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# Hastings Co-op

Since 1916

# 2013

97th Annual Report



*Holiday Coast Credit Union was founded by visionaries at Hastings Cooperative in 1967.*

*We say thanks to those credit union pioneers and invite Co-op members to continue to support their financial co-op Holiday Coast Credit Union because as our members state:*

*We are friendly; We are helpful; We smile and  
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## **Notice to All Active Shareholder Members of Annual General Meeting 2013**

Notice is hereby given that the 97<sup>th</sup> Annual General Meeting of the Hastings Co-operative Limited will be held on Wednesday, 6 November 2013 at the Auditorium, Wauchope Country Club, commencing at 10.30am.

Agenda.

1. Welcome
2. Acknowledgement of Country
3. Confirmation of the minutes of the 96<sup>th</sup> AGM held on the 21st November 2012.
4. Report from Chair
5. Report from Chief Executive Officer
6. Report from Independent Auditor
7. To receive and adopt the following for the year ended 30<sup>th</sup> June 2013
  - a. Directors' report and Directors' Declaration;
  - b. Annual Financial Statements; and
  - c. Independent Auditors Report
8. Questions from Members
9. To fix Directors Remuneration at current level
10. To agree on the appointment of the Independent Auditor for 2013-14
11. To introduce reappointed Directors and to introduce new director
12. Concluding remarks

By order of the Board of Directors

Allan Gordon  
Co-operative Secretary  
Cameron Street Wauchope

30<sup>th</sup> September 2013

### **Questions**

Please submit all questions in writing at least 3 business days prior to the meeting. Those asking questions are requested to attend the meeting otherwise the question and response will be answered in writing.

# **CHAIRMANS ANNUAL REPORT**

**6 NOVEMBER 2013**

**Dear Shareholder members,**

**This has been a year of change, challenge and achievement for the Board, Business Units and Employees, change that is setting the scene for stability and growth, in a business environment where financial costs and compliance are ongoing challenges and are addressed on a daily basis in all aspects of business.**

**The Board with CEO Allan Gordon have developed a Strategic Plan, which recognises the challenges and the direction in which the organisation needs to move, this plan has been adopted and implemented.**

**Business Plans for each Business Unit have been developed and implemented and management is responsible for driving these plans forward.**

**It is the Boards' responsibility to ensure the Strategic Plan and the individual Business Plans are implemented, adhered to, monitored and achieved.**

**Your support of the Co-op, by remaining an active member, is encouraged and appreciated. Only active members can have a say in how the Co-op is operating, through exercising their right to vote at general meetings, a right to nominate for a position of Director and voting in the election of Directors. Shareholder members are encouraged to swipe your shareholder member card whenever making a purchase, which ensures you receive the rewards that are available at point of sale. The rewards available document is available at each business unit.**

**You can be assured that your Board and Chief Executive Officer are committed to strengthening the position of the Hastings Co-operative in the region and are diligent and aware of representing shareholder members by achieving the established strategic goals of the organisation.**

**I personally extend my appreciation to my fellow directors Deputy Chair Lisa Intemann, Anthony Abi-Saab, Stuart Goodfellow, John Hollis, (Principal Executive Officer) Richard McGovern, Scott Newton and Chief Executive Officer, Allan Gordon, who have embraced a culture of working as a Team, in an honest transparent manner.**

**Thank you is extended to Senior Management and Employees who are an integral part of the Hastings Co-operative Limited organisation as they are the face of the Co-op and have embraced change and run with the new era of Hastings Co-operative Limited.**

**The Co-op is ultimately relying on the continued support of Shareholder members, Customers and Community. This support is vital in the stability, and the positive growth of**

**the Co-op and the communities in which we live, play and work. This support is demonstrated repeatedly, is appreciated and encouraged to continue and grow.**

**There are exciting times ahead for the Co-op, come join the journey and be part of the new era for this business in its 98<sup>th</sup> year and beyond.**

**Strong foundations, New beginnings**

**Regards**

**Julie Muller (Chair)**

## CHIEF EXECUTIVE OFFICER'S ANNUAL REPORT

Dear Shareholder Members

It is with pleasure that I present my annual report to you.

The 2012-13 financial year has provided the Co-operative with a number of challenges including a flat retail market, declining rural sector and some significant internal issues to deal with.

In the last ten months we have made a concerted effort to ensure that our processes are correct and through this review we have found a number of errors. Some of these errors were made in previous reporting periods that were never corrected in that period. The two main problems were the incorrect valuation of our stock holdings, which resulted in a mark down in stock in excess of \$400,000 and the incorrect recording of GST to be collected on some items in our supermarkets over the last four years, which resulted in an interim liability to the Australian Taxation Office of \$77,933. The review process highlighted a number of deficiencies in our systems, all of which have now been corrected. These corrections resulted in several abnormal events of this financial year, which have had a significant impact on the net profit, but won't occur again.

The net accounting loss for this year is \$369,159. Apart from the abnormal items just mentioned, the majority of this year's loss can be attributed to the operating performance of the Timbertown Supa IGA and our Farm Supplies / Mitre 10 business units. In respect of the Timbertown Supa IGA we recognise that it provides a very convenient and well loved service to a significant proportion of the Hastings Valley community and therefore we are currently in the process of trying to turn its performance around through a number of initiatives that will see its financial bottom line improved. In respect of the Farm Supplies / Mitre 10 business, it is recognised that the rural sector is currently not buoyant and coupled with significant competition in this sector trading conditions can be expected to remain tight. The appointment of a new Farm Supplies Manager and a renewed focus on customer service both in Wauchope and at our Comboyne Rural Store will provide the stimulus required to improve results in this business.

This coming year will be seen as a watershed year for the Co-op as we are no longer in a position to allow non performing business units to continue without strong intervention and correction. The overall financial performance of the core businesses must be strong so that you, the shareholder member, can see value for money and so that the Co-op can successfully navigate a path in the future which will allow for expansion and development. Failure to act on non performing business units is not an option.

Overall, the outlook for retail trading conditions remains flat. For the Co-op to remain competitive in an increasingly competitive market place will require our focus to be on understanding what our customers want and delivering on these needs. Our strategic focus for the coming 12 months will be as follows;

1. To provide a sound financial platform for the business
2. To provide value back to shareholder members
3. To become employer of choice in the district and
4. To undertake good governance practices

The achievement of these goals will place the Co-op in a far better position to face the challenges of the future. I hope over the next 12 months you will see a number of initiatives come to fruition that will have a positive impact on the business as a whole; all of which are driven out of these four strategic goals.

So in closing, I would like to thank you for your continued support over the last 12 months. Your strong patronage and your loyalty to the Hastings Co-operative brand is very much appreciated.

Allan Gordon  
Chief Executive Officer

# **Hastings Co-operative Limited**

ABN: 86 601 035 121

## **Financial Report**

**For the Year Ended 30 June 2013**



# Hastings Co-operative Limited

ABN: 86 601 035 121

## Financial Report

30 June 2013

### CONTENTS

	<u>Page</u>
DIRECTORS' REPORT	8
AUDITOR'S INDEPENDENCE DECLARATION	14
STATEMENT OF COMPREHENSIVE INCOME	15
STATEMENT OF FINANCIAL POSITION	16
STATEMENT OF CHANGES IN EQUITY	17
STATEMENT OF CASH FLOWS	18
NOTES TO THE FINANCIAL STATEMENTS	19
DIRECTORS' DECLARATION	53
INDEPENDENT AUDITOR'S REPORT	54

# Hastings Co-operative Limited

ABN: 86 601 035 121

## DIRECTORS' REPORT

30 June 2013

Your Directors present their report on the Co-operative for the financial year ended 30 June 2013.

### Directors

The names of the Directors in office at any time during, or since the end of, the year are:

Julie Muller	(Chairperson)
Lisa Intemann	(Appointed Director 21/11/2012 (Appointed Deputy Chairperson 21/11/2012)
Anthony Abi-Saab	(Appointed 21/11/2012)
Scott Newton	(Appointed 21/11/2012)
John Hollis	(Appointed Casual Director 18/12/2012)
Stuart Goodfellow	(Appointed Casual Director 13/02/2013)
Richard McGovern	(Appointed Casual Director 13/02/2013)
David Freeman	(Appointed Casual Director 28/08/2012) (Resigned 21/11/2012)
Ross D. Thompson	(Resigned 21/11/2012)
Ian Gabriel	(Resigned 18/12/2012)
Ian Bartie	(Resigned as Deputy Chairperson 21/11/2012) (Resigned as Director 03/12/2012)
Adrienne van Spanje	(Resigned 17/12/2012)

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

### Co-operative Secretaries

Allan Gordon	(Appointed 01/05/2013)
Lisa Intemann	(Appointed 19/02/2013, Resigned 01/05/2013)
Adrienne van Spanje	(Resigned 17/12/2012)

The Co-operative Secretary, Allan Gordon B.Bus (Monash), Grad Dip Ed (QUT) is Chief Executive Officer of Hastings Co-operative.

### Principal Activities

The principal activities of the Co-operative during the financial year were retail operations in grocery, fresh foods, soft goods, hardware, rural supplies, liquor stores, service stations and bulk fuel.

No significant change in the nature of these principal activities occurred during the financial year.

# Hastings Co-operative Limited

ABN: 86 601 035 121

## DIRECTORS' REPORT

30 June 2013

### Operating Results

The total revenue for the Co-operative was \$73,033,621 for the current financial year as compared to revenue of \$82,980,504, including revenue from discontinued operations, in the previous financial year. The loss of the Co-operative for the financial year after providing for income tax amounted to \$369,159 compared to a loss of \$1,781,329 in the previous financial year.

### Dividends and Rebates

No dividend or rebate is recommended to be paid for the financial year ended 30 June 2013.

### Review of Operations

The Co-operative incurred losses from Timbertown Supermarket and Farm Supplies/ Mitre 10. The trading result has been affected by the significant write down in inventory valuations during the year at Port Macquarie IGA, Timbertown IGA and Farm Supplies/ Mitre 10.

### Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Co-operative during the financial year.

### Events After the Reporting Period

On 18 September 2013 the Co-operative was notified by its bankers that it was in breach of a bank loan covenant contained in the Business Finance Agreement dated 20 August 2012 (the Agreement). The breach related to the failure of the Co-operative to maintain a Debt Service Cover of not less than 1.00 times. Although the bank did not take action in respect of the breach, it reserved its rights to take action under the terms of the Agreement, including enforcing the bank's rights under its securities.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Co-operative, the results of those operations or the state of affairs of the Co-operative in future financial years.

### Future Developments

Likely developments in the operations of the Co-operative and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Co-operative.

### Environmental Regulations

The Co-operative's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

The Board believes that the Co-operative has adequate systems in place for the management of its environmental requirements and are not aware of any breach of those environmental requirements as they apply to the Co-operative.

# Hastings Co-operative Limited

ABN: 86 601 035 121

## DIRECTORS' REPORT

30 June 2013

### Indemnifying Officers or Auditor

During the financial year the Co-operative had a Directors and Officers Insurance Policy. The policy has an exclusion clause which precludes any further disclosure.

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, for 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 has been received and is included in this financial report.

### Meetings of Directors

During the financial year, 25 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	Directors' Meetings		Special Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Julie Muller	12	12	13	13
Lisa Intemann	8	7	9	9
Anthony Abi Saab	8	7	9	9
Scott Newton	8	6	9	7
John Hollis	8	8	9	9
Stuart Goodfellow	5	4	2	2
Richard McGovern	5	4	2	1
David Freeman	3	3	2	-
Ross D. Thompson	4	2	4	3
Ian Gabriel	6	5	6	2
Ian Bartie	5	5	7	4
Adrienne van Spanje	5	5	9	2

# Hastings Co-operative Limited

ABN: 86 601 035 121

## DIRECTORS' REPORT

30 June 2013

### Information on Current Directors

#### Julie Muller

Current Occupation	Small Business Proprietor - Hair Affair
Qualifications	Governance Workshops (TAFE) Effective Board Meetings and Interpreting Company Financial Statements; (AICD)
Business Experience	Director of Hastings Co-operative 20 years Small Business Owner Member of Wauchope Chamber of Commerce Member of Port Macquarie Chamber of Commerce NSW State Chamber Hastings Business Women's Network AICD
Key Contribution to Co-operative	Governance and Business Management
Special Responsibilities	Chairperson

#### Lisa Intemann

Current Occupation	Elected Councillor - Port Macquarie Hastings Council
Qualifications	B.Sc, PHD, Cert. in Mediation
Business Experience	Managed family businesses from 1980 to 1988. Councillor Port Macquarie Hastings Council from 1995 to 2008 and 2012
Key Contribution to Co-operative	Governance and Strategic Planning.
Special Responsibilities	Deputy Chairperson

#### Anthony Abi Saab

Current Occupation	Managing Director - Saab Industries Pty Ltd (Mount Seaview Natural Spring Water)
Qualifications	B.Sc, B.Arts/Law (Current) Grad Dip (Hons) - IASOS Grad Dip - Adult Education and Training Cert III (IT), Cert IV (Multimedia) Cert IV - TAE
Business Experience	Saab Industries Pty Ltd from 1999 to Current Civil Earthworks Contractor from 1993 to 1997
Key Contribution to Co-operative	Communications and Legal

# Hastings Co-operative Limited

ABN: 86 601 035 121

## DIRECTORS' REPORT

30 June 2013

### **Stuart Goodfellow**

Current Occupation

Business Coach - Action Coach

Qualifications

Certified Business Coach  
Grad Dip. Marketing  
Dip of Applied Science-Systems  
Thinking and Agriculture  
Adv. Cert. of Marketing

Business Experience

Company Directorships  
Business Coaching for more than 100 regional businesses  
International Marketing and Strategic Development Manager  
National Product Manager  
Sales Manager  
Commercial Director

Key Contribution to Co-operative

Sales and Marketing  
Business Strategy, Human Resources,  
Finance and Accountability

### **John Hollis**

Current Occupation

Retired

Qualifications

Dip. Local Government Administration  
Justice of the Peace

Business Experience

Local Government Accountant  
Director of Finance  
Internal Auditor  
Financial Planning (Operational and Infrastructure)  
Company Director

Key Contribution to Co-operative

Financial, Governance and Audit

### **Richard McGovern**

Current Occupation

Small Business Proprietor - Wauchope Sports and Trophies

Qualifications

Cert III – Business Marketing /Promotions/Customer Service

Business Experience

Small business owner since 2004  
Promotions Account Manager from 1998 to 2004  
Department Manager from 1993 to 1998

Key Contribution to Co-operative

Governance Committee  
Communications and Marketing Committee

# Hastings Co-operative Limited

ABN: 86 601 035 121

## DIRECTORS' REPORT

30 June 2013

**Scott Newton**

Current Occupation

Director Shaw Gidley Port Macquarie- Insolvency and Business Reconstruction

Qualifications

B.Com  
Grad Dip - Advanced Insolvency and Law  
Member Institute of Chartered Accountants in Australia  
Member Insolvency Practitioners Association  
Official Liquidator - Supreme Court  
Official Liquidator - Federal Court  
Registered Trustee in Bankruptcy  
Justice of the Peace

Business Experience

Director Shaw Gidley from 2009 to current

Key Contribution to Co-operative

Financial Management and Audit

### Acknowledgements

The Board of Directors wishes to extend to all shareholder members their appreciation for the support given to the Co-operative during the year.

Shareholder members' support, and that of the community is appreciated and remains a crucial factor for the success of the Co-operative.

To the executive and all staff, we offer our sincere thanks for your loyalty and co-operation throughout the past year.

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

Chairperson:.....

  
Julie Muller

Casual Director:.....

  
John Hollis

Dated: 24 September 2013

## Auditor's Independence Declaration

### Partners

**Douglas Cheetham**  
B.Comm FCA

**Chris Garrett**  
B.Bus CA

**Anthony de Jager**  
B.Comm CPA

### Consultant

**Gary Ferguson**  
CA

### Under Section 307C of the Corporations Act 2001

To The Directors of Hastings Co-operative Limited

As the auditor of Hastings Co-operative Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the independence requirements of 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.



Doug Cheetham  
Partner  
Wrights Chartered Accountants  
24 September 2013

### KEMPSEY

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Ph: 02 6566 2200  
Fax: 02 6566 2225

Email:  
accnts@wrightsca.com.au

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www.wrightsca.com.au





# Hastings Co-operative Limited

ABN: 86 601 035 121

## STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2013

		2013	2012
	Note	\$	\$
Revenue	2(a)	73,033,621	79,614,286
Other income	2(b)	-	3,000
		<u>73,033,621</u>	<u>79,617,286</u>
Changes in inventories	3(a)	128,050	(719,151)
Inventory purchases	3(a)	(60,119,325)	(66,120,968)
Bad and doubtful debts expense	3(a)	(2,804)	(1,063)
Depreciation and amortisation expense	3(a)	(788,917)	(779,953)
Employee benefits expense		(6,887,407)	(6,942,854)
Finance costs	3(a)	(979,301)	(1,144,036)
Rent expense		(704,065)	(698,968)
Other expenses		(4,061,176)	(3,633,770)
		<u>(73,414,945)</u>	<u>(80,040,763)</u>
<b>Profit/(loss) before income tax</b>		<b>(381,324)</b>	<b>(423,477)</b>
Income tax expense	5	12,165	(22,861)
		<u>(369,159)</u>	<u>(446,338)</u>
<b>Profit/(loss) from continuing operations</b>		<b>(369,159)</b>	<b>(446,338)</b>
Profit/(loss) from discontinued operations after tax	4	-	(1,334,991)
		<u>(369,159)</u>	<u>(1,781,329)</u>
<b>Profit/(loss) for the year</b>		<b>(369,159)</b>	<b>(1,781,329)</b>
<b>Other comprehensive income:</b>			
Net gain on revaluation of land and buildings		-	89,097
		<u>-</u>	<u>89,097</u>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>89,097</b>
		<u>(369,159)</u>	<u>(1,692,232)</u>
<b>Total comprehensive income for the year</b>		<b>(369,159)</b>	<b>(1,692,232)</b>
Profit / (loss) attributable to members of the Co-operative		<u>(369,159)</u>	<u>(1,781,329)</u>
Total comprehensive income (loss) attributable to members of the Co-operative		<u>(369,159)</u>	<u>(1,692,232)</u>

# Hastings Co-operative Limited

ABN: 86 601 035 121

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	2013 \$	2012 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	82,270	78,720
Trade and other receivables	8	1,928,074	2,213,865
Inventories	9	3,645,805	3,673,439
Other assets	10	139,261	161,636
<b>Total current assets</b>		<b>5,795,410</b>	<b>6,127,660</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	15,308,568	15,900,741
Intangible assets	12	264,359	264,359
Deferred tax assets	13(a)	309,458	297,293
<b>Total non-current assets</b>		<b>15,882,385</b>	<b>16,462,393</b>
<b>TOTAL ASSETS</b>		<b>21,677,795</b>	<b>22,590,053</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	5,558,883	5,338,967
Borrowings	15	10,369,901	11,227,751
Short-term provisions	17	691,398	648,430
Other liabilities	18	-	26,405
<b>Total current liabilities</b>		<b>16,620,182</b>	<b>17,241,553</b>
<b>Non-current liabilities</b>			
Borrowings	15	682,636	590,161
Members' shares	16	2,629,208	2,623,510
Long-term provisions	17	130,795	150,695
<b>Total non-current liabilities</b>		<b>3,442,639</b>	<b>3,364,366</b>
<b>TOTAL LIABILITIES</b>		<b>20,062,821</b>	<b>20,605,919</b>
<b>NET ASSETS</b>		<b>1,614,974</b>	<b>1,984,134</b>
<b>EQUITY</b>			
Reserves	20	4,694,536	4,694,536
Retained earnings		(3,079,562)	(2,710,402)
<b>TOTAL EQUITY</b>		<b>1,614,974</b>	<b>1,984,134</b>

These Financial Statements should be read in conjunction with the attached Independent Auditor's Report.  
The accompanying notes form part of these financial statements.

# Hastings Co-operative Limited

ABN: 86 601 035 121

## STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2013

2013

	Retained Earnings	Asset Revaluation Reserve	Total
	\$	\$	\$
<b>Balance at 1 July 2012</b>	<b>(2,710,403)</b>	<b>4,694,536</b>	<b>1,984,133</b>
Profit / (loss) attributable to members of the Co-operative	(369,159)	-	(369,159)
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	<b>(369,159)</b>	<b>-</b>	<b>(369,159)</b>
<b>Balance at 30 June 2013</b>	<b>(3,079,562)</b>	<b>4,694,536</b>	<b>1,614,974</b>

2012

	Retained Earnings	Asset Revaluation Reserve	Total
	\$	\$	\$
<b>Balance at 1 July 2011</b>	<b>40,137</b>	<b>3,636,229</b>	<b>3,676,366</b>
Profit / (loss) attributable to members of the Co-operative	(1,781,329)	-	(1,781,329)
Other comprehensive income	-	89,097	89,097
<b>Total comprehensive income for the year</b>	<b>(1,781,329)</b>	<b>89,097</b>	<b>(1,692,232)</b>
<b>Other</b>			
Transfer of revaluation decrement on disposal of land and buildings	(714,728)	714,728	-
Transfer of prior year revaluation decrements in relation to land and buildings	(254,482)	254,482	-
<b>Total other</b>	<b>(969,210)</b>	<b>969,210</b>	<b>-</b>
<b>Balance at 30 June 2012</b>	<b>(2,710,402)</b>	<b>4,694,536</b>	<b>1,984,134</b>

# Hastings Co-operative Limited

ABN: 86 601 035 121

## STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
<b>Cash flows from operating activities:</b>			
Receipts from customers		78,295,001	88,963,360
Payments to suppliers and employees		(76,396,473)	(86,315,133)
Finance costs		(979,301)	(1,144,036)
Interest received		40,744	84,548
Net cash provided by (used in) operating activities	24(a)	<u>959,971</u>	<u>1,588,739</u>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of property, plant and equipment		-	2,453,000
Proceeds from sale of financial assets		-	-
Refund of bond		-	89,097
Purchase of property, plant and equipment		(196,744)	(53,836)
Net cash provided by (used in) investing activities		<u>(196,744)</u>	<u>2,488,261</u>
<b>Cash flows from financing activities:</b>			
Shares issued		5,698	10,620
Shares repaid		-	-
Net increase / (decrease) in borrowings		(822,596)	(3,158,108)
Net increase / (decrease) in members' deposits		(241,992)	(456,391)
Net cash provided by (used in) financing activities		<u>(1,058,890)</u>	<u>(3,603,879)</u>
Net increase (decrease) in cash held		(295,663)	473,121
Cash and cash equivalents at beginning of financial year		(723,634)	(1,196,755)
Cash and cash equivalents at end of financial year	7	<u>(1,019,297)</u>	<u>(723,634)</u>

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

The financial report is for Hastings Co-operative Limited as an individual entity. Hastings Co-operative Limited is a Co-operative under the Co-operatives Act 1992, incorporated and domiciled in Australia.

### Note 1 Summary of Significant Accounting Policies

#### Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the Co-operatives Act 1992 and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied, unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### Accounting Policies

##### (a) Going Concern

In determining whether the business is a going concern the Directors and management have examined the financial performance of the various business units and the changed management practices. Significant current year losses from the Timbertown Supermarket, the write down of obsolete stock, prior year losses from the Dairy factory, the level of debt and the ongoing high cost of finance have all contributed to the current financial position of the Co-operative.

The Statement of Financial Position shows current liabilities exceeding current assets by \$10,824,772 (2012: \$10,796,772). This reflects the classification of bank borrowings as current liabilities as a result of the breach of loan covenants outlined below.

The Co-operative technically breached the bank loan covenants contained in the Business Finance Agreement dated 20th August 2012 that requires the maintenance of a Debt Service Cover of not less than 1.00 times as measured at each quarterly review.

The Directors and management believe that it is appropriate that the financial statements are prepared using the going concern assumption. The Directors and management have based their decision on the following:-

- Improvement in cashflow management, improved internal controls, better management practices, better and more regular financial reporting;
- Review of all business units and their profitability, the restructure of some business units to improve their profitability;
- More rigorous management functions;
- The write down of obsolete and slow moving stock;

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 1 Summary of Significant Accounting Policies (continued)

#### (a) Going Concern (continued)

- The improved profitability of business units in the current financial year;
- The continued support of Members/Shareholders, the community and other stakeholders;
- The continued good working relationship and support of the Co-operative's bankers; and
- Ongoing commitment from the Board.

Members' shares are currently frozen and will continue to be frozen in line with Co-operative rules, to protect the financial stability of the Co-operative. The Directors have placed a high priority on stabilizing the business so that repayments can be made as soon as practicable.

The Co-operatives bankers have indicated that while there has been a recent technical breach of the loan covenants, they acknowledge that this is due to an adjustment of stock and not from day to day trading and no action will be taken at present. The bank has reserved its rights to take action in relation to the current breach which may include enforcing its rights under its securities.

Should the bank withdraw its support or the plans to improve profitability be unsuccessful there is a significant uncertainty as to whether the Co-operative would continue as a going concern and therefore, whether the assets will realize their book values and be sufficient to extinguish its liabilities in the normal course of business.

The financial statements have been prepared on a going concern and do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of its liabilities that might be necessary should the Co-operative not continue as a going concern.

#### (b) Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

No deferred income tax will be recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 1 Summary of Significant Accounting Policies (continued)

#### (c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities in the statement of financial position.

#### (d) Financial Instruments

##### Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Co-operative becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Co-operative commits itself to either the purchase or sale of the asset (ie. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified as at "fair value through profit or loss" in which case transaction costs are expensed to profit or loss immediately.

##### Classification and Subsequent Measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

#### (i) Financial assets at fair value through profit and loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 1 Summary of Significant Accounting Policies (continued)

#### (c) Financial Instruments (continued)

##### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which are classified as non-current assets.

A provision for doubtful receivables is established when there is objective evidence that the Co-operative will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off.

##### (iii) *Held-to-maturity investments*

Held-to-maturity financial assets are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Co-operative's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the asset is derecognised.

Held-to-maturity financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

##### (iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

##### (v) *Financial liabilities*

Non-derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.



# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 1 Summary of Significant Accounting Policies (continued)

#### (c) Financial Instruments (continued)

##### **Fair Value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions and reference to similar instruments.

##### **Impairment**

At the end of each reporting period, the Co-operative assesses whether there is objective evidence that a financial asset has been impaired. In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

#### (e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads and costs are assigned on the basis of normal operating capacity.

#### (f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

##### ***Property***

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

##### ***Plant and Equipment***

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 1 Summary of Significant Accounting Policies (continued)

#### (f) Property, Plant and Equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Co-operative and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

#### *Depreciation*

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Co-operative commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Buildings and improvements	2.50%
Plant and Equipment	5% to 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to those assets are transferred to retained earnings.

#### (g) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Co-operative. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 1 Summary of Significant Accounting Policies (continued)

#### (h) Impairment of Assets

At the end of each reporting period, the Co-operative reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Co-operative estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### (i) Intangible Assets

##### *Goodwill*

Goodwill is initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### (j) Employee Benefits

Provision is made for the Co-operative's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. 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. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements.

Contributions are made by the Co-operative to employee superannuation funds and are charged as expenses when incurred.

#### (k) Members' Shares

Members' shares were initially recognised in equity. In accordance with International Financial Reporting Standards, members' shares were reclassified as non-current liabilities in the statement of financial position and are measured at fair value. In accordance with UIG Interpretation 2, dividends relating to members' shares are recognised as an expense in the statement of comprehensive income.

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 1 Summary of Significant Accounting Policies (continued)

#### (l) Provisions

Provisions are recognised when the Co-operative has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### (m) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

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. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

#### (n) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

#### (o) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Co-operative are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for that period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 1 Summary of Significant Accounting Policies (continued)

#### (p) 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.

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

#### (q) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Co-operative applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

#### (r) Adoption of New and Revised Accounting Standards

During the current year there were no new or revised Australian Accounting Standards and Interpretations applicable to the operations of the Co-operative which became mandatory.

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 1 Summary of Significant Accounting Policies (continued)

#### (s) New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended standards and interpretations that have mandatory application for future reporting periods. The Co-operative has decided against early adoption of the following standards which are applicable to the Co-operative but are not yet effective:

Title of Standard	Future Reporting Requirements	Operative Date
AASB 9: Financial Instruments and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9.	These standards are applicable retrospectively and amend the classification and measurement of financial instruments.	1 January 2015
AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13.	These standards require enhanced disclosures regarding all assets and liabilities to be measured at fair value.	1 January 2013
AASB 119: Employee Benefits and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119.	These standards require only those employee benefits expected to be settled wholly within 12 months, after the end of the reporting period in which employees render the related service, to be classified as short-term employee benefits.	1 January 2013

The abovementioned standards are applicable for annual reporting periods commencing on the operative date. The Co-operative has not been able to reasonably estimate the impact of these pronouncements on its financial statements.

#### (t) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Co-operative.

#### *Key estimates - Impairment*

The Co-operative assesses impairment at the end of each reporting period by evaluating conditions specific to the Co-operative that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate the following key assumptions. The recoverable amount of the Port Macquarie IGA Supermarket, including goodwill, was estimated based on its value-in-use using a pre tax discount rate of 11% and a growth rate of nil%. The recoverable amount was estimated to be higher than the carrying amount of the cash generating unit, and no impairment was required.

The financial report was authorised for issue by the Board of Directors on 24 September 2013.

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 2 Revenue and Other Income

#### (a) Revenue from continuing operations

	Note	2013 \$	2012 \$
<b>Sale of goods</b>			
Sales revenue		71,239,816	78,227,454
<b>Other revenue:</b>			
Interest received		40,744	84,548
Rent received		202,195	224,994
Other revenue		1,550,866	1,077,290
<b>Total Revenue</b>		<b>73,033,621</b>	<b>79,614,286</b>

#### (b) Other income

Gain on disposal of property, plant and equipment		-	3,000
<b>Total Other Income</b>		<b>-</b>	<b>3,000</b>

#### Total Revenue and Other Income from Continuing Operations

**73,033,621**    **79,617,286**

#### (c) Revenue and other income from discontinued operations

Dairy Factory	4	-	3,366,218
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#### (d) Income from continuing operations and discontinued operations

Attributable to members of the Co-operative		<b>73,033,621</b>	<b>82,983,504</b>
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# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 3 Profit / (Loss) for the Year

#### (a) Expenses

Profit / (loss) before income tax from continuing operations includes the following specific expenses:

	2013	2012
Note	\$	\$
<b>Cost of Sales</b>	<u>59,991,275</u>	<u>66,840,119</u>
<b>Finance Costs</b>		
<b>Interest expense</b>		
Members' shares	-	58
Members' deposits	129,268	152,636
Other persons	<u>850,033</u>	<u>991,342</u>
Total finance costs	<u>979,301</u>	<u>1,144,036</u>
<b>Depreciation of Non-Current Assets</b>		
Buildings and improvements	187,250	189,500
Plant and equipment	<u>601,667</u>	<u>590,453</u>
Total depreciation	<u>788,917</u>	<u>779,953</u>
<b>Bad and Doubtful Debts</b>		
Trade receivables	<u>2,804</u>	<u>1,063</u>
Total bad and doubtful debts	<u>2,804</u>	<u>1,063</u>
<b>(b) Significant Revenue and Expenses</b>		
The following significant expense items are relevant in explaining the financial performance of the Co-operative.		
<b>Write down in value of inventory</b>	3(c) <u>400,000</u>	-
<b>Loss on discontinuation of Dairy Factory</b>		
Consideration on discontinuation of Dairy Factory	-	2,000,000
Carrying amount of net assets sold	-	<u>2,025,000</u>
Net profit/(loss) on the discontinuation of Dairy Factory	4 <u>-</u>	<u>(25,000)</u>



# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 3 Profit / (Loss) for the Year (continued)

#### (c) Write down in value of inventory

During the year ended 30 June 2013 there was a significant write down in the valuation of inventory in relation to the Port Macquarie IGA and Timbertown IGA Supermarkets and Farm Supplies / Mitre 10 based on an assessment by management of the recoverable amount of inventory.

### Note 4 Discontinued Operations

On 21 October 2011, contracts were signed for the sale of the Dairy Factory. Settlement of the business sale contract took place on 16 December 2011. This sale was made subsequent to approval by members of the Co-operative in September 2011.

Financial information relating to the discontinued operations to the date of disposal is set out below.

The financial performance of the discontinued operations to the date of sale, which is included in profit/(loss) from discontinued operations per the statement of comprehensive income, is as follows:

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Revenue	-	3,366,218
Expenses	-	(4,208,179)
Profit/(loss) before income tax	-	(841,961)
Income tax expense	-	(468,030)
Profit/(loss) attributable to members of the Co-operative	-	(1,309,991)
Profit/(loss) on sale before income tax	-	(25,000)
Income tax expense	-	-
Profit/(loss) on sale after income tax	-	(25,000)
Total profit/(loss) after tax attributable to discontinued operations	-	(1,334,991)

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 5 Income Tax Expense

(a) The components of tax expense comprise:

	2012	2012
	\$	\$
Current tax expense / (income)	-	-
Deferred tax arising from the origination and reversal of temporary differences	(12,165)	22,861
	<u>(12,165)</u>	<u>22,861</u>

(b) The prima facie tax on profit / (loss) before income tax expense is reconciled to the income tax expense as follows:

Prime facie tax on profit / (loss) before income tax expense at 30% (2012: 30%)	(114,397)	(134,008)
Add:		
Tax effect of:		
- other non-allowable items	-	1,685
	<u>(114,397)</u>	<u>(132,323)</u>
Less:		
Tax effect of:		
- rebateable fully franked dividends	-	-
- current year taxation allowances	-	-
- current and prior years losses and adjustments	102,232	155,184
	<u>102,232</u>	<u>155,184</u>
Income tax (benefit) / expense attributable to the Co-operative	<u>(12,165)</u>	<u>22,861</u>

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 6 Dividends

	2013	2012
	\$	\$
Fully franked dividend of Nil% of issued share capital (2012: Nil%)	-	-
	<hr/>	<hr/>
<b>(a) Proposed Fully Franked Dividend</b>	-	-
	<hr/>	<hr/>
No dividend was proposed for the current financial year or the previous financial year.		
<b>(b) Franking Account</b>		
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years.	<b>912,428</b>	912,428
	<hr/>	<hr/>

### Note 7 Cash and Cash Equivalents

Cash on hand	<b>82,270</b>	78,720
	<hr/>	<hr/>
<b>Reconciliation of Cash</b>		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	<b>82,270</b>	78,720
Bank overdraft	15 <b>(1,101,567)</b>	(802,354)
	<hr/>	<hr/>
	<b>(1,019,297)</b>	(723,634)
	<hr/>	<hr/>

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 8 Trade and Other Receivables

	2013	2012
Note	\$	\$
<b>Current</b>		
Trade receivables	1,464,519	1,539,091
Provision for impairment	8(b) (48,957)	(48,957)
	<u>1,415,562</u>	<u>1,490,134</u>
Other receivables	<u>512,512</u>	<u>723,731</u>
<b>Total current trade and other receivables</b>	<u><b>1,928,074</b></u>	<u><b>2,213,865</b></u>

#### (a) Trade Receivables

The average credit period on sales of goods is 45 days. No interest is charged on trade receivables for the first 60 days from the date of the invoice. Thereafter, interest is charged at 18% p.a (2012: 18%) on the outstanding balance.

#### (b) Impairment of Trade Receivables

In determining the recoverability of a trade receivable the Co-operative considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. An amount of \$48,957 has been provided for impaired trade receivables as at 30 June 2013 (2012: \$48,957).

### Note 9 Inventories

#### Current

Finished goods at cost	<u>3,645,805</u>	<u>3,673,439</u>
	<u><b>3,645,805</b></u>	<u><b>3,673,439</b></u>

### Note 10 Other Assets

#### Current

Prepayments	<u>139,261</u>	<u>161,636</u>
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# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 11 Property Plant and Equipment

	2013	2012
	\$	\$
<b>Land and Buildings</b>		
<b>Freehold land</b>		
Freehold land at independent valuation 2011	<u>4,765,000</u>	4,765,000
<b>Buildings</b>		
Buildings and improvements at independent valuation 2011	7,490,000	7,490,000
Less accumulated depreciation	<u>(376,750)</u>	(189,500)
Total buildings	<u>7,113,250</u>	7,300,500
<b>Total land and buildings</b>	<u>11,878,250</u>	12,065,500
<b>Plant and equipment</b>		
Plant and equipment at cost	7,110,002	6,913,259
Less accumulated depreciation	<u>(3,679,684)</u>	(3,078,018)
Total plant and equipment	<u>3,430,318</u>	3,835,241
<b>Total property, plant and equipment</b>	<u>15,308,568</u>	15,900,741

The Co-operative's land and buildings were revalued at 30 June 2011 by independent valuers. Valuations were made on the basis of current market values.

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### (a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Freehold land \$	Buildings and improvements \$	Plant and Equipment \$	Total \$
<b>2013</b>				
Balance at 1 July 2012	4,765,000	7,300,500	3,835,241	15,900,741
Additions	-	-	196,744	196,744
Depreciation expense	-	(187,250)	(601,667)	(788,917)
<b>Balance at 30 June 2013</b>	<b>4,765,000</b>	<b>7,113,250</b>	<b>3,430,318</b>	<b>15,308,568</b>

<b>2012</b>				
Balance at 1 July 2011	5,752,000	7,928,000	5,421,858	19,101,858
Additions	-	-	53,836	53,836
Disposals	(987,000)	(438,000)	(1,050,000)	(2,475,000)
Depreciation expense	-	(189,500)	(590,453)	(779,953)
Balance at 30 June 2012	4,765,000	7,300,500	3,835,241	15,900,741

### (b) Historical Cost

If land and buildings were stated at historical cost, amounts would be as follows:

	2013 \$	2012 \$
Cost	7,956,714	7,956,714
Accumulated depreciation	(603,628)	(442,259)
<b>Net book value</b>	<b>7,353,086</b>	<b>7,514,455</b>

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 12 Intangible Assets

	2013	2012
	\$	\$
<b>Goodwill</b>		
Cost	264,359	264,359
Accumulated impairment losses	-	-
Net carrying amount	<u>264,359</u>	<u>264,359</u>

Goodwill is allocated to the Co-operative's Port Macquarie IGA Supermarket which has been identified as a cash generating unit.

#### (a) Movements in Carrying Amounts

	Goodwill	Total
	\$	\$
<b>Year ended 30 June 2012</b>		
Balance at the beginning of year	264,359	264,359
Additions	-	-
Disposals	-	-
Amortisation charge	-	-
Impairment losses	-	-
Balance at 30 June 2012	<u>264,359</u>	<u>264,359</u>
<b>Year ended 30 June 2013</b>		
Balance at the beginning of year	264,359	264,359
Additions	-	-
Disposals	-	-
Amortisation charge	-	-
Impairment losses	-	-
Balance at 30 June 2013	<u>264,359</u>	<u>264,359</u>

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 13 Tax

#### (a) Assets

##### Non Current

	Opening Balance	Charged to Income	Charged Directly to Equity	Closing Balance
	\$	\$	\$	\$
<b>Deferred Tax Assets</b>				
Provisions	347,548	(95,114)	-	252,434
Impairment of trade receivables	14,687	-	-	14,687
Other	425,949	(395,777)	-	30,172
<b>Balance at 30 June 2012</b>	<b>788,184</b>	<b>(490,891)</b>	<b>-</b>	<b>297,293</b>
Provisions	252,434	9,643	-	262,077
Impairment of trade receivables	14,687	-	-	14,687
Other	30,172	2,522	-	32,694
<b>Balance at 30 June 2013</b>	<b>297,293</b>	<b>12,165</b>	<b>-</b>	<b>309,458</b>

#### (b) Liabilities

The balance of deferred tax liabilities as at 30 June 2013 was NIL (2012: NIL)

### Note 14 Trade and Other Payables

	2013	2012
	\$	\$
<b>Current</b>		
<b>Unsecured liabilities</b>		
Trade payables	5,338,098	5,164,530
Other payables and accrued expenses	220,785	174,437
	<b>5,558,883</b>	<b>5,338,967</b>

#### (a) Trade Payables

The Co-operative has financial risk management policies in place to ensure that trade and other payables are paid within the credit timeframe. Trade and other payables are expected to be paid in less than 6 months from the end of the reporting period.



# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 15 Borrowings

	Note	2013 \$	2012 \$
<b>Current</b>			
<b>Unsecured liabilities</b>			
Members' deposits		<u>1,112,498</u>	1,446,965
<b>Secured liabilities</b>			
Bank overdraft	15(a)	<u>1,101,567</u>	802,354
Commercial loans	15(a)	<u>8,155,836</u>	8,978,432
		<u>9,257,403</u>	9,780,786
<b>Total current borrowings</b>		<u>10,369,901</u>	11,227,751
<b>Non-Current</b>			
<b>Unsecured liabilities</b>			
Members' deposits		<u>682,636</u>	590,161
<b>Total non-current borrowings</b>		<u>682,636</u>	590,161
<b>Total borrowings</b>		<u>11,052,537</u>	11,817,912
<b>(a) Total current and non-current secured liabilities</b>			
Bank overdraft		<u>1,101,567</u>	802,354
Commercial loans		<u>8,155,836</u>	8,978,432
		<u>9,257,403</u>	9,780,786

### (b) Security Details

The bank overdraft and commercial loans are secured by registered first mortgage over freehold land and buildings of the Co-operative and a fixed and floating charge over all the assets of the Co-operative.

The carrying amounts of non-current assets pledged as security are:

Freehold Land and buildings	<u>11,878,250</u>	12,065,500
Plant and equipment	<u>3,430,318</u>	3,835,241
	<u>15,308,568</u>	15,900,741

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 15 Borrowings (continued)

#### (c) Financial Covenants

On 20 August 2012 the Co-operative's bankers issued a Letter of Variation in relation to the Business Finance Agreement dated 5 April 2011.

The covenants contained within this Letter of Variation require compliance with the following financial undertakings:

- Financial reports to be provided to the bank on a quarterly basis within 45 days of the corresponding balance date.
- Debt Service Cover (DSC) of not less than 1.00 times as measured at each quarterly review. Should the Co-operative's financial performance not sustain a DSC of 1.00 times the Co-operative must agree to a sale strategy, to the bank's satisfaction, to achieve core debt reduction to meet the ratio.

#### Breaches of Covenants

On 18 September 2013 the Co-operative was notified by its bankers that it was in breach of a bank loan covenant contained in the Business Finance Agreement dated 20 August 2012 (the Agreement). The breach related to the failure of the Co-operative to maintain a Debt Service Cover of not less than 1.00 times. Although the bank did not take action in respect of the breach, it reserved its rights to take action under the terms of the Agreement, including enforcing the bank's rights under its securities.

### Note 16 Members' Shares

	2013	2012
	\$	\$
<b>Non Current</b>		
Fully paid ordinary shares	<b>2,629,208</b>	2,623,510
<b>Ordinary Shares</b>		
Balance at the beginning of the financial year	<b>2,623,510</b>	2,612,890
Allotment of shares	<b>5,698</b>	10,620
	<b>2,629,208</b>	2,623,510
Shares bought back during the year	-	-
Balance at the end of the financial year	<b>2,629,208</b>	2,623,510

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 17 Provisions

	<b>Employee benefits</b>	<b>Total</b>
	\$	\$
Opening balance at 1 July 2012	799,125	799,125
Additional provisions	23,068	23,068
Balance at 30 June 2013	<u>822,193</u>	<u>822,193</u>

#### Analysis of Total Provisions

	<b>2013</b>	<b>2012</b>
	\$	\$
Current	691,398	648,430
Non-current	130,795	150,695
	<u>822,193</u>	<u>799,125</u>

### Note 18 Other liabilities

#### Current

Income in advance	-	26,405
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### Note 19 Auditors' Remuneration

#### Previous Auditor

Remuneration of the auditor of the Co-operative for:

Auditing the financial report	44,650	63,600
Taxation services	15,070	12,175
Other services	8,580	850
	<u>68,300</u>	<u>76,625</u>

#### Current Auditor

Remuneration of the auditor of the Co-operative for:

Auditing the financial report	43,000	-
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# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 20 Reserves

#### (a) Asset Revaluation Reserve

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

### Note 21 Capital and Leasing Commitments

#### (a) Operating Lease Commitments

Non-cancelable operating leases contracted for but not capitalised in the financial statements. Operating lease payments under existing lease arrangements for building accommodation are payable over the following periods:

	2013	2012
	\$	\$
Payable		
- not later than 1 year	708,149	508,692
- later than 1 year but not later than 5 years	1,301,366	442,473
- later than 5 years	116,504	71,509
	<u>2,126,019</u>	<u>1,022,674</u>

The building accommodation leases are non-cancellable leases with terms ranging from 5 to 10 years. Rent is payable monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payment to be increased by the CPI. Options exist to renew some of the leases at the end of their terms.

### Note 22 Contingent Liabilities

#### (a) Bank Guarantees

Contingent liabilities existed in the financial year in respect of bank guarantees given to:

Combined Rural Traders Pty Ltd	<u>100,000</u>	100,000
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#### (b) Caltex Australia Petroleum Pty Ltd

Caltex Australia Petroleum Pty Ltd has a fixed and floating charge over the petroleum assets of the Co-operative.

#### (c) Metcash Trading Limited

Metcash Trading Limited has a fixed and floating charge over assets of the Co-operative.

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 22 Contingent Liabilities (continued)

#### (d) Previous Employee Court Action

A District Court Claim has been filed by a previous employee. The Co-operative through its lawyers are seeking further particulars in relation to the claim. Until such time as these further particulars are received the Co-operative is not in a position to properly assess the likely outcome, success or otherwise of the claim.

### Note 23 Disclosures on Directors and Other Key Management Personnel

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Co-operative, directly or indirectly, including any Director (whether executive or otherwise) of that entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

#### (a) Directors

During the financial year the following Directors held office:

Julie Muller	(Chairperson)
Lisa Intemann	(Appointed Director 21/11/2012)
	(Appointed Deputy Chairperson 21/11/2012)
Anthony Abi Saab	(Appointed 21/11/2012)
Scott Newton	(Appointed 21/11/2012)
John Hollis	(Appointed Casual Director 18/12/2012)
Stuart Goodfellow	(Appointed Casual Director 13/02/2013)
Richard McGovern	(Appointed Casual Director 13/02/2013)
David Freeman	(Appointed Casual Director 28/08/2012)
	(Resigned 21/11/2012)
Ross D. Thompson	(Resigned 21/11/2012)
Ian Gabriel	(Resigned 18/12/2012)
Ian Bartie	(Resigned as Deputy Chairperson 21/11/2012)
	(Resigned as Director 03/12/2012)
Adrienne van Spanje	(Resigned 17/12/2012)

#### (b) Other Key Management Personnel

The following persons also had responsibility for planning, directing and controlling the activities of the Co-operative, directly or indirectly during the financial year:

<i>Name</i>	<i>Position</i>
Allan Gordon	Acting Chief Executive Officer (Appointed 05/12/2012)
	Chief Executive Office (Appointed 01/05/2013)
Alyson Ogilvie-Lee	Chief Restructuring Officer (Ceased 04/02/2013)
Sonny Hackney	Business Unit Manager
Lesley Keft	Business Unit Manager
Carol Lowe	Business Unit Manager
Darren Partridge	Business Unit Manager
Judith Standing	Business Unit Manager
Patrick Trotter	Business Unit Manager

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 23 Disclosures on Directors and Other Key Management Personnel (continued)

#### (c) Key Management Personnel Compensation

The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for was as follows:

	2013	2012
	\$	\$
Short-term employee benefits	582,688	673,362
Post-employment benefits	49,753	65,596
Other long-term benefits	4,989	-
Termination benefits	-	122,042
	<u>637,430</u>	<u>861,000</u>

Remuneration shown as short-term employee benefits means (where applicable) wages, salaries, paid annual leave and paid sick leave, bonuses and the value of fringe benefits received, but excludes out-of-pocket expense reimbursements.

All remuneration of Directors was approved by members at the previous Annual General Meeting of the Co-operative

#### (d) Trade and Other Receivables Due from Key Management Personnel

The aggregate amount of receivables due from KMP as at the end of the reporting period amounted to:

<u>140</u>	<u>7,881</u>
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There are no amounts which are impaired in relation to the amounts receivable from KMP.

#### (e) Trade and Other Payables Due to Key Management Personnel

The aggregate amount of payables due to KMP as at end of the reporting period amounted to:

<u>299</u>	<u>5,263</u>
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#### (f) Related Party Transactions

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

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 23 Disclosures on Directors and Other Key Management Personnel (continued)

#### (f) Related Party Transactions(continued)

During the year ended 30 June 2013 amounts totalling \$11,918 were paid to Saab Industries Pty Ltd, a director-related entity of Director Anthony Abi-Saab. The amount paid related to the supply of bottled water to the Co-operative.

During the year ended 30 June 2013 amounts totalling \$99,877 were paid to AKG Business and Management Pty Ltd, a director-related entity of Chief Executive Officer Allan Gordon. The amount paid related to consultancy services provided to the Co-operative.

An amount of \$676 (2012: \$5,264) was paid to Weststeer Holdings Pty Ltd, a director-related entity of Director John Hollis. The amount paid related to consultancy services provided to the Co-operative.

An amount of \$13,298 (2012: \$13,087) was paid to Thompson Machinery Sales Pty Ltd, a director-related entity of former Director Ross Thompson. The amount paid related to machinery sales and services provided to the Co-operative.

During the year ended 30 June 2012 amounts totalling \$23,464 were paid to AAA Equipment Hire Pty Ltd, a director-related entity of former Director Alex Pursehouse. The amount paid related to forklift hire and services provided to the Co-operative.

During the year ended 30 June 2012 amounts totalling \$3,500 were paid to Horizon Integrated Management, a director-related entity of former Chief Restructuring Officer Alyson Ogilvie-Lee. The amount paid related to consultancy services provided to the Co-operative.

#### (g) Other Transactions with Key Management Personnel

KMP have received interest on deposits with the Co-operative during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to members of the Co-operative.

Goods and services are sold to Directors and other KMP at retail outlets of the Co-operative on normal commercial terms and conditions.

#### (h) Share Transactions

	2013	2012
	No.	No.
(i) Aggregate number of shares held by KMP at the end of the reporting period	9,827	8,872
(ii) Aggregate number of shares acquired by KMP during the financial year	80	83

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 24 Cash Flow Information

(a) **Reconciliation of Cash Flow from Operations with Profit/(Loss) from Ordinary Activities after Income Tax**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Profit / (loss) after income tax	<b>(369,159)</b>	(1,781,329)
Non-cash flows in profit		
Depreciation and amortisation expense	<b>788,917</b>	779,953
Net (gain)/loss on disposal of property, plant and equipment	-	22,000
Changes in assets and liabilities		
(Increase) / decrease in receivables	<b>285,791</b>	767,686
(Increase) / decrease in inventories	<b>27,634</b>	1,717,989
(Increase) / decrease in other assets	<b>22,375</b>	(2,687)
(Increase) / decrease in tax assets	<b>(12,165)</b>	490,891
Increase / (decrease) in trade and other payables	<b>219,915</b>	(122,545)
Increase / (decrease) in provisions	<b>23,068</b>	(309,624)
Increase / (decrease) in other liabilities	<b>(26,405)</b>	26,405
Increase / (decrease) in tax liabilities	-	-
Cash flow from operations	<b>959,971</b>	1,588,739



# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 24 Cash Flow Information (continued)

#### (b) Financing Arrangements with Banks

The Co-operative has access to the following lines of credit:

	Note	2013 \$	2012 \$
<b>Total Facilities Available</b>			
Credit facility	24(b)(i)	27,000	14,000
Bank overdraft	24(b)(ii)	1,500,000	1,500,000
Commercial Loan	24(b)(iii)	629,400	629,400
Commercial Loan	24(b)(iii)	5,800,000	5,800,000
Commercial Loan	24(b)(iv)	369,832	711,829
Commercial Loan	24(b)(v)	1,356,604	1,837,203
		<b>9,682,836</b>	<b>10,492,432</b>
<b>Facilities Utilised at Reporting Date</b>			
Credit facility		4,977	2,387
Bank overdraft		1,101,567	802,354
Commercial Loan		629,400	629,400
Commercial Loan		5,800,000	5,800,000
Commercial Loan		369,832	711,829
Commercial Loan		1,356,604	1,837,203
		<b>9,262,380</b>	<b>9,783,173</b>
<b>Facilities Not Utilised at Reporting Date</b>			
Credit facility		22,023	11,613
Bank overdraft		398,433	697,646
Commercial Loan		-	-
Commercial Loan		-	-
Commercial Loan		-	-
Commercial Loan		-	-
		<b>420,456</b>	<b>709,259</b>

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 24 Cash Flow Information (continued)

#### (b) Financing Arrangements with Banks (continued)

##### (i) Credit Facility

The credit facility relates to a business credit card facility. Interest rates are variable and subject to adjustment.

##### (ii) Bank Overdraft

\$1,500,000 (2012: \$1,500,000) bank overdraft with the general terms and conditions set and agreed to annually. The bank overdraft is secured by registered first mortgage over freehold property of the Co-operative and a fixed and floating charge over all assets. The interest rate as at 30 June 2013 was 6.17% (2012: 6.77%). Interest rates are variable and subject to adjustment.

##### (iii) Commercial Loan

The commercial loan facility is secured by registered first mortgage over freehold property of the Co-operative and a fixed and floating charge over all assets. The interest rate applicable to the commercial loan is 9.5% (2012: 9.5%).

##### (iv) Commercial Loan

The commercial loan facility is secured by a bill of sale over chattels located at Timbertown IGA Supermarket, a registered first mortgage over freehold property of the Co-operative and a fixed and floating charge over all assets. The interest rate applicable to the commercial loan is 7.85% (2012: 7.85%).

##### (v) Commercial Loan

The commercial loan facility is secured by a bill over sale of chattels located at Wauchope Supermarket, a registered first mortgage over freehold property of the Co-operative and a fixed and floating charge over all assets. The interest rate applicable to the commercial loan is 9.03% (2012: 9.03%).

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### **Note 25 Events After the Reporting Period**

Other than the following matter the Directors are not aware of any significant events since the end of the reporting period.

On 18 September 2013 the Co-operative was notified by its bankers that it was in breach of a bank loan covenant contained in the Business Finance Agreement dated 20 August 2012 (the Agreement). The breach related to the failure of the Co-operative to maintain a Debt Service Cover of not less than 1.00 times. Although the bank did not take action in respect of the breach, it reserved its rights to take action under the terms of the Agreement, including enforcing the bank's rights under its securities.

### **Note 26 Capital Risk Management**

The Directors and management ensure there is sufficient capital for the Co-operative to fund its operations and continue as a going concern. The Co-operative relies on debt finance and working capital for its sources of funds.

The Board of Directors and management review capital requirements on a regular monthly basis.

### **Note 27 Financial Risk Management**

#### **Financial Risk Management Policies**

The Co-operative's financial instruments consist mainly of cash and cash equivalents, accounts receivable and payable, bank overdraft facility, commercial loans and members' deposits.

The Directors of the Co-operative meet on a regular basis to analyse financial performance and to evaluate management strategies in the context of the most recent economic conditions and forecasts. Monthly financial management reports are reviewed by the Directors to assist in the evaluation of management strategies.

#### ***Specific Financial Risk Exposures and Management***

The main risks the Co-operative is exposed to through its financial instruments are credit risk, liquidity risk and market risk (consisting of interest rate risk). The Co-operative is not exposed to fluctuations in foreign currencies or to any material commodity price risk. The Co-operative does not enter into, or trade, financial instruments for speculative purposes.

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 27 Financial Risk Management (continued)

#### (a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Co-operative. Credit risk may arise from exposures to customers and deposits with financial institutions.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date, to recognised financial assets, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to and forming part of the financial statements.

The Co-operative does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Co-operative.

#### (b) Liquidity risk

Liquidity risk arises from the possibility that the Co-operative might encounter difficulty in settling its debts or otherwise meeting its obligations in relation to its financial liabilities.

The Co-operative manages liquidity risk by monitoring cash flows and ensuring that adequate cash reserves are maintained to meet the Co-operative's financial commitments.

The following table reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

The timing of cash flows to settle financial liabilities, presented in the following table, reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 27 Financial Risk Management (continued) (b) Liquidity risk (continued)

#### *Financial liability and financial asset maturity analysis*

	Maturing within 1 Year			Maturing 1 to 5 Years			Maturing Over 5 Years			Total Contractual Cash Flow	
	2013	2012	\$	2013	2012	\$	2013	2012	\$	2013	2012
<b>Financial assets - cash flows realisable</b>											
Cash and cash equivalents	82,270	78,720		-	-		-	-		82,270	78,720
Trade and other receivables	1,928,074	2,213,865		-	-		-	-		1,928,074	2,213,865
<b>Total Financial Assets</b>	<b>2,010,344</b>	<b>2,292,585</b>		<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>		<b>2,010,344</b>	<b>2,292,585</b>
<b>Financial liabilities due for payment</b>											
Bank overdraft	1,101,567	802,354		-	-		-	-		1,101,567	802,354
Commercial loans	8,155,836	8,978,432		-	-		-	-		8,155,836	8,978,432
Members' deposits	1,112,498	1,446,965		682,636	590,161		-	-		1,795,134	2,037,126
Members' shares	-	-		2,629,208	2,623,510		-	-		2,629,208	2,623,510
Trade and other payables	5,558,883	5,338,967		-	-		-	-		5,558,883	5,338,967
<b>Total Financial Liabilities</b>	<b>15,928,784</b>	<b>16,566,718</b>		<b>3,311,844</b>	<b>3,213,671</b>		<b>-</b>	<b>-</b>		<b>19,240,628</b>	<b>19,780,389</b>
<b>Net (outflow)/inflow on financial instruments</b>	<b>(13,918,440)</b>	<b>(14,274,133)</b>		<b>(3,311,844)</b>	<b>(3,213,671)</b>		<b>-</b>	<b>-</b>		<b>(17,230,284)</b>	<b>(17,487,804)</b>

These Financial Statements should be read in conjunction with the attached Independent Auditor's Report.

# Hastings Co-operative Limited

ABN: 86 601 035 121

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2013

### Note 27 Financial Risk Management (continued)

#### (c) Market risk

##### *Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows.

The Co-operative is exposed to interest rate risk as the Co-operative borrows funds at both fixed and floating interest rates. The Co-operative manages interest rate risk by maintaining an appropriate mix between fixed and floating rate borrowings.

##### *Sensitivity Analysis*

The following sensitivity analysis is based on the interest rate risk exposures in existence at the end of the reporting period for interest bearing financial assets and financial liabilities.

	Carrying Amount	-1%		+1%	
		Profit	Equity	Profit	Equity
	\$	\$	\$	\$	\$
<b>Financial Liabilities</b>					
Bank overdraft	1,101,567	11,016	11,016	(11,016)	(11,016)
Commercial loans	1,726,436	17,264	17,264	(17,264)	(17,264)
Members' deposits	1,795,134	17,951	17,951	(17,951)	(17,951)
<b>Increase/(decrease)</b>		<b>46,231</b>	<b>46,231</b>	<b>(46,231)</b>	<b>(46,231)</b>

#### **Net Fair Values**

The net fair values of financial assets and financial liabilities approximates their carrying values. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

### Note 28 Co-operative Details

The registered office of the Co-operative is:

Hastings Co-operative Limited

39 Cameron Street

Wauchope NSW 2446

# Hastings Co-operative Limited

ABN: 86 601 035 121

## DIRECTORS' DECLARATION

The Directors of the Co-operative declare that:

1. the financial statements, comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to and forming part of the financial statements, are in accordance with the *Co-operatives Act 1992* and the *Corporations Act 2001* and:
  - (a) comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
  - (b) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the Co-operative;
2. in the Directors' opinion, there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they become due and payable.

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

Chairperson:.....

  
Julie Muller

Casual Director:.....



John Hollis

**Dated: 24 September 2013**

## Independent Auditor's Report

To the members of Hastings Co-operative Limited

### Partners

**Douglas Cheetham**  
B.Comm FCA

**Chris Garrett**  
B.Bus CA

**Anthony de Jager**  
B.Comm CPA

**Consultant**  
**Gary Ferguson**  
CA

### Report on the Financial Report

We have audited the accompanying financial report of Hastings Co-operative Limited, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Co-operatives Act 1992 and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1 the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Co-operatives preparation of the financial report that gives a true and fair view 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 control. 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 complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Hastings Co-operative Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### KEMPSEY

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Ph: 02 6566 2200  
Fax: 02 6566 2225

Email:  
accnts@wrightsca.com.au

Web:  
www.wrightsca.com.au





*Opinion*

In our opinion:

(a) The financial report of Hastings Co-operative Limited is in accordance with the *Corporations Act 2001*, including:

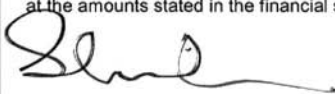
(i) Giving a true and fair view of the Co-operative's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards, *Co-operatives Regulations 2005* and the *Corporations Regulations 2001*: and

(b) The financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1(a) in the financial statements which indicates that, as at 30 June 2013, the Co-operative's current liabilities exceed its current assets by \$10,824,772. This condition, along with other matters as set forth in Note 1(a), indicates the existence of a material uncertainty that may cast significant doubt about the Co-operative's ability to continue as a going concern and therefore, the Co-operative may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial statements.



Doug Cheetham

24 September 2013

Level 1, 59 Smith Street  
Kempsey NSW 2440  
Phone: (02) 656 62200

**Partners**

**Douglas Cheetham**  
B.Comm FCA

**Chris Garrett**  
B.Bus CA

**Anthony de Jager**  
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**Consultant**

**Gary Ferguson**  
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**The Board thanks and congratulates these employees  
with over 10 years service**

Gwenda Johnson	44	Wade Stewart	14
Patrick Trotter	32	Shona Andrew	14
Robyn Pritchard	29	Michael Smith	14
Patricia Miller	28	Gemma Bannister	14
Kay Monkley	24	Ruth Currey	13
Elizabeth Moulton	21	Andrew Quibell	12
Sonny Hackney	21	Amy Young	12
Rhonda Hawley	21	Robert Minion	12
Denise Moore	21	Craig Swain	11
Kerrie Monkley	18	Kristy Everson	11
Matthew White	18	Lynn Ryan	11
Kim Barnes	18	Colleen Hollis	11
Darren Partridge	17	Bruce Blanch	10
Joy Mckenzie	17	Terence Halloran	10
Jo-ann Denham	16	Katrina Battle	10
Sarah Huisman	16	Emma Gladwin	10
Maxine Byatt	15	Emma Davis	10
Luke Mackay	15	Jarrold Eyles	10

In order of length of service

## *Sponsorship to the Hastings Valley Community*

2 Way-FM Radio Wauchope  
Area Health Wauchope Hospital  
Bago Magic Performance Group  
Beechwood Billycart Derby  
Beechwood Cricket Club  
Beechwood Public School  
Comboyne Agricultural and Horticultural Association Inc  
Comboyne Campdraft  
Comboyne Public School P&C Trivia Night  
Comboyne School Fundraiser  
Comboyne Tigers Rugby League Club  
Deadly Days Community Concert  
Oncology Unit Port Macquarie Base Hospital  
Hastings District Respite Care (HDRC)  
Hastings District Pony Club Inc  
Hastings Community Connect Day  
Hastings Country Music Association  
Hastings Maternity Coalition  
Hastings Valley Netball Assoc. Over 35's Rep Team  
Huntingdon Public School  
King Creek Rural Fire Brigade  
Laurieton United Services Club Pro Am  
Lions Australia (Wauchope branch)  
Long Flat Public School  
Lord Howe Island Historical Society & Museum  
Melanoma March 2013  
North Haven Public School Fete  
Pappinbarra Progress Association Fundraiser  
Pink Ribbon Day Wauchope RSL  
Port City Breakers Rugby League Club  
Port Macquarie Public School  
Port Macquarie Roller Derby League  
Renee Clarke Wauchope Performing Arts Fundraiser  
Riding for the Disabled  
Rollands Plains Public School P&C Fundraiser  
RSL Amateur Fishing Club Inc.  
RSPCA Port Macquarie Branch  
Scrapheap Adventure Ride 2013 Back of Bourke  
St Columba Anglican School  
St Joseph's Primary School  
St Matthew's Anglican Church  
Starlight Foundation  
Tacking Point Surf Lifesaving Club  
Trek4kidz Fundraiser in Wauchope  
Upper Rollands Plains Community Hall Fundraiser  
Vouchers for Australia Day  
Wauchope Aboriginal RLFC  
Wauchope and District Meals on Wheels  
Wauchope Annual Show  
Wauchope Blues sponsorship  
Wauchope Chamber of Commerce Christmas Carols  
Wauchope Community Heated Pool  
Wauchope Girl Guides  
Wauchope High School  
Wauchope Hospital  
Wauchope Ladies Golf Club  
Wauchope Lady Golf Members  
Wauchope Meals on Wheels Inc  
Wauchope Men's Veterans Golf Club  
Wauchope Men's Golf Club  
Wauchope Pre School and Kindergarten Inc  
Wauchope Progress Association  
Wauchope Public School  
Wauchope RSL Amateur Fishing Club Inc  
Wauchope Senior Citizens  
Wauchope Show  
Wauchope Starlight Foundation Fundraiser  
Wauchope State Emergency Service  
Wauchope Talent Quest  
Wauchope Uniting Church Meals Programme  
Wauchope Uniting Church Wauchope High School Breakfast Programme  
Wauchope Vietnam Veterans  
Wauchope Yesteryear Truck Show  
Westpac Rescue Helicopter









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 Co-op **DRIVE THRU**



 Hastings Co-op  
*In partnership with residents of Lord Howe Island through the Island Trader*



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TIMBERTOWN & WAUCHOPE



 Hastings Co-op  
 **PORT MACQUARIE**



 Hastings Co-op  
**COMBOYNE RURAL STORE**



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