



FINANCIAL STATEMENTS

NORCO CO-OPERATIVE LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 CONSOLIDATED \$000			2008 CO-OPERATIVE \$000			2007 CONSOLIDATED \$000			2007 CO-OPERATIVE \$000		
		Before Significant Items	Significant Items ⁽¹⁾	Total	Before Significant Items	Significant Items ⁽¹⁾	Total	Before Significant Items	Significant Items	Total	Before Significant Items	Significant Items ⁽¹⁾	Total
Continuing Operations													
Revenue	3(a)	311,329	-	311,329	311,329	-	311,329	258,760	-	258,760	258,760	-	258,760
Share of joint venture result		-	-	-	-	-	-	208	-	208	208	-	208
Profit from disposal of non-current assets		495	-	495	495	-	495	137	-	137	137	-	137
		311,824	-	311,824	311,824	-	311,824	259,105	-	259,105	259,105	-	259,105
Milk payments to suppliers		(63,122)	-	(63,122)	(63,122)	-	(63,122)	(51,264)	-	(51,264)	(51,264)	-	(51,264)
Cost of sales		(193,944)	-	(193,944)	(193,944)	-	(193,944)	(157,739)	-	(157,739)	(157,739)	-	(157,739)
Employee expenses	3(e)	(29,506)	(243)	(29,749)	(29,506)	(243)	(29,749)	(20,060)	-	(20,060)	(20,060)	-	(20,060)
Depreciation expenses	3(b)	(4,314)	-	(4,314)	(4,163)	-	(4,163)	(3,848)	-	(3,848)	(3,697)	-	(3,697)
Borrowing costs expense	3(c)	(2,561)	-	(2,561)	(2,561)	-	(2,561)	(5,104)	-	(5,104)	(5,104)	-	(5,104)
Occupancy costs		(2,906)	-	(2,906)	(3,057)	-	(3,057)	(1,999)	-	(1,999)	(2,150)	-	(2,150)
Administration and other costs		(14,431)	-	(14,431)	(14,431)	-	(14,431)	(18,568)	-	(18,568)	(18,568)	-	(18,568)
Loss on disposal of assets	27(e)	-	-	-	-	-	-	-	(918)	(918)	-	(918)	(918)
Profit/(loss) from ordinary activities before income tax expense and member distributions		1,040	(243)	797	1,040	(243)	797	523	(918)	(395)	523	(918)	(395)
Member Distributions	5	-	(232)	(232)	-	(232)	(232)	-	(782)	(782)	-	(782)	(782)
Profit/(loss) before tax		1,040	(475)	565	1,040	(475)	565	523	(1,700)	(1,177)	523	(1,700)	(1,177)
Income tax benefit/(loss)	4	-	1,858	1,858	-	1,858	(988)	-	1,753	1,753	-	1,753	1,753
Net profit/(loss) attributable to members		1,040	1,383	2,423	1,040	1,383	(423)	523	53	576	523	53	576

The above Income Statement must be read in conjunction with the accompanying notes.

⁽¹⁾ Significant items are items of income and expense, presented separately due to their nature and size.

NORCO CO-OPERATIVE LIMITED

BALANCE SHEET AS AT 30 JUNE 2008

	Note	CONSOLIDATED		CO-OPERATIVE	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current assets					
Cash assets and cash equivalents	27(b)	5,107	3,423	5,107	3,423
Trade and other receivables	6	31,089	30,111	31,089	30,111
Inventories	7	18,348	16,616	18,348	16,616
Other assets		217	293	217	293
Total current assets		54,761	50,443	54,761	50,443
Non-current assets					
Trade and other receivables	6	-	11	-	11
Investments	8	37	37	15,985	15,985
Property, plant and equipment	9	50,774	49,310	35,143	33,679
Goodwill and intangible assets	10	33,691	33,405	30,844	30,558
Deferred tax asset	4	-	-	-	1,095
Other		167	-	167	-
Total non-current assets		84,669	82,763	82,139	81,328
Total assets		139,430	133,206	136,900	131,771
Current liabilities					
Trade and other payables	12	40,410	34,874	40,410	34,874
Interest-bearing liabilities	13	1,200	376	1,200	376
Provisions	14	5,581	5,451	5,581	5,451
Total current liabilities		47,191	40,701	47,191	40,701
Non-current liabilities					
Trade and other payables	12	750	1,125	1,066	1,442
Interest-bearing liabilities	13	31,131	30,627	31,131	30,627
Provisions	14	321	266	321	266
Deferred tax liability	4	-	1,752	-	-
Total non-current liabilities		32,202	33,770	32,518	32,335
Total liabilities		79,393	74,471	79,709	73,036
Net assets attributable to members		60,037	58,735	57,191	58,735
Members' interest	15	6,999	8,120	6,999	8,120
Net assets		53,038	50,615	50,192	50,615
Equity					
Reserves	16	39,087	39,087	39,087	39,087
Retained profits		13,951	11,528	11,105	11,528
Total equity		53,038	50,615	50,192	50,615

The above Balance Sheet must be read in conjunction with the accompanying notes.

NORCO CO-OPERATIVE LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2008

	Note	CONSOLIDATED		CO-OPERATIVE	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Cash flows from operating activities					
Receipts from customers and members		340,290	272,442	340,290	272,442
Interest received		324	2,555	324	2,555
Payments to suppliers and employees		(268,417)	(218,177)	(268,417)	(218,177)
Payment to milk suppliers		(63,122)	(52,177)	(63,122)	(52,177)
Interest and other costs of finance paid		(2,561)	(4,844)	(2,561)	(4,844)
Cash received from joint venture operations		-	208	-	208
Net cash flows from operating activities	27(a)	6,514	7	6,514	7
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		780	576	780	576
Payment for property, plant and equipment		(4,540)	(7,507)	(4,540)	(7,507)
Purchase of business	27(c)	(286)	(76,067)	(286)	(76,067)
Sale and return of assets	27(e)	-	62,794	-	62,794
Loan amounts repaid by associated entities		-	300	-	300
Net cash flows from investing activities		(4,046)	(19,904)	(4,046)	(19,904)
Cash flows from financing activities					
Repayments of borrowings		-	(57,839)	-	(57,839)
Receipt of borrowings		-	80,000	-	80,000
Finance lease repayments		(481)	(65)	(481)	(65)
Distribution paid to members		(232)	(969)	(232)	(969)
Repayment of member deposits		(143)	(445)	(143)	(445)
Suppliers' share contribution		72	119	72	119
Net cash flows from financing activities		(784)	20,801	(784)	20,801
Net Increase/(decrease) in cash held		1,684	904	1,684	904
Cash at beginning of the financial year		3,423	2,519	3,423	2,519
Cash at end of the financial year		5,107	3,423	5,107	3,423

The above Statement of Cash Flows must be read in conjunction with the accompanying notes.

NORCO CO-OPERATIVE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

CONSOLIDATED ATTRIBUTABLE TO MEMBERS

	Asset Revaluation Reserve \$000	Retained Earnings \$000	Total Equity \$000
At 1 July 2006	14,071	10,952	25,023
Fair value revaluation of land and buildings	25,016	-	25,016
Net income recognised directly in equity	25,016	-	25,016
Profit for the period	-	576	576
Total recognised income and expense	25,016	576	25,592
At 30 June 2007	39,087	11,528	50,615
At 1 July 2007	39,087	11,528	50,615
Asset revaluation on acquisition	-	-	-
Net income recognised directly in equity	-	-	-
Profit for the period	-	2,423	2,423
Total recognised income and expense	-	2,423	2,423
At 30 June 2008	39,087	13,951	53,038

CO-OPERATIVE ATTRIBUTABLE TO MEMBERS

	Reserves \$000	Retained Earnings \$000	Total Equity \$000
At 1 July 2006	14,071	10,952	25,023
Fair value revaluation of land and buildings	25,016	-	25,016
Net income recognised directly in equity	25,016	-	25,016
Profit for the period	-	576	576
Total recognised income and expense	25,106	576	25,592
At 30 June 2007	39,087	11,528	50,615
At 1 July 2007	39,087	11,528	50,615
Fair value revaluation of land and buildings	-	-	-
Net income recognised directly in equity	-	-	-
Loss for the period	-	(423)	(423)
Total recognised income and expense	-	(423)	(423)
At 30 June 2008	39,087	11,105	50,192

The above Statement of Changes in Equity must be read in conjunction with the accompanying notes.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. Corporate information

The financial report of Norco Co-operative Limited (the Co-operative) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Directors on 25 September 2008.

Norco Co-operative Limited is a Co-operative under the *NSW Co-operatives Act 1992*, incorporated and domiciled in Lismore, Australia. The Co-operative operates out of its registered place of business at 'Windmill Grove' 107 Wilson Street, South Lismore, New South Wales. The principal operations of the Co-operative are the processing, manufacture and sale of dairy products, the manufacture of stockfeed and rural retailing.

2. Statement of significant accounting policies

(a) Basis of preparation

The financial report has been prepared on the basis of historical cost (except for certain land and building assets where in 2004 fair value was deemed to be cost) and in accordance with the requirements of the *Corporations Act 2001*. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of Australian equivalents to International Financial Reporting Standards (AIFRS) management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of AIFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2008; the comparative information presented in these financial statements for the year ended 30 June 2007.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Co-operative under class order 98/100. The Co-operative is an entity to which the class order applies.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the International Accounting Standards Board.

The group has adopted *AASB 7 Financial Instrument Disclosures* (applicable from 1 July 2007) and all subsequent amendments. Adoption of this standard has only affected the disclosures in these financial statements. It has had no impact upon reported financial results.

A number of revisions exist to current AIFRS Standards with future application dates for the group including *AASB 8 Operating Segments* which will be implemented for the year beginning 1 July 2009. These revisions are not expected to result in any significant impact upon reported results. The Co-operative is also reviewing *AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations Arising on Liquidation* which may allow current members equity to be recorded in equity and not as a liability as is currently applied.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the parent entity, Norco Co-operative Limited and its controlled entities, referred to collectively throughout these financial statements as the 'Consolidated Entity'.

All inter-entity balances and transactions have been eliminated. 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.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Co-operative and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risk and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2. Statement of significant accounting policies (continued)

(ii) Rendering of Services

Revenue is recognised on the basis of services provided, measured in accordance with agreed parameters between the customer and the Co-operative.

(iii) Interest Income

Interest revenue is recognised as earned.

(iv) Dividends

Dividend revenues are recognised when control of a right to receive consideration for the investment in assets is attained, usually evidenced by approval of the dividend at a meeting of shareholders.

(v) Government Grants

Grants received for the construction of non-current assets are deferred and recorded as revenue over the life of the funded asset.

(e) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(f) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. It requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Co-operative as a lessee

Finance leases, which transfer to the Co-operative substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Co-operative will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(ii) Co-operative as a lessor

Leases in which the Co-operative retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

(g) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Trade receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Co-operative will not be able to collect the debts. Bad debts are written off when identified.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw Materials – purchase cost on a first-in, first-out basis;
- Finished goods and work-in-progress – costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs; and
- Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Maintenance spares are recognised as inventories and expensed when utilised.

(j) Foreign currency translation

Both the functional and presentation currency of Norco Co-operative Limited and its controlled entities is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

(k) Investment in associates

The Co-operatives investment in associates is accounted for using the equity method of accounting in the financial statements. The associate is an entity in which the Co-operative has significant influence and which is neither a subsidiary or a joint venture.

Under the equity accounting method, the investment in the associated is carried in the balance sheet at cost plus post-acquisition changes in the Co-operative's share of net assets of the associate. After application of the equity method, the Co-operative determines whether it is necessary to recognise any additional impairment loss with respect to the net investment in the associates. The income statement reflects the Co-operative's share of the results of operations of the associate.

The reporting date of the associates and the Co-operative are identical and the associate's accounting policies conform with those used by the Co-operative for like transactions and events in similar circumstances.

(l) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2. Statement of significant accounting policies (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interest in joint ventures, and the timing of the reversal of the difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interest in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

(m) Other taxes

Revenues, expenses and assets are recognised net of the amount of the GST except:

- where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(n) Property, plant and equipment

Items of property, plant and equipment including buildings and leasehold property, but excluding freehold land, are measured at cost less accumulated depreciation and less any impairment losses recognised.

Plant and equipment is depreciated on a straight-line basis over the estimated useful life of the assets, units of output, life of project or other appropriate basis.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is shorter, using the straight-line method.

The following estimated useful lives are used in the calculation of depreciation:

Buildings	2 – 5%
Plant & Vehicles	10 – 33%
Leasehold plant and equipment	10 – 20%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of items of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. As all items of property, plant and equipment are measured at revalued amounts, impairment losses on property, plant and equipment are treated as a revaluation decrement.

ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2. Statement of significant accounting policies (continued)

(o) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Co-operative's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Co-operative's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Co-operative are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Co-operative at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Co-operative's primary reporting format determined in accordance with AASB 114 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses recognised for goodwill are not subsequently reversed.

(p) Impairment of assets

The Co-operative assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Co-operative makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(q) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Co-operative prior to the end of the financial year that are unpaid and arise when the Co-operative becomes obliged to make future payments in respect of the purchase of these goods and services.

(r) Interest bearing loan and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains or losses are recognised in profit or loss when the liabilities are derecognised.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

2. Statement of significant accounting policies (continued)

(s) Provisions

Provisions are recognised when the Co-operative has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Co-operative expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(t) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provision made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

(u) Members' interest

In periods before 1 July 2004 members units in the Co-operative were recorded in equity as contributed equity. On 1 July 2004 the Co-operative re-classified these instruments to non-current interest bearing liabilities in accordance with generally accepted International Accounting Practice. Any distributions paid on these instruments are treated as a borrowing cost.

This position was clarified by UIG 2 *Members' Shares in Co-operative Entities and Similar Instruments*, which the Co-operative adopted effective 1 July 2004.

(v) Norco capital units

Norco Capital Units are carried at the principal amount. Interest is accrued at the entitlement rate and is included in 'Interest Bearing Liabilities'.

(w) Joint venture investments

Investments in joint venture entities are recorded using equity accounting.

(x) Comparative information

Where required, amounts presented for the year to 30 June 2007 have been re-stated and re-classified to comply with presentation formats and requirements for the 30 June 2008 financial year.

(y) Significant judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Operating lease commitments – Group as lessor

The Group has entered into commercial property and equipment leases on its operating sites and equipment. The Group has determined that the lessor retains all the significant risks and rewards of ownership of these properties and assets and has thus classified the leases as operating leases.

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Management do not consider that the triggers for impairment testing have been significant enough and as such these assets have not been tested for impairment in this financial period.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

3. Revenue and expenses

	CONSOLIDATED		CO-OPERATIVE	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
(a) Revenue				
Sale of goods	310,843	255,677	310,843	255,677
Interest received	324	2,555	324	2,555
Other	162	528	162	528
	311,329	258,760	311,329	258,760
(b) Depreciation expense				
Plant and equipment	3,545	3,330	3,545	3,330
Buildings	468	468	317	317
Information systems	27	-	27	-
Leased assets	274	50	274	50
	4,314	3,848	4,163	3,697
(c) Finance costs				
Bank loans, finance lease interest and overdrafts	2,561	5,104	2,561	5,104
(d) Other expense items				
Provision for employee benefits	185	100	185	100
Provision for:				
- Inventory obsolescence	198	79	198	79
- Doubtful/bad debts	259	-	259	-
(e) Employee expenses				
Salaries and wages (including contractors)	24,207	16,628	24,207	16,628
Workers' compensation costs	1,694	906	1,694	906
Superannuation costs	2,348	1,496	2,348	1,496
Payroll tax	1,500	1,030	1,500	1,030
	29,749	20,060	29,749	20,060

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

4. Income tax

	CONSOLIDATED		CO-OPERATIVE	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
The major components of income tax expense are:				
<i>Income Statement</i>				
Current income tax	-	-	-	-
Adjustments in respect of current income tax of previous years	-	-	-	-
<i>Deferred Income Tax</i>				
Relating to origination and reversal of temporary differences	(1,858)	1,753	988	1,753
Adjustment in respect of previous years	-	-	-	-
Income tax (expense)/benefit reported in the income statement	(1,858)	1,753	988	1,753
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Co-operative's applicable income tax rate is as follows:				
Accounting profit/(loss) before income tax	565	(1,177)	565	(1,177)
At the Co-operative's statutory income tax rate of 30% (2007 30%)	170	(353)	170	(353)
Non deductible amounts	-	-	-	-
Movements in temporary differences recorded	(1,737)	2,279	1,109	2,279
Income tax loss movement	(291)	(173)	(291)	(173)
Income tax reported in the consolidated income statement	(1,858)	1,753	988	1,753
Temporary differences – recorded				
Opening balance	(1,752)	-	1,095	-
Acquired in business combination	-	(3,505)	-	(658)
Recorded in current year	1,752	-	(1,095)	-
Disposed	-	1,753	-	1,753
Deferred tax asset/(liability)	-	(1,752)	-	1,095

Tax losses

At 30 June 2008 the Co-operative had an estimated \$8,970,000 (Gross \$29.9 million) in carry forward losses (2007: \$9,045,000 (Gross \$30.2 million)). These tax losses have not been brought to account in the Balance Sheet. There are no available franking credits.

Temporary differences – not recorded

The Co-operative has a surplus of deductible temporary differences. The asset associated with these differences has not been recognised at 30 June 2008.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

4. Income tax (continued)

	2007 \$000	Movement \$000	2008 \$000
Temporary difference assets Consolidated and Co-operative			
Expenditure accruals	165	111	275
Provision for bad debts	281	(71)	210
Provision for employee entitlements	1,705	66	1,771
Provision for restoration	10	(10)	-
Prepaid costs	208	(208)	-
Accelerated depreciation charges	(834)	(66)	(900)
Provision for obsolescence	264	59	324
Temporary difference	1,799	(119)	1,680

5. Distribution to members

	CONSOLIDATED		CO-OPERATIVE	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Expensed in the period	232	782	232	782

6. Trade and other receivables

Current

Trade receivables	30,903	26,697	30,903	26,697
Less provision for doubtful debts	(701)	(936)	(701)	(936)
	30,202	25,761	30,202	25,761
Other receivables and accrued income	887	4,350	887	4,350
	31,089	30,111	31,089	30,111

Doubtful debts

Carrying amount at the beginning of the year	936	1,211	936	1,211
Additional provision	259	-	259	-
Amount utilised during the year	(494)	(275)	(494)	(275)
Carrying amount at the end of the year	701	936	701	936

Non-current

Amounts receivable from associate entity	-	11	-	11
	-	11	-	11

Trade receivables are generally on 30 day terms. An allowance for doubtful debts is made where there is objective evidence that a trade receivable is impaired.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

6. Trade and other receivables (continued)

At 30 June, the ageing analysis of trade receivables is as follows (in \$000s):

		0-30	31-60	61-90	+91
	Total	Days	Days	Days	Days
2008 Consolidated	30,903	24,456	4,880	746	821
Co-operative	30,903	24,456	4,880	746	821
2007 Consolidated	26,697	20,920	4,263	915	599
Co-operative	26,697	20,920	4,263	915	599

Receivables past due but not considered impaired are: Consolidated \$866,000 (2007:\$578,000); Co-operative \$866,000 (2007:\$578,000). Payment terms have not been renegotiated, however discussions with counterparties have satisfied management that payment will be received in full.

	Note	CONSOLIDATED		CO-OPERATIVE	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000

7. Inventories

Raw material stock	4,287	3,895	4,287	3,895
Work in progress	174	52	174	52
Finished goods	14,965	13,549	14,965	13,549
Less provision for writedown	(1,078)	(880)	(1,078)	(880)
	18,348	16,616	18,348	16,616

An allowance for inventory obsolescence is made where there is objective evidence that inventories are carried in excess of their net realisable value. The adjustment is made to value inventories at net realisable value.

8. Investments

Shares

- unlisted corporations, at cost	37	37	37	37
- controlled entities, at cost	17	-	15,948	15,948
	37	37	15,985	15,985

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

9. Property, plant and equipment

	Note	CONSOLIDATED		CO-OPERATIVE	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Land and buildings					
At deemed cost	16	28,966	29,510	13,393	13,728
Less accumulated depreciation		(1,575)	(1,467)	(1,633)	(1,316)
		27,391	28,043	11,760	12,412
Plant and vehicles					
At cost		50,939	45,729	50,939	45,729
Less accumulated depreciation		(32,344)	(29,034)	(32,344)	(29,034)
		18,595	16,695	18,595	16,695
Information systems					
At cost		649	-	649	-
Less accumulated depreciation		(27)	-	(27)	-
		622	-	622	-
Assets under lease					
At cost		2,268	468	2,268	468
Less accumulated amortisation		(324)	(50)	(324)	(50)
		1,944	418	1,944	418
Capital Expenditure work in process		2,222	4,154	2,222	4,154
		50,774	49,310	35,143	33,679

Reconciliations

Reconciliations of the carrying amounts of each class of Property, Plant and Equipment

Land and buildings

Carrying amount at beginning of year	28,043	12,929	12,412	12,929
Reclassification	-	(100)	-	(100)
Other	-	-	(151)	-
Additions	-	-	-	-
Disposals	(184)	(100)	(184)	(100)
Acquired through business combination	-	15,782	-	-
Depreciation expense	(468)	(468)	(317)	(317)
Carrying amount at end of year	27,391	28,043	11,760	12,412

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

9. Property, plant and equipment (continued)

	CONSOLIDATED		CO-OPERATIVE	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<i>Plant and vehicles</i>				
Carrying amount at beginning of year	16,695	9,488	16,695	9,488
Reclassification	-	100	-	100
Additions	5,823	3,608	5,823	3,608
Disposals	(378)	(3,229)	(378)	(3,229)
Acquired through business combination	-	10,058	-	10,058
Depreciation expense	(3,545)	(3,330)	(3,545)	(3,330)
Carrying amount at end of year	18,595	16,695	18,595	16,695
<i>Information systems</i>				
Carrying amount at beginning of year	-	-	-	-
Additions	649	-	649	-
Disposals	-	-	-	-
Depreciation expense	(27)	-	(27)	-
Carrying amount at end of year	622	-	622	-
<i>Assets under lease</i>				
Carrying amount at beginning of year	418	255	418	255
Additions	1,930	213	1,930	213
Disposals	(130)	-	(130)	-
Transfer to plant and vehicles	-	-	-	-
Depreciation expense	(274)	(50)	(274)	(50)
Carrying amount at end of year	1,944	418	1,944	418

There was no impairment losses recognised in the 2008 or 2007 financial year.

All assets acquired under finance lease were acquired for nil cash flow and are considered to be a non-cash financing and investing activity. All assets are pledged as security on the interest bearing liabilities of the Co-operative and controlled entities.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

10. Goodwill and intangible assets

	Note	CONSOLIDATED		CO-OPERATIVE	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Acquisition costs (i)		-	-	-	-
Acquired goodwill (ii)		33,691	33,405	30,844	30,558
		33,691	33,405	30,844	30,558

(i) Acquisition Costs

At 1 July	-	1,829	-	1,829
Additions	-	-	-	-
Allocated to assets on acquisition	-	(1,829)	-	(1,829)
At 30 June	-	-	-	-

Acquisition costs represent costs incurred in the execution of business combinations. These costs are allocated to the carrying values of assets and liabilities purchased as part of business combinations to which they relate.

(i) Acquired goodwill

At 1 July		33,405	1,100	30,558	1,100
Additions	27(c)	286	32,305	286	29,458
Disposals		-	-	-	-
At 30 June		33,691	33,405	30,844	30,558

Acquired goodwill is recognised as the excess of purchase consideration over the fair value of net assets and liabilities acquired.

11. Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated at an entity level to the relevant cash generating units.

The discount rate applied to cash flow projections is 12% (2007: 11%).

Key assumptions used in the value in use calculation are:

- Revenue: based on projected growth predictions and store numbers;
- Cost of sales: based on revenue growth; and
- Other costs: based on store growth and expected wage increases.

No impairments were recorded in 2008 and 2007.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

12. Trade and other payables

	Note	CONSOLIDATED		CO-OPERATIVE	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Current					
Trade payables and accrued expenses		37,572	32,819	37,572	32,819
Outstanding amounts for business combinations		-	220	-	220
Member deposits		2,838	1,835	2,838	1,835
		40,410	34,874	40,410	34,874
Non-current					
Other		750	1,125	1,060	1,442
		750	1,125	1,060	1,442

Trade payables are generally on 30 day terms.

13. Interest-bearing liabilities

	Note	2008	2007	2008	2007
		\$000	\$000	\$000	\$000
Current					
Term Loans – secured		750	-	750	-
Lease Liability	18(i)	287	196	287	196
Norco Capital Units		163	180	163	180
		1,200	376	1,200	376
Non-current					
Lease Liability	18(i)	1,522	272	1,522	272
Term Loans – secured		29,609	30,355	29,609	30,355
		31,131	30,627	31,131	30,627

Term loans are secured by a fixed and floating charge over the assets of Norco Co-operative Ltd.

Refer to Note 26 for financing facilities available to the Co-operative.

(a) Fair values

The carrying amount of the consolidated entity's current and non-current borrowings approximates their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates varying from 8.0% to 9.0%, depending on the type of borrowing.

(b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in note 30.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

13. Interest-bearing liabilities (continued)

(c) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	Note	CONSOLIDATED		CO-OPERATIVE	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Property asset charges		34,830	34,830	34,830	34,830
Leased asset charges		2,268	-	2,268	-
Total assets pledged as security		37,098	34,830	37,098	34,830

There are no specific terms and conditions related to the above pledges.

(d) Defaults and breaches

During the current year the Co-operative was in breach of its borrowing covenants on bank financial liabilities. The consolidated entity received a waiver of these breaches from its bankers prior to 30 June 2008.

14. Provisions

Current

Employee entitlements		5,581	5,451	5,581	5,451
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Non-current

Employee entitlements		321	232	321	232
Restoration	(i)	-	34	-	34
		321	266	321	266

Total provisions		5,902	5,717	5,902	5,717
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(i) A provision for restoration is made for the expected cost of restoring property owned by other parties to its original condition at the termination of use by the Co-operative.

- Restoration

Carrying amount at the beginning of the year		34	115	34	115
Additional provision		-	-	-	-
Amounts utilised during the year		(34)	(81)	(34)	(81)
Carrying amount at the end of the year		-	34	-	34

15. Members' interest

(a) Movements in shares on issue

Opening balance – 8,120,000 fully paid shares (2007: 8,911,000)		8,120	8,911	8,120	8,911
Transferred to deposits ex-shareholders		(1,193)	(910)	(1,193)	(910)
Other subscriptions		72	119	72	119
Closing balance – 6,999,000 fully paid shares (2007: 8,120,000)		6,999	8,120	6,999	8,120

(b) Terms and conditions of contributed equity

Contributed equity has rights in accordance with the *NSW Co-operatives Act 1992*.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

16. Reserves

Asset Revaluation Reserve

Effective 1 July 2004 the Co-operative changed the valuation basis applied to non-current land and buildings. Under historical AGAAP the Co-operative carried land and buildings at fair value. From 1 July 2004 the Co-operative deemed the fair value to be cost. The asset revaluation reserve represents the historical accumulation of revaluation adjustments. The reserve will no longer be available to offset decrements in the value of land and buildings and will be transferred to retained earnings on depreciation and/or disposal of land and buildings.

17. Controlled entities

	Principal Activity	Domicile	% Owned		Investment at Cost	
			2008	2007	2008 \$000	2007 \$000
Logan Valley Dairies Pty Ltd	Dormant	Australia	100	100	165	165
Norco Wholesalers Pty Ltd	Wholesaler	Australia	100	100	*	*
Fieldco Pty Ltd	Dormant	Australia	100	100	*	*
Norcofields Pty Ltd	Dormant	Australia	100	100	*	*
Beaudesert Milk Pty Ltd	Dormant	Australia	100	100	*	*
Norco Milk Pty Ltd	Dormant	Australia	100	100	**	**
Gold Coast Milk Pty Ltd	Property Holder	Australia	100	100	15,783	15,783
					15,948	15,948

* Investment <\$101

** 100 Shares at \$1 each

18. Commitments

	Note	2008	2007
<i>(i) Capitalised finance lease commitments for plant and vehicles</i>			
Payable within 1 year		426	244
Payable between 1 – 5 years		1,207	324
Payable after 5 years		636	24
Total capitalised finance lease commitments		2,269	592
Deduct future finance charges		(460)	(124)
Lease Liability		1,809	468
Represented by:			
Current liability	13	287	196
Non-current liability	13	1,522	272
Total Lease Liability		1,809	468

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

18. Commitments (continued)

	2008	2007
<i>(ii) Non-cancellable operating lease commitments for equipment land and buildings</i>		
Payable within 1 year	1,223	1,044
Payable between 1 – 5 years	1,202	1,259
Payable after 5 years	369	302
	2,794	2,605
<i>(iii) Cancellable operating lease commitments for vehicles and plant</i>		
Payable within 1 year	270	355
Payable within 1 – 5 years	221	403
Payable after 5 years	-	-
	491	758
Total operating lease commitment not otherwise provided for in the financial statements	3,285	3,363

Operating leases have an average term of 3-5 years, with the exception of one lease that has a 10 year term. Assets which are the subject of operating leases include property and motor vehicles.

(iv) Capital Commitments

Commitments for capital expenditure for plant and equipment not otherwise provided for in the financial statements totalled \$nil (2007: \$nil) of which \$nil (2007: \$nil) will be purchased outright within 12 months.

(v) Grain Purchase Commitments

The animal nutrition business of the Co-operative utilises bulk grain products as a key input into the production process. To protect against adverse movements in input prices, the Co-operative agrees grain purchases in advance of delivery with external suppliers.

At 30 June 2008 the Co-operative had entered into the following purchase contracts all deliverable in one year of contract date:

Product	Tonnes	Value \$
Sorghum	1,607	407,799
Maize	872	305,410
Barley	891	337,012
Cotton Hull Pellets	635	188,085
Cottonseed Meal	438	199,974
Soybean Meal	1,005	531,075
Canola Meal	521	214,520
Molasses	60	9,327
Lysine	2	4,160
Methionine	3	11,550
Fish Meal	2	2,080
		2,210,992

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

19. Contingent liabilities

Legal Actions

The Directors are not aware of any material legal actions being brought against the Co-operative, its controlled entities or any joint venture to which the Co-operative holds an interest.

Bank Guarantees

Contingent liabilities exist in respect of bank guarantees given to various parties that amount to \$nil (2007: \$266,200) and are not included as creditors.

Milk Bonus Payment

A contingent liability exists on the milk bonus offered to suppliers supplying Norco in the 2008/2009 financial year who supplied milk during the 2007/2008 year. This bonus is contingent upon future supply of milk by farmers. The maximum amount payable under this arrangement is \$2.1 million. This payment is not applicable to suppliers under the Queensland contract pay system.

20. Financial guarantee contracts

The Co-operative has no outstanding financial guarantee contracts at 30 June 2008 (2007: Nil).

21. Capital management

The Co-operative manages its capital structure through regular reviews of its exposure to debt and members as shareholders. The Co-operative has no set management levels for equity and debt. The management of the Co-operative's equity position views members' shares as equity. Members' interests are managed in line with the requirements of the *NSW Co-operatives Act 1992*.

During 2008 the Board undertook a review of the debt and equity position of the Co-operative and is currently investigating alternative funding structures.

22. Related party disclosure

	CO-OPERATIVE	
	2008	2007
	\$000	\$000
Wholly owned group		
Shareholding in controlled entities are outlined in Note 17.		
a) Norco Wholesalers Pty. Limited		
Material transactions and balances with this entity were:		
Net trading debt payable (current)	24,489	21,472
Goods and services purchased	213,048	168,315
b) Logan Valley Dairies Pty. Limited		
Material transactions and balances with this entity were:		
Net trading debt payable (non-current)	317	317
c) Norco Milk Pty Ltd		
There were no material transactions or balances with this entity.		
d) Gold Coast Milk Pty Ltd		
Material transactions and balances with this entity were:		
Rental paid	151	151
Amounts outstanding	-	-

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

23. Director and Executive disclosures

(a) Key management personnel

(i) The Directors of Norco Co-operative during the financial year were:

Greg McNamara (Non-Executive Chairman)
 David Binney (Non-executive)
 Thomas Cooper (Non-executive)
 Barry Paff (Non-executive)
 David Pryor (Non-executive)
 Kerry Wilson (Non-executive)

(ii) Executives of Norco Co-operative during the financial year were:

Murray Richardson (Chief Executive Officer)*
 Camille Hogan (Chief Financial Officer)
 Rod Sproule (GM Norco Agribusiness)
 Brad Granzin (GM Milk Supply Group)
 Mark Myers (Co-operative Secretary)
 Glenn Parker (Human Resource Manager)
 Rob Hart (GM Norco Rural Retail)**
 Ian Foote (GM Norco Foods)
 Graham Correy (Strategic Development Manager)
 Brett Kelly (Chief Executive Officer) ***

* Murray Richardson resigned from the Co-operative on 28/7/2008.

** Rob Hart resigned from the Co-operative on 13/3/2008.

*** Brett Kelly commenced employment on 4/8/2008 and was appointed CEO on 29/8/2008.

Consolidated and Co-operative
 2008 2007
 \$ \$

(b) Compensation of key management personnel

Short term – wages and salaries	1,296,297	1,381,516
Incentive	41,761	50,000
Superannuation	116,666	123,994
Non-cash	159,986	124,879
	1,614,710	1,680,389

The above amounts only relate to the cash and other benefits paid to key management personnel for the period of their employment with the Co-operative.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

23. Director and Executive disclosures (continued)

(c) Transactions and balances with key management personnel

Purchases

Purchases of milk from key management personnel and related entities are on the same commercial terms and conditions as enjoyed by other non key management personnel members.

Mr David Pryor was a Director and 50% shareholder of Pryor's Transport Pty Ltd which provides contract bulk milk delivery services to the Co-operative on arm's length terms and conditions. This business has been sold by Mr Pryor during 2008 and no longer is a related party relationship.

Mr Barry Paff is a partner of PD, BJ & KA Paff (T/A Paff Bros) which has an agreement with the Co-operative whereby waste water from the Raleigh factory is irrigated onto the property owned by the partnership. All transactions are undertaken on arm's length terms and conditions.

Sales

Sale of farm supplies and stores to key management personnel and related entities are on the same commercial terms and conditions as enjoyed by other non key management personnel members.

(d) Share Transactions

	2008	2007
(i) Aggregate number of shares held by Co-operative key management personnel and their related entities at 30 June	203,631	185,267
(ii) Aggregate number of shares acquired by key management personnel and their related entities during the year	-	-

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Co-operative would have adopted if dealing at arm's length.

24. Superannuation commitments

All employees participate in an employer sponsored defined contribution/accumulation style superannuation plan. Contributions by the Co-operative of 9% of employees' wages and salaries are legally enforceable except employees of the Ice Cream division who are paid 10.75% superannuation commitments in line with their Enterprise Bargaining Agreement.

25. Auditors' remuneration

	CONSOLIDATED		CO-OPERATIVE	
	2008	2007	2008	2007
	\$	\$	\$	\$
Received or due and receivable by auditors:				
Audit of financial report	141,000	147,500	141,000	147,500
Other services in relation to the entity	14,000	14,000	14,000	14,000
	155,000	161,500	155,000	161,500

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

26. Financing arrangements

	CONSOLIDATED		CO-OPERATIVE	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
The following facilities existed as at 30 June:				
<i>i) Term loan facilities</i>				
Used facilities	30,560	30,355	30,560	30,355
Unused available facilities	-	(61)	-	(15)
	30,560	30,294	30,560	30,340
<i>ii) Bank overdrafts</i>				
Used facilities	-	148	-	148
Unused facilities	6,500	3,352	6,500	3,352
	6,500	3,500	6,500	3,500
<i>iii) Bank Guarantees</i>				
Used facilities	-	266	-	266
Unused facilities	-	-	-	-
	-	266	-	266
<i>iv) Lease finance</i>				
Used facilities	2,113	468	2,113	468
Unused facilities	137	1,502	137	1,502
	2,250	1,970	2,250	1,970
<i>v) Business credit card facility</i>				
Used facilities	7	31	7	31
Unused facilities	123	99	123	99
	130	130	130	130
<i>Total Finance Facilities</i>				
Used facilities	32,680	31,268	32,680	31,268
Unused facilities	6,760	4,892	6,760	4,938
	39,440	36,160	39,440	36,206

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

27. Notes to the Statement of Cash Flows

	CONSOLIDATED		CO-OPERATIVE	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
(a) Reconciliation of Profit from Ordinary Activities after Income Tax with Net Cash flows from Operating Activities				
Profit from ordinary activities after income tax	2,423	576	(423)	576
Members distribution expense	232	782	232	782
Depreciation	4,314	3,848	4,163	3,697
Provision for employee leave entitlements	185	100	185	100
(Profit)/loss on sale of property, plant and equipment	(495)	(137)	(495)	(137)
(Increase)/decrease in receivables	(967)	(5,841)	(967)	(5,841)
(Increase)/decrease in other assets	76	(208)	76	(208)
(Increase)/decrease in inventories	(1,732)	(3,703)	(1,732)	(3,703)
Increase/(decrease) in payables and other liabilities	4,336	6,343	4,487	6,494
Increase/(decrease) in deferred tax	(1,858)	(1,753)	988	(1,753)
Net cash flows from operating activities	6,514	7	6,514	7

(b) Reconciliation of cash

Cash on hand and with financial institutions	5,107	3,423	5,107	3,423
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(c) Business combinations – 30 June 2008

On 1 July 2007 the Co-operative completed the purchase of 100% of the business of Meat-e-Vites. The cash consideration paid was allocated to Goodwill in the amount of \$286,000.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

27. Notes to the Statement of Cash Flows (continued)

(d) Business combinations – 30 June 2007

i) Norco Milk

On 28 July 2006, Norco Co-Operative Limited acquired Parmalat's 50% share of the Norco Pauls Joint Venture (JV) to hold 100% of the business assets and liabilities of the Norco Pauls JV. Associated with this transaction was the purchase of 100% of the issued share capital of Gold Coast Milk Pty Ltd.

	Recognised on acquisition \$	Carrying value \$
Cash and cash equivalents	432,631	432,631
Receivables	7,707,957	7,707,957
Trading stock	998,131	998,131
Land and Buildings	15,781,957	8,646,240
Plant & equipment	8,341,234	8,341,234
Deferred tax liability	(3,504,931)	(1,364,216)
Trade payables and accruals	(6,968,435)	(6,968,435)
Interest bearing loans	(4,514,498)	(4,514,498)
Other loans	(1,402,575)	(1,402,575)
Employee entitlements	(3,515,664)	(3,515,664)
	13,355,807	8,360,805
Fair value of intangibles	53,338,122	
Goodwill	29,909,751	
Asset revaluation reserve (a)	(25,016,283)	
	71,587,397	
Cost of combination:		
Cash paid – Norco Milk	53,725,213	
Cash paid – Gold Coast Milk	15,782,000	
Investment contributed	2,080,184	
	71,587,397	
Cash Flow:		
Cash paid – Norco Milk	53,725,213	
Cash paid – Gold Coast Milk	15,782,000	
Cash acquired	(432,631)	
	69,074,582	

From the date of acquisition, Norco Milk has contributed \$3,290,000 to the reported consolidated profit of the Co-operative and \$64,438,000 to the revenue of the Co-operative, for the 2007 financial year.

(a) In accordance with the requirements of AASB 3 *Business Combinations*, the Co-operative revalued to fair value the assets and liabilities of its initial 50% share of the Joint Venture on acquisition. The investment was previously equity accounted.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

27. Notes to the Statement of Cash Flows (continued)

ii) BEW Toowoomba

On 1 April 2007, Norco Co-operative Limited acquired 100% of the business assets and liabilities of the BEW Toowoomba Rural Stores.

	Recognised on acquisition	Carrying value
	\$	\$
Cash and cash equivalents	-	-
Trading stock	2,627,112	2,627,112
Land	-	-
Plant & equipment	1,568,102	1,568,102
Motor vehicles	262,002	262,002
Employee entitlements	(10,004)	(10,004)
	4,447,212	4,447,212
Fair value of identifiable assets		
Goodwill	2,034,113	
	6,481,325	
Cost of combination:		
Cash paid	6,481,325	
Cash to be paid	-	
	6,481,325	

From the date of acquisition, BEW Toowoomba has contributed \$4,928,459 to the reported consolidated revenue of the Co-operative and \$304,635 to the profit of the Co-operative, for the 2007 financial year.

iii) Alstonville Rural Store

On 1 December 2006 the Co-operative completed the purchase of 100% of the business of Alstonville Rural Stores. The cash consideration paid was allocated to Goodwill in the amount of \$Nil and equipment in the amount of \$14,141.

iv) Kingaroy Rural Store

On 11 September 2006 the Co-operative completed the purchase of 100% of the business of Kingaroy Rural Stores. The cash consideration paid was allocated to Goodwill in the amount of \$62,000 and equipment in the amount of \$51,500.

v) Inverell Rural Store

On 7 September 2006 the Co-operative completed the purchase of 100% of the business of Inverell Rural Store. The cash consideration paid was allocated to Goodwill in the amount of \$300,000 and equipment in the amount of \$82,855.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

27. Notes to the Statement of Cash Flows (continued)

(e) Significant Disposal Transaction – 30 June 2007

On 12 January 2007 the Co-operative disposed of its interest in the Milk Distribution rights acquired as part of the Norco Pauls Milk acquisition transaction. The disposal took place to a third party for cash consideration. Details of the transaction and the resulting loss on disposal of \$918,000 are as follows:

	De-recognised on Disposal \$
Intangible assets	53,338,122
Property plant and equipment	2,890,100
Net working capital	4,366,002
	60,594,224
Cash consideration:	
Cash received	62,794,000
	2,199,776
Net gain before costs	2,199,776
	(1,618,002)
Costs of disposal and assets disposed for no consideration	(1,618,002)
Contingent settlement liability ⁽¹⁾	(1,500,000)
	(918,226)
Net loss on transaction before tax ⁽²⁾	(918,226)

⁽¹⁾ At 30 June 2007 a provision has been recorded for contingent settlement obligations associated with the transaction. Under these provisions, the Co-operative has guaranteed the performance of the disposed business interest for financial loss to a limit of penalties of \$1.5 million over four years. At 30 June 2007 the Directors believe it probable that these penalties will be applied and appropriate provisions have been made.

⁽²⁾ Associated with the transaction is the reversal of tax liabilities of \$1,753,000 associated with the intangible assets disposed. This causes the net profit on the transaction after tax to be \$835,000.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

28. Segment information

The Co-operative operates in Australia and in the following industry segments:

	2008 \$000	2008 \$000	2008 \$000	\$000	2007 \$000	2007 \$000	2007 \$000	\$000
	Dairy Products	Rural Retail	Agri- Business	Total	Dairy Products	Rural Retail	Agri- Business	Total
Sales to customers	161,557	110,390	38,896	310,843	141,304	86,088	28,813	256,205
Distribution from joint venture operations	-	-	-	-	208	-	-	208
Total segment revenue	161,557	110,390	38,896	310,843	141,512	86,088	28,813	256,413
Gain on disposal of assets				495				137
Unallocated revenue				486				2,555
Total revenue				311,824				259,105
Segment result	4,404	2,785	115	7,304	2,237	2,415	1,828	6,480
Unallocated expenses				(7,063)				(10,212)
Unallocated revenue				324				2,555
Operating profit/(loss)				565				(1,177)
Assets								
Segment assets	94,498	26,628	13,287	134,413	94,610	34,016	1,413	130,039
Unallocated assets				5,017				3,423
Total Assets				139,430				133,462
Liabilities								
Segment liabilities	24,574	18,318	5,001	47,893	23,690	15,604	3,084	42,378
Unallocated liabilities				38,499				40,213
Total Liabilities				86,392				82,591
Other segment information								
Acquisition of non-current assets	3,022	167	2,370	5,559	5,563	924	1,020	7,507
Depreciation	3,167	390	757	4,314	2,689	197	962	3,848

All investing and financing cash flows excluding acquisition of non-current assets are considered to be a function of the corporate entity which is included in unallocated cash flows. The principal operations of the 'Dairy Products' segment are the manufacture and sale of dairy products. The principal operation of the 'Rural Retail' segment is rural retailing and, 'Agribusiness' is the manufacture and sale of stock feeds and grains.

Secondary segments

The Co-operative operates only in Australia.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

29. Joint venture assets

	2008	2007
	\$000	\$000
(i) Norco Co-operative Limited has a Nil% (2007: Nil%) interest in the Norco Pauls Milk Joint Venture, the principal activity of which is the processing and sale of market milk. The Co-operative's share in the output is the same as their ownership interest. Norco's interest in the joint venture's profit is included in operating result after income tax in the year in which it is earned.		
Investment at cost (Note 8)	-	-
Contribution to operating result before income tax	-	208
Share of total assets of business undertaking	-	-
Contingent liabilities	-	-

Norco Co-operative Limited is severally liable for the liabilities of the venture. Norco Co-operative's several contingent liabilities at balance date are not included in the financial statements.

30. Financial risk management objectives and principles

The Co-operative's principal financial instruments comprise receivables, sundry receivables, payables, sundry payables, bank loans and overdrafts, bills of exchange, finance leases and cash.

The Co-operative does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

During the year the Co-operative's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates however foreign exchange risk ceased in November 2007 and there are no foreign exchange transactions unsettled at 30 June 2008.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading derivatives, hedging foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

Risk Exposures and Responses

Interest rate risk

The consolidated entity's exposure to market interest rates relates primarily to the consolidated entity's long-term debt and overdraft obligations. The level of debt is disclosed in notes 13 and 26.

At balance date, the Co-operative had the following mix of financial assets and liabilities exposed to Australian Variable interest rate risk that is not designated as cash flow hedges:

	CONSOLIDATED		CO-OPERATIVE	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Financial Assets				
Cash and cash equivalents	5,107	3,423	5,107	3,423
	5,107	3,423	5,107	3,423
Financial Liabilities				
Interest bearing loan	30,359	30,355	30,359	30,355
	30,359	30,355	30,359	30,355
Net exposure	25,252	26,932	25,252	26,932

The Co-operative's policy is to manage its finance costs using a mix of fixed and variable rate debt.

The Co-operative constantly analyses its interest rate exposure.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

30. Financial risk management objectives and principles (continued)

At 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
CONSOLIDATED				
+1% (100 basis points)	(177)	(189)	(177)	(189)
- .5% (50 basis points)	88	94	88	94
CO-OPERATIVE				
+1% (100 basis points)	(177)	(189)	(177)	(189)
- .5% (50 basis points)	88	94	88	94

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

There are no differences in movements in equity as no hedging instruments were in use. The effect on profit and equity is lower in 2008 than in 2007 because of increase cash on hand at 30 June 2008.

Foreign currency risk

The Co-operative has no exposure to foreign currency therefore this is not an applicable risk.

Price risk

The Co-operative's exposure to commodity price risk is present through the grain purchasing requirements for the animal nutrition business. It is the Co-operative's policy to secure grain quantities and prices through forward grain contracts. As these contracts are regular advance purchase contracts for process inputs, derivative accounting is not applied and contract fair value movements are not recorded.

Credit risk

Credit risk arises from the financial assets of the Co-operative, which comprise cash and cash equivalents and trade and other receivables. The Co-operative's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Co-operative does not hold any credit derivatives to offset its credit exposure.

The Co-operative trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Co-operative's policy to securitise its trade and other receivables.

It is the Co-operative's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the Co-operative's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the consolidated entity.

Liquidity risk

The Co-operative's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and committed available credit lines.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, as of 30 June 2008. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2008.

NORCO CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

30. Financial risk management objectives and principles (continued)

The remaining contractual maturities of the consolidated entity's and parent entity's financial liabilities are:

	CONSOLIDATED		CO-OPERATIVE	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
0-1 years	44,317	34,874	44,317	34,874
1-5 years	38,750	41,396	38,750	41,396
Over 5 years	636	-	636	-
	83,703	76,270	83,703	76,270

Maturity analysis of financial assets and liability based on management's expectation.

The risk implied from the values shown in the table below reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital e.g. inventories and trade receivables. These assets are considered in the consolidated entity's overall liquidity risk.

Year Ended 30 June 2008	<12 months \$000	1-5 years \$000	>5 years \$000	Total \$000
CONSOLIDATED				
Financial assets				
Cash & cash equivalents	5,107	-	-	5,107
Trade & other receivables	31,089	-	-	31,089
	36,196	-	-	36,196
Financial liabilities				
Interest bearing loans and borrowings	(3,481)	(36,793)	-	(40,274)
Finance leases	(426)	(1,207)	(636)	(2,269)
Trade and other payables	(40,410)	(750)	-	(41,160)
	(44,317)	(38,750)	(636)	(83,703)
Net Maturity	(8,121)	(38,750)	(636)	(47,507)

CO-OPERATIVE

Financial assets

Cash & cash equivalents	5,107	-	-	5,107
Trade & other receivables	31,089	-	-	31,089
	36,196	-	-	36,196

Financial liabilities

Interest bearing loans and borrowings	(3,481)	(36,793)	-	(40,274)
Finance Leases	(426)	(1,207)	(636)	(2,269)
Trade and other payables	(40,410)	(750)	-	(41,160)
	(44,317)	(38,750)	(636)	(83,703)
Net Maturity	(8,121)	(38,750)	(636)	(47,507)

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

NORCO CO-OPERATIVE LIMITED

DIRECTORS' DECLARATION 30 JUNE 2008

In the Directors' opinion:

- a) the financial statements and notes are in accordance with the *NSW Co-operatives Act 1992*, including:
 - i) giving a true and fair view of the Co-operative's and consolidated entity's financial position as at 30 June 2008 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.
 - ii) complying with Accounting Standards and the *Co-operatives Regulation 2005*; and
- b) there are reasonable grounds to believe that the Co-operative and consolidated entity will be able to pay its debts as and when they become due and payable.

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



G.J. McNAMARA
CHAIRMAN



T.J. COOPER
DEPUTY CHAIRMAN

Lismore, 25 September 2008

Independent auditor's report to the members of Norco Co-operative Limited

We have audited the accompanying financial report of Norco Co-operative Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the co-operative and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the co-operative are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *NSW Co-operatives Act 1992*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2 (b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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

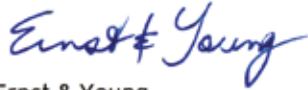
Independence

In conducting our audit we have met the independence requirements of the *NSW Co-operatives Act 1992*. We have given to the directors of the co-operative a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Norco Co-operative Limited is in accordance with the *NSW Co-operatives Act 1992*, including:
 - i giving a true and fair view of the financial position of Norco Co-operative Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.



Ernst & Young



Mike Reid
Partner
Lismore
25 September 2008

Auditor's Independence Declaration to the Directors of Norco Co-operative Limited

In relation to our audit of the financial report of Norco Co-operative Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *NSW Co-operatives Act 1992* or any applicable code of professional conduct.



Ernst & Young



Mike Reid
Partner
Lismore
25 September 2008

Branch Directory

CORPORATE OFFICE

'Windmill Grove', 107 Wilson Street
SOUTH LISMORE NSW 2480
(PO Box 486 LISMORE NSW 2480)
Phone: 02 6627 8000
Fax: 02 6621 9673

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NORCO RURAL RETAIL

HEAD OFFICE

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Phone: 07 3008 1160
Fax: 07 3375 6023

NORCO FOODS

NORCO FOODS

Cnr Pine Ridge Road &
Gold Coast Highway
LABRADOR QLD 4215
(PO Box 530, SOUTHPORT
QLD 4215)
Phone: 07 5594 0288
Fax: 07 5594 0101

NORCO FOODS

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RALEIGH NSW 2454
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Fax: 02 6655 4447

NORCO FOODS

Union Street
SOUTH LISMORE NSW 2480
(PO Box 486, LISMORE
NSW 2480)
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Fax: 02 6621 6120

NORCO AGRIBUSINESS – GOLDMIX OPERATIONS

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GOLDMIX SEED & GRAIN

300-312 Anzac Avenue
TOOWOOMBA QLD 4350
Phone: 07 4637 3316
Fax: 07 4637 3399

GOLDMIX TRADING

300-312 Anzac Avenue
TOOWOOMBA QLD 4350
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Fax: 07 4637 3325

GOLDMIX STOCKFEEDS

Krauss Avenue
SOUTH LISMORE NSW 2480
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Fax: 02 6621 9170

GOLDMIX STOCKFEEDS

2814 Gayndah – Murgon Road
WINDERA QLD 4605
(PO Box 346 MURGON QLD 4605)
Phone: 07 4168 6202
Fax: 07 4168 6214

GOLDMIX CREST SEEDS

316 Anzac Avenue
(PO Box 7593)
TOOWOOMBA QLD 4350
Phone: 07 4630 2374
Fax: 07 4630 2348

GOLDMIX MEAT-E-VITE

Ross Lane
LENNOX HEAD NSW 2478
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NSW 2480)
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Fax: 02 6621 9170

NORCO RURAL RETAIL BRANCHES

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Phone: 02 6628 3017
Fax: 02 6628 5765

ARMIDALE

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ARMIDALE NSW 2350
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Fax: 02 6771 1187

BEAUDESERT

9A Thiedke Road
BEAUDESERT QLD 4285
Phone: 07 5542 1122
Fax: 07 5541 1025

BEENLEIGH

312 Stapylton – Jacobs Well Road
ALBERTON QLD 4207
Phone: 07 3287 8999
Fax: 07 3287 8990

BELLINGEN

1076 Waterfall Way
BELLINGEN NSW 2454
Phone: 02 6655 1198
Fax: 02 6651 1386

NORCO BOWDLERS

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Fax: 07 4637 3399

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Fax: 07 4666 3520

BOWRAVILLE

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BOWRAVILLE NSW 2449
Phone: 02 6564 7080
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BRISBANE

2/30 Bernoulli Street
DARRA QLD 4076
Phone: 07 3008 1160
Fax: 07 3375 6023

BUNDABERG

71 Gavin Street
BUNDABERG QLD 4670
Phone: 07 4131 4160
Fax: 07 4154 4341

CASINO

Dyraaba Street
CASINO NSW 2470
Phone: 02 6660 2199
Fax: 02 6662 6007

COFFS HARBOUR

24 Isles Drive
SOUTH COFFS HARBOUR
NSW 2450
Phone: 02 6652 3488
Fax: 02 6658 0374

DUNOG

Stroud Road
DUNOG NSW 2420
Phone: 02 4992 1297
Fax: 02 4992 3000

GLEN INNES

165 Lang Street
GLEN INNES NSW 2370
Phone: 02 6730 2800
Fax: 02 6732 4188

GRAFTON

19 Queen Street
GRAFTON NSW 2460
Phone: 02 6641 4100
Fax: 02 6642 7245

INVERELL

2 Ring Street
INVERELL NSW 2360
Phone: 02 6722 1955
Fax: 02 6722 2561

KEMPSEY

Kemp Street
WEST KEMPSEY NSW 2440
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Fax: 02 6563 1020

KINGAROY

97 River Road
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