



CIMCL

COLEAMBALLY IRRIGATION MUTUAL
CO-OPERATIVE LIMITED

ABN 60 785 211 497

Registered Office: 7 Brolga Place, Coleambally 2707

Annual Report

For the year ended 30 June 2020

Contents

Chairman and Chief Executive Officer's Report	3
Investment Report.....	5
Financial Statements.....	6
Directors' Report	7
Income Statement	11
Balance Sheet	12
Statement of Changes in Equity.....	13
Statement of Cash Flows	13
Notes to the Financial Statements.....	14
Directors' Declaration.....	25
Independent Audit Report.....	26

Chairman and Chief Executive Officer's Report

30 June 2020

The FY2020 year has seen significant operational change to the Co-operative. Following a review of Coleambally Irrigation Mutual Co-operative Limited's (CIMCL) structure it became apparent that as CIMCL was not named in the Water Management Act (Act), it was unable to undertake its operations as intended and as per the Service Agreement it had entered into with Coleambally Irrigation Co-operative Limited (CICL). The main issue with it not being named in the Act is that it is unable to own assets on someone else's land, hence, any structure CIMCL constructed on someone else's land would become the landowner's property. In addition, as CICL holds the combined water supply work and water use approval, the construction by CIMCL of a water supply work could be an offence. The recommended potential solution to overcome this was to have the Act amended to name CIMCL, which following legal advice, seemed to be a protracted process and unlikely to succeed as it would need a bill to be passed through both houses of parliament. At the request of the Board a detailed review of the structure was undertaken by our solicitors who provided advice on the options for CIMCL going forward.

CICL then obtained a Private Binding Ruling which, following Member approval resulted in it becoming a tax-exempt co-operative with the ability to operate its own sinking fund. The implication of this for CIMCL was that its investment income would be taxed whereas investment income in CICL would be tax-exempt. The Directors of CIMCL noted this as being a benefit to Members and they supported the CICL restructure that was proposed to Members in February 2020. On behalf of the Board we thank Members who attended the meetings at which the restructure proposal was presented and discussed. Under its rules and the Service Agreement CIMCL is able to reimburse CICL for maintenance and refurbishment costs and this began in FY2020. The focus of the CIMCL Board is to continue to follow its financial investment strategy, in conjunction with the CICL Sinking Fund Committee, of which Iain Stewart is a Member, and to reimburse CICL for its maintenance costs. While the Board is investigating opportunities to reimburse CICL as quickly as possible, it is very mindful that it cannot do anything that would put the mutuality status in jeopardy, hence CIMCL may be operational for a lengthy period. The Board continues to consider the future operational options for CIMCL.

In order to retain its mutuality status, in FY2020 CIMCL charged an Active Membership Levy of \$1 for the first DE and \$0.01 per DE thereafter. It was also agreed that CICL would establish a sinking fund for the refurbishment and replacement of infrastructure assets and charge a levy and that CIMCL would cease collecting their Asset Maintenance Levy and this also became effective in FY2020.

The negative impact of COVID-19 on CIMCL's investments cannot be underestimated, however, we are pleased to advise that our "growth with alternatives" investment strategy behaved in the way it was intended, that is, not meeting the market highs, but also, more importantly, not following the market to its lows. We advise that the investment return (including interest) for FY2020 was a net loss of \$294k compared to a gain of \$2,339k in FY2019. This investment result, in the face of considerable market volatility, provides comfort that the investment strategy, as recommended by Lonsec, is achieving the results anticipated. During the year CIMCL continued to be proactive in the management of its investments and regular briefings were held and are still being held, by management with Lonsec and the fund managers. Due to COVID-19 many of these meetings were via video link and the regularity and frequency of meetings increased dramatically. A review of the investment strategy was conducted in May 2020 and it was agreed that no significant rebalancing was necessary. For more detailed information regarding the market performance for the year, refer to the Investment Report on page 5.

As of 30 June 2020, CIMCL's portfolio had a net value of \$33,215k, a decrease of \$4,270k over the financial year. Of this decrease, \$5,023k was a reimbursement to CICL for maintenance incurred during FY2020. This was partially offset by the collection of the FY2019 levy of \$1,628k with the balance of the reduction being due to operating expenses and income taxation. CIMCL's loss after tax for the year was \$5,209k, \$8,248k lower than the prior year's profit. As previously mentioned, CIMCL did not impose the infrastructure levy this year, however, an Active Membership Levy was introduced and the nominal amount invoiced was \$5k. Expenses for FY2020 were \$42k higher than in FY2019 primarily due to the business review undertaken by our solicitors.

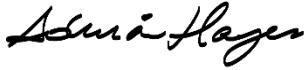
Owing to the change in structure and function, CIMCL did not commence with any capital expenditure this year and all future capital expenditure will take place through CICL with the funds currently in CIMCL utilised to reimburse CICL's maintenance expenditure as allowed by the CIMCL Rules and the Service Agreement.

The CIMCL Director retiring by rotation this year is our Independent Director, Mr Bruce Brown. Bruce has indicated his willingness to stand again and has subsequently been endorsed by the Board.

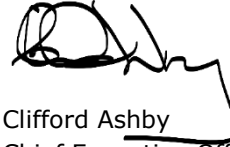
Chairman and Chief Executive Officer's Report

30 June 2020

We would like to thank CIMCL's Board Members: Bruce Brown, Iain Stewart, Matt Toscan and Steve Burgess, for their continuing hard work and commitment to CIMCL, and express our gratitude to the staff of CACL and our Members for your continuing support.



Adrian Hayes
Chairman



Clifford Ashby
Chief Executive Officer

Investment Report

30 June 2020

The 2020 financial year has been a very challenging year for investment portfolio management. It was a year of two stages; pre-COVID-19 and COVID-19. I suggest that we are still well into the COVID-19 era and have not yet reached the post-COVID-19 era that we are all eagerly awaiting.

Portfolio performance between July 2019 and January 2020 was very strong with a positive result of 5.5% for that period. During February 2020 markets fell dramatically with the *S&P/ASX 300 Total Return Index* falling 7.8% with a further fall of 20.8% in March 2020. The fall in global markets, as measured by the *MSCI AC World (ex AUS)*, was 4.5% in February and a further fall of 8.6% in March. The CIMCL portfolio fell 3.5% in February and 9.8% in March. The relatively defensive nature of our portfolio, with high exposure to defensive assets and high quality fund managers, has provided us with significant downside protection. At the lowest point in the cycle, at the end of March, our portfolio was down approximately 13.3% off its highs (at the end of January 2020) and 3.6% below its value at 30 June 2019.

The period since the end of March 2020 has been extremely volatile with very wide daily fluctuations on both Australian and world equity markets. Whilst the direction has been generally positive, we remain concerned that the worst of the economic consequences of the COVID-19 crisis is not yet over. A major concern remains that the extent of the recovery in world markets since the end of March 2020 is not supported by increased earnings in the underlying markets.

The management of the portfolio was further complicated by the financial consequences of new arrangements with CACL as outlined in the Chairman and Chief Executive Officer's report. The first consequence was the agreement to reimburse CACL for maintenance and refurbishment costs incurred. This reimbursement amounted to \$5,023k and was settled in May 2020 by the transfer of \$2,232k of investment funds and \$2,791k in cash. The selection of the funds to be transferred and the timing of the transfers were managed closely with the support and advice of our advisor, Lonsec, to ensure the best possible outcome for Members. Further transfers are expected to occur during the current financial year as and when approved by the Board. The second financial consequence was the suspension of the collection of the annual CIMCL levy in favour of CACL collecting an asset replacement levy. This means that CIMCL now only receives a nominal Active Membership Levy which amounted to \$4.7k compared with a levy of \$1,628k in FY2019.

The net result of the transactions and market conditions was that the CIMCL funds under management reduced by \$4,270k over the course of the financial year from \$37,485k to \$33,215k. The CIMCL investment portfolio delivered a negative return of 0.86%. This should be viewed against the *S&P/ASX 300 TR Index AUD* negative result of 7.6% and the *MSCI AC World ex Australia NR* positive result of 4.37%. Our Fixed Income and Australian Equities have outperformed relatively speaking whilst our international equities have underperformed their benchmark. Overall we are confident that our active investment management is in line with our Investment Policy and our agreed strategy of the *Lonsec Growth Portfolio with Alternatives* is the most appropriate strategy for the Co-operative. Management have met with Lonsec and most of our fund managers during the course of the year to ensure that we remain abreast of financial market developments. After advice from Lonsec, certain adjustments to the portfolio were made which included the redemption of \$6,594k of investments and new investments of \$4,050k in funds including Healthcare Property, International Bonds and other Fixed Interest strategies. As noted above, \$2,232k of the redemptions were transferred to CACL. The Board has remained very conservative throughout this process and has maintained an overweight position in Cash and other defensive strategies.

The portfolio asset allocation is outlined in Note 20. At 30 June 2020 we held 19.4% of our portfolio in defensive strategies. The other significant points to note are the increased allocation to Property & Infrastructure, increasing from 13.2% to 17.9% and the decrease in exposure to Australian Equities from 26.4% to 13.7% of the portfolio. It should be noted that the decrease in Australian Equities was due to the transfer of certain investments to CACL rather than strategic decision to reduce exposure to this asset class.



Paul Clarke
General Manager – Finance and Compliance

Coleambally Irrigation Mutual Co-operative Limited

ABN 60 785 211 497

FINANCIAL STATEMENTS

30 June 2020

Directors' Report	7
Income Statement	11
Balance Sheet	12
Statement of Changes in Equity	13
Statement of Cash Flows	13
Notes to the Financial Statements	14
Directors' Declaration	25
Independent Audit Report	26

Directors' Report

30 June 2020

Your Directors present their report on the Co-operative for the year ended 30 June 2020.

Directors

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

A J Hayes	Member Director (Chairman)
B M Brown	Independent Director
S J Burgess	Member Director
I G Stewart	Member Director
M A Toscan	Member Director

Principle Activities

The primary activity of the Co-operative during this reporting period is the management of investments for the purpose of the maintenance and refurbishment of irrigation infrastructure in the Coleambally Irrigation District.

Review of Operations

A summary of the Co-operative's results is set out below:

	2020	2019
	\$	\$
Profit/ (loss) before income tax expense	(5,525,646)	3,790,895
Less: Income tax (expense)/credit attributable to net surplus	317,076	(751,755)
Net profit/ (loss)	(5,208,570)	3,039,140

The Co-operative's funds were invested in accordance with its investment policy. The net return on investments for the year amounted to a loss of \$355,962 (2019: \$2,250,955 gain). The loss was attributable to the economic crisis caused by the COVID-19 pandemic.

As a result of the significant change in the state of affairs (see paragraph below) of the Co-operative, the Directors formed the view that only a nominal Active Membership Levy would be charged for the 2020 financial year and they considered that CIMCL is appropriately positioned and financed to achieve the objectives of the Co-operative. However, as noted in past reports, the future can be unpredictable and actual outcomes cannot be guaranteed.

During the year the Board resolved to commence with the reimbursement of CACL maintenance expenditure. The initial payment was \$5,022,973.

The income tax credit has arisen primarily as a result of unrealised losses that occurred on investments which will be available for setoff against future income.

Significant Changes in the State of Affairs

There have been significant changes in the state of affairs of the Co-operative during the financial year. Once CACL converted to a non-distributing Co-operative an Asset Replacement Sinking Fund was established within CACL which assumed the responsibility from CIMCL for the future replacement and refurbishment of the supply and drainage assets of CACL. As a consequence of this the CIMCL Board resolved to cease with the collection of an asset replacement levy. The CIMCL Board also resolved to commence with the reimbursement of CACL maintenance expenditure as allowed under the Rules and the Service Agreement. A nominal Active Membership Levy was introduced during the year in order to keep the Co-operative active.

Directors' Report

30 June 2020

Matters Subsequent to the end of the Financial Year

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

Likely Developments and Expected Results of Operations

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

Environmental Regulation

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

Insurance of Officers

During the financial year, the Co-operative paid premiums to insure the Directors and Officers against liability incurred to the extent permitted by the law. The premium for Directors and Officers insurance was \$4,707 (2019: \$4,314) for the year.

Directors' Report

30 June 2020

Information on Directors

Director	Experience	Special Responsibilities
A J Hayes	Commenced as a Director of the Co-operative on 11 November 2010. Employed in the agricultural service industry. Director Coleambally Community Bank. Adrian has an advanced Diploma in Agriculture and is a Graduate of the Australian Institute of Company Directors (GAICD).	Chairman since 16 December 2014
B M Brown	Commenced as a Director of the Co-operative on 1 March 2007. Director of Coleambally Irrigation Co-operative Limited since 20 May 2004. Bruce has held senior management roles with a number of large agribusiness groups including the National Rural Advisory Committee (1999-2005) and is currently a NSW Natural Resource Access Regulator Board Member.	
S J Burgess	Commenced as a Director of the Co-operative on 30 October 2015. Irrigation farmer. Member of the Rice Growers Association – Coleambally branch. Member of the Regional Advisory Council of Essential Energy.	
I G Stewart	Commenced as a Director of the Co-operative on 9 November 2012. Irrigation farmer. Member of the Rice Growers Association – Coleambally branch. Iain has an Advanced Diploma of Applied Science, a Bachelor of Commerce and a Masters of Wealth Management. Iain is a Graduate of the Australian Institute of Company Directors (GAICD). Member of the CICL Sinking Fund Committee.	
M A Toscan	Commenced as a Director of the Co-operative on 8 November 2013. Irrigation farmer. Matthew has a Bachelor of Applied Science (Agriculture) and is a Graduate of the Australian Institute of Company Directors (GAICD).	

Directors' Report

30 June 2020

Auditors' Independence Declaration

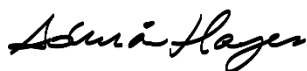
A copy of the Auditors' Independence Declaration as required by the Co-operatives National Law is set out on this page.

Meetings of Directors

The number of meetings of the Co-operative's Board of Directors held during the year ended 30 June 2020, and the number of meetings attended by each member were:

	Board Meetings
Number of meetings held	6
A J Hayes	6
B M Brown	6
S J Burgess	6
I G Stewart	6
M A Toscan	5

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



Adrian Hayes
Director

Coleambally
18 September 2020

Auditors' Independence Declaration

As lead Auditor of the audit of Coleambally Irrigation Mutual Co-operative Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements in relation to the audit;
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



Stephen Clarke
Director
Johnsons MME

Albury
18 September 2020

Income Statement

For the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Income	2	1,347,050	3,967,457
Employee benefits expense		(60,384)	(60,350)
Consulting and legal expenses		(100,015)	(57,328)
Net movement in fair value of investments		(1,626,821)	0
Reimbursement of maintenance expenses to CICL		(5,022,973)	0
Other expenses		(62,503)	(58,884)
Profit/(loss) before income tax		(5,525,646)	3,790,895
Income tax (expense)/credit	3	317,076	(751,755)
Profit/(loss) after income tax		(5,208,570)	3,039,140
Other comprehensive income			
Other comprehensive income		0	0
Total comprehensive result for the year		(5,208,570)	3,039,140

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

Balance Sheet

As at 30 June 2020

	Notes	2020	2019
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	4	1,600,215	2,970,879
Receivables	5	0	1,707,702
Prepayments		4,693	3,531
Total current assets		1,604,908	4,682,112
Non-current assets			
Other financial assets	6	31,614,614	34,514,389
Total non-current assets		31,614,614	34,514,389
Total assets		33,219,522	39,196,501
LIABILITIES			
Current liabilities			
Payables	7	0	164,070
Current tax liabilities	8	161,148	471,878
Total current liabilities		161,148	635,948
Non-current liabilities			
Deferred tax liabilities	9	635,322	928,931
Total non-current liabilities		635,322	928,931
Total liabilities		796,470	1,564,879
Net assets		32,423,052	37,631,622
EQUITY			
Reserves	10(a)	32,423,052	37,631,622
Retained surplus/(accumulated deficit)	10(b)	0	0
Total equity		32,423,052	37,631,622

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

Statement of Changes in Equity

For the year ended 30 June 2020

	2020	2019
	\$	\$
Total equity at the beginning of the year	37,631,622	34,592,482
Total comprehensive result for the year	(5,208,570)	3,039,140
Total equity at the end of the year	32,423,052	37,631,622

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

Statement of Cash Flows

For the year ended 30 June 2020

	Notes	2020	2019
		\$	\$
Cash flows from operating activities			
Receipts from customers		1,723,951	1,836,706
Payments to suppliers and employees		(5,412,586)	(363,481)
		(3,688,635)	1,473,225
Interest received		61,419	87,824
Taxation (paid)/received		(287,263)	(268,428)
Net cash inflow/(outflow) from operating activities	19	(3,914,479)	1,292,621
Cash flows from investing activities			
Payments for investments		(4,049,972)	(6,080,000)
Proceeds from sale of investments		6,593,787	3,186,672
Net cash inflow/(outflow) from investing activities		2,543,815	(2,893,328)
Net increase/(decrease) in cash held		(1,370,664)	(1,600,707)
Cash and cash equivalents at the beginning of the financial period		2,970,879	4,571,586
Cash and cash equivalents at the end of the financial period	4	1,600,215	2,970,879

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

Note 1 Summary of Significant Accounting Policies

(a) COVID-19

The COVID-19 global pandemic has seen the Federal and State governments implement a range of measures and restrictions to protect the Australian Community from the spread of COVID-19. These measures and restrictions have adversely impacted the global and Australian economies, and this financial report has been prepared within that context.

As at 30 June 2020, the impact of COVID-19 on the Co-operative's operations and finances has not been significant. The Co-operative continues to monitor business activity and economic conditions to support this ongoing assessment.

(b) Basis of preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board, and the Co-operatives National Law as amended.

The following is a summary of material accounting policies adopted by the Co-operative in the preparation of the financial statements. The accounting policies adopted have been consistently applied to all years presented.

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

(c) Income recognition

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

(i) Levies from Members

Levies are raised annually and are recognised over time.

(ii) Interest and distribution income

Interest is recognised as it accrues. Distributions from investments are recognised when a distribution is advised or received whichever occurs earlier.

(iii) Movements in fair value of investments

Movements in fair value of investments are brought to account as they accrue (refer note 1(g)).

(d) Income tax

Income tax expense for the year is the tax payable on the current year's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying values in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or the liabilities settled. Where temporary differences arise on initial recognition of an asset or liability, no deferred tax asset or liability is recognised in respect to these differences if they arose in a transaction that, at the time of the transaction, did not affect either the accounting or taxation profit or loss. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Deferred tax is debited/credited in the income statement unless it relates to items that may be credited directly to equity, in which case deferred tax is adjusted directly against equity.

(e) Cash and cash equivalents

Cash and cash equivalents include deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

Note 1 Summary of Significant Accounting Policies (Continued)

(f) Receivables

Accounts receivable are brought to account at their nominal amounts. This is considered to be the fair value of receivables and due to their short term nature this is not materially different from amortised cost. No provision is raised for doubtful debts as there is considered to be little likelihood of bad debts arising.

Levies are billed in June each year and are due in 30 days. Interest is charged on overdue amounts at the rate of 6.25% (2019: 7.25%) per annum.

Debtor recoverability has been assessed in light of COVID-19 and no material impact is expected to the Co-operative's expected credit loss.

(g) Other financial assets at fair value through the profit and loss

Financial assets at fair value through the profit and loss are financial assets that are managed and their performance evaluated on a fair value basis, in accordance with a documented investment strategy (summarised at Note 20), and information about these investments is provided and monitored internally by the Board on a regular basis. These financial assets comprise investments in managed funds and are reflected at fair value based on advice from the fund managers. They are included in non-current assets unless the Co-operative intends to dispose of the investment within 12 months of the balance date. Changes in the fair value of "financial assets at fair value through the profit and loss" are recognised in the income statement in the period in which they arise. The economic consequences of COVID-19 had a material impact on world markets and the value of financial assets. The volatility in equity markets has been reflected through the investment valuation loss at balance date.

(h) Trade and other creditors

These amounts represent liabilities for goods and services provided to the Co-operative prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Due to the short term nature of payables, measurement at cost is not materially different from amortised value.

(i) Reserves

As a mutual entity the Co-operative receives funds from Members and Non-Members. The Co-operative separately accounts for the balance of Members' funds. In order to illustrate this, and the Co-operative's compliance with Rules 20 and 21 of the Co-operative's rules, reserves have been created (refer note 10). Remaining Members' funds are made up of the balances of the members' contribution reserve and the sinking fund reserve.

(j) Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

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

Notes to the Financial Statements

30 June 2020

Note 1 Summary of Significant Accounting Policies (Continued)

(k) New Accounting Standards and interpretations

The AASB has issued new and amended accounting standards and interpretations for the current and future reporting periods. The Directors have decided not to early adopt any accounting standards not yet effective, as they are not expected to have a material impact on the Co-operative. The Co-operative has adopted all new and revised accounting standards issued by the AASB that are relevant to its operations and effective for the reporting period beginning 1 July 2019 as follows:

AASB 15 - Revenue from Contracts with Customers (replaces AASB 118), applicable for financial reporting periods beginning on or after 1 January 2019. The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. After applying the 5 step model per AASB 15 the directors have assessed there was no material difference in the recognition of revenue between AASB 15 and the former AASB 118, therefore no adjustment was required to the opening balance of equity at 1 July 2019.

AASB 16 – Leases, applicable for financial reporting periods beginning on or after 1 January 2019. The key changes introduced by AASB 16 include the recognition of operating leases on the balance sheet. The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability. In the income statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge.

The Co-operative has no lease agreements in place where it is the lessee, therefore the introduction of AASB 16 has no material impact on the Co-operative.

Note 2 Income

	Notes	2020 \$	2019 \$
Income from operating activities			
Revenue from contracts with customers	(a)	4,772	1,628,678
Revenue from outside operating activities	(b)	1,342,278	2,338,779
Total income		1,347,050	3,967,457
Disaggregated revenue			
(a) Revenue from contracts with customers			
CIMCL Levies		4,772	1,628,678
Total		4,772	1,628,678
Timing of revenue recognition			
- At a point in time		0	467
- Over time		4,772	1,628,211
		4,772	1,628,678
(b) Revenue from outside operating activities			
Interest		61,419	87,824
Net distributions and movement in fair value of investments		1,270,859	2,250,955
Federal Government Grants		10,000	0
Total		1,342,278	2,338,779

Notes to the Financial Statements

30 June 2020

Note 3 Income Tax

	2020	2019
	\$	\$
(a) Income tax expense		
Current tax	23,467	(638,694)
Deferred tax (i)	293,609	(113,061)
Aggregate income tax (expense)/credit	317,076	(751,755)

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

(b) Numerical reconciliation of income tax expense to prima facie tax payable

The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the net profit/(loss) from ordinary activities. The differences are reconciled as follows:

Net profit/(loss) from ordinary activities before income tax	(5,525,646)	3,790,895
Income tax expense calculated @ 30% (2019: 30%)	1,657,694	(1,137,269)
Tax effect of permanent differences	(1,503,893)	0
Net mutual income and expenses attributable to mutual income	26,992	473,814
Tax offset for franking and foreign tax credits	65,337	49,000
Tax over/(under) provided in prior years	70,946	(137,300)
Income tax (expense)/credit	317,076	(751,755)

Note 3 Income Tax (Continued)

The Co-operative continues to account for its taxation on the basis that the concept of mutuality is applicable to levy contributions from Members.

Note 4 Current Assets – Cash and Cash Equivalents

	2020	2019
	\$	\$
Cash at bank	1,600,215	61,342
Term Deposits	0	2,909,537
	1,600,215	2,970,879

Notes to the Financial Statements

30 June 2020

Note 5 Current Assets – Receivables

	2020	2019
	\$	\$
Trade debtors	0	1,707,702

(a) Ageing

The ageing of receivables at balance date was:

	Gross 2020	Impairment 2020	Gross 2019	Impairment 2019
	\$	\$	\$	\$
Not past due	0	0	1,707,702	0
Past due 31 – 60 days	0	0	0	0
Over 60 days	0	0	0	0
	0	0	1,707,702	0

Note 6 Other Financial Assets

	2020	2019
	\$	\$
Financial assets at fair value through the profit and loss	31,614,614	34,514,389

Note 7 Current Liabilities – Payables

	2020	2019
	\$	\$
Trade creditors and accruals	0	164,070

Note 8 Current Tax Liabilities

	2020	2019
	\$	\$
Income Tax	161,148	471,878

Note 9 Deferred Tax Liabilities

	2020	2019
	\$	\$
Provision for deferred income tax	635,322	928,931

Notes to the Financial Statements

30 June 2020

Note 10 Reserves and Retained Surpluses

	2020	2019
	\$	\$
(a) Reserves		
Members' contribution reserve	5,703,738	5,698,966
Sinking fund reserve	18,203,078	23,226,051
Non-member income reserve	8,516,236	8,706,605
	32,423,052	37,631,622
Movements		
<i>Members' contribution reserve</i>		
Balance as at 1 July 2019	5,698,966	6,070,288
Transfers (to)/from retained surplus	(5,018,201)	1,628,678
Transfers (to)/from sinking fund reserve	5,022,973	(2,000,000)
Balance as at 30 June 2020	5,703,738	5,698,966
<i>Sinking fund reserve</i>		
Balance as at 1 July 2019	23,226,051	21,226,051
Transfers from/(to) Members' contribution reserve	(5,022,973)	2,000,000
Balance as at 30 June 2020	18,203,078	23,226,051
<i>Non-member income reserve</i>		
Balance as at 1 July 2019	8,706,605	7,296,143
Transfers from/(to) retained surplus	(190,369)	1,410,462
Balance as at 30 June 2020	8,516,236	8,706,605
(b) Retained surplus/(Accumulated deficit)		
Retained surpluses at the beginning of the financial year	0	0
Total comprehensive result for the year	(5,208,570)	3,039,140
Transfers (to)/from Members' contribution reserve	5,018,201	(1,628,678)
Transfers (to)/from Non-Member income reserve	190,369	(1,410,462)
Retained surplus/(deficit) at the end of the financial year	0	0

Note 10 Reserves and Retained Surpluses (Continued)

(c) Nature and purpose of reserves

(i) Members' contribution reserve

The Members' contribution reserve has been established to record and control the receipt of all members' contributions. Funds are allocated from the Members' contribution reserve as required to fund the costs and expenses and overheads of the Co-operative and to transfer amounts to the sinking fund reserve as required by Rule 20.4.

(ii) Sinking Fund Reserve

Under Rule 20.4(b)(i) of the Co-operative's rules and the Service Agreement, it is required to set aside reserves in a fund to be known as the "Sinking Fund" to cover expenditure for the construction, refurbishment, maintenance and replacement of future and existing irrigation assets in the existing area of operations of Coleambally Irrigation Co-operative Limited. The funds set aside can only be used for this purpose.

(iii) Non-member income reserve

Under Rule 21.3 of the Co-operative's rules, it is required to establish a separate reserve fund for the purpose of separating contributions from the Non-Member funds. All Non-Member funds must be held in the Non-Member income fund and must be identifiable in the Co-operative's accounts. These funds may be drawn to fund operations as required.

Note 11 Share Capital

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

Notes to the Financial Statements

30 June 2020

Note 12 Financial Instruments

(a) Interest rate risk exposure

		Fixed interest maturing in:						
		Floating	1 year	Over 1	More	Non-	Total	
		interest	or less	to 5	than 5	interest		
		rate	years	years	years	bearing		
Notes		\$	\$	\$	\$	\$	\$	\$
2020								
Financial assets								
Cash	4	1,600,215	0	0	0	0	1,600,215	
Receivables	5	0	0	0	0	0	0	
Financial assets at fair value	6	0	0	0	0	31,614,614	31,614,614	
		1,600,215	0	0	0	31,614,614	33,214,829	
Weighted average interest rate		0.92%						
Financial liabilities								
Trade creditors and accruals	7	0	0	0	0	0	0	
		0	0	0	0	0	0	
Net financial assets/(liabilities)		1,600,215	0	0	0	31,614,614	33,214,829	

		Fixed interest maturing in:						
		Floating	1 year	Over 1	More	Non-	Total	
		interest	or less	to 5	than 5	interest		
		rate	years	years	years	bearing		
Notes		\$	\$	\$	\$	\$	\$	\$
2019								
Financial assets								
Cash	4	61,342	2,909,537	0	0	0	2,970,879	
Receivables	5	0	0	0	0	1,707,702	1,707,702	
Financial assets at fair value	6	0	0	0	0	34,514,389	34,514,389	
		61,342	2,909,537	0	0	36,222,091	39,192,970	
Weighted average interest rate		0.95%	2.50%					
Financial liabilities								
Trade creditors and accruals	7	0	0	0	0	164,070	164,070	
		0	0	0	0	164,070	164,070	
Net financial assets/(liabilities)		61,342	2,909,537	0	0	36,058,021	39,028,900	

Notes to the Financial Statements

30 June 2020

Note 12 Financial Instruments (Continued)

(b) Net fair value of financial assets and liabilities

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

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

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

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

Other financial assets and liabilities

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

(c) Credit risk exposures

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

Note 13 Remuneration of Auditors

	2020	2019
	\$	\$
Remuneration of the auditors of the Co-operative for:		
Audit of the financial statements	6,045	5,895
Other assurance services	0	0
Total audit and other assurance services	6,045	5,895
Taxation services	4,600	7,000
Other consulting services	0	0
Total remuneration	10,645	12,895

Note 14 Contingent Liabilities

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

Note 15 Commitments for Expenditure

Capital commitments	2020	2019
	\$	\$
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	0	0
	0	0

Notes to the Financial Statements

30 June 2020

Note 16 Related Parties

Key management personnel

The names of persons who were Directors of the Co-operative at any time during the financial period are as follows: A J Hayes, B M Brown, S J Burgess, I G Stewart, and M A Toscan.

The Directors received remuneration of \$60,383 (2019: \$60,350). The AGM approved ceiling is \$65,000.

Loans to key management personnel

There were no loans to key management personnel or their related entities.

Transactions of key management personnel concerning shares

The Co-operative does not have a share capital and accordingly the key management personnel own no shares.

Other transactions with key management personnel and their related entities

During the year the Co-operative raised levies on those key management personnel who are Members of the Co-operative or their related entities on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with them at arm's length in the same circumstances. The total value of levies raised by the Co-operative from key management personnel and their related entities was \$50 (2019: \$15,860). These levies were raised just prior to the end of the reporting period, and \$0 (2019: \$5,101) remains outstanding as at 30 June 2020.

Note 17 Event Occurring After Reporting Date

No matter or event has arisen since the reporting date that is considered likely to have a significant effect on the Co-operative in future financial years.

Note 18 Segment Information

The Co-operative operates in order to maintain and refurbish irrigation infrastructure in the Coleambally Irrigation Area located in the Riverina region of New South Wales. The Co-operative has no operations in any other industry or geographic segment.

Note 19 Reconciliation of Profit/(Loss) After Income Tax to Net Cash Inflow/(Outflow) From Operating Activities

	2020	2019
	\$	\$
Profit/(loss) after income tax	(5,208,570)	3,039,140
Movement in fair value of investment	355,962	(2,250,955)
Change in operating assets and liabilities		
(Increase)/decrease in receivables	1,707,702	45,160
(Increase)/decrease in prepayments	(1,164)	(1,296)
Increase/(decrease) in trade creditors and accruals	(164,070)	(22,755)
Increase/(decrease) in tax liabilities	(604,339)	483,327
Net cash inflow/(outflow) from operating activities	<u>(3,914,479)</u>	<u>1,292,621</u>

Notes to the Financial Statements

30 June 2020

Note 20 Financial Risk Management

The Co-operative's activities expose it to credit and liquidity risks. The Co-operative's overall risk management program focuses on the key risk of unpredictability in financial markets and seeks to minimise potential adverse effects on the financial performance of the Co-operative. The Board monitors these risks through quarterly Board meetings where management reports are presented and analysed.

(a) Credit risk

Credit risk is the risk of financial loss to the Co-operative if a party to a financial instrument fails to meet its contractual obligations. Credit risk arises from the financial assets disclosed in note 12. Cash deposits are held with reputable banking institutions.

Units in investment trusts are managed in accordance with a documented investment strategy. The investment strategy has been developed to optimise the investment return and minimise the risk of volatility over the time the funds are expected to be held. As at 30 June 2020 the investment portfolio is spread across the following:

	2020	2019
Australian Equities	13.7%	26.4%
Global Equities	33.7%	31.1%
Property and Infrastructure	17.9%	13.2%
Growth Alternatives	15.3%	13.9%
Defensive Alternatives	3.1%	3.0%
Fixed Interest and Diversified Income	16.3%	12.4%

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

(b) Liquidity risk

Liquidity risk is the risk that the Co-operative will encounter difficulty in meeting obligations associated with financial liabilities. The maximum exposure to liquidity risk at balance date is the carrying amount of financial liabilities as summarised in Note 12. To manage liquidity risk the Co-operative monitors cash flow requirements on a monthly basis to maintain sufficient cash to pay debts as and when they fall due.

(c) Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Co-operative's cash on call and term deposits. The following table summarises the sensitivity of the Co-operative's financial assets and liabilities to a 1% movement in the interest rate:

	1%		-1%	
	Profit	Equity	Profit	Equity
Cash on call and term deposits	16,000	16,000	(16,000)	(16,000)

Directors' Declaration

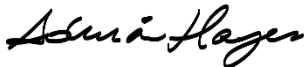
30 June 2020

The Directors declare that the financial statements and notes set out on pages 6 to 24 are in accordance with the Co-operatives National Law, including:

- (a) complying with Accounting Standards and other mandatory professional reporting requirements; and
- (b) giving a true and fair view of the Co-operative's financial position as at 30 June 2020 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they become due and payable.

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



A J Hayes

Coleambally

Director

18 September 2020



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

Opinion

We have audited the financial statements of Coleambally Irrigation Mutual Co-operative Ltd, which comprises the balance sheet as at 30 June 2020, the income statement, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of accounting policies, other explanatory notes and the Directors' declaration.

In our opinion, the accompanying financial report of the entity is in accordance with the *Co-operatives (Adoption of National Law) Act 2012 (NSW)*, including:

- a) giving a true and fair view of the entity's financial position as at 30 June 2020 and of its performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Co-operatives (New South Wales) Regulation 2014*.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Co-operatives (Adoption of National Law) Act 2012 (NSW)* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Co-operatives (Adoption of National Law) Act 2012 (NSW)*, which has been given to the directors of the consolidated entity, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Information Other than the Financial Report and Auditor's Report

The directors of the entity are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report to the members (continued)

Responsibility of the Directors for the Financial Report

The directors of the consolidated entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Co-operatives (Adoption of National Law) Act 2012 (NSW)* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

The financial report has been prepared for distribution to members for the purpose of fulfilling the director's financial reporting requirements under the *Co-operatives (Adoption of National Law) Act 2012 (NSW)*. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.

Johnsons MME
Chartered Accountants



Stephen Clarke
Director

Albury
18 September 2020