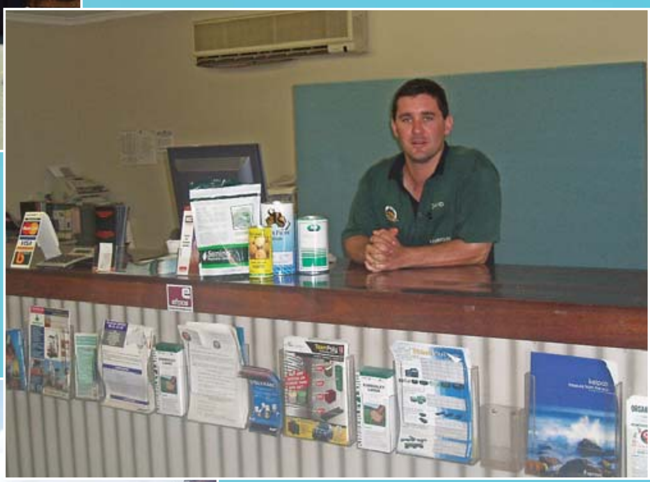
Annual Report 2005

Ord River District Co-operative Ltd



ORD RIVER DISTRICT
CO-OPERATIVE LTD

ANNUAL REPORT
2005

ORD RIVER DISTRICT CO-OPERATIVE LTD

Incorporated in Western Australia
on 17 August 1963
under the Companies (Co-operative) Act 1943-1994

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the members of the Co-operative will be held on 15 December 2005 at 7.30 pm in the board room at the Co-operative's office on Weaber Plains Road, Kununurra for the purpose of transacting the following business:

Ordinary business:

Accounts and reports

To receive the Co-operative's financial report, the Directors' report and the Auditor's report for the year ended 30 June 2005 and to consider and, if thought fit, to pass the following as an ordinary resolution:

"That the Co-operative's financial report, the Directors' report and the Auditor's report are approved and adopted."

Election of Directors

Robert John Boshammer, Gregory Scott Cummings and Darryl Ward Smith retire as Directors of the Co-operative through effluxion of time. Being eligible, they offer themselves for re-election. There are three vacancies to be filled.

Special Notice:

In accordance with Article 86(g) of the Co-operative's Articles of Association nominations for the position of Director must be in writing and left at the Co-operative's offices 11 clear days before the date of the meeting.

Appointment of auditors

In accordance with Article 134 of the Co-operative's Articles of Association, the members of the Co-operative at the annual general meeting shall appoint the auditor and fix their remuneration.

The retiring auditors, KPMG, are eligible and offer themselves for reappointment.

(a) To consider and, if thought fit, to pass the following as an ordinary resolution:

"That KPMG be re-appointed as the Co-operative's auditor."

(b) To consider and, if thought fit, to pass the following as an ordinary resolution:

"That the remuneration of KPMG as the Co-operative's auditor be set at an estimated $60,975 (2005: $60,500")."

Any other business:

To consider any other business which under the Articles of Association ought to be transacted at an Ordinary General Meeting.

Members are entitled to appoint a proxy to attend and vote in their stead. A proxy vote form will be enclosed in the annual report. Proxies must be returned to the registered office of the Co-operative not less than 24 hours prior to the holding of the meeting.

Registered office
672 Weaber Plains Road
KUNUNURRA WA 6743

Secretary
J L Cullimore

ORD RIVER DISTRICT CO-OPERATIVE LTD

Incorporated in Western Australia
on 17 August 1963
under the Companies (Co-operative) Act 1943-1994

POSTAL ADDRESS
PO Box 238
KUNUNURRA WA 6743

DIRECTORS
Robert John Boshammer
Nils John Buchanan
Gregory Scott Cummings
Lindsay Albert Innes
(Chairman)
Kimberley-Anne Kohan
Paul Arthur Mock
Darryl Ward Smith

SHARE REGISTER
672 Weaber Plains Road
KUNUNURRA WA 6743

AUDITORS
KPMG
Central Park
152 St George's Terrace
PERTH WA 6000

BANKERS
Westpac Banking Corporation
BROOME WA 6725

Certificate by Directors

We, L A Innes and R J Boshammer, being two of the Directors of Ord River District Co-operative Ltd, do hereby certify on behalf of the Board that, in our opinion, the accompanying statements of financial position are drawn up so as to exhibit a true and fair view of the state of the company's and consolidated entity's affairs, and that, in our opinion, the statements of financial performance are drawn up so as to exhibit a true and fair view of the results of the business of the company and the consolidated entity for the year ended 30 June 2005 and that in our opinion the statements of cash flows are drawn up so as to exhibit a true and correct view of the cash flows of the business of the company and the consolidated entity for the year ended 30 June 2005.

In our 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.

L A INNES
Director

R J BOSHAMMER
Director

Kununurra

21 November 2005

Secretary's Certificate

I, Joanne Louise Cullimore, Secretary of Ord River District Co-operative Ltd, hereby certify:

- that the reserves and accumulated profits are being used in the business;
- that the accompanying statements of financial performance, statements of financial position and statements of cash flows of the company are to the best of my knowledge and belief, true in every particular; and
- that the names, addresses and occupations of persons who are Directors of the company at the date of the statement are:

  Nils John Buchanan, Robert John Boshammer, Gregory Scott Cummings, Lindsay Albert Innes, Paul Arthur Mock, Darryl Ward Smith (farmers) and Kimberley-Anne Kohan (accountant), all of Kununurra, WA.

J L CULLIMORE
Secretary

Kununurra

21 November 2005

Directors' Report

The Board is pleased to present the 41st annual report of the Ord River District Co-operative Limited.

PREAMBLE

The outstanding features of the past year can be summarized as:

- A record consolidated after tax profit that is particularly pleasing bearing in mind the disappointing results in the prior financial period. This profit has been achieved despite further losses incurred in winding down Lake Argyle Industries Pty Ltd and has enabled the Board to pay shareholders a fully franked dividend of 23.8 cents per share in the financial year.
- Substantive progress towards structural changes in the group necessary for compliance with anticipated legislative amendments to the Co-operatives Act and which should be constructive in providing beneficial outcomes for all shareholders.
- Very pleasing results in Ordco Fuel Pty Ltd from the importing and wholesaling of diesel fuel.
- Renewal of the Wyndham Port operating lease for 5 years with an option to renew for another 5 years thereafter.
- Increased trade through Wyndham Port as a result of the establishment of the Sally Malay nickel mine.
- Continuing strong performance from Ordco Agriculture enabling the Board to pursue a policy of paying substantial discounts to trading shareholders.
- The continued expansion of managed investment schemes acquiring land in the area for sandalwood, mango and citrus production. These investment schemes will increase demand for developed land thereby placing pressure on existing crops. This could detrimentally affect the profitability of Ordco Agriculture in the future.
- The continuing difficulties facing the sugar industry despite a resurgence in world prices.
- The post year end finalization of negotiations regarding land title issues for the Ord Stage 2 area meaning that, once again, Government can invite expressions of interest for the development of all or part of the area. Should this land be developed substantial benefits may be expected in Ordco Agriculture.

ORDCO AGRICULTURE

The core business continues to perform well having achieved trading sales of $8.78 million and a net profit after tax of $892,485 A discount of $429,263 was paid to trading members in the financial year.

Uncertainties over the future of the sugar industry are a constant threat and it is to be hoped that a way forward will be found to justify the continued operation of the mill. Although cane growing has a relatively low agricultural chemical demand, it requires substantial fertilizer inputs in order to maximize growth over a full 12 month growing season. World sugar prices have increased encouragingly and this combined with a projected decline in the value of the Australian dollar may result in profitable grower prices for 2006. Important studies are also underway to evaluate the possibility of power generation utilizing excess cane fibre as a means to supplement Argyle Diamonds Limited power requirements for an underground phase. There are mutual benefits of lower power costs to the mine and increased payments to growers for sugar cane if power generation is considered feasible.

Horticultural producers have enjoyed a season of ideal growing conditions and strong market prices, providing a boost to the agricultural economy when other commodity prices are not so buoyant. Average net prices for pumpkin, rockmelon and honeydew melons were higher than previous years, while watermelon was average in comparison to the strong pricing of the past two production seasons. Marketable yields were also high and there was substantially lower disease and insect pressure throughout the year.

Mangoes in 2004 were heavily over supplied demonstrating very plainly that the development of a sustainable export marketing programme will be absolutely essential if this crop is to have a viable future on a large scale. The 2005 mango crop appears to be particularly light, with low fruit numbers evident across northern Australia. This will lead to higher than average prices being received for the limited volume of product.

Directors' Report (continued)

Grain crops also performed well with reports of high yields and good quality in hybrid seed crops and some excellent yields from a sweet corn hybrid seed producer. There is considered to be some opportunity for expansion within this sector.

Chickpea production increased substantially in 2004 with over 1,000 hectares being grown. This, coupled with above average yields, generated a significant tonnage of product to sell domestically. This proved to be a difficult task with increased production in eastern Australia compounding the domestic oversupply situation. As a result it has been necessary to increase the focus on overseas markets. Fortunately there has been strong demand in Europe which, combined with crop shortages in Mexico and Turkey, enabled a substantial proportion of the crop to be exported. Sales have been made to Spain, France, Portugal and Italy.

The 2005 chickpea production was lower than the previous year with around 740 hectares planted. Yields were average and domestic market pricing remained relatively weak. The 2005 crop has again been aimed at supplying both the export and domestic marketplace. Export sales have been made directly by the Co-operative as well as through Australian grain brokers.

The entire 2004 borlotti bean crop was sold domestically, primarily into culinary markets in Melbourne and Sydney.

The 2005 borlotti bean crop was very impressive with high yields and premium quality. This has however created a surplus as for the domestic market and some product will need to be exported.

ORD STAGE 2 AND GREEN LOCATION

The long awaited agreement between Government and the Traditional Owners has finally been completed. This means that Government are in a position to call, once again, for expressions of interest to develop the Stage 2 area. It is anticipated that this process will be initiated during 2006 but it is likely to be a number of years before production commences on this area. The commercial viability of the project will be significantly influenced by land development costs and the extent to which Government are prepared to support major infrastructure costs including the main supply channel, roads and power reticulation.

In 2004 the Co-operative invited expressions of interest from shareholders for the continuation of the Green Swamp development. The Co-operative in conjunction with J.J. McDonald and Sons were awarded the rights to develop this area in 1999 and it was proposed that the land would be developed principally for an expanded sugar industry. The Board, in consultation with McDonalds', subsequently decided that the inclusion of interested shareholder(s) in a joint development proposal was desirable especially given the time elapsed since the original allocation date. This has resulted in the inclusion of three shareholders as joint developers of this 1300 hectare area. The final decision on whether to develop the site is dependent on the renewal of contracts for the supply of sugar cane to the mill. Should this be achieved, it is proposed to commence development in 2006 with a view to having around 800 hectares planted to cane in 2007. The Co-operative regards its primary role as a facilitator to ensure that land development opportunities are realized.

WYNDHAM PORT

Having operated the Wyndham Port for six years the Co-operative has negotiated a new five-year lease with a renewal option of another five years with Government. Much of the Port's equipment and facilities have been utilised beyond their reasonable life and, as a result, the new lease agreement provides for a significant increase in maintenance costs to keep this plant operational. It is a credit to the Wyndham staff that Port operational shipping delays have again been maintained at zero.

The Port has returned a net profit after tax of $464,451 in this financial year with revenues derived from both statutory charges and stevedoring activities. There has been an increase in trade activities that has resulted in a net lease cost of $272,867 being paid to the WA Government.

The export of nickel concentrate from the Sally Malay deposit commenced in September 2004 and future annual exports of around 80,000 tonnes are anticipated.

A proposal is being worked up to build new cattle yards on Port land adjacent to the jetty. This would be a great improvement as the old meat works yards are in poor condition and a new set of yards could be constructed to allow direct loading onto ship. These would be the only operating yards of this type between Port Hedland and Darwin and would provide significant advantages to exporters and, as a result, the Port.

Directors' Report (continued)

Promising exploration work is continuing on an iron ore deposit about 150 km south of Wyndham and the current strong demand from China may see this prospective mine come to fruition. The mine owners are looking at options of barging from Wyndham to deep water for transfer to Panamax size vessels or alternatively building a deep water dolphin berth a little north of the existing jetty. In either case it is a costly exercise for a relatively low value product. The 2005 drilling programme seems to be proving the presence of high grade deposits (low phosphorus) and the volume will no doubt be important in establishing potential mine life and, as a result, the level of capital expenditure that can be justified in export infrastructure. Tentative figures suggest around 2 million tonnes per annum over an 8 year mine life.

Growth in the "adventure" luxury tourism market has seen a significant rise in the number of small cruise ships visiting Wyndham as part of their Broome to Wyndham / Darwin itinerary. The largest of these at 4000 tonnes, the MV Orion, has made several calls and it seems that they will all be back next year. Whilst not generating a lot of revenue for the Port, there is no doubt about the benefit to the region.

ORDCO FUEL PTY LTD

This business unit continues to perform well with sales for the year of $82.9 million producing a net profit after tax of $1,351,012 Seven vessels delivered 76,015 tonnes of diesel during the year. Argyle Diamonds Limited were the largest user for the year, although their consumption is expected to decline in 2006 as the open cut part of their operations winds back. A decision on underground mining at the Argyle mine is expected late in 2005 and this will impact on future sales volumes. In addition the prospect of incremental sales to existing and proposed mining operations should ensure the future profitability of this business. Facilities are in place to provide bunkering services to the luxury cruise vessels and fuel is also barged to local communities.

Future supply arrangements will be renegotiated during 2005 to optimize the delivered cost of diesel and hence maximize future sales.

LAKE ARGYLE INDUSTRIES PTY LTD.

The decision to manage the de-stocking and closure of this business unit has proved beneficial . The managed exit has resulted in the sales of $1,387,466 and a net loss after tax of $475,120 for the year ending 30th June 2005. Had a managed exit strategy not been adopted and the business simply closed it would have been necessary to write off stock on hand at the end of the prior financial year of $871,756 whilst still incurring some portion of the overhead cost during the closure period.

It is expected that the few remaining assets of the company will be disposed of in 2005/06.

The Research and Development programme has been completed with the exception of some trials to be completed by WA Fisheries Dept and substantial knowledge has been gained on methods to successfully purge freshwater barramundi in a caged environment. This information will be available to the industry.

COMPANY STRUCTURE

Advice has been provided to shareholders during the year on progress towards structural change of the group. The objects of the restructure are re-iterated below:

- Re-establish a true co-operative that is compliant with forthcoming legislation.
- Preserve the financial viability of the co-operative.
- Provide a mechanism to retire non trading members equity as a component of the need to comply with new legislation.
- Provide a mechanism to reduce the equity of trading shareholders who have accumulated substantial parcels of shares and who, inevitably at some future point, will become non trading shareholders.

Given that we are dealing with the Corporations Act and the Companies (Co-operatives) Act together with the State Stamp Duty Act and the ATO, and that the ultimate outcome is to have both a co-operative entity and a corporate entity, it is perhaps not surprising that there are a myriad of hurdles and complexities to overcome. The process has been time consuming but will ultimately provide all shareholders with an outcome that will accommodate the impending legislative changes while preserving the integrity of the traditional co-operative business. It will also provide a mechanism for share trading and

Directors' Report (continued)

therefore, a potential partial exit mechanism for those shareholders wishing to realize a substantial portion of their investment.

SHARE BUY BACK

As foreshadowed in the resolution passed at the 2004 AGM the Co-operative has prepared an offer to repurchase shares on a voluntary basis from those non-trading shareholders who hold 5000 or less ordinary shares. The details of this offer have been provided separately to the relevant shareholders. Those shareholders wishing to avail themselves of the offer are reminded that the closing date for acceptances is 31st December 2005.

THE FUTURE OF THE COMPANY

Many operational and subtle internal changes have taken place within the company over the past twelve months and it is a credit to Management and staff on how they have implemented directives, honed accounting procedures and generally actively sought to refine and manage the business for the better. More change is imminent with an entire business re-structure pending.

In allowing for legislative change your co-operative will soon be in a transitional phase with both Board and Management particularly focused on future strategies that will provide the very best possible outcomes for all Shareholders. Over the next twelve months we are resolved to implement a blue print that will allow for the company to prosper well into the future.

It is imperative that we commit to a business template that will allow for us to profitably meet our goals and expectations in the short term whilst still being sustainable in the long term. In short, we need to cater for an ageing shareholder base that may soon wish to retrieve some or most of its wealth from the business. We also need to look to the long term and be able to hand down a vibrant and successful company to our children and new farmers to the valley.

DIVIDENDS AND DISCOUNTS

In keeping with past Board policy profits have been distributed to members in a manner that is designed to enable moderate business growth. To this end fully franked dividends for the financial year ended of $495,230 (2004: Nil) were paid to ordinary shareholders and $152,325 (2004: Nil) to preference shareholders.

In addition discounts of $429,263 were paid to trading members (2004:$453,954).

EVENTS SUBSEQUENT TO REPORTING DATE

For reporting periods beginning on or after 1 July 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in Note 31 to the financial statements.

Other than the matters discussed above, 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 of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

L A Innes
Board Chairman
For the Board of Directors
Kununurra,

21 November 2005

Statements of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Revenue					
- from sale of goods	2	92,430,574	40,632,023	8,171,656	8,254,045
- from rendering of services	2	4,741,731	3,428,103	5,385,986	3,429,588
- from other ordinary activities	2	859,314	297,849	820,044	252,765
Total revenue	2	98,031,619	44,357,975	14,377,686	11,936,398
Changes in inventory		5,581,162	2,763,921	448,323	130,547
Merchandise purchases		(93,423,814)	(41,725,840)	(7,292,022)	(6,850,747)
Employee expenses		(3,436,930)	(2,198,281)	(2,887,557)	(2,104,936)
Depreciation and amortisation	3(b)	(566,820)	(457,614)	(540,677)	(395,927)
Borrowing costs	3(b)	(499,831)	(304,399)	(173,051)	(169)
Equipment maintenance and running costs		(826,916)	(501,123)	(632,714)	(478,243)
Trading rebates		-	(453,954)	-	(453,954)
Revaluation of fish stocks:					
- culling/mortalities		-	(568,858)	-	-
- valuation adjustments		-	(358,407)	-	-
Write down of property, plant and equipment		-	(275,332)	-	-
Other expenses from ordinary activities		(1,848,049)	(953,042)	(1,540,841)	(779,178)
Write back/(down) of investment in and loan to subsidiary	3(a)	-	-	245,930	(2,309,296)
Profit/(loss) from ordinary activities before related income tax expense		3,010,421	(674,954)	2,005,077	(1,305,505)
Income tax (expense)/benefit relating to ordinary activities	5	(777,593)	11,940	(402,211)	(483,288)
Net profit/(loss)	20	2,232,828	(663,014)	1,602,866	(1,788,793)
Non-owner transaction changes in equity					
Change in asset revaluation reserve:					
Fair value adjustment	19	350,198	118,596	287,195	118,596
Total changes in equity from non-owner related transactions		2,583,026	(544,418)	1,890,061	(1,670,197)

These statements of financial performance are to be read in conjunction with the attached notes.

Statements of Financial Position

AS AT 30 JUNE 2005

		Consolidated		The Company	
	Note	2005 $	2004 $	2005 $	2004 $
CURRENT ASSETS					
Cash	7	671,282	479,202	544,612	474,674
Receivables	8	5,738,114	6,459,206	6,330,406	3,959,337
Inventories	9	9,939,264	4,358,102	1,948,181	1,499,858
Self-generating and regenerating assets	10	-	755,118	-	-
Other	12	134,748	43,624	-	25,732
TOTAL CURRENT ASSETS		16,483,408	12,095,252	8,823,199	5,959,601
NON-CURRENT ASSETS					
Other financial assets	11	1,143,020	855,826	1,144,020	856,826
Property, plant and equipment	13	5,150,775	5,826,028	4,995,664	5,719,866
Deferred tax assets	5	153,012	317,010	153,012	317,010
TOTAL NON-CURRENT ASSETS		6,446,807	6,998,864	6,292,696	6,893,702
TOTAL ASSETS		22,930,215	19,094,116	15,115,895	12,853,303
CURRENT LIABILITIES					
Payables	14	3,370,729	3,016,688	2,621,585	1,898,369
Interest bearing liabilities	15	6,579,431	4,025,047	1,332,999	28,332
Current tax liability	5	339,105	18,808	339,105	18,808
Provisions	17	842,755	680,997	842,755	680,997
TOTAL CURRENT LIABILITIES		11,132,020	7,741,540	5,136,444	2,626,506
NON-CURRENT LIABILITIES					
Interest bearing liabilities	15	-	1,332,999	-	1,332,999
Provisions	17	-	80,976	-	80,976
TOTAL NON-CURRENT LIABILITIES		-	1,413,975	-	1,413,975
TOTAL LIABILITIES		11,132,020	9,155,515	5,136,444	4,040,481
NET ASSETS		11,798,195	9,938,601	9,979,451	8,812,822
EQUITY					
Contributed equity	18	6,141,973	6,217,850	6,141,973	6,217,850
Reserves	19	2,630,248	2,280,050	2,567,245	2,280,050
Retained profits	20	3,025,974	1,440,701	1,270,233	314,922
TOTAL SHAREHOLDERS' EQUITY	21	11,798,195	9,938,601	9,979,451	8,812,822

These statements of financial position are to be read in conjunction with the attached notes.

Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2005

		Consolidated		The Company	
		2005	2004	2005	2004
	Note	$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts in the course of operations		113,539,469	47,243,622	14,407,460	13,797,118
Payments in the course of operations		(113,945,393)	(51,350,670)	(13,043,664)	(12,037,257)
Interest received		98,419	81,013	70,758	75,944
Dividends received		41,359	37,187	41,359	37,187
Interest paid		(499,831)	(304,399)	(173,051)	(169)
Taxation paid		(293,302)	(404,491)	(293,302)	(404,491)
Net cash provided by/(used in) operating activities	29(b)	(1,059,279)	(4,697,738)	1,009,560	1,468,332
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(202,825)	(2,552,110)	(171,040)	(2,489,040)
Proceeds from disposal of property, plant and equipment		557,047	29,000	553,608	29,000
Acquisition of controlled entity (net of cash acquired)		-	-	-	(1,000)
Loan to controlled entity		-	-	(969,610)	(2,328,377)
Net cash (used in)/released from investing activities		354,222	(2,523,110)	(587,042)	(4,789,417)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(248,371)	-	(248,371)	-
Proceeds/(repayment) from Bill of Exchange		(440,000)	3,000,000	-	-
Proceeds of share issues		2,050	1,801,373	2,050	1,801,373
Proceeds from issue of debentures		-	1,332,999	-	1,332,999
Payments for shares repurchased		(77,927)	(20,927)	(77,927)	(20,927)
Lease payments		(28,332)	(4,022)	(28,332)	(2,290)
Net cash provided by/(used in) financing activities		(792,580)	6,109,423	(352,580)	3,111,155
Net (decrease) in cash held		(1,497,637)	(1,111,425)	69,938	(209,930)
Cash at the beginning of the financial year		(517,513)	593,912	474,674	684,604
Cash at the end of the financial year	29(a)	(2,015,150)	(517,513)	544,612	474,674

These statements of cash flows are to be read in conjunction with the attached notes.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the Companies (Co-operative) Act 1943.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of assets. The accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

(b) Principles of consolidation

Controlled entities

The consolidated financial statements of the economic entity include the financial statements of the co-operative ("the Company"), being the parent entity and its controlled entities ("the consolidated entity"). Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions between controlled entities included in the consolidated financial statements, have been eliminated.

Associates

Associates are those entities, other than partnerships, over which the consolidated entity exercises significant influence and which are not intended for sale in the near future.

In the consolidated financial statements investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's equity accounted share of the associates' net profit or loss is recognised in the consolidated statement of financial performance from the date significant influence commences until the date significant influence ceases. Other movements in reserves are recognised directly in consolidated reserves.

Joint venture

The consolidated entity's interest in an unincorporated joint venture is brought to account by including its proportionate share of the joint venture's assets, liabilities and expenses and the consolidated entity's revenue from the sale of its share of output on a line-by-line basis, from the date joint control commences to the date joint control ceases.

(c) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Sales of goods

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products or services to entities outside the consolidated entity. Sales revenue is recognised when control of goods passes to the customer.

Revenue from rendering of services

Revenue from the rendering of services is recognised when the fee in respect of services is receivable.

Fish stocks – net market value movements

Increments and decrements in the net market value of fish stocks are recognised as revenues or expenses in the statement of financial performance in the financial year in which they occur.

The net increment or decrement in total net market value of fish stocks is determined as the difference between the net market value at the beginning and end of period, less costs incurred during the financial period to develop fish stocks.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue recognition (continued)

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Dividends

Dividend revenue is recognised net of any franking credits.

Revenues from distributions from controlled entities is recognised by the parent entity when they are declared by the controlled entities. Revenues from dividends from associates and other investments is recognised when dividends are received.

Sale of non-current assets

The gross proceeds of asset disposals are included as revenue of the consolidated entity. The gain or loss on disposal of assets is brought to account at the date an unconditional contract of disposal is agreed.

Any related balance in the asset revaluation reserve is transferred to the capital profits reserve on disposal.

(d) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges. Borrowing costs are expensed as incurred.

(e) Investments

Controlled entity

The investment in a controlled entity is carried in the Company's financial statements at the lower of the cost and recoverable amount.

Joint venture

The investment in an unincorporated joint venture is brought to account as set out in Note 1(b).

Other entities

Investments in other listed entities are measured at fair value, being the current quoted market prices.

(f) Acquisitions of assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributed to the acquisition.

(g) Depreciation and amortisation

Items of property, plant and equipment, including buildings but excluding freehold land, are depreciated/amortised from the date of acquisition using the straight line method over their estimated useful lives.

The depreciation rates used for each asset, for the current and previous years, are as follows:

Residential buildings	2%
Non-residential buildings	4%
Plant and equipment – owned and leased	10% - 15%

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Capitalised lease assets are amortised on a straight line basis as described above. Lease liabilities are reduced by repayments of principal.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(i) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of all non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts of non-current assets, the relevant cash flows have not been discounted to their present value.

Except where specifically stated non-current assets are recorded at the lower of cost and recoverable amount.

(j) Receivables

The collectability of debts is assessed at balance date and specific provision is made for doubtful accounts.

Trade debtors

A market rate of interest is generally charged on amounts that exceed credit terms – normally 30 days.

(k) Inventories

Inventories comprising finished goods are carried at the lower of cost and net realisable value which is established taking into account marketing, selling and distribution expenses.

Cost includes cost of purchase and indirect costs directly attributable to bringing the stock to its present location and condition.

Net realisable value is determined on the basis of each inventory line's normal selling pattern and adjusted where appropriate for obsolescence or potential unsaleability.

(l) Fish stock

The consolidated entity has applied AASB 1037 Self Generating and Regenerating Assets. This standard requires the consolidated entity's fish to be measured at net market value and any changes in that value to be recognised in the statement of financial performance in the relevant period (refer Note 10).

Material items of expenditure are capitalised to fish to the extent that management consider that it is probable that future economic benefits embodied in the expenditure will eventuate and can be measured reliably.

(m) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Taxation

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

Capital gains tax

Capital gains tax is provided in the statement of financial performance in the period in which the sale of an asset has been recognised.

Tax consolidation

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries set out in Note 30. The implementation date for the tax-consolidated group was 1 April 2003. The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intragroup transactions).

The tax-consolidated group has entered into a tax funding agreement that requires wholly-owned subsidiaries to make contributions to the head entity for:

- deferred tax balances recognised by the head entity on implementation date, including the impact of any relevant reset tax cost bases; and
- current tax assets and liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidation.

Under the tax funding agreement, the contributions are calculated on a "stand-alone basis" so that the contributions are equivalent to the tax balances generated by external transactions entered into by wholly-owned subsidiaries. The contributions are payable as set out in the agreement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense/revenue.

(o) Provisions

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable than an outflow of economic benefits will be required to settle the obligation.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability most closely matching the expected future payments, except where noted below. The unwinding of the discount is treated as part of the expense related to the particular provision.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the recovery receivable is recognised as an asset when it is probable that that the recovery will be received and the recovery is measured on a basis consistent with the measurement of the related provision.

In the statement of financial performance, the expense recognised in respect of a provision is presented net of the recovery. In the statement of financial position, the provision is recognised net of the recovery receivable only when the entity:

- has a legally recognised right to set-off the recovery receivable and the provision; and
- intends to settle on a net basis, or to realise the asset and settle the provision simultaneously.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Provisions (continued)

Employee entitlements

Wages, salaries, annual leave and sick leave

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represent the amount which the entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on remuneration rates the company expects to pay and includes related on-costs.

Long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Superannuation plan

The Company and other controlled entities contribute to several defined contribution superannuation plans. Contributions are recognised as an expense as they are made.

Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

(p) Trading rebates/discounts

Trading rebates/discounts are declared by the board based on the profits attributable to the agricultural retail and services business and are apportioned amongst customers in proportion to their trading with the company. The trading rebates/discounts can be distributed in the form of cash.

(q) Foreign currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

(r) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). 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 are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statements of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(s) Use and revision of accounting estimates

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

	Consolidated		The Company	
	2005 $	2004 $	2005 $	2004 $
2 REVENUE FROM ORDINARY ACTIVITIES				
Sales of goods revenue	92,430,574	40,632,023	8,171,656	8,254,045
Rendering of service revenue	4,741,731	3,428,103	5,385,986	3,429,588
Other revenues:				
From operating activities				
Dividends – other parties	41,359	37,187	41,359	37,187
Interest:				
Other parties	98,419	81,013	70,758	75,944
Rentals received	21,177	74,688	16,663	58,993
Commission	94,082	-	94,082	-
Sundry income	47,230	75,961	43,574	51,641
From outside operating activities				
Gross proceeds from sale of non-current assets:				
- Other parties	557,047	29,000	553,608	29,000
Total other revenues	859,314	297,849	820,044	252,765
	98,031,619	44,357,975	14,377,686	11,936,398

	Consolidated		The Company	
	2005 $	2004 $	2005 $	2004 $
3 PROFIT/LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE				
(a) Individually significant items included in profit/loss from ordinary activities before income tax expense				
Write (down)/up of investment in and loan to subsidiary	-	-	245,930	(2,309,296)
(b) Profit/loss from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:				
Depreciation of:				
- residential buildings	3,175	8,016	3,175	8,016
- non-residential buildings	210,078	118,167	210,078	118,167
- plant and equipment	353,567	331,431	327,424	269,744
Total depreciation and amortisation	566,820	457,614	540,677	395,927
Borrowing costs:				
Other parties	499,831	304,399	173,051	169
Bad and doubtful debts expense including movements in provision for doubtful debts	-	132	-	132
Net expense from movement in provision for employee entitlements	(24,379)	(25,351)	(24,379)	(25,351)
Foreign exchange loss/(gain)	(3,636)	(999)	(3,636)	(999)
Loss/(gain) on disposal of non-current assets:				
- property, plant and equipment	(182,786)	(830)	(199,047)	(830)
Cost of goods sold	87,842,652	38,961,919	6,843,699	6,720,000

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

	Consolidated		The Company	
	2005 $	2004 $	2005 $	2004 $
4 AUDITORS' REMUNERATION				
Audit services				
Auditors of the Company				
KPMG Australia:				
Audit and review of financial reports	46,480	47,500	23,005	30,000
Other services				
Auditors of the Company				
KPMG Australia:				
Other assurance services	41,000	-	37,500	-
Taxation services	77,570	30,346	77,570	14,846
	118,570	30,346	115,070	14,846
5 TAXATION				
(a) Prima facie tax expense calculated at 30% (2004:30%) on the operating profit	903,126	(202,486)	601,523	(391,652)
Tax effect of permanent differences:				
Gross-up imputation credits	5,318	4,781	5,318	4,781
Imputation credits on dividends received	(17,725)	(15,937)	(17,725)	(15,937)
Write-down of investment in subsidiary	-	-	-	692,789
Capital return on investment	-	(19,847)	-	(19,847)
Income tax expense related to current and deferred tax transactions of wholly owned subsidiaries in the tax consolidated group	-	-	375,382	(495,228)
Recovery of income tax expense under tax sharing agreement	-	-	(375,382)	495,228
Trading rebate	-	136,185	-	136,185
Other items	28,549	13,458	(45,230)	5,063
Income tax under/(over) provided in prior year	(141,675)	71,906	(141,675)	71,906
Income tax expense/(benefit) attributable to operating profit	777,593	(11,940)	402,211	483,288
Income tax expense/(benefit) attributable to operating profit comprises:				
Current income tax provision	738,316	188,376	738,316	188,376
Deferred income tax provision	180,952	(272,882)	180,952	(272,882)
Income tax under/(over) provision	(141,675)	72,566	(141,675)	72,566
Tax related payable to related entity	-	-	(375,382)	495,228
	777,593	(11,940)	402,211	483,288

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
5 TAXATION (continued)				
(b) Current tax liabilities				
Provision for current income tax				
Movements during the year:				
Balance at beginning of year	18,808	162,357	18,808	162,357
Income tax paid	(293,302)	(404,491)	(293,302)	(404,491)
Current year's income tax expense on profit from ordinary activities	738,316	188,376	738,316	188,376
Under provision in prior year	(124,717)	72,566	(124,717)	72,566
	339,105	18,808	339,105	18,808
(c) Deferred tax assets				
Future income tax benefit				
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on the following items:				
Provision and accrued employee benefits not currently deductible	110,870	99,787	110,870	99,787
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	17,457	16,596	17,457	16,596
Sundry items	24,685	15,570	24,685	15,570
Stock adjustment	-	170,657	-	170,657
Accrued expenses	-	14,400	-	14,400
	153,012	317,010	153,012	317,010

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

6 DIVIDENDS

Dividends recognised in the current year by the Company are:

	Total Amount $	Franked/ unfranked
2005		
Final 2005 ordinary	495,230	Franked
Final 2005 preference	152,325	Franked
Total amount	647,555	

2004

No dividends were paid in 2004.

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

	The Company 2005 $	The Company 2004 $
Dividend franking account		
Franking credits available to shareholders of the Company for subsequent financial years at 30% (2004:30%)	2,116,519	1,534,456

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at year-end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables at year-end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
7 CASH				
Cash on hand	400	1,400	400	400
Bank short-term deposits maturing within 60 days	670,882	477,802	544,212	474,274
	671,282	479,202	544,612	474,674
8 RECEIVABLES				
Current				
Trade debtors	5,156,766	6,670,747	2,599,036	2,193,650
Less: Provision for doubtful debts	(70,000)	(70,000)	(70,000)	(70,000)
	5,086,766	6,600,747	2,529,036	2,123,650
Sundry debtors/(creditor)	651,348	(141,541)	649,938	(153,541)
Loans to controlled entity	-	-	4,091,208	3,121,594
Less: Provision for diminution	-	-	(939,776)	(1,132,366)
	-	-	3,151,432	1,989,228
	5,738,114	6,459,206	6,330,406	3,959,337

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
9 INVENTORIES				
Current				
Inventories – diesel	7,991,083	2,858,244	-	-
Inventories – agriculture products	1,948,181	1,499,858	1,948,181	1,499,858
	9,939,264	4,358,102	1,948,181	1,499,858
10 SELF-GENERATING AND REGENERATING ASSETS				
Fish stock – Directors' net market value	-	755,118	-	-
Tonnes of fish on hand at year end	-	304	-	-

Fish stock

The fish stock was situated in the north-east region of Western Australia at Lake Argyle.

Other than the significant environmental regulations under both Commonwealth and State legislation in relation to fisheries, there are no material restrictions on the Company in relation to harvesting fish stock for the purposes of sale.

Method of determining net market value

The net market value of fish has been determined on the basis of the resale value, less expected selling and distribution costs.

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
11 OTHER FINANCIAL ASSETS				
Non-current				
Controlled entities – shares at cost	-	-	1,177,930	1,177,930
Less provision for diminution	-	-	(1,176,930)	(1,176,930)
	-	-	1,000	1,000
Other entity listed shares at market value	1,143,020	855,826	1,143,020	855,826
	1,143,020	855,826	1,144,020	856,826
12 OTHER CURRENT ASSETS				
Prepayments	134,748	43,624	-	25,732

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
13 PROPERTY, PLANT AND EQUIPMENT				
Residential freehold land and buildings				
At cost	110,263	408,263	110,263	408,263
Accumulated depreciation	(11,683)	(50,858)	(11,683)	(50,858)
	98,580	357,405	98,580	357,405
Non-residential freehold land and buildings:				
At cost	4,495,743	5,428,437	4,495,743	5,428,437
Accumulated depreciation	(2,060,686)	(1,070,532)	(2,060,686)	(1,070,532)
	2,435,057	4,357,905	2,435,057	4,357,905
Plant and equipment				
At cost	4,625,103	4,110,095	4,338,240	3,308,344
Accumulated depreciation	(2,007,965)	(2,999,377)	(1,876,213)	(2,303,788)
	2,617,138	1,110,718	2,462,027	1,004,556
Leased plant and equipment				
At capitalised cost	-	98,617	-	98,617
Accumulated amortisation	-	(98,617)	-	(98,617)
	-	-	-	-
Total property, plant and equipment				
Net book value	5,150,775	5,826,028	4,995,664	5,719,866

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Residential freehold land and buildings				
Carrying amount at beginning of year	357,405	365,421	357,405	365,421
Reclassification of assets (i)	(225,650)	-	(225,650)	-
Disposal	(30,000)	-	(30,000)	-
Depreciation	(3,175)	(8,016)	(3,175)	(8,016)
Carrying amount at end of year	98,580	357,405	98,580	357,405
Non-residential freehold land and buildings				
Carrying amount at beginning of year	4,357,905	2,162,677	4,357,905	2,162,677
Reclassification of assets *(i)*	(1,482,694)	-	(1,482,694)	-
Acquisitions	69,213	2,313,395	69,213	2,313,395
Disposals	(299,289)	-	(299,289)	-
Depreciation	(210,078)	(118,167)	(210,078)	(118,167)
Carrying amount at end of year	2,435,057	4,357,905	2,435,057	4,357,905
Plant and equipment				
Carrying amount at beginning of year	1,110,718	1,506,935	1,004,556	1,126,824
Reclassification of assets *(i)*	1,708,344	-	1,708,344	-
Acquisitions	133,612	238,716	101,827	175,646
Revaluation of assets	63,003	-	-	-
Disposals	(44,972)	(28,170)	(25,276)	(28,170)
Depreciation	(353,567)	(331,431)	(327,424)	(269,744)
Write down	-	(275,332)	-	-
Carrying amount at end of year	2,617,138	1,110,718	2,462,027	1,004,556

Notes

(i) Assets have been reclassified between classes of property, plant & equipment as a result of the company reorganisation.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

	Note	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
14 PAYABLES					
Trade creditors		1,812,938	1,841,899	1,522,244	956,721
Other creditors and accruals		1,557,791	1,174,789	979,495	446,420
Inter-entity loan (tax) accounts		-	-	119,846	495,228
		3,370,729	3,016,688	2,621,585	1,898,369
15 INTEREST BEARING LIABILITIES					
Current					
Lease liability	22	-	28,332	-	28,332
Bank overdraft - secured		2,686,432	996,715	-	-
Bill of Exchange		2,560,000	3,000,000	-	-
Debentures		1,332,999	-	1,332,999	-
		6,579,431	4,025,047	1,332,999	28,332
Non-current					
Debentures		-	1,332,999	-	1,332,999
Financing arrangements					
The consolidated entity has access to the following lines of credit:					
Bank overdraft facility					
Available		6,000,000	6,000,000	-	-
Less utilised		(2,686,432)	(996,715)	-	-
Unutilised balance		3,313,568	5,003,285	-	-
Bill facility					
Available		2,560,000	3,000,000	-	-
Less: Utilised		(2,560,000)	(3,000,000)	-	-
Unutilised balance		-	-	-	-

Bank overdrafts

Bank overdrafts are secured by registered mortgages over the assets of all companies in the consolidated group.

Bill facility

The bill facility is denominated in Australian dollars and is secured over the assets of all companies in the consolidated group.

Debentures

The debentures are 13% p.a., two years unsecured debentures redeemable on 31 December 2005.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

	Note	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
16 AMOUNTS PAYABLE IN FOREIGN CURRENCIES					
The Australian dollar equivalents of unhedged amounts payable in foreign currencies, calculated at year end exchange rates are as follows:					
United States dollars					
Amounts payable:					
Current		-	19,594	-	19,594
17 PROVISIONS					
Current					
Discounts/trading rebates		205,326	499,349	205,326	499,349
Employee entitlements	26	238,245	181,648	238,245	181,648
Dividends		399,184	-	399,184	-
		842,755	680,997	842,755	680,997
Non-current					
Employee entitlements	26	-	80,976	-	80,976
Reconciliations					
Reconciliations for each class of provision, except for employee entitlements are set out below:					
Discounts/trading rebates					
Carrying amount at beginning of year		499,349	-	499,349	-
Prior year rebates/discounts paid during year		(499,349)	-	(499,349)	-
Rebates/discounts declared but not paid at end of year		205,326	499,349	205,326	499,349
		205,326	499,349	205,326	499,349
Dividends					
Carrying amount at beginning of year		-	-	-	-
Dividend declared but not paid		399,184	-	399,184	-
Carrying amount at end of year		399,184	-	399,184	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
18 CONTRIBUTED EQUITY				
Issued and paid up ordinary capital				
2,146,594 (2004: 2,165,679) shares	4,349,914	4,425,791	4,349,914	4,425,791
Issued and paid up preference shares				
512,017 (2004: 512,017) preference shares	1,792,059	1,792,059	1,792,059	1,792,059
	6,141,973	6,217,850	6,141,973	6,217,850
Ordinary shares				
Movements during the year				
Balance at beginning of year	4,425,791	4,437,404	4,425,791	4,437,404
Issued for cash – 500 (2004: 2,661) shares	2,050	9,314	2,050	9,314
Repurchased – 19,585 (2004: 5,979) shares	(77,927)	(20,927)	(77,927)	(20,927)
Balance at the end of the year	4,349,914	4,425,791	4,349,914	4,425,791

Within the terms of its articles of association board policy provides for the repurchases of shares from applicant members who have ceased trading with the co-operative. Under this policy shares have been repurchased at the repurchase price of either $3.70 or $4.10 (2004:$3.50) per share which was the price applicable at the time of repurchase.

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Preference shares				
Movements during the year				
Balance at beginning of year	1,792,059	-	1,792,059	-
Issued for cash	-	1,792,059	-	1,792,059
Balance at end of year	1,792,059	1,792,059	1,792,059	1,792,059

The redeemable preference shares were issued at $3.50 with a five year term in 2004. During the year, the terms of the preference shares were amended by way of a special resolution. The revised terms specify that the preference shares may be redeemed or bought back at the option of the company and that any preference shares not redeemed or bought back prior to maturity must be converted to ordinary shares.

The value for the redemption or conversion will be the value determined by dividing total equity by total shareholding at maturity date as determined by the Directors, or $3.50, which ever is the greater.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
19 RESERVES				
Capital redemption	112,700	112,700	112,700	112,700
Asset revaluation	794,155	443,957	731,152	443,957
Capital profits	1,723,393	1,723,393	1,723,393	1,723,393
	2,630,248	2,280,050	2,567,245	2,280,050
Movements during the period				
Capital redemption reserve				
There was no movement during the year.				
Asset revaluation reserve				
Balance at beginning of period	443,957	325,361	443,957	325,361
Revaluation adjustment on listed investments	287,195	118,596	287,195	118,596
Revaluation of plant & equipment	63,003	-	-	-
Balance at end of period	794,155	443,957	731,152	443,957
Capital profits reserve				
There was no movement during the year.				
20 RETAINED PROFITS				
Balance at beginning of year	1,440,701	2,103,715	314,922	2,103,715
Net profit	2,232,828	(663,014)	1,602,866	(1,788,793)
Dividends	(647,555)	-	(647,555)	-
Balance at end of year	3,025,974	1,440,701	1,270,233	314,922
21 TOTAL EQUITY RECONCILIATION				
Balance at beginning of year	9,938,601	8,702,573	8,812,822	8,702,573
Total changes in parent entity interest in equity recognised in statement of financial performance	2,583,026	(544,418)	1,890,061	(1,670,197)
Transactions with owners as owners:				
Contributions of equity	2,050	1,780,446	2,050	1,780,446
Shares buyback	(77,927)	-	(77,927)	-
Dividends	(647,555)	-	(647,555)	-
Total equity at end of year	11,798,195	9,938,601	9,979,451	8,812,822
22 COMMITMENTS				
Finance lease				
Payable within one year - current	-	28,332	-	28,332
	-	28,332	-	28,332

There are no finance charges payable on the lease.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

23 DIRECTORS' DISCLOSURES

Directors

The names of persons who were Directors of Ord River District Co-operative Ltd and its controlled entities at any time during the financial period are as follows:

Messrs R J Boshammer, N J Buchanan, G S Cummings, N J Hughes, L A Innes, K Kohan, P A Mock and D W Smith.

	Consolidated		The Company	
	2005	2004	2005	2004
	$	$	$	$
Directors' remuneration				
Directors' income				
Total income paid or payable, or otherwise made available, to all Directors of the Company and controlled entities from the Company or any related party	359,765	252,688	114,215	242,960

	The Company	
	No	No
The number of Directors of the Company whose income from the Company or any related party falls within the following bands:		
$ 0 - $ 9,999	-	8
$ 10,000 - $ 19,999	6	-
$ 30,000 - $ 39,999	1	1
$160,000 - $169,999	-	1
$170,000 - $179,999	1	-

Director related parties

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

Amounts receivable from Directors

Included in trade debtors (Note 8) are amounts owed by Directors, or entities in which Directors have a significant interest. The aggregate of such amounts is $335,135 (2004:$395,953). The amounts relate to transactions made with the Co-operative on normal trading terms and conditions.

Transactions with Directors

The terms and conditions of the transactions with Directors and their Director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arms-length basis.

Shares held by Directors

Ordinary shares held by Directors or entities in which the Directors have a significant interest amounted to shares 605,070 (2004: 605,070 shares). Preference shares held by Directors or entities in which the Directors have a significant interest amounted to 252,001 shares (2004: 252,001 shares).

Directors' transactions in shares

Ordinary shares

During the year Directors, or entities in which the Directors have a significant interest, had no transactions in ordinary shares. In 2004, 20,500 ordinary shares were purchased from other members and 20,500 ordinary shares were sold to other members.

Preference shares

During the year, Directors or entities in which the Directors have a significant interest, acquired no (2004: 252,001) preference shares at a cost of $nil (2004: $3.50) per share.

Directors' transaction in debentures

During the year, Directors or entities in which the Directors have a significant interest, were issued with debentures to the value of $nil (2004: $1,238,000).

Notes to the Financial Statements

for the year ended 30 June 2005 (continued)

24 NON-DIRECTOR RELATED PARTIES

Wholly-owned controlled entities

Transactions and balances relating to Lake Argyle Industries Pty Ltd and Ordco Fuel Pty Ltd, wholly controlled entities, are disclosed in the notes to the financial statements. All transactions with non-Director related parties are on normal terms and conditions.

The company has provided Lake Argyle Industries Pty Ltd with $1,072,979 (2004:$1,989,228) and Ordco Fuel Pty Ltd $2,898,383 (2004:$1,170,400) in unsecured and interest-free loans (Note 8).

25 INTEREST IN JOINT VENTURE OPERATION

The company holds a 32% (2004:32%) interest in Ord River Cotton Company, a joint venture whose principal activity is the ginning of cotton grown in the region.

Included in the assets and liabilities of the consolidated entity are the following items which represent the consolidated entity's interest in the assets and liabilities employed in the joint venture, recorded in accordance with the accounting policies described in Note 1(b).

	The Company and Consolidated	
	2005	2004
	$	$
Current assets		
Receivables	22,022	26,178
Total current assets	22,022	26,178
Non-current assets		
Plant and equipment – net book value	724	1,017
Total non-current assets	724	1,017
Total assets	22,746	27,195
Current liabilities		
Other creditors and accruals	480	-
Lease liability	-	28,332
Total current liabilities	480	28,332
Total liabilities	480	28,332
The joint venture's contribution towards revenue and profit/(loss) amounted to:		
Operating revenue	3,636	1,204
Operating profit/(loss) before tax	2,466	454

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

	Note	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
26 EMPLOYEE ENTITLEMENTS					
Aggregate employee entitlements, including on-costs:					
Current					
Other creditors and accruals	14	31,450	1,347	29,311	1,347
Employee benefits provision	17	238,245	181,648	238,245	181,648
Non-current					
Employee benefits provision	17	-	80,976	-	80,976
		269,695	263,971	267,556	263,971
Number of employees					
Number of employees at year end		19	26	13	11

Superannuation plans

Contributions are made to various managed accumulation superannuation funds in compliance with legal requirements.

27 FINANCIAL INSTRUMENTS

(a) Interest rate risk

Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

	Weighted average interest rate	Floating Interest rate $	Fixed interest maturing in: 1 year or less $	Fixed interest maturing in: Over 1 to 5 years $	Non-interest bearing $	Total $
2005						
Financial assets						
Cash	2.67%	665,545	-	-	5,737	671,282
Receivables	0.87%	-	5,028,633	-	709,481	5,738,114
Prepayments		-	-	-	134,748	134,748
Other financial assets		-	-	-	1,143,020	1,143,020
		665,545	5,028,633	-	1,992,986	7,687,164
Financial liabilities						
Payables and accruals		-	-	-	4,314,344	4,314,344
Bank overdraft	8.70%	2,686,432	-	-	-	2,686,432
Employee entitlements	5.00%	-	238,245	-	-	238,245
Bills of exchange	6.80%	-	2,560,000	-	-	2,560,000
Debentures	13.0%	-	1,332,999	-	-	1,332,999
		2,686,432	4,131,244	-	4,314,344	11,132,020

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

27 FINANCIAL INSTRUMENTS (continued)

(a) Interest rate risk (continued)

Interest rate risk exposures (continued)

	Weighted average interest rate	Floating Interest rate $	Fixed interest maturing in: 1 year or less $	Over 1 to 5 years $	Non-interest bearing $	Total $
2004						
Financial assets						
Cash	2.67%	477,802	-	-	1,400	479,202
Receivables	1.74%	-	2,213,251	-	4,245,955	6,459,206
Prepayments		-	-	-	43,624	43,624
Other financial assets		-	-	-	855,826	855,826
		477,802	2,213,251	-	5,146,805	7,837,858
Financial liabilities						
Payables and accruals		-	-	-	3,516,037	3,516,037
Lease liability		-	-	-	28,332	28,332
Bank overdraft	7.88%	996,715	-	-	-	996,715
Employee entitlements	5%	-	181,648	80,976	-	262,624
Bills of exchange	6.11%	-	3,000,000	-	-	3,000,000
Debentures	13.0%	-	-	1,332,999	-	1,332,999
		996,715	3,181,648	1,413,975	3,544,369	9,136,707

(b) Foreign exchange risk

The economic entity from time to time enters into forward exchange contracts to hedge certain anticipated purchase and sale commitments denominated in foreign currencies (principally US dollars). The terms of these commitments are rarely more than one year.

At balance date there were no outstanding foreign exchange contracts.

At balance date there were no lease liabilities (2004:$28,332) payable in US dollars.

(c) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets other than investments of the consolidated entity which have been recognised on the statement of financial position, is the carrying amount, of those assets net of any provision for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customer and counterparties.

The consolidated entity is not materially exposed to any individual customer.

(d) Net fair values

Net fair values approximate the carrying values as disclosed in the statements of financial position.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

28 SEGMENT INFORMATION

	Agricultural Retail & Services		Sugar		Wyndham Port		Aquaculture		Fuel		Consolidated	
	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $
Revenue outside group	9,063,820	7,727,156	1,319,039	1,926,227	3,350,572	2,281,530	1,398,275	1,648,717	82,899,913	30,774,345	98,031,619	44,357,975
Segment results:												
From trading	733,747	416,674	441,608	506,827	836,555	504,244	(652,243)	(2,279,296)	2,080,017	630,551	3,439,684	(221,000)
Less trading rebates/ discounts	(429,263)	(453,954)	-	-	-	-	-	-	-	-	(429,263)	(453,954)
Segment operating profit/(loss)	304,484	(37,280)	441,608	506,827	836,555	504,244	(652,243)	(2,279,296)	2,080,017	650,551	3,010,421	674,954
Income tax											777,593	11,940
Operating profit after income tax											2,232,828	663,014
Segment assets	9,510,127	9,037,952	1,276,355	1,108,596	1,166,101	663,528	233,025	1,255,061	10,744,607	6,975,979	22,930,215	19,041,116

The major products or services from which the above segments derive revenue are:

Agricultural retail and services

The sale of merchandise to farmers and grain storage and handling.

Sugar

The storage and marketing of sugar and molasses.

Wyndham Port

The management of the Wyndham Port under a contract with the WA Government.

Aquaculture

Operation of a barramundi fish farm and tourist village on Lake Argyle.

Fuel

Operation of a fuel import and sale business at Wyndham.

Note: All the consolidated entity's operations are conducted within Australia.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

29 NOTES TO STATEMENTS OF CASH FLOWS

(a) Reconciliation of cash

For the purpose of the statements of cash flows, cash includes cash on hand and at bank, bank overdraft, bills payable and shareholders' loans. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheets as follows:

	Consolidated		The Company	
	2005	2004	2005	2004
	$	$	$	$
Cash assets	671,282	479,202	544,612	474,674
Bank overdraft	(2,686,432)	(996,715)	-	-
	(2,015,150)	(517,513)	544,612	474,674

(b) Reconciliation of operating profit/(loss) after income tax to net cash provided by operating activities

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Profit/(loss) from ordinary activities after income tax	2,232,828	(663,014)	1,602,866	(1,788,793)
Add/(less) items classified as investing/financing activities:				
(Profit)/loss on sale of non-current asset				
- property, plant and equipment	(182,786)	(830)	(199,047)	(830)
Add/(less) non-cash items:				
Depreciation & amortisation	566,820	457,614	540,677	395,927
Write down of property, plant and equipment	-	275,332	-	-
(Decrease) in provision for staff benefits	(24,379)	(25,351)	(24,379)	(25,351)
Decrease in other provisions	(294,022)	499,348	(294,022)	499,348
Amounts (set aside)/utilised for deferred tax	163,998	(272,843)	163,998	(272,843)
Provision for diminution in investments	-	-	(192,590)	2,309,296
Net cash provided by /(used in) operating activities before changes in assets and liabilities	2,462,459	270,256	1,597,503	1,116,810
Change in assets and liabilities adjusted for effects of purchase of controlled entities during the year:				
(Increase)/decrease in:				
Trade debtors	1,513,981	(4,591,582)	(405,386)	(164,147)
Other debtors	(792,889)	196,123	(803,479)	208,123
Prepayments	(91,124)	(2,552)	25,732	14,542
Inventory	(4,826,044)	(1,805,493)	(448,323)	(130,547)
Increase/(decrease) in:				
Trade and other creditors	354,041	1,379,062	723,216	567,159
Income tax payable/refundable	320,297	(143,552)	320,297	(143,552)
Net cash provided by/(used in) operating activities	(1,059,279)	(4,697,738)	1,009,560	1,468,332

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

30 CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

Name
Parent entity
Ord River District Co-operative Ltd

	Ordinary share Consolidated entity Interest 2005 %	2004 %
Controlled entity		
Lake Argyle Industries Pty Ltd *(i)*	100	100
Ordco Fuel Pty Ltd *(i)*	100	100

(i) All controlled entities were incorporated in Australia.

(b) Acquisition of controlled entities

The following controlled entities were acquired or disposed of during the financial year:

Acquisition of entities
During the previous financial year the consolidated entity purchased 100% of the voting shares of Ordco Fuel Pty Ltd. Details of the acquisition are as follows:

	Consolidated 2005 $	2004 $
Fair value of net assets of entity acquired:		
Property, plant and equipment	-	-
Cash assets	-	1,000
Inventories	-	-
Receivables	-	-
Payables	-	-
Net assets acquired	-	1,000
Consideration paid	-	1,000

31 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ended 30 June 2005.

Transition management

Management is working with the auditors to assess the impact of transition to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005.

The project is achieving its scheduled milestones and the consolidated entity is expected to be in a position to fully comply with the requirements of AIFRS for the 30 June 2006 financial year.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

31 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Assessment and planning phase

The assessment and planning phase generated a high level overview of the impacts of conversion to AIFRS on existing accounting and reporting policies and procedures, systems and processes, business structures and staff. This phase included:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS;
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes;
- evaluation of the implications for staff, for example training requirements; and
- preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The assessment and planning phase is completed as at 30 June 2005.

Design phase

The design phase will identify the changes required to existing accounting policies and procedures and systems and processes in order to transition to AIFRS.

The design phase will incorporate:

- formulation of revised accounting policies and procedures for compliance with AIFRS requirements;
- identification of potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of AIFRS;
- development of revised AIFRS disclosures;
- formulation of accounting and business processes to support AIFRS reporting obligations;
- identification of required changes to financial reporting and business source systems; and
- development of training programs for staff.

The design phase is ongoing.

Implementation phase

The implementation phase includes implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff and enables the consolidated entity to generate the required reconciliations and disclosures of AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*.

This phase is will be substantially complete by 31 March 2006.

Impact of transition to AIFRS

The impact of transition to AIFRS, including the transitional adjustments disclosed, are based on AIFRS standards that management expect to be in place, when preparing the first complete AIFRS financial report. Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Company's and consolidated entity's financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary, therefore, further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

Revisions to the selection and application of the AIFRS accounting policies may be required as a result of:

- changes in financial reporting requirements that are relevant to the Company's and consolidated entity's first complete AIFRS financial report arising from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board subsequent to the preparation of the 30 June 2005 financial report;
- additional guidance on the application of AIFRS in a particular industry or to a particular transaction; and
- changes to the Company's and consolidated entity's operations.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

31 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Impact of transition to AIFRS (continued)

Where the application or interpretation of an accounting standard is currently being debated, the note reflects management's current assessment of the likely outcome of those deliberations. The uncertainty relating to the accounting guidance is disclosed in the relevant accounting policy note and where practicable, the expected impact of the alternative interpretation is also disclosed.

The rules for first time adoption of AIFRS are set out in AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 July 2004. The Standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS. The accounting policies note includes details of the AASB 1 elections adopted.

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections expected to be made under AASB 1 are set out below:

(a) Reclassifications

AASB 101 prohibits the presentation of items of income or expense as extraordinary, either on the face of the income statement or in the notes. The nature and amount of material items will be disclosed separately in the notes to the financial statements.

Non-current assets classified as held for sale and the assets and liabilities of a disposal group classified as held for sale will be presented separately from other assets and liabilities on the balance sheet. A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset (or disposal group) is available for immediate sale in its current condition, and its sale is highly probable.

(b) Property, plant and equipment

Property, plant and equipment will be measured at cost under AIFRS. However, as permitted by the election available under AASB 1, at transition date certain items of property, plant and equipment are expected to be recognised at deemed cost, being a revalued amount prior to transition date that approximates the fair value as at the date of transition.

Any asset revaluation reserve balance relating to these assets will be derecognised at transition date and adjusted against retained earnings.

Under AIFRS the gain or loss on the disposal of property, plant and equipment will be recognised on a net basis as a gain or loss rather than separately recognising the consideration received as revenue.

(c) Business combinations

As permitted by the election available under AASB 1, the classification and accounting treatment of business combinations that occurred prior to transition date have not been restated in preparing the opening AIFRS balance sheet. The assets and liabilities are then subject to the other requirements of AASB 1, as discussed.

Post acquisition adjustments recognised in the year ended 30 June 2005 under Australian GAAP relating to acquisitions that occurred more than 12 months earlier will be recognised through profit and loss under AIFRS, unless the adjustment relates to the correction of an error.

(d) Impairment

Under current Australian GAAP the carrying amounts of non-current assets valued on a cost basis, other than exploration and evaluation expenditure carried forward, are reviewed at reporting date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds its recoverable amount the asset is written down to the lower amount, with the write-down recognised in the income statement in the period in which it occurs. Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

31 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Impact of transition to AIFRS (continued)

(d) Impairment (continued)

Under current Australian GAAP the collectibility of receivables is assessed at each reporting date and a provision is raised based on the age of the outstanding overdue balance to allow for doubtful accounts.

Under AIFRS, the carrying amount of the consolidated entity's non-current assets, excluding investment property, defined benefit assets, deferred tax assets, goodwill and indefinite life intangible assets will be reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount.

If there is any indication that an asset is impaired (or for those tested annually), the recoverable amount will be estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash generating unit to which the asset belongs will be determined.

A cash generating unit will be the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets, each cash-generating unit must be no larger than a segment.

An impairment loss will be recognised whenever the carrying amount of an asset, or its cash generating unit, exceeds its recoverable amount. Impairment losses will be recognised in the income statement unless they relate to a revalued asset, where the impairment loss will be treated in the same way as a revaluation decrease.

Impairment losses recognised in respect of a cash generating unit will be allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in the unit pro rata based on their carrying amounts.

Calculation of recoverable amount

Under current Australian GAAP, the recoverable amount of non-current assets was assessed at an entity level using undiscounted cash flows.

Under AIFRS the recoverable amount of the consolidated entity's held-to-maturity securities and receivables carried at amortised cost will be calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets will be the greater of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows will be discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit. Cash flows will be estimated for the asset or cash generating unit in its current condition and therefore will not include cash inflows and outflows improving or enhancing the asset's performance or expected to arise from future restructuring not yet committed to at testing date.

(e) Taxation

On transition to AIFRS the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently under Australian GAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences will not be provided for: goodwill for which amortisation is not tax deductible, the initial recognition of assets and liabilities that affect neither accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided will be based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

31 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Impact of transition to AIFRS (continued)

(e) Taxation (continued)

A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

(f) Financial instruments / insurance contracts

There are no expected adjustments in relation to these standards for 1 July 2004 or the financial year ended 30 June 2005 as current Australian GAAP is expected to continue to apply.

The entity has followed Australian GAAP in accounting for financial instruments within the scope of AASB 132 and AASB 139 as described in Note 1 Statement of significant accounting policies.

As at 1 July 2005 the expected adjustments are:

- Under current Australian GAAP available-for-sale equity securities were recognised at cost. These will be recognised at fair value when AASB 139 is applied.

Debt establishment costs capitalised and amortised over the term of the borrowing under current Australian GAAP will be recalculated based on the effective interest rate method and recognised as part of the liability rather than as a separate asset.

Impact of change in accounting policy on prior periods

The nature of the main adjustments to the transitional AIFRS balance sheet as at 1 July 2004 and the statement of financial performance for the financial year ended 30 June 2005 to achieve full compliance with AIFRS had accounting standards AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 139 *Financial Instruments: Recognition and Measurement*, been applied from 1 July 2004 are expected be:

- Recognition of equity securities at fair value rather than at cost and recognition of the movement in the fair value of the equity securities through an equity reserve. The adjustment that would have been required at 1 July 2004 and the movement in the fair value for the year ended 30 June 2005 that would have been recognised in equity have not been quantified as it is impracticable to do so.
- Restatement of debt establishment costs based on an effective interest rate method and recognition as part of the liability, and adjustment of interest expense to include the impact of the amortisation of these costs.

32 EVENTS SUBSEQUENT TO REPORTING DATE

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005 the consolidated entity must comply with Australian equivalents to International Financial reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. The implementation plan and potential impact of adopting AIFRS are detailed in Note 31 to the financial statements.

Independent Audit Report to the Members of Ord River District Co-operative Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration set out on pages 10 to 38 for both Ord River District Co-operative Limited (the "Company") and the Consolidated Entity, for the year ended 30 June 2005. The Consolidated Entity comprises both the company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Companies (Co-operative) Act 1943*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Companies (Co-operative) Act 1943*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Audit opinion

In our opinion, the financial report of Ord River District Co-operative Limited is in accordance with:

a) the *Companies (Co-operative) Act 1943*, including:
   - i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2005 and of their performance for the financial year ended on that date in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia; and;
   - ii. the register of members and other records, which the Company is required to keep have been properly kept; and
   - iii. we have obtained all the information and explanations required to form our opinion; and

b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

Kevin Smout
Partner

Perth
22 November 2005

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