
KILLARNEY CO-OPERATIVE LIMITED

NOTICE TO MEMBERS

NOTICE IS HEREBY GIVEN that the twenty-ninth ANNUAL GENERAL MEETING of Killarney Co-operative Limited will be held at the Killarney Senior Citizens Centre, Ailanthus Street, Killarney on Thursday 8th October 2009 at 4.00pm sharp.

BUSINESS

1. To receive, consider and adopt the financial report of the company for the year ended 30 June 2009 and the reports by directors and auditors thereon.
2. To declare a final dividend as recommended by directors.
 - 2.1 The Board is recommending a fully franked dividend of 9%
3. To declare the results of the Election of Directors.
4. To fix the remuneration of Directors and Chairman for the ensuing year.
 - 4.1 The 2009 CPI increase is 1.5%
5. General: To transact any business which may lawfully be brought forward.

Refreshments will follow the meeting.

Killarney
20 August 2009

By Order,
P.M. Brosnan
Company Secretary

CHAIRMAN'S ANNUAL REPORT



I am pleased to present the 2009 annual report, as your Co-op has had another successful year. Our sales for the financial year were in excess of \$22 million. The higher sales are due, in part, to the higher cost of chemicals and fertiliser; however the economic downturn and tighter margins have impacted on our overall profit.

During the year we have purchased a larger second-hand fuel tanker, which is intended to increase the efficiency of farm deliveries, as well as a new forklift. The old truck shed has been replaced with a more user-friendly shed. With the removal of the truck shed, better access to the grain pit has been achieved. We have also completed the archive room in the basement of the back produce, facilitating the converting of the old offices to give way to a staff training area and lunch room which is being completed as I write. Throughout the year we have spent \$217,600 on capital improvements.

I would like to take this opportunity to thank my fellow board members for their commitment, support and effort throughout the year. The retirement of Rod Petersen after 17 years on your board is going to be a loss; he has always had a close watch out on your financial position, always putting his heart and determination into improving the Co-op. During his time on the board Rod has contributed greatly to the Co-op's overall development and progression. I hope that there are several nominations for the vacancy on the board. I have stated before that for a board to perform at its best, balance and diversity amongst its members is essential.

This year we have been able to pass on \$91,855 in discounts to those who have supported the Co-op. Our process grain sales have increased by 1138 tonnes from the last financial year. Your board is recommending the payment of a 9% fully franked dividend paid on shares held as at 30th June 2009.

I would like to congratulate Pat Brosnan on his first full year as General Manager. During the year Pat received a 40 years of service award. It has been a pleasure to work with someone so dedicated to our business.

The next 12 months offer many challenges for our business, and indeed all businesses as margins shrink and we see an increase in expenses such as electricity and waste disposal affecting our bottom line. Your board and Pat, along with our department heads who supervise our dedicated staff will all be working to achieve another solid year. With the continued support of you, our shareholders, we are confident that we can achieve another successful year.

A.D. Peterson

Chairman of the board of Directors

GENERAL MANAGER'S REPORT



It is with pleasure that I present the 2009 General Manager's report. The 2009 financial year has not passed without significant challenges in all departments. Considering the uncertain economic climate that we have faced in the past twelve months, our increased sales of \$22,306,523 and profit before tax of \$278,143 are sound results.

Results for the year compared with the previous year, for your information and comparison:

	2008	2009
Revenue	<u>21,466,027</u>	<u>22,306,523</u>
Operating Profit before Tax	299,260	278,143
Income Tax Expenses	<u>77,007</u>	<u>89,355</u>
Operating Profit after Tax	<u>222,253</u>	<u>188,788</u>

As reported last year, a rural merchandise depot has been established at Urbenville in conjunction with Scofield's Transport. This partnership has been very successful and I would like to thank David and Colleen Scofield and staff for their dedication and effort in providing excellent service to our shareholders in the Urbenville district.

As all shareholders would be aware, strong cash-flow is vital to any business. It was with this in mind that the services of a credit collection agency were engaged to assist with collection of outstanding accounts and ensure that we continue to meet our commitments.

A significant milestone was reached on the 14th September 2008, with the 10th anniversary of our association with Westpac as Queensland's first in-store bank. The celebration to mark this occasion was well supported by our shareholders and several Westpac staff.

During the year your Co-operative has been actively involved with the Killarney Medical Task Force to establish a medical centre in the hope that Killarney and district will again have the services of a doctor.

Since my appointment as General Manager I have been ably supported by our department managers. I wish to thank Allen Cooper, Craig Thompson, Marissa Costello, Tammy Grayson, Steve White and our dedicated staff, who strive to provide a high level of service to you our shareholders. Congratulations on years of service go to Susan Goodwin, 10 years and Allen Cooper, 45 years.

In closing, I would like to thank our shareholders for their continued support of our business and thank the board of directors for their total support in my first twelve months as General Manager.

P.M. Brosnan

General Manager and Secretary

21st August 2009

KILLARNEY CO-OPERATIVE LIMITED

DIRECTOR'S REPORT

The directors submit the financial report of Killarney Co-operative Limited for the financial year ended 30 June 2009

Directors

The directors in office throughout the year at the date of this report are listed below.

Name	Position	Address	Meetings Attended	Meetings Held
A D Peterson	(Chairman)	Old Koreelah	12	12
K Hancock	(Deputy Chairman)	Killarney	11	12
K C W Mogridge (<i>retired 09.08.08</i>)	(Director)	Tannymorel	3	3
R T Petersen	(Director)	Killarney	10	12
D J Weier (<i>elected 09.08.08</i>)	(Director)	Killarney	9	9
B J Wickham	(Director)	Acacia Plateau	11	12

Directors have been in office since the start of the financial year to the date of this report, unless otherwise stated.

Operating Result

The consolidated profit from ordinary activities after providing for income tax amounted to:

Year ended	Year ended
30/06/2008	30/06/2009
\$222,253	\$188,788

Principal Activities

A review of the operations of the co-operative during the financial year and the results of those operations are contained in the Chairman's and the General Manager's Reports. No significant change in the nature of these activities occurred during the year.

Dividends

The 2008 dividend of \$20,017.62 (\$0.18 per share) referred to in the previous directors' report dated 28th August 2008 was paid on 10 December 2008.

The Director's have provided for and recommend a dividend be paid of \$21,385.98 (\$0.18 per share) for the current year.

Future Developments

A block of land in Condamine road purchased in the 2007 financial year is being held by the Co-operative with a view to future development of the stockfeed milling and seed grading sections of the business.

Environmental Issues

The co-operative's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Directors' Benefits

The nature of the organisation is such that our directors are customers and suppliers of the co-operative, as are companies which our directors represent. Consequently normal trading transactions as are available to all shareholders have been carried out with directors as shareholders and with shareholder companies of which directors of Killarney Co-operative Limited are also directors or shareholders.

Transactions between related parties are on normal commercial terms and conditions are no more favourable than those available to other parties.

Indemnifying Auditor

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to any person who is or has been an auditor of the co-operative.

Proceedings on Behalf of Co-operative

No person has applied for leave of court to bring proceedings on behalf of the co-operative or intervene in any proceedings to which the co-operative is a party for the purpose of taking responsibility on behalf of the co-operative for all or any part of those proceedings. The co-operative was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of the Board of Directors:

Director A.D. Peterson
20th August 2009

DIRECTORS' DECLARATION

In the opinion of the directors the financial report as set out on the following pages:

1. The financial statements and notes, as set out on the following pages are in accordance with the *Corporations Act 2001*.
 - a. Comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. Give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and economic entity.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Committee by:

Director AD Peterson
Director K Hancock
20th August 2009

AUDITOR'S INDEPENDENCE DECLARATION

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Blue Chip Accountants
Geoffrey Phillip Sexton
21st August 2009
130 Grafton Street
Warwick Queensland

KILLARNEY CO-OPERATIVE LIMITED
Income Statement for the year ended 30 June 2009

Classification of Expenses by Nature	Note	2009 \$	2008 \$
Revenues from ordinary activities.....	2	22,306,523	21,466,027
Changes in inventories of finished goods and work in progress...		(18,954,086)	(18,048,683)
Borrowing costs expense.....	3	(138,385)	(191,368)
Depreciation and amortisation expense.....	3	(207,076)	(199,241)
Other expenses from ordinary activities		(2,728,832)	(2,727,475)
Profit from ordinary activities before income tax		278,143	299,260
Income tax expense relating to ordinary activities	4	(89,355)	(77,007)
Net profit attributable to members of the Co-operative.....		188,788	222,253
Profit (Loss) from extraordinary item after income tax expense. 2		1,904,871	(55,491)
		2,093,659	166,762

KILLARNEY CO-OPERATIVE LIMITED
Balance Sheet as at 30 June 2009

	Note	2009 \$	2008 \$
Current Assets			
Cash Assets	6	808,759	259,464
Receivables	7	1,812,794	2,181,315
Inventories	8	1,680,962	1,530,315
Taxation Credits		52,519	34,748
Other		14,505	44,206
Total Current Assets		4,369,539	4,050,048
Non-Current Assets			
Other financial assets		417,917	406,960
Property, plant and equipment	9	5,946,305	4,037,471
Deferred tax assets		155,099	140,865
Total Non-Current Assets		6,519,321	4,585,296
TOTAL ASSETS		10,888,860	8,635,344
Current Liabilities			
Payables		2,656,023	2,708,529
Interest bearing liabilities		316,065	285,066
Member Deposits		178,190	159,391
Provisions		391,680	344,223
Total Current Liabilities		3,541,958	3,497,209
Non-Current Liabilities			
Member Deposits		792,568	707,576
Interest bearing liabilities		936,842	913,932
Deferred tax liabilities		22,825	9,436
Total Non-Current Liabilities		1,752,235	1,630,944
TOTAL LIABILITIES		5,294,193	5,128,153
NET ASSETS		5,594,668	3,507,191
Equity			
Contributed equity	10	237,622	222,418
Reserves	11	3,246,887	1,328,109
Retained profits		2,110,159	1,956,664
Total Equity		5,594,668	3,507,191

KILLARNEY CO-OPERATIVE LIMITED

Statement of Changes in Equity as at 30 June 2009

	Share Capital	Asset Reval	Capital Reserve	Gen & Mach	Retained Profits
Balance at 01-07-2007	222,418	1,144,424	135,507	48,178	1,956,664
Shares Issued					
From DRP*	8,204				
Purchased	7,694				
Shares Bought Back	-694				
Profit attributable to Co-op members					2,093,659
Revaluation of Shares (unrealised)		10,957			-10,957
Revaluation of Property (unrealised)		1,893,914			-1,893,914
Allocation to Capital Reserve			13,907		-13,907
Dividends paid					-21,386
Closing Balance	237,622	3,049,295	149,414	48,178	2,110,159

TOTAL RESERVES \$5,594,668

* Dividend Reinvestment Program

KILLARNEY CO-OPERATIVE LIMITED

Cash Flow Statement for the year ended 30 June 2009

	2009	2008
SOURCES OF FUNDS		
Funds from Operations		
Inflow of funds from operations	22,306,523	21,466,027
Less outflow of funds from operations	(21,780,257)	(20,946,027)
	526,266	520,000
Members Funds		
Increase in Issued Capital	15,204	7,160
Increase in Liabilities		
Members Deposits	103,791	11,996
Trade Creditors	511,020	194,364
Other Creditors	0	5,547
Commercial Loans	62,349	0
Reduction in Assets		
Trade Debtors	368,671	146,307
Sundry Debtors & Prepayments	5,978	0
	1,593,279	885,374
APPLICATION OF FUNDS		
Increase in assets		
Inventories	150,647	29,338
Purchase of fixed assets	221,997	187,025
Cash Assets	549,296	227,704
Sundry Debtors & Prepayments	4,402	2,725
Reduction in Liabilities		
Other Creditors	530,509	95,574
Commercial Loans	0	49,609
Dividends Paid	20,018	17,221
Bank Loan	8,439	140,973
Taxation	107,971	135,205
	1,593,279	885,374

Reconciliation of Funds from Operations with operating Profit before tax is as follows:

Net Operating Profit before Taxation	271,746	299,260
Depreciation charged in Accounts	207,076	199,241
Movement in Provisions	47,444	21,499
Funds from Operations	526,266	520,000

KILLARNEY CO-OPERATIVE LIMITED**Notes to the Financial Statements for the year ended 30 June 2009****Note 1: Statement of Significant Accounting Policies**

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Killarney Co-operative Limited as an individual entity. Killarney Co-operative is a Co-operative limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. This report complies with all Australian equivalents to International Financial Reporting Standards in their entirety.

The following is a summary of the material accounting policies adopted by the Co-operative in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) **Income Tax.** The Co-operative adopts the liability method of tax-effect accounting whereby the income tax expense shown in the statement of financial performance is based on the profit from ordinary activities before income tax adjusted for any permanent differences.

(b) **Inventories.** Inventories are measured at the lower of cost and net realizable value. Costs are assigned on a first-in first-out basis.

(c) **Property, Plant & Equipment.** Each class of property, plant and equipment are carried at cost or fair value less, where applicable, any accumulated depreciation.

Property: Freehold land and buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is a policy of Killarney Co-operative to have an independent valuation every three years, with annual appraisals being made by the directors.

Plant and Equipment: Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by the Co-operative to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts. The cost of fixed assets constructed within Killarney Co-operative Limited includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Depreciation: The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated over their useful lives to Killarney Co-operative Limited commencing from the time the asset is held ready for use.

(d) **Investments.** Shares in listed companies are valued at market value at balance date. The gains or losses, whether realized or unrealized, are included as extraordinary items after income tax. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(e) **Employee Benefits.** Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages, salaries and leave entitlements which will be settled after one year, have been measured at their nominal amount. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by Killarney Co-operative Limited to an employee superannuation fund and are charged as expenses when incurred.

(f) **Cash.** For the purposes of the Statement of Cash Flows, cash includes cash on hand, at banks and on deposit.

- (g) **Revenue.** Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the co-operative has established that it has a right to receive a dividend.
- (h) **Goods and Services Tax (GST).** Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.
- (i) **Comparative Figures.** Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Note 2 : Revenue	2009	2008
Operating Activities:	\$	\$
Trading Revenue	22,089,027	21,258,284
Rents	28,621	18,448
Interest Revenue.....	1,275	2,311
Dividend Revenue.....	24,923	31,718
Other operating Revenue:		
Bad Debts recovered.....	439	106
Commissions received.....	73,481	75,897
Discount received	2,831	4,803
Accounting fees received	41,962	41,685
Other Income.....	0	1,922
Rebates and refunds	43,966	30,853
	22,306,523	21,466,027
Non-Operating Activities:		
Gain on Disposal of Assets.....	0	13,182
Revaluation of Property (unrealised)	1,893,914	0
Revaluation of Listed Shares (unrealised)	10,957	(68,673)
	1,904,871	(55,491)
Total Revenue	24,211,394	21,410,536

Note 3 : Profit from Ordinary Activities

Profit from ordinary activities before income tax has been determined after:

(a) Expenses		
Cost of Sales.....	18,954,086	18,048,683
Bad and Doubtful Debts	1,346	0
Borrowing Costs	138,385	191,368
Depreciation of non-current assets:		
- Buildings	60,584	58,769
- Plant and equipment.....	146,492	140,472
Increase in Employee Entitlements	47,444	21,499
Directors Fees.....	39,106	43,861
Discounts Allowed.....	91,855	96,220
Auditors Remuneration		
- Audit of the Account	6,284	6,051
- Other Services	3,220	2,000

Note 4 : Income Tax Expense

The prima facie tax payable on profit from ordinary activities before income tax at 30% (2008:30%).....	83,443	107,124
Tax effect of: Rebateable fully franked dividends.....	(7,477)	(9,515)
Tax effect of: Increase in Provisions.....	14,234	6,449
Tax effect of: Increase in future income tax benefit	(14,234)	(6,449)
Tax effect of: Increase in deferred taxation liability.....	13,389	(20,602)

Income tax expense attributable to profit from ordinary activities	89,355	77,007
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Note 5 : Dividends

Dividends provided for (\$0.18 per share)	21,386	20,018
Balance of franking account at year end	856,760	722,336
adjusted for franking credits arising from		
- payment of provision for income tax	132,322	182,913
- franking debits arising from payment of proposed dividends	(8,579)	(7,380)
- receipt of franked dividend.....	10,681	20,154

Note 6 : Cash Assets

Cash on Hand	4,600	4,600
Cash at bank	804,159	254,864
	808,759	259,364

Note 7 : Receivables

Trade Debtors.....	1,972,794	2,341,315
Provision for Doubtful debts.....	(160,000)	(160,000)
	1,812,794	2,181,315

Note 8 : Inventories

Stock on Hand at Cost	1,680,962	1,530,315
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Note 9 : Property, Plant and Equipment

Freehold Land		
- At Cost	60,720	56,327
- At independent valuation	1,868,673	162,000
Buildings		
- At independent valuation	1,137,241	950,000
- At Cost	1,920,552	1,882,906
- Less: Accumulated depreciation	(305,732)	(245,146)
Plant and Equipment		
- At Cost	1,874,169	1,694,210
- Less: Accumulated depreciation	(609,318)	(462,825)
	5,946,305	4,037,471

* Land & Buildings were revaluated by Matson Valuations in 2008

Note 10 : Contributed Capital

Fully Paid Ordinary Shares	118,811	111,209
Value at \$2.00 each	\$237,622	\$222,418

Ordinary shares participate in dividends and the proceeds on winding up of the Co-operative in proportion to the number of shares held. At shareholders meetings each shareholder is entitled to one vote, regardless of the number of shares held by said person. Where shares are held jointly, the joint shareholders have 1 vote only between them.

Note 11 : Reserves**a) Capital Reserve**

The capital reserve has been set aside for future capital improvements. As required by the Co-operatives Act it is allocated 5% of profits each financial year.

b) General & Machinery Reserve

The general and machinery reserve records funds which have, over time, been set aside for future expansion.

c) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets.

Note 12 : Company Details

The registered office of the Co-operative is:
32-42 Ivy Street
KILLARNEY QLD 4373

KILLARNEY CO-OPERATIVE LIMITED INDEPENDENT AUDITOR'S REPORT

Scope

We have audited the financial report of Killarney Co-operative Limited for the year ended 30 June 2009 as set out on pages 6-10. The company directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the co-operative.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the co-operative's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Killarney Co-operative Limited presents a true and fair view in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, including the Co-operatives Act 1997, the financial position of Killarney Co-operative Limited as at 30 June 2009, and the results of its operations and its cash flows for the year then ended.

Signed on 21st August 2009
Geoffrey Phillip Sexton, F.C.A.
Blue Chip Accountants
130 Grafton Street, Warwick, Queensland.

KILLARNEY CO-OPERATIVE LIMITED MANAGEMENT STRUCTURE

General Manager & Secretary	P.M. Brosnan
Public Officer	P.M. Brosnan
Administration Manager	M.J. Costello
Produce & Rural Merchandise Manager	C.C. Thompson
Hardware & Electrical Manager	S.R. White
Service Station Manager	R.A. Cooper
Supermarket Manager	T.L. Grayson

Auditors	Blue Chip Accountants, Warwick
Bankers	Westpac, Warwick
Solicitors	Gaffney, Lyons & McMahon, Warwick