessment of progress with these actions including any regional impacts. A study into the legal, commercial and technical mechanisms to enable interstate trade in the southern MDB has also commenced. As part of facilitating this element of the NWI agenda CICL entered into a Heads of Agreement with other NSW Irrigation Corporations and the NSW State Government to examine, and where appropriate make recommendation to shareholders in relation to Rule changes which would need to take effect by June 30 2005. The objective of this agreement is to set out the responsibilities of the Irrigation Corporations and the NSW Government in relation to water rights and aspects of the National Water Initiative (NWI) that seek to expand trade in the Southern Murray-Darling Basin.

In the event that such amendments are not implemented, both the State and Federal Governments have indicated that Permanent Water Trading arrangements will be taken out of the Corporations' hands and implemented through legislative change. It is generally felt that appropriate action on the part of Irrigation Corporations would present a more desirable outcome than forced legislation. As such CICL is examining changes that would need to be made to its Rules to satisfy NWI objectives.

CICL was successful in having the NWI recognise Long-Term Leases as a mechanism for freeing up the water trading market. In addition CICL and other NSW Irrigation Corporations have indicated a preference for a system of Tagged Entitlements to further progress permanent trades external to the Coleambally Irrigation District. This will see the

utilisation of an accounting approach that allows a traded access entitlement to retain its characteristics including deliverability, reliability, priority of access, and it's share in the consumptive pool, when traded to a new jurisdiction and/or trading zone. Under this arrangement the party to whom the water is traded would become a member of CICL and be liable for the fixed charge component consistent with the entitlement traded.

Water accounting systems in each State will be benchmarked, and national standards introduced for accounting systems, reporting formats, water meters, and environmental water accounting.

It is apparent that dethridge wheels will not comply with the developing standards in terms of accuracy, reliability and testing. However the existing CICL Rules provide the necessary flexibility to implement a dethridge wheel replacement program once a suitable measuring device has been confirmed.

The requirements in terms of Water Registers and the flow on of potential changes to trading rules will present significant challenges for our IT systems and water management staff for the coming year.

National Water Commission

COAG also agreed to establish a National Water Commission (NWC). The NWC will report to COAG. It will assess progress in implementing the NWI and advise on actions required to better realise the objectives of the Agreement. The Commission will be funded by the Australian Government, and be made up of seven members with relevant expertise; four (including the Chair) will be appointed by the Commonwealth and three by the State/Territory Governments.

The Living Murray Initiative

This initiative was instigated through the Murray-Darling Ministerial Council and during the course of this year released a report on the relative health of the Murray-Darling System. Murray Irrigation engaged a group of scientists to review this report and in doing so uncovered major flaws. CICL joined with other Irrigation Corporations and Industry and Community groups in flagging what were blatant errors, and highlighted how inappropriate it would be to use such a report to guide Government policy development.

Coleambally Irrigation Co-operative Limited

In response to the concerns expressed, the Government through its House of Representatives Standing Committee on Agriculture, Fisheries and Forestry examined

the Living Murray report and the underpinning data. The Committee subsequently prepared a report titled, *Inquiry into future water supplies for Australia's rural industries and communities*, which highlighted anomalies in the supporting science and recommendations outlined in the *Living Murray* document.

To date the *Living Murray Initiative* has polarised debate, and to a large degree alienated rural communities within the Murray-Darling Basin. The Standing Committee urged caution in moving forward with acquiring large volumes of water as recommended in the *Living Murray* report and highlighted that 'problems relating to low flows formed only two of the twenty-two issues identified as impacting on river health'; yet appeared to be the main drivers for policy development at that time. The Committee flagged the need to adequately resource the gathering of appropriate data to provide credibility to the science base and to actively engage the community in progressing this initiative.

It is encouraging that the Government has acknowledged deficiencies in the past and are engaging the community in progressing both the Living Murray and National Water Initiatives. The combinations of these initiatives seeks to return up to 500 gigalitres to the Murray-Darling system through a range of options including infrastructure improvement projects and rationalisation, on-farm initiatives, efficiency gains, market based approaches and purchase of water from willing sellers. The latter is as a last resort to achieve environmental targets.

Water for Rivers

Water for Rivers was established in December 2003 and is a joint venture company between the New South Wales, Victorian and Commonwealth Governments to achieve water savings for use in environmental flows in the Murray and Snowy river systems.

Water for Rivers has been vested with the power and financial backing of $375 million from the three Governments to bring a wide range of stakeholders and business partners together to achieve water saving targets. Six projects were initially identified as achievable targets to find some of the 280 gigalitres over the ten-year life of Water for Rivers.

Pratt Water

The Pratt Water Group has been very active in the Murrumbidgee Valley over the past twelve months examining a wide range of options to create water savings. CICL has participated in highlighting opportunities within the Coleambally Irrigation

District (CID). Options considered within the CID included water efficiency savings in utilising potential CICL infrastructure to augment flows in Yanco Creek and a range of new piping technologies that could replace open channels in some instances. Options were considered in the context of economic and environmental viability to guide future investment decisions. At this stage it is not expected that any of the options examined will be progressed in the short-term.

Murrumbidgee Water Sharing Plan

The Water Management Act 2000 provided the legislative base for the development of Murrumbidgee Water Sharing Plans. The Plan defines:

- Rules for Environmental water,
- Water entitlement holder,
- Needs for water extraction under access licences, and
- The bulk access regime for extraction licences.

The bulk access regime is the water sharing rules that determine how much water will be available for extraction by licensed water users.

The Water Sharing Plan commits up to 2.8% of water entitlements within the Murrumbidgee Valley to additional environmental flows and outcomes and has a life of 10 years. In respect of the bulk access regime, the plan:

- Establishes rules according to which access licences are to be granted and managed and available water determinations to be made,
- Recognises the effect of climatic variability on the availability of water, and
- Establishes rules with respect to the priorities according to which access licences are to be adjusted as a consequence of any reduction in the availability of water.

The Plan also deals with the operation of water accounts for the area, such as the carrying over of credits from one accounting period to the next, and the maximum credit that may be allowed to accumulate in any account. The Water Sharing Plan is administered by the Department of Infrastructure, Planning and Natural Resources (DIPNR).

Murrumbidgee Catchment Management Authority (CMA)

The Murrumbidgee Catchment Management Authority is a community-managed statutory organisation established by the NSW Government in January 2004.

The CMA is to work with the Murrumbidgee community to prioritise and target investment in natural resource management. Funding includes $13.4 million for 2003-04

year and a total of $47.3 million for the years 2004/05, 2005/06 and 2006/07. The New South Wales and Federal Governments provide the funds jointly from the National Action Plan for Salinity and Water Quality, the Natural Heritage Trust, the NSW Land and Water Management Plan Program and the NSW Sustainability Trust. In addition the Murrumbidgee CMA will also receive a share of $100 million worth of resources and staff, being transferred over four years, from the Department Infrastructure, Planning and Natural Resources.

Overseen by a community-based Board, the Murrumbidgee CMA is preparing a Catchment Action Plan and associated investment strategy in consultation with Local Government and the catchment's communities. Board Members are Lee O'Brien (Chairman), Claudia Nye, Dick Thompson, Mike Shultz, and Flo Grant. The Board will report directly to the Minister for Infrastructure Planning and Natural Resources.

The Catchment Action Plan will integrate and build on the Murrumbidgee Catchment Blueprint, Regional Vegetation Management Plan and other natural resource management plans. (http://www.murrumbidgee.cma.nsw.gov.au)

The CMA will largely take over from DIPNR in managing the flow of Government funding associated with progressing Coleambally's Land and Water Management Plans.

Natural Resources Commission

The Natural Resources Commission (NRC) is an independent body that has been established by the NSW Government to:

- Recommend statewide standards and targets for natural resource management,
- Recommend the approval of catchment action plans that are consistent with statewide standards and targets, and
- Audit the effectiveness of the implementation of catchment action plans in achieving statewide standards and targets.

The NRC may also undertake significant natural resource and conservation assessments or inquiries, assist in the reconciliation of natural resource management issues and advise the Government on priorities for research.

The NRC was established by the *Natural Resources Commission Act 2003*. It established offices in late May 2004 and is currently beginning work on a range of projects. It plans to make its recommendations to the Government on statewide standards and targets for natural resources in February 2005.

In addition, the NRC will undertake a range of other projects and reviews as requested by Government. The Natural Resources Commission is committed to providing independent advice to the NSW Government. All of its reports will be publicly available.

It will:

- Establish transparent consultation processes that allow opportunities for wide engagement with all stakeholders.
- Draw on both the practical experience of those who manage our natural resources and the best available science, and
- Consider the social and economic impacts of its recommendations. (http://www.nrc.nsw.gov.au)

CICL Board Members met with Executive of the NRC on a recent visit to the Coleambally region to provide an overview of the issues and concerns of shareholders. It is hoped that the NRC will provide credible science to the policy direction of Government, something that has been sadly lacking in regard to the Living Murray process to date. CICL has indicated that it wishes to be actively engaged in the consultative process.

State Water

State Water has been corporatised and now falls under the portfolio of the Minister for Energy, Utilities and Sustainability, Frank Sartor. State Water manages all the State's bulk water delivery functions. It is responsible for the operation and maintenance of 18 major dams and storages and 264 weirs across NSW.

Its headquarters are located in Dubbo, however it also has an office based in Leeton to manage local functions.

The Interim Board members of State Water are Mr Tony Wright (Chairman), Ms Kathy Ridge, and Mr Michael Bennett.

The Independent Pricing and Regulatory Tribunal (IPART) shall play an ongoing role in the regulation of bulk water prices.

CICL has established a constructive working relationship with State Water Regional staff and with its General Manager, Abel Immaraj. We believe there are projects of mutual interest that can be progressed to the benefit of both organisations, and we will be looking to advance these in the coming year.

Excello Foods Pty Ltd

The performance of Excello over this reporting period has been significantly below that anticipated in its business plan. The Board and Management have needed to make some hard decisions to contain the further leakage of the parent company's resources.

Some of the contributing factors that have made it tougher for us to learn and grow our way into the prune business have been:

- The amalgamation during the year of two large processors (Sunbeam and Angus Park), putting them in a dominant market position and allowing them economies of scale unavailable to Excello,
- The strengthening of the Australian dollar and the effect of those currency movements on the increased competitiveness of imports, and
- The increased attention by supermarkets to range reduction – they appear to be quite determined to have fewer choices on their shelves and unless a brand commands a significant market share it cannot expect to keep shelf space.

However, these issues have been partially offset by reductions in the USA crop that will reduce their stock of prunes coming onto the world markets.

Prune intake for the year has been 471 tonnes, up from 300 tonnes in 2003-04. A recovery in the world price of prunes over the last few months is translating through to increased value in our prune stock and sales.

Not withstanding the above issues, significant production improvements have been made over the last six months of the reporting period. The wastewater facility is nearing completion and the pitting line is achieving output targets. Quality Assurance procedures have now been put in place that deliver a consistent high quality product. In addition all Occupational Health and Safety matters that were identified have been addressed.

The major costs associated with the facility are wages and the cost of the prunes themselves. To maximise staffing and production efficiency requires expansion of the facility and an injection of capital. The Board believes that CICL does not have the necessary skills and knowledge of the industry to commit any further funds to developing Excello. As such steps are being taken to sell the business.

The Board is conscious of the original intent of acquiring Excello was to bring a value adding industry to Coleambally and the Board is still endeavouring to maintain that position with any potential purchaser. This is from the point of view of the irrigation community as a whole as well as for the growers of prunes who have continued to give Excello excellent support.

In summary a very hard working and stressful year for Excello with a disappointing result for shareholders.

Financial Report
30 June 2004

Contents

Financial Report - Year ended 30 June 2004

Directors' report

Your directors present their report on the consolidated entity consisting of Coleambally Irrigation Co-Operative Limited and the entities it controlled at the end of, or during, the year ended 30 June 2004.

Directors

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

R H Black	Member Director
J R Croll	Independent Director
T N Hogan	Member Director
P M O'Connor	Member Director

Mr J C Laurie was a member director from the beginning of the financial year until his retirement on 13 November 2003.

Mr H T Gardiner was appointed member director on 14 November 2003 and continues in office at the date of this report.

Mr W A Muirhead was an independent director from the beginning of the financial year until his retirement on 31 January 2004.

Mr B M Brown was appointed an independent director on 20 July 2004 and continues in office at the date of this report.

Principal activities

During the year the principal continuing activities of the consolidated entity consisted of the provision of irrigation and agricultural services to member landholders connected to the system of channels within the Coleambally Irrigation District. The consolidated entity also operates a prune processing plant and markets prune products under the Excello brand.

Dividends

No interim dividends have been paid and the directors do not recommend a dividend for the current year.

Review of operations

A summary of consolidated results is set out below:

	2004	2003
	$'000	$'000
Operating profit/(loss) before income tax	**132**	668
Income tax attributable to operating profit	**(46)**	(222)
Net profit/(loss) after income tax	**86**	446

The consolidated entity has made an apparent operating profit before tax of $132,000 compared to an operating profit of $668,000 last year after absorbing losses and write-downs of $1.5 million in the Excello business. The performance of Excello Foods Pty Ltd has offset significant operating savings that were made within CICL. The co-operative's activities for the year ended 30 June 2004 were directed to the provision of irrigation and related agricultural services, together with the first full year of operations of Excello Foods Pty Ltd.

In addition to the reported result there has been an increase in the value of long term investments of $240,000. This has been recognised as a revaluation of non-current assets and credited direct to the asset revaluation reserve. It has not been recognised as part of the operating profit.

In moving forward the Board has taken the necessary steps to sell the Excello business and consolidate around the core irrigation business.

Significant changes in the state of affairs
There have been no significant changes in the state of affairs of the consolidated entity during the financial 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in subsequent financial years. We are in the process of the sale of the Excello business and we believe we have taken adequate provisions to account for losses likely to be incurred.

Likely developments and expected results of operations
Information on likely developments in the consolidated entity'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 consolidated entity.

Environmental regulation
The consolidated entity is subject to significant environmental regulation under its licences in respect to its irrigation undertaking. The Directors, in submitting the annual environmental report to Government Agencies, are conscious of the need for compliance with licence conditions. The consolidated entity has complied with the licences issued by Government and the Board is not aware of any issues arising from the activities of the consolidated entity that would lead to a breach in the licences. The Board, in setting the consolidated entity's sustainability goals, are aware of a need to go beyond licence compliance and have developed and implemented the necessary systems.

Insurance of officers
During the financial year, the consolidated entity paid premiums to insure the directors and officers against liability incurred to the extent permitted by the law. Because this insurance is part of a package of insurances, it is not possible to identify the premiums which relate specifically to this insurance.

Information on directors

Director	Experience	Special Responsibilities
R H Black	Commenced as a director of the co-operative on 17 November 2001. Irrigation farmer.	Chairman since 22 May 2003. Member of Finance & Audit Committee. Member of Asset Refurbishment & Maintenance Committee. Representative on NSW Irrigators Council. Representative on Murrumbidgee Customer Service Committee. Director of Excello Foods Pty Ltd.

Information on directors (continued)

Director	Experience	Special Responsibilities
T N Hogan	Commenced as a director of the Co-operative on 22 May 2003. Irrigation farmer.	Deputy Chairman since 22 May 2003. Member of Corporate Governance & Policy Committee. Director of Excello Foods Pty Ltd.
J R Croll	Director of the co-operative and its antecedent bodies since 1 July 1997. Company director and management consultant.	Chairman of the Finance and Audit Committee. Member of Risk Management Committee. Chairman of Excello Foods Pty Ltd.
P M O'Connor	Commenced as a director of the Co-operative on 16 November 2002. Irrigation farmer.	Member of Finance & Audit Committee. Chairman of the Community Environmental Committee. Chairman of the LWMP Review Committee. Director of Excello Foods Pty Ltd.
HT Gardiner	Commenced as a director of the co-operative on 14 November 2003. Irrigation farmer.	Member of the Corporate Governance & Policy Committee. Member of the Risk Management Committee. Member of the Asset Refurbishment & Maintenance Committee. Director of Excello Foods Pty Ltd.
B M Brown	Commenced as a director of the Co-operative on 20 July 2004. Senior management roles with a number of large agribusiness groups.	Director of Excello Foods Pty Ltd

Financial Report - Year ended 30 June 2004
Directors' report

Meetings of directors
Committees of the Board are as follows:

1. Finance and Audit Committee
2. Community Environmental Committee
3. LWMP Review Committee
4. Corporate Governance & Policy Committee
5. Value Adding Committee
6. Focus Group
7. Risk Management Committee
8. Asset Refurbishment & Maintenance Committee

The number of meetings of the co-operative's Board of Directors and each Board Committee held during the year ended 30 June 2004, and the number of meetings attended by each member were as follows:

	Board meetings	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Numbers of meetings held	**16**	**7**	**8**	**3**	**1**	**1**	**2**	**0**	**1**
R H Black	16	7	*	*	1	*	2	*	1
J R Croll	16	7	*	*	*	*	*	0	*
W A Muirhead	7	1	*	*	*	*	*	*	*
J C Laurie	5	*	4	*	*	1	*	*	*
P M O'Connor	16	6	4	3	*	*	*	*	*
T N Hogan	16	*	*	*	1	*	2	*	1
HT Gardiner	9	*	*	*	1	*	2	0	1

Mr B M Brown was appointed a director on 20 July 2004 and was not a director during the year ended 30 June 2004.

* Not a member of this committee

Rounding of amounts
The consolidated entity is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

R H Black
Director

Coleambally
24 September 2004

Statements of financial performance

For the year ended 30 June 2004

	Notes	Consolidated		Parent entity	
		2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Revenue from ordinary activities	2	**9,787**	10,100	**8,999**	9,582
Employee benefits expenses		**(2,462)**	(2,457)	**(2,260)**	(2,358)
Materials and contracts expenses		**(3,639)**	(4,082)	**(2,551)**	(3,419)
Depreciation and amortisation expenses		**(1,253)**	(1,011)	**(1,199)**	(991)
Bulk water supply expenses		**(1,517)**	(1,557)	**(1,517)**	(1,557)
Other expenses from ordinary activities		**(784)**	(325)	**(1,552)**	(287)
Profit/(loss) from ordinary activities before related income tax expense	3	**132**	668	**(80)**	970
Income tax (expense)/credit	4	**(46)**	(222)	**20**	(312)
Net profit/(loss)		**86**	446	**(60)**	658

The above statements of financial performance should be read in conjunction with the accompanying notes.

Statements of financial position

For the year ended 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Current assets					
Cash assets	6	**7,224**	11,493	**7,161**	11,404
Receivables	7	**7,284**	7,908	**7,180**	7,765
Inventories	8	**1,301**	620	**794**	-
Other	9	**144**	129	**144**	108
Total current assets		**15,953**	20,150	**15,279**	19,277
Non-current assets					
Other financial assets	10	**5,729**	2,828	**6,491**	4,133
Property, plant and equipment	11	**36,332**	33,927	**35,945**	33,509
Deferred tax assets	12	**416**	175	**482**	159
Intangible assets	13	**95**	101	**-**	-
Total non-current assets		**42,572**	37,031	**42,918**	37,801
Total assets		**58,525**	57,181	**58,197**	57,078
Current liabilities					
Payables	14	**5,042**	4,091	**4,653**	3,742
Current tax liabilities	15	**238**	78	**238**	152
Provisions	16	**253**	356	**248**	334
Total current liabilities		**5,533**	4,525	**5,139**	4,228
Non-current liabilities					
Provisions	17	**261**	278	**261**	260
Deferred tax liabilities	18	**533**	506	**533**	506
Total non-current liabilities		**794**	784	**794**	766
Total liabilities		**6,327**	5,309	**5,933**	4,994
Net assets		**52,198**	51,872	**52,264**	52,084
Equity					
Contributed equity	19	**50,351**	50,351	**50,351**	50,351
Reserves	20(a)	**240**	-	**240**	-
Retained profits/(losses)	20(b)	**1,607**	1,521	**1,673**	1,733
Total equity		**52,198**	51,872	**52,264**	52,084

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

Statements of cash flows

For the year ended 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Cash flows from operating activities					
Receipts from customers		**7,972**	6,221	**7,165**	5,785
Payments to suppliers and employees		**(9,519)**	(8,394)	**(7,651)**	(7,274)
		(1,547)	(2,173)	**(486)**	(1,489)
Government grants		**2,838**	0	**2,838**	0
Interest received		**847**	1,008	**842**	1,001
Income taxes paid		**(100)**	(215)	**(190)**	(215)
Net cash inflow/(outflow) from operating activities	31	**2,038**	(1,380)	**3,004**	(703)
Cash flows from investing activities					
Payments for property, plant and equipment		**(3,704)**	(5,330)	**(3,687)**	(4,894)
Loans to related party – Excello Foods Pty Ltd		**0**	0	**(957)**	(1,305)
Payments for investments		**(2,661)**	(2,828)	**(2,661)**	(2,828)
Payments for goodwill		**0**	(103)	**0**	0
Proceeds from sale of property, plant and equipment		**58**	0	**58**	0
Net cash outflow from investing activities		**(6,307)**	(8,261)	**(7,247)**	(9,027)
Net increase (decrease) in cash held		**(4,269)**	(9,641)	**(4,243)**	(9,730)
Cash at the beginning of the financial period		**11,493**	21,134	**11,404**	21,134
Cash at the end of the financial year	6	**7,224**	11,493	**7,161**	11,404

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

Notes to the financial statements

For the year ended 30 June 2004

Note 1. Summary of significant accounting policies

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

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Coleambally Irrigation Co-operative Limited ("co-operative" or "parent entity") as at 30 June 2004 and the results of all controlled entities for the year then ended. Coleambally Irrigation Co-operative Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of the entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences.

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(c) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

(d) Revenue recognition

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

(i) Fixed Water Charges

Revenue is recognised on a pro-rata basis throughout the water season which operates inclusively from September to April each year.

(ii) Variable Water Charges

Variable water charges are recognised as revenue upon delivery of the water.

(iii) Sales of goods & services

A sale of goods is recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks have been passed to the carrier or customer. A sale of services is recognised when the service is delivered.

(e) Receivables

Water charges are billed in June each year and are due in 30 days. Interest is charged on overdue amounts at the rate of 10.25% per annum. Sales of goods or services are invoiced on delivery and are due and receivable in 30 days.
Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

Note 1. Summary of significant accounting policies (continued)

(f) Inventories

Raw materials, stores and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure. Costs are assigned to individual items of stock on the basis of weighted average costs.

(g) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values.

(h) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost of each item of property, plant and equipment (excluding land) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Buildings	40 years
Plant and equipment	3 to 15 years
Water Distribution Assets	100 years
Water Infrastructure	10 to 100 years

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

(i) Leasehold infrastructure

The cost of leasehold infrastructure is amortised over the estimated useful life of the asset. Leasehold infrastructure assets held at the reporting date are being amortised over 100 years (refer note 11(a)).

(j) Leased non-current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Note 1. Summary of significant accounting policies (continued)

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense. At balance date the consolidated entity had no finance leases.

Operating lease payments are charged to the profit and loss statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(k) Non-current assets constructed by the consolidated entity

The cost of non-current assets constructed by the consolidated entity includes the cost of all materials used in construction, direct labour on the project, borrowing costs incurred during construction and an appropriate proportion of variable and fixed overhead.

(l) Non-current financial assets

Non-current investments are brought to account at market value. Revaluation increments are credited directly to the asset revaluation reserve except that, to the extent that an increment reverses a revaluation decrement previously recognised as an expense, it is recognised as revenue. Revaluation decrements are recognised as an expense, except that, to the extent that a decrement reverses a previous revaluation increment, it is debited to the asset revaluation reserve.

(m) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity 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.

(n) Maintenance and repairs

Maintenance, repairs and minor renewals are charged as expenses as incurred.

(o) Goodwill

When an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill and amortised on a straight line basis over 20 years, being the period over which the benefits are expected to arise.

(p) Employee entitlements

(i) Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(q) Cash

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Note 1. Summary of significant accounting policies (continued)

(r) International Financial Reporting Standards

For the reporting period ended 30 June 2006, the co-operative is required to adopt the financial reporting requirements of the Australian equivalents to International Financial Reporting Standards (IRFSs). The financial report for the year ended 30 June 2006 will require comparatives at 30 June 2005 and hence the opening balances as at 30 June 2004 will also need to be determined in accordance with IFRSs.

The co-operative has taken the following steps in managing the transition to Australian equivalents to IFRSs:

- The Board has been briefed on the issue;
- The co-operative has commenced activities to identify key issues and the likely impacts resulting from the adoption of Australian equivalents to IFRSs.

Based on preliminary analysis of the requirements in the proposed standards, their implementation may result in significant adjustments to the carrying values of non-current assets and deferred tax liabilities. However, the impacts of the proposed standards have yet to be fully analysed. In addition, certain decisions have yet to be made where choices of accounting policies are available.

Note 2. Revenue

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Revenue from operating activities				
Sale of water	**5,663**	6,099	**5,663**	6,099
Other sales	**1,085**	925	**312**	366
	6,748	7,024	**5,975**	6,465
Revenue from outside the operating activities				
Land & Water Management Plan Grants – Government	**1,269**	1,152	**1,269**	1,152
Land & Water Management Levy - Landholders	**546**	521	**546**	521
Rentals	**88**	75	**88**	75
Interest	**847**	1,008	**842**	1,064
Other	**231**	320	**221**	305
Sale of non-current assets	**58**	-	**58**	-
	3,039	3,076	**3,024**	3,117
Total revenue	**9,787**	10,100	**8,999**	9,582

Note 3. Profit/(loss) from ordinary activities

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
(a) Net gains and expenses				
Net profit/(loss) before income tax includes the following specific gains and expenses:				
Expenses				
Cost of sales of goods	**2,174**	2,045	**1,517**	1,557
Net (profit)/loss on disposal of property, plant and equipment	**(6)**	61	**(6)**	61
Depreciation				
Buildings	**72**	48	**65**	48
Plant and equipment	**395**	335	**354**	317
Water Distribution and Infrastructure	**780**	626	**780**	626
Total depreciation	**1,247**	1,009	**1,199**	991
Amortisation				
Goodwill	**6**	2	**-**	-
Total amortisation	**6**	2	**-**	-
Other charges against assets				
Bad and doubtful debts - trade debtors	**30**	68	**30**	68
Provision for diminution in value of investment	**-**	-	**1,500**	-
Other provisions				
Employee entitlements	**(120)**	28	**(85)**	(12)
Total other provisions	**(120)**	28	**(85)**	(12)

Note 4. Income tax

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the operating profit and extraordinary item. The differences are reconciled as follows:				
Net profit/(loss) before income tax	**132**	668	**(80)**	970
Income tax expense/(credit) calculated @ 30% (2003: 30%)	**40**	200	**(24)**	291
Tax effect of permanent differences				
Outlays relating to pre-privatisation employee service	**-**	20	**-**	20
Building depreciation	**15**	15	**15**	15
Depreciation on assets revalued at privatisation not deductible	**57**	134	**57**	134
Other	**6**	42	**-**	41
Under/(over) provision in prior year	**(72)**	(189)	**(68)**	(189)
Income tax expense/(credit) attributable to operating profit	**46**	222	**(20)**	312

Note 5. Dividends

No dividend was paid during the period and no dividend is proposed.

Note 6. Current assets – Cash

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**1,187**	2,327	**1,124**	2,239
Deposits at call	**6,037**	9,166	**6,037**	9,165
	7,224	11,493	**7,161**	11,404

For details on restrictions over the use of cash refer Note 10.

Deposits at call
The deposits are fixed interest with a weighted average interest rate of 5.5%.

Note 7. Current assets – Receivables

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Trade debtors	**7,427**	7,786	**7,323**	7,658
Less: Provision for doubtful debts	**(146)**	(116)	**(146)**	(116)
	7,281	7,670	**7,177**	7,542
Accrued Income	**3**	238	**3**	223
	7,284	7,908	**7,180**	7,765

Note 8. Current assets – Inventories

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Raw materials and stores – at cost	**1,248**	571	**794**	-
Finished goods	**53**	49	**-**	-
	1,301	620	**794**	-

Note 9. Current assets – Other

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Prepayments	**144**	129	**144**	108
	144	129	**144**	108

Note 10. Non-current assets – Other financial assets

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Units in investment trusts *	**5,729**	2,828	**5,729**	2,828
Loan to related party - Excello Foods Pty Ltd	**-**	-	**2,262**	1,305
Less: Provision for diminution in value	**-**	-	**(1,500)**	-
	5,729	2,828	**6,491**	4,133

*** Restrictions on Cash and Other Financial Assets**

The Board has determined that of the total cash (refer note 6) and investments held, certain portions are set aside for specific purposes as follows:

Land & Water Management Plan Funds	**1,156**	0	**1,156**	0
Infrastructure Assets Refurbishment Fund	**3,485**	3,865	**3,485**	3,865
Allocation Equalisation Fund	**231**	221	**231**	221

Note 11. Non-current assets – Property, plant and equipment

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Land and buildings				
Freehold land				
At cost	**1,410**	1,410	**1,410**	1,410
	1,410	1,410	**1,410**	1,410
Buildings				
At cost	**2,274**	2,237	**2,131**	2,094
Less: Accumulated depreciation	**522**	450	**515**	450
	1,752	1,787	**1,616**	1,644
Total land and buildings	**3,162**	3,197	**3,026**	3,054
Plant and equipment				
Plant & Equipment – At cost	**753**	723	**512**	504
Less: Accumulated depreciation	**463**	405	**430**	396
	290	318	**82**	108
Motor Vehicles – At cost	**762**	714	**738**	660
Less: Accumulated depreciation	**390**	384	**384**	380
	372	330	**354**	280
Office equipment & software – at cost	**1,298**	1,240	**1,264**	1,224
Less: Accumulated depreciation	**828**	642	**819**	641
	470	598	**445**	583
Total plant and equipment	**1,132**	1,246	**881**	971
Water Distribution and Infrastructure				
Earth Channels – at cost	**11,336**	11,336	**11,336**	11,336
Less Accumulated depreciation	**518**	405	**518**	405
	10,818	10,931	**10,818**	10,931
Infrastructure – at cost	**21,806**	17,872	**21,806**	17,872
Less: Accumulated depreciation	**2,029**	1,369	**2,029**	1,369
	19,777	16,503	**19,777**	16,503
Total Water Distribution & Infrastructure	**30,595**	27,434	**30,595**	27,434
Capital Works in Progress				
At cost	**1,443**	2,050	**1,443**	2,050
Total Capital Works in Progress	**1,443**	2,050	**1,443**	2,050
	36,332	33,927	**35,945**	33,509

Note 11. Non-current assets – Property, plant and equipment (cont'd)

(a) Leasehold Infrastructure

Bridges & culverts in the Coleambally Irrigation District with a net carrying value of $3.2 million are constructed on land owned by Local Government. However the co-operative has control of these assets and it is responsible for their maintaining them. Accordingly these assets have been brought to account as assets of the co-operative on the basis of control.

(b) Reconcilations

Reconciliations of the carrying amounts of each class of property, plant & equipment at the beginning and end of the current financial year are set out below:

	Land & Buildings $'000	Plant & Equipment $'000	Water Infrastructure $'000	Construction in Progress $'000	Total $'000
Consolidated					
Carrying amount at 1 July 2003	3,197	1,246	27,434	2,050	33,927
Additions	37	311	-	3,381	3,729
Disposals	-	(30)	(47)	-	(77)
Transfers	-	-	3,988	(3,988)	-
Depreciation expense	(72)	(395)	(780)	-	(1,247)
Carrying amount at 30 June 2004	3,162	1,132	30,595	1,443	36,332
Parent Entity					
Carrying amount at 1 July 2003	3,054	971	27,434	2,050	33,509
Additions	37	271	-	3,381	3,689
Disposals	-	(7)	(47)	-	(54)
Transfers	-	-	3,988	(3,988)	-
Depreciation expense	(65)	(354)	(780)	-	(1,199)
Carrying amount at 30 June 2004	3,026	881	30,595	1,443	35,945

Note 12. Non-current assets – Deferred tax assets

	Consolidated		Parent entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Future income tax benefit	**416**	175	**482**	159
	416	175	**482**	159

Note 13. Non-current assets – Intangible assets

	Consolidated		Parent entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Goodwill	**103**	103	**-**	-
Less Accumulated Amortisation	**8**	2	**-**	-
	95	101	**-**	-

Note 14. Current liabilities – Payables

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Trade creditors	**1,582**	1,146	**1,534**	996
Accrued Expenses	**2,304**	2,945	**1,963**	2,746
Land & Water Management Funds (note 33)	**1,156**	-	**1,156**	-
	5,042	4,091	**4,653**	3,742

Note 15. Current liabilities – Current tax liabilities

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Income tax	**238**	78	**238**	152
	238	78	**238**	152

Note 16. Current liabilities – Provisions

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Employee entitlements	**253**	356	**248**	334
	253	356	**248**	334

Note 17. Non-current liabilities – Provisions

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Employee entitlements	**261**	278	**261**	260
	261	278	**261**	260

Note 18. Non-current liabilities – Deferred tax liabilities

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Provision for deferred income tax	**533**	506	**533**	506
	533	506	**533**	506

Note 19. Contributed equity

	2004 Shares	2003 Shares	**2004 $'000**	2003 $'000
Share capital				
Ordinary shares – fully paid	**489,672**	489,672	**50,351**	50,351

Note 20. Reserves and retained profits

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
(a) Reserves				
Asset revaluation reserve	**240**	-	**240**	-
Movements				
Balance 1 July 2003	**-**	-	-	-
Revaluation of non-current financial assets	**240**	-	**240**	-
Balance 30 June 2004	**240**	-	**240**	-
(b) Retained profits/(losses)				
Retained profits/(accumulated losses) at the beginning of the financial year	**1,521**	1,075	**1,733**	1,075
Net Profit/(loss)	**86**	446	**(60)**	658
Retained profits/(accumulated losses) at the end of the financial year	**1,607**	1,521	**1,673**	1,733

Note 21. Financial instruments

(a) 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.

(b) Interest rate risk exposures

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

2004		**Fixed interest maturing in:**					
	Notes	**Floating interest rate $'000**	**1 year or less $'000**	**over 1 to 5 years $'000**	**more than 5 years $'000**	**Non-interest bearing $'000**	**Total $'000**
Financial assets							
Cash and deposits	6	1,187	-	6,036	-	1	7,224
Receivables	7	-	-	-	-	7,284	7,284
Other financial assets	10	5,729	-	-	-	-	5,729
		6,916	-	6,036	-	7,285	20,237
Weighted average interest rate		4.58%		5.5%			
Financial liabilities							
Trade and other creditors	14	-	-	-	-	5,042	5,042
		-	-	-	-	5,042	5,042
Net financial assets (liabilities)		6,916	-	6,036	-	2,243	15,195

Note 21. Financial instruments (continued)

2003

	Notes	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	over 1 to 5 years $'000	more than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets							
Cash and deposits	6	2,327	9,165	-	-	1	11,493
Receivables	7	-	-	-	-	7,908	7,908
Other financial assets	10	2,828	-	-	-	-	2,828
		5,155	9,165	-	-	7,909	22,229
Weighted average interest rate		4.24%					
Financial liabilities							
Trade and other creditors	14	-	-	-	-	4,091	4,091
		-	-	-	-	4,091	4,091
Net financial assets (liabilities)		5,155	9,165	-	-	3,818	18,138

(c) Net fair value of financial assets and liabilities
The carrying value of financial assets and liabilities approximates fair value.

Note 22. Remuneration of directors

	2004 $'000	2003 $'000
Income paid or payable, or otherwise made available, to directors by the co-operative and related parties in connection with the management of affairs of the co-operative	**129**	121

The numbers of directors whose total income from the co-operative or related parties was within the specified bands are as follows:

$		$		
0	-	9,999	1	1
10,000	-	19,999	4	4
20,000	-	29,999	1	3
30,000	-	39,990	1	0

Note 23. Retirement benefits of directors

No prescribed amounts were paid to any director in connection with his retirement as a director of the co-operative. Ongoing superannuation contributions are included as part of the directors remuneration disclosed at note 22.

Note 24. Remuneration of auditors

During the year the auditor of the group earned the following remuneration::	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Audit of the financial reports of the parent entity or any entity in the consolidated entity	**28**	28	**28**	28
Other audit related work	**5**	16	**5**	16
Other assurance services	**26**	40	**26**	26
Total audit and other assurance services	**59**	84	**59**	70
Taxations services	**14**	17	**14**	17
Other advisory & consulting services	**2**	33	**2**	14
Total remuneration	**75**	134	**75**	101

Note 25. Contingent liabilities

(a) The Co-operative is aware that a native title claim has been lodged near the Murrumbidgee River at Narrandera. The directors are unable to determine the financial impact of this claim, if any.

(b) The Water Sharing Plan, the Living Murray, the National Water Initiative, Water for Rivers and other water reform issues may result in lesser water allocation to the consolidated entity. The directors are unable to determine the financial impact this may have.

Note 26. Commitments for expenditure

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
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	**1,098**	2,705	**1,098**	2,705

Note 27. Employee entitlements

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Employee entitlement liabilities				
Provision for employee entitlements				
Current (note 16)	**253**	356	**248**	334
Non-current (note 17)	**261**	278	**261**	260
Aggregate employee entitlement liability	**514**	634	**509**	594

Superannuation Fund

Superannuation contributions have been paid into compliant superannuation funds of employee choice in accordance with statutory requirements. The consolidated entity has no liabilities to any superannuation funds.

Note 28. Related parties

Directors
The names of persons who were directors of the co-operative at any time during the financial period are as follows: James Croll, Warren Muirhead, John Laurie, Robert Black, Peter O'Connor, Terence Hogan and Trent Gardiner.

Remuneration and retirement benefits
Information on remuneration and retirement benefits of directors is disclosed in notes 22 and 23 respectively.

Loans to directors and director-related entities
There were no loans to directors or director related entities.

Transactions of directors and director-related entities concerning shares
1,382 shares were issued by the co-operative to directors or their director-related entities during the year (2003: 1398). Aggregate numbers of shares held directly, indirectly or beneficially by directors or their director-related entities at balance date:

	2004 Number	2003 Number
Ordinary shares	**11,717**	14,139

Other transactions with directors and director-related entities
During the year the co-operative sold water to directors of the co-operative or their director-related entities on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with the directors or their director-related entities at arm's length in the same circumstances. The total value of water sold by the co-operative to directors and the director-related entities was $206,321 (2003: $216,698). Further, during the year the co-operative contracted the services of one director as a consultant. The total value of the consultancy work was $2,599 (2003: $47,899).

Wholly-owned group
The wholly-owned group consists of Coleambally Irrigation Co-operative Ltd and its wholly-owned controlled entity Excello Foods Pty Ltd. Ownership interests in Excello Foods Pty Ltd are set out at Note 29. Transactions between Coleambally Irrigation Co-operative Ltd and Excello Foods Pty Ltd during the financial year consisted of:

(a) loans advanced by Coleambally Irrigation Co-operative Ltd
(b) loans repaid to Coleambally Irrigation Co-operative Ltd
(c) transfer of building improvements by Coleambally Irrigation Co-operative Ltd

The above transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of the loans made by Coleambally Irrigation Co-operative Ltd.

	2004 $'000	2003 $'000
Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly owned group:		
Interest (write back) expense	**(59)**	59
Aggregate amounts receivable from entities in the wholly owned group at balance date:		
Non-current receivable	**2,262**	1,305

Other related parties
There are no other related party transactions.

Note 29. Investments in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2004 %	2003 %
Excello Foods Pty Ltd	**Australia**	Ordinary	**100**	100

Note 30. Event occurring after reporting date

The co-operative is in the process of selling the Excello business and the directors believe adequate provisions have been made for losses that may ensue. No other matter or event has arisen since the reporting date that is considered likely to have a significant effect on the co-operative in future financial years.

Note 31. Reconciliation of net profit/(loss) after income tax to net cash inflow/(outflow) from operating activities

	Consolidated		Parent entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Net profit/(loss) after income tax	**86**	446	**(60)**	658
Depreciation and amortisation	**1,253**	1,011	**1,199**	991
Net (profit)/loss on sale of non-current assets	**(6)**	61	**(6)**	61
Provision for diminution in value of long term investments	**-**	-	**1,500**	-
Change in operating assets and liabilities, net of effects from purchase of business				
(Increase) decrease in trade debtors	**389**	(1,603)	**365**	(1,475)
(Increase)/decrease in accrued income	**235**	(233)	**220**	(218)
(Increase)/decrease in prepayments	**(15)**	(43)	**(36)**	(22)
(Increase)/decrease in inventories	**(681)**	(620)	**(794)**	-
Increase/(decrease) in trade creditors and accruals	**(205)**	630	**(245)**	281
Increase/(decrease) in land and water management plan funds held	**1,156**	(1,064)	**1,156**	(1,064)
Increase/(decrease) in employee provisions	**(120)**	28	**(85)**	(12)
Increase/(decrease) in net tax liabilities	**(54)**	7	**(210)**	97
Net cash inflow/(outflow) from operating activities	**2,038**	(1,380)	**3,004**	(703)

Note 32. Segment information

(a) Business Segments
The consolidated entity is organised into the following segments by product and service type:

Irrigation supply and services
The provision of irrigation and agricultural services to member landholders connected to the system of channels within the Coleambally Irrigation District.

Prune processing
Processing and marketing of prune products.

(b)Geographical segments
The consolidated entity operates in the Coleambally Irrigation District located in the Riverina region of New South Wales, Australia. The consolidated entity has no operations in any other geographic segment.

(c) Primary reporting – business segments	Irrigation $'000	Prune Processing $'000	Intersegment eliminations/ unallocated $'000	Consolidated $'000
Sales to external customers	5,975	773		6,748
Other revenue	3,024	15		3,039
Total segment revenue	8,999	788		9,787
Segment Result				
Profit/(loss) from ordinary activities before related income tax expense	1,420	(1,288)		132
Income tax expense	430	(384)		46
Net profit	990	(904)		86
Segment assets	59,633	1,154	(2,262)	58,525
Segment liabilities	5,905	2,684	(2,262)	6,327
Acquisitions of property, plant & equipment, intangibles and other non current assets	3,689	40		3,729
Depreciation & amortisation expense	1,199	54		1,253
Other non cash expenses	115	35		150
Net cash inflow/(outflow) from operating activities	3,004	(966)		2,038

Note 33. Land & Water Management Plan

In May 2000 the co-operative entered into a heads of agreement with the NSW Department of Land and Water Conservation (now known as the Department of Infrastructure Planning and Natural Resources) and irrigator shareholders to be the implementing authority in respect to a land and water management plan in the Coleambally Irrigation District. Under the agreement the co-operative receives funds from both the Government and irrigators which it is required to hold and expend in accordance with the agreement.

The agreement crystallises the responsibilities of each party. It was retrospective with effect from 1994 recognising past funds provided by Government to antecedent bodies such as the Department of Land and Water Conservation and Coleambally Irrigation Corporation (now Coleambally Irrigation Co-operative Limited), and past land and water management activities of the co-operative, the antecedent bodies and irrigator shareholders.

Funds receivable/(unexpended monies) in respect to the Land & Water Management Plan as at 30 June 2004 have been brought to account as an asset/(liability). Details of the land and water management funds are set out below:

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
(Unexpended Funds)/accrued income 30 June 2003	**155**	(1,064)	**155**	(1,064)
Government Grants	**(2,580)**	-	**(2,580)**	-
Expenditure	**1,269**	1,219	**1,269**	1,219
(Unexpended Funds)/accrued income 30 June 2004	**(1,156)**	155	**(1,156)**	155

These amounts are brought to account as follows:

Included in accrued income (note 7)	**-**	155	**-**	155
Included in payables (note 14)	**(1,156)**	-	**(1,156)**	-
	(1,156)	155	**(1,156)**	155

Directors' declaration

The directors declare that the financial statements and notes set out on pages 30 to 54 :

(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 and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their 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.

R H Black
Director

Coleambally
24 September 2004

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

Scope

We have audited the financial report of Coleambally Irrigation Co-operative Limited (the co-operative) for the financial year ended 30 June 2004 as set out on pages 30 to 54. The financial report includes the consolidated financial statements of the consolidated entity comprising the co-operative and the entities it controlled at the year's end or from time to time during the financial year. 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 and the consolidated entity's financial position, and performance as represented by the results of their operations and their 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 and the consolidated entity's financial position as at 30 June 2004 and of their 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
27 September 2004

Corporate Governance Statement

The Directors of Coleambally Irrigation Co-operative Limited aspire to the highest standards of corporate governance. The following describes the main corporate governance practices the Co-operative observes:

The Board of Directors

The Board of Directors takes ultimate responsibility for the corporate governance and operates in accordance with the following principles:

- the Board shall consist of 6 Directors of whom four (4), known as "Member Directors", must be active members of the company, and two (2) non-member Directors, known as Independent Directors are appointed for their individual skills.

The Member Directors are subject to election by shareholders, and are elected for a three year term, with two Directors retiring each year in the following rotation:

- two Member Directors
- one Member Director and one Independent Director
- one Member Director and one Independent Director

The names of the Directors of the business entity are set out in the Directors' Report.

To assist in fulfilling its responsibilities the Board has established the following committees:

- Finance & Audit Committee
- Community Environmental Committee (inactive since 1 Feb 04)
- Corporate Governance and Policy Committee
- Risk Management Committee
- Asset Refurbishment & Maintenance Committee
- Independent Anomalies Committee (to be formed as and when required)

The Board also works with and takes recommendations from the following groups of members who have come together for a specific purpose/s:

- Focus Group
- TCC Working Group
- LWMP Review

Chairman

The Chairman of the Board must be an active member and may be elected by the Board.

Independent Professional Advice

Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice with the Board's approval at the Company's expense.

Finance and Audit Committee

The primary objective of the Committee is to assist the Board in fulfilling its responsibilities in relation to accounting and reporting practices of the business entity. These objectives include but are not limited to:

- oversee and appraise the quality of audits conducted by the entity's external auditor
- serve as an independent and objective party to the review the financial information
- presented by management to shareholders and regulatory authorities

- determine the adequacy of the business entity's accounting controls
- review and recommend to the Board the Annual Budget
- review and recommend to the Board the five year Business Plan
- to review and recommend to the Board the remuneration, terms and conditions of
- employment of senior management
- to review and recommend to the Board the remuneration and conditions and terms relative to Board Directors appointments

The committee is also charged with the responsibility of recommending to the Board the appointment, removal and remuneration of the external auditors, reviewing their terms of engagement and the scope and quality of the audit.

Community Environmental Committee

The objectives of the committee include but are not limited to:

- advise the Board on any issue relative to the implementation of the LWMP a member of the business entity has raised
- advise the Board on any issue relative to the implementation of the of the LWMP the Board require the committee to consider that is relative to members of the business entity
- to advise the Board in relation to the implementation of or additions to the Land & Water Management Plan

Corporate Governance and Policy Committee

The objectives of the committee include but are not limited to:

- ensure the processes and policies by which the Board, Management and Staff of CICL operate are in accordance with the Rules of the Co-operative and the Co-operatives Act.
- prioritise policy requirements, review existing policies and develop draft policies. Check existing policies against working practices. Finalise recommendations for Board approval.
- plan for succession within the business, at Board and Executive staff level.
- review the rules for compliance with all relevant legislation.

Risk Management Committee

The objectives of the committee include but are not limited to:

- review the exposures in the various areas of the business with the aim to better understand the major risks that impact
- to rank the risks in severity of impact of a potential occurrence
- to develop controls necessary to minimise those risks which have the potential to seriously impact on the business
- to monitor and review continuously all risks and the effectiveness of the controls developed
- to make recommendations regarding the reporting protocols necessary to keep directors and executives informed on progress with control implementation
- to recommend training of staff to manage and assess risk

Independent Anomalies Committee

The role of the Independent Anomalies Committee is:
To consider and make recommendations to the Board in relation to any matter affecting any member of the business entity, and the business entity itself arising out of:

- the rules of the business entity
- any order, water supply contract, water trading rules, the rules of the business entity, the rules of the Mutual Co-operative or any other provisions determined from time to time by the Board.

Asset Refurbishment & Maintenance Committee

The role of the Asset Refurbishment & Maintenance Committee to:

- monitor and review the engineering annuity report for the long-term replacement of the infrastructure
- review and recommend to the Board the annual major periodic maintenance program
- review and recommend to the Board the annual routine maintenance program
- review and recommend to the Board all new infrastructure upgrades or replacements outside the engineering annuity report.

Reporting Procedure of Committees

Board appointed committees: They will elect a chairperson of their meetings. After considering the issues before the committee it will agree on its recommendations to the Board. The Chairperson will have the responsibility of reporting such recommendations to the Board for resolution.

Community elected committees: They will consider any issues landholders or members of the community raise and report their consensus opinion to the Board. Additionally the Board may have issues they ask the committees to consider from a landholder/community perspective.

All committees report to the full Board after each committee meeting and relevant papers and minutes are provided to all Directors.


NEW HOLLAND
TX65