

2013-14

HASTINGS CO-OPERATIVE LIMITED 98TH ANNUAL REPORT



ANNUAL GENERAL MEETING 2014

Notice to All Active Shareholder Members of Annual General Meeting 2014

Notice is hereby given that the 98th Annual General Meeting of the Hastings Co-operative Limited will be held on Wednesday, 19 November 2014 at the Auditorium, Wauchope Country Club, commencing at 12.30pm.

Agenda

1. Welcome
2. Acknowledgement of Country
3. Co-operative Prayer
4. Confirmation of the minutes of the 97th AGM held on the 6th November 2013
5. Report from Chair
6. Report from Chief Executive Officer
7. Report from Independent Auditor
8. To receive and adopt the following for the year ended 30th June 2014:
 - a) Directors' report and Directors' Declaration;
 - b) Annual Financial Statements; and
 - c) Independent Auditors Report
9. Questions from Members
10. To fix Total Directors Remuneration at \$91,350.00 (increase of 5% from \$87,000.00)
11. To agree on the appointment of the Independent Auditor for 2014-15
12. To declare the result of the Director Election
13. To declare the result of the Special Resolution for the change in Co-operative Rules
14. Concluding remarks

By order of the Board of Directors



Allan Gordon
Co-operative Secretary
Cameron Street Wauchope
22nd September 2014

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.

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CHAIRMAN'S REPORT

According to The Australia Institute, "research that matters", Institute Paper 10, the overwhelming majority of Australians are members of a co-operative or a mutually owned enterprise and our own Hastings Co-operative Limited ranks at number two (2) (by revenue) in the ten (10) largest consumer co-operatives in Australia.

The Board, shareholder members, staff, customers, community and suppliers have much to be proud of as it is due to your continued support the Hastings Co-operative Limited is recognised nationally as a major player in the Co-operative movement.

The Hastings Co-operative's Board of Directors comprises seven (7) Directors: Chairman Julie Muller, Deputy Chair Lisa Intemann, Directors Anthony Abi-Saab, Stuart Goodfellow, David Johnson, Scott Newton and Richard McGovern.

The Directors bring a wide range of skills and experience to the Board. These skills are identified by a Skills Matrix assessment that is conducted annually, prior to the call for nominations for Board positions required for the Annual General Meeting.

The performance of the Board is evaluated using a questionnaire and a self-assessment process. In addition, there is a similar process undertaken with respect to the performance of the Chairman.

Annually there are twelve (12) scheduled monthly Board meetings and two (2) Strategic planning meetings. Board Committees meet on a needs basis, either monthly or bi-monthly.

The current board committees are:

- **Budget and Performance**
The Committee is to act as an independent and objective Committee to review and make recommendation to the Board with regards to the annual consolidated budget, cash flow projections and any other financial information relevant to the organisation.
- **Communication/Marketing**
To make recommendations to the Board on communication and marketing matters.
- **Audit and Risk**
To independently and objectively review the Co-op's Internal Audit Plan and to monitor the External Audit Plan to ensure that they meet industry and legislative compliance requirements.
- **Governance**
To assist the Board to discharge its duty with regards to its governance responsibilities and duties.

Prior to each Committee meeting, comprehensive Board papers are circulated to Directors addressing agenda items on which management will report, but also any areas requiring recommendations to the Board for approval.

The Board and CEO have identified four main matters for focus, from the Strategic Plan of the organisation:

- Provide a sound financial platform
- Provide value back to shareholder members
- Be renowned as an employer of choice
- Implement good governance

Positive achievements have been made in all of these areas over the past 12 months.

The main objective for the Board is to ensure that Hastings Co-operative Limited is governed effectively, with strong controls and without being constrained unnecessarily. The Board has embraced this challenge and has worked through all issues in a positive manner as a team. It is vital that the Board encourages this philosophy throughout the organisation. Creating an effective Board is part of that process and if the Board is doing its job well it needs to reflect the diversity of the organisation it governs.

The Board actively seeks to engage with shareholder members. Whenever possible, Directors have made themselves available at various events and promotional activities of the organisation. This has included Meet 'n' Greet events to explain the change to the Hastings Co-operative Limited rules. These rules will align our rules with the model rules that came into being as a result of the new Co-operatives (Adoption of National Laws) Act 2012.

It has been a rewarding year to work with the committed Team that is the Board, CEO, Business Unit Managers and Staff of Hastings Co-operative Limited. Thank you all for your commitment.

Thank you to shareholder members, directors, staff, customers and community for your ongoing support of Hastings Co-operative Limited, which continues to enable the organisation to move forward in a stable, positive manner into the future.

Regards,



Julie Muller

CEO'S REPORT

Dear Shareholder Members,

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

The 2013-14 financial year can be viewed as a year of progress towards restoring the Co-operative to financial health. We have stuck to our four pillars strategic focus and I believe it appropriate that I address my report to you around these four strategies.

To provide a sound financial platform for the business.

I am very pleased to report for 2013-14 the Co-op recorded an underlying trading profit of \$525,241 (2012-13 loss \$369,159). The Co-op was also required to revalue its assets as a requirement of the Australian Accounting Standards. A net gain of \$633,843 was recorded as of a result of this revaluation. Accordingly, the total comprehensive income attributable to members of the Co-op is \$1,159,084. The overall result is very pleasing as it has provided the foundation for the Co-op to improve on this result over the coming financial year.

Improvements in the performance of Farm Supplies/ Mitre 10 and Timbertown IGA are acknowledged, however there is still some further work required to ensure that these businesses contribute to the overall success of the Co-op. Some of the initiatives that we have undertaken to provide all our customers with an improved shopping experience over the last 18 months have been; restructuring several of our business units to ensure that we have the right offering in place. This will be an on going feature of the 2014-15 year as we take advantage of efficiency opportunities as they arise. The Co-op has also introduced 24 hr fuel at both the fuel depot and at the Caltex Service Station at 4 High Street; both terminals are improving in popularity as customers become familiar with them. Our on line shopping offering is currently in its infancy, but we believe it will become widely accepted and a very convenient option for many of our customers in time. The introduction of our Port Department Store has proved very popular and has brought more customers out to Wauchope to experience the larger store.

Over the next 12 months we will look for internal efficiencies to be gained from each business so that we can continue to offer our customers great value.

To provide value back to shareholders.

Our first priority was to meet our goal of lifting the freeze on the repurchase of shares by 30th June 2014. I am very pleased to advise that this goal has been achieved and the first reimbursements to members have commenced. We also sought to give our shareholder members a reason to start using their shareholder card again. The introduction of the rewards scheme is seen as the catalyst for this and overall the scheme has been very well accepted. As an added bonus, we have kept the majority of the discounts available in place to ensure that we do truly offer value to all our shareholder members.

To become the employer of choice in the district.

The achievement of this goal is still a work in progress. We have taken a lot of steps to create an environment for our staff that reflects their value to the organisation. We have invested in a number of training opportunities from customer service, selling, armed hold up, agriculture and leadership to name a few. Our Memorandum of Understanding with the North Coast Institute of TAFE is providing pathways for our staff to further their education and we are building a partnership with Charles Stuart University to give added educational opportunities. Our aim is to give those who want a career in retail every opportunity to succeed and at the same time lift the level of service to all our customers. Our involvement with the Hastings Education Fund will give an opportunity for possibly 2 students to attend tertiary education. Our commitment to raising the standard of service to our customers through our employees has never been stronger and we will continue to make this our priority for the 2014-15.

To provide good governance

Over the last 12 months The Board and Senior Management have worked hard on putting in place the necessary governance practices that make the Co-op an open and transparent organisation. The establishment of Board Committees where management is accountable for all aspects of the Co-op and the on going development of Board Policies is seen as the first step in making sure the Co-operative is a good corporate citizen. In addition, the Board and Management have worked extensively on developing a strategic direction for the Co-op which is reviewed and adjusted on a regular basis.

I, as CEO, am very proud of the achievements of our dedicated Board and staff however we can never lose sight that we still have a long way to go and the challenges before us will require constant review and assessment. The competition in the retail space is particularly fierce, the current duopoly of Coles and Woolworths and the emergence of foreign players such as Aldi and Costco does and will continue to have an affect on our thinking.

At present, our continued aim is to consolidate our position so that our balance sheet returns to strength, however we will also look for growth opportunities which will coincide with the Co-operative's ability to grow.

In closing, it has been an honour to serve as your CEO for the last 12 months. Your continued strong patronage and loyalty to the Hastings Co-operative brand is extremely well valued and appreciated.



Allan Gordon
Chief Executive Officer

DIRECTORS' REPORT

Your Directors present their report on the Co-operative for the financial year ended 30 June 2014.

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 (Deputy Chairperson)

Anthony Abi Saab

Scott Newton

Stuart Goodfellow

Richard McGovern

David Johnson (Appointed 06/11/2013)

John Hollis (Resigned as Casual Director 06/11/2013)

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

Co-operative Secretary

Allan Gordon B. Bus (Monash), Grad Dip Ed (QUT) was appointed Co-operative Secretary on 01/05/2013 and is Chief Executive Officer of Hastings Co-operative Limited.

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.

Operating Results

The total revenue for the Co-operative was \$74,983,897 for the current financial year as compared to revenue of \$73,033,621 for the previous financial year. The profit of the Co-operative for the financial year after providing for income tax amounted to \$525,241 compared to a loss of \$369,159 in the previous financial year.

Dividends and Rebates

No dividend or rebate is recommended to be paid for the financial year ended 30 June 2014.

Review of Operations

The Co-operative has consolidated its financial position by maintaining all retail businesses for the financial year. Whilst the Timbertown IGA and the Mitre 10 /Farm Supplies businesses continue to record losses, they have shown improvement over the previous year. The underlying profit, after tax, of \$525,241 provides a solid foundation for future growth and development.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Company during the financial year.

Events After the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company 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.

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.

DIRECTORS' REPORT

Meetings of Directors

During the financial year, 33 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	Directors' Meetings		Special Meetings		Budget and Performance Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Julie Muller	12	12	3	3	-	-
Lisa Intemann	12	11	3	3	-	-
Anthony Abi Saab	12	10	3	3	-	-
Scott Newton	12	11	3	3	8	6
Stuart Goodfellow	12	11	3	1	8	7
Richard McGovern	12	12	3	3	-	-
David Johnson	8	8	2	2	6	3
John Hollis	4	4	1	-	2	2

	Audit and Risk Committee		Communications and Marketing Committee		Governance Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Julie Muller	-	-	-	-	5	5
Lisa Intemann	2	2	-	-	-	-
Anthony Abi Saab	-	-	3	2	-	-
Scott Newton	2	1	-	-	-	-
Stuart Goodfellow	-	-	3	3	-	-
Richard McGovern	-	-	3	2	5	5
David Johnson	2	1	-	-	4	4
John Hollis	-	-	-	-	1	1

DIRECTORS' REPORT

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 21 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

Governance Committee

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 to present

Key Contribution to Co-operative

Governance and Strategic Planning

Audit and Risk Committee

Policy Development

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

Communications and Marketing Committee

.....

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

Budget and Performance Committee

Audit and Risk Committee

DIRECTORS' REPORT

Information on Current Directors (continued)

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

Business Skills Presenter

Port Chamber of Commerce – Board Member

Wauchope Chamber of Commerce Member

Hastings Business Enterprise Network Member

International Marketing and Strategic Development
Manager

National Product Manager

Sales Manager

Commercial Directorships

Key Contribution to Co-operative

Communications and Marketing Committee Chair

Budget and Performance Committee

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

Richard McGovern

Current Occupation

Small Business Proprietor – Wauchope Sports & 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

David Johnson

Current Occupation

Company Director

Qualifications

B. Arts (Accounting and Economics)

Certified Practising Accountant

Grad Dip. Australian Institute of Company Directors

Justice of the Peace

Business Experience

30 years ANZ Banking Group

Manager Investments – Telecom Australia

Business Manager – Sydney University Women's Sports Assoc

12 yrs Holiday Coast Credit Union retiring as Company
Secretary & Exec Manager Risk

Director Durri Aboriginal Corporation Medical Service

Director Community Housing Ltd

Key Contribution to Co-operative

Governance Committee

Audit and Risk Committee

Budget and Performance Committee

DIRECTORS' REPORT

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:



Julie Muller
Chairperson



Lisa Intemann
Deputy Chairperson

Dated: 8 October 2014

AUDITOR'S DECLARATION OF INDEPENDENCE



Partners

Douglas Cheetham
B.Comm FCA

Chris Garrett
B.Bus CA

Anthony de Jager
B.Comm CPA

Hastings Co-operative Ltd

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 To the Directors of Hastings Co-operative Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014, there have been:

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

A handwritten signature in black ink, appearing to read 'Doug Cheetham', is written over a light grey background.

Doug Cheetham
Partner
Wrights Chartered Accountants

8 October 2014

Kempsey, NSW

KEMPSEY

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30/06/14

		2014	2013
	Note	\$	\$
Revenue	2(a)	74,983,897	73,033,621
Other income	2(b)	115,360	-
		75,099,257	73,033,621
Changes in inventories	3(a)	334,274	128,050
Inventory purchases	3(a)	(61,185,726)	(60,119,325)
Bad and doubtful debts expense	3(a)	(14,102)	(2,804)
Depreciation and amortisation expense	3(a)	(748,840)	(788,917)
Employee benefits expense		(6,973,609)	(6,887,407)
Finance costs	3(a)	(935,245)	(979,301)
Rent expense		(817,874)	(704,065)
Other expenses		(4,191,445)	(4,061,176)
		(74,532,567)	(73,414,945)
Profit/(loss) before income tax		566,690	(381,324)
Income tax expense	4	(41,449)	12,165
Profit/(loss) for the year		525,241	(369,159)
Other comprehensive income:			
Net gain/(loss) on revaluation of land and buildings, net of tax		633,843	-
Total other comprehensive income for the year		633,843	-
Total comprehensive income/(loss) for the year		1,159,084	(369,159)
Profit / (loss) attributable to members of the Co-operative		525,241	(369,159)
Total comprehensive income (loss) attributable to members of the Co-operative		1,159,084	(369,159)

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

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30/06/14

		2014	2013
	Note	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	6	61,420	82,270
Trade and other receivables	7	1,493,986	1,928,074
Inventories	8	3,881,959	3,645,805
Other assets	10	79,559	139,261
Total current assets		5,516,924	5,795,410
Non current assets			
Other financial assets	9	1,000	-
Property, plant and equipment	11	15,495,332	15,308,568
Intangible assets	12	264,359	264,359
Deferred tax assets	13(a)	268,009	309,458
Total non current assets		16,028,700	15,882,385
TOTAL ASSETS		21,545,624	21,677,795
LIABILITIES			
Current liabilities			
Trade and other payables	14	4,386,850	5,558,883
Borrowings	15	10,044,472	10,369,901
Short term provisions	17	691,458	691,398
Other liabilities	18	6,000	-
Total current liabilities		15,128,780	16,620,182
Non current liabilities			
Borrowings	15	871,186	682,636
Members' shares	16	2,634,808	2,629,208
Long term provisions	17	136,792	130,795
Total non current liabilities		3,642,786	3,442,639
TOTAL LIABILITIES		18,771,566	20,062,821
NET ASSETS		2,774,058	1,614,974
EQUITY			
Reserves	20	5,328,379	4,694,536
Retained earnings		(2,554,321)	(3,079,562)
TOTAL EQUITY		2,774,058	1,614,974

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

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30/06/14

2014

	Retained Earnings	Asset Revaluation Reserve	Total
	\$	\$	\$
Balance at 1 July 2013	(3,079,562)	4,694,536	1,614,974
Profit / (loss) attributable to members of the Co-operative	525,241	-	525,241
Other comprehensive income	-	633,843	633,843
Total comprehensive income for the year	525,241	633,843	1,159,084
Balance at 30 June 2014	(2,554,321)	5,328,379	2,774,058

2013

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

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

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30/06/14

		2014	2013
	Note	\$	\$
Cash flows from operating activities:			
Receipts from customers		80,678,537	78,295,001
Payments to suppliers and employees		(79,478,194)	(76,396,473)
Finance costs		(935,245)	(979,301)
Interest received		34,189	40,744
Net cash provided by (used in) operating activities	25(a)	299,287	959,971
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		2,728	-
Purchase of property, plant and equipment		(190,586)	(196,744)
Purchase of other financial assets		(1,000)	-
Net cash provided by (used in) investing activities		(188,858)	(196,744)
Cash flows from financing activities:			
Shares issued		5,600	5,698
Shares repaid		-	-
Net increase / (decrease) in borrowings		(65,115)	(822,596)
Net increase / (decrease) in members' deposits		(69,709)	(241,992)
Net cash provided by (used in) financing activities		(129,224)	(1,058,890)
Net increase (decrease) in cash held		(18,795)	(295,663)
Cash and cash equivalents at beginning of financial year		(1,019,297)	(723,634)
Cash and cash equivalents at end of financial year	6	(1,038,092)	(1,019,297)

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

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30/06/14

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 National Law, 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 National Law 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

The Statement of Financial Position shows current liabilities exceeding current assets by \$9,611,856 (2013: \$10,824,772). This results from the classification of bank borrowings as current liabilities in the Statement of Financial Position.

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 opinion 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 and the restructure of some business units to improve their profitability;
- More rigorous management functions;
- The write down of obsolete and slow moving stock;
- 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;
- Ongoing commitment from the Board; and
- Policies have been implemented in relation to share redemptions to minimise the impact on the Co-operative's cashflows.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial Instruments (continued)

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.

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.

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 Company 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.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Inventories

Inventories are measured at the lower of cost and net realisable value.

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.

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:

Class of Fixed Asset	Depreciation Rate
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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Intangible Asset (continued)

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.

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.

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

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 Company 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.

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 and which had a material impact on the measurement, recognition or disclosure of amounts in the Co-operative's financial statements.

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:

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Title of Standard	Future Reporting Requirements	Operative Date
AASB 9 : Financial Instruments and Associated Amending Standards.	This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments and revised recognition and derecognition requirements for financial instruments.	1 January 2017
AASB 2012-3: Amendments to Australian Accounting Standards Offsetting Financial Assets and Financial Liabilities	This Standard provides clarifying guidance relating to the offsetting of financial instruments.	1 January 2014
AASB 2013-3: Amendments to AASB 136 Recoverable Amount Disclosed for Non Financial Assets.	This Standard amends the disclosure requirements in AASB 136: Impairment of Assets, pertaining to the use of fair value in impairment assessments.	1 January 2014
AASB Interpretation 21: Levies.	This Interpretation clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised and whether that liability should be recognised in full at a specific date or progressively over a period of time.	1 January 2014

The abovementioned standards are applicable for annual reporting periods commencing on the operative date. These pronouncements are not expected to significantly impact on the Co-operative's 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 8 October 2014.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – REVENUE AND OTHER INCOME

a) Revenue from continuing operations

		2014	2013
	Note	\$	\$
Sale of goods			
Sales revenue		73,253,049	71,239,816
Other revenue:			
Interest received		34,189	40,744
Rent received		207,239	202,195
Other revenue		1,489,420	1,550,866
Total Revenue		74,983,897	73,033,621
(b) Other income			
Reversal of previous revaluation decrement	3(b)	115,360	-
Total Other Income		115,360	-
Total Revenue and Other Income		75,099,257	73,033,621

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – PROFIT / (LOSS) FOR THE YEAR

a) Expenses

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

		2014	2013
	Note	\$	\$
Cost of Sales		60,851,452	59,991,275
Finance Costs			
Interest expense			
Members' deposits		117,872	129,268
Other persons		817,373	850,033
Total finance costs		935,245	979,301
Depreciation of Non Current Assets			
Buildings and improvements		187,923	187,250
Plant and equipment		560,917	601,667
Total depreciation		748,840	788,917
Bad and Doubtful Debts			
Trade receivables		14,102	2,804
Total bad and doubtful debts		14,102	2,804
Loss on Disposal of Property, Plant and Equipment		1,457	-

b) Significant Revenue and Expenses

The following significant revenue and (expense) items are relevant in explaining the financial performance of the Co-operative.

Reversal of previous revaluation decrement	3(c)	115,360	-
Write down in value of inventory	3(d)	-	(400,000)

c) Reversal of previous revaluation decrement

A revaluation of land and buildings was performed in the 2014 year. The current revaluation resulted in a revaluation increment in relation to the property located at 4 High Street, Wauchope which had previously incurred a revaluation decrement in a prior year.

In accordance with the accounting policies of the Co-operative, the increase in these revalued assets has been recognised in profit or loss to the extent that it reverses the revaluation decrement of the same asset previously recognised in profit or loss. The amount of the revaluation increment recognised in profit was \$115,360.

d) Write down in value of inventory

During the year ended 30 June 2013 there was a significant write down of \$400,000 in the valuation of inventory in relation to the Port Macquarie IGA and Timbertown IGA Supermarkets and Farm Supplies / Mitre 10. This writedown in value was based on an assessment by management of the recoverable amount of inventory.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – INCOME TAX EXPENSE

a) The components of tax expense comprise:

	2014	2013
	\$	\$
Current tax expense / (income)	101,715	-
Deferred tax arising from the origination and reversal of temporary differences	41,449	(12,165)
Recoupment of prior year losses	(101,715)	-
	41,449	(12,165)

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% (2013: 30%)	170,007	(114,397)
Add:		
Tax effect of:		
other non allowable items	-	-
	170,007	(114,397)
Less:		
Tax effect of:		
rebateable fully franked dividends	-	-
current year taxation allowances	-	-
current and prior years losses and adjustments	(128,558)	102,232
	(128,558)	102,232
Income tax (benefit) / expense attributable to the Co-operative	41,449	(12,165)

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – DIVIDENDS

Note	2014	2013
	\$	\$
Fully franked dividend of Nil% of issued share capital (2013: Nil%)	-	-
(a) Proposed Fully Franked Dividend	-	-
No dividend was proposed for the current financial year or the previous financial year.		
(b) Franking Account		
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.	912,428	912,428

NOTE 6 – CASH AND CASH EQUIVALENTS

Cash on hand		61,420	82,270
Reconciliation of Cash			
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		61,420	82,270
Bank overdraft	15	(1,099,512)	(1,101,567)
		(1,038,092)	(1,019,297)

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – TRADE AND OTHER RECEIVABLES

	Note	2014	2013
		\$	\$
Current			
Trade receivables		1,394,090	1,464,519
Provision for impairment	7(b)	(3,797)	(48,957)
		1,390,293	1,415,562
Other receivables		103,693	512,512
Total current trade and other receivables		1,493,986	1,928,074

a) Trade Receivables

The Co-operative provides trading terms of 21 days EOM to approved ABN holders. Interest is charged at 18% p.a. (2013: 18% p.a), calculated at 1.5% per month, on outstanding balances outside trading terms. An administration charge of \$10.00 may also apply.

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 \$3,797 has been provided for impaired trade receivables as at 30 June 2014 (2013: \$48,957).

NOTE 8 – INVENTORIES

Current			
Finished goods at cost		3,881,959	3,645,805
		3,881,959	3,645,805

NOTE 9 – OTHER FINANCIAL ASSETS

Non current			
Available for sale financial assets			
Unlisted investments, at cost:			
shares in other corporations		1,000	-

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





Proudly supporting our local producers



Local Producers Pictured:
Top (L-R) Cassegrain Wines, Hastings Lettuce, Mid Coast Eggs; Middle (L-R) Nature's Gold Honey, Ryan's Bread, The Other Chef ; Bottom (L-R) Farmyard Ferneries, Ricardoes Tomatoes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – OTHER ASSETS

	2014	2013
	\$	\$
Current		
Prepayments	79,559	139,261

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

Land and Buildings		
Freehold land		
Freehold land at independent valuation	5,785,000	4,765,000
Buildings		
Buildings and improvements at independent valuation	6,665,000	7,490,000
Less accumulated depreciation	-	(376,750)
Total buildings	6,665,000	7,113,250
Total land and buildings	12,450,000	11,878,250
Plant and equipment		
Plant and equipment at cost	7,285,018	7,110,002
Less accumulated depreciation	(4,239,686)	(3,679,684)
Total plant and equipment	3,045,332	3,430,318
Total property, plant and equipment	15,495,332	15,308,568

The Co-operative's land and buildings were revalued at 30 June 2014 by independent valuers. Valuations were made on the basis of current market values.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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
	\$	\$	\$	\$
2014				
Balance at 1 July 2013	4,765,000	7,113,250	3,430,318	15,308,568
Additions	-	10,470	180,116	190,586
Disposals	-	-	(4,185)	(4,185)
Revaluation increment (decrement)	1,020,000	(270,797)	-	749,203
Depreciation expense	-	(187,923)	(560,917)	(748,840)
Balance at 30 June 2014	5,785,000	6,665,000	3,045,332	15,495,332
2013				
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)
Balance at 30 June 2013	4,765,000	7,113,250	3,430,318	15,308,568

b) Historical Cost

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

	2014	2013
	\$	\$
Cost	7,967,184	7,956,714
Accumulated depreciation	(765,669)	(603,628)
Net book value	7,201,515	7,353,086

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – INTANGIBLE ASSETS

	2014	2013
	\$	\$
Goodwill		
Cost	264,359	264,359
Accumulated impairment losses	-	-
Net carrying amount	264,359	264,359

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
	\$	\$
Year ended 30 June 2013		
Balance at the beginning of year	264,359	264,359
Additions	-	-
Disposals	-	-
Amortisation charge	-	-
Impairment losses	-	-
Balance at 30 June 2013	264,359	264,359
Year ended 30 June 2014		
Balance at the beginning of year	264,359	264,359
Additions	-	-
Disposals	-	-
Amortisation charge	-	-
Impairment losses	-	-
Balance at 30 June 2014	264,359	264,359

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 – TAX

a) Assets

Non Current

	Opening Balance	Charged to Income	Charged Directly to Equity	Closing Balance
	\$	\$	\$	\$
Deferred Tax Assets				
Provisions	252,434	9,643	-	262,077
Impairment of trade receivables	14,687	-	-	14,687
Other	30,172	2,522	-	32,694
Balance at 30 June 2013	297,293	12,165	-	309,458
Provisions	262,077	447	-	262,524
Impairment of trade receivables	14,687	(13,548)	-	1,139
Other	32,694	(28,348)	-	4,346
Balance at 30 June 2014	309,458	(41,449)	-	268,009

b) Liabilities

The balance of deferred tax liabilities as at 30 June 2014 was NIL (2013: NIL)

NOTE 14 – TRADE AND OTHER PAYABLES

	2014	2013
	\$	\$
Current		
Unsecured liabilities		
Trade payables	4,249,304	5,338,098
Other payables and accrued expenses	137,546	220,785
	4,386,850	5,558,883

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.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 – BORROWINGS

	Note	2014	2013
		\$	\$
Current			
Unsecured liabilities			
Members' deposits		1,285,345	1,112,498
Secured liabilities			
Bank overdraft	15(a)	1,099,512	1,101,567
Commercial loans	15(a)	7,659,615	8,155,836
		8,759,127	9,257,403
Total current borrowings		10,044,472	10,369,901
Non Current			
Unsecured liabilities			
Members' deposits		440,080	682,636
Secured liabilities			
Commercial loans	15(a)	431,106	-
Total non current borrowings		871,186	682,636
Total borrowings		10,915,658	11,052,537

a) Total current and non current secured liabilities

Bank overdraft		1,099,512	1,101,567
Commercial loans		8,090,721	8,155,836
		9,190,233	9,257,403

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		12,450,000	11,878,250
Plant and equipment		3,045,332	3,430,318
		15,495,332	15,308,568

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.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 – MEMBERS’ SHARES

	2014	2013
	\$	\$
Non Current		
Fully paid ordinary shares	2,634,808	2,629,208
Ordinary Shares		
Balance at the beginning of the financial year	2,629,208	2,623,510
Allotment of shares	5,600	5,698
	2,634,808	2,629,208
Shares bought back during the year	-	-
Balance at the end of the financial year	2,634,808	2,629,208

NOTE 17 – PROVISIONS

	Employee benefits	Total
	\$	\$
Opening balance at 1 July 2013	822,193	822,193
Additional provisions	6,057	6,057
Balance at 30 June 2014	828,250	828,250
	2014	2013
Analysis of Total Provisions	\$	\$
Current	691,458	691,398
Non current	136,792	130,795
	828,250	822,193

NOTE 18 – OTHER LIABILITIES

Current

Income in advance	6,000	-
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NOTE 19 – AUDITORS’ REMUNERATION

Remuneration of the auditor of the Co-operative for:		
Auditing the financial report	44,000	43,000

NOTE 20 – RESERVES

a) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non current assets. (See also Note 3(c))

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21– 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 22 – CAPITAL AND LEASING COMMITMENTS

a) Operating Lease Commitments

Non cancellable 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:

	2014	2013
	\$	\$
Payable		
- not later than 1 year	775,146	708,149
- later than 1 year but not later than 5 years	3,466,481	1,301,366
- later than 5 years	137,909	116,504
	4,379,536	2,126,019

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 23 – CONTINGENT LIABILITIES

a) Bank Guarantees

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

Combined Rural Traders Pty Ltd	100,000	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.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 – 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	(Deputy Chairperson)
Anthony Abi Saab	
Scott Newton	
Stuart Goodfellow	
Richard McGovern	
David Johnson	(Appointed 06/11/2013)
John Hollis	(Resigned 06/11/2013)

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:

Name	Position
Allan Gordon	Chief Executive Officer
Lesley Keft	Business Unit Manager
Carol Lowe	Business Unit Manager
Darren Partridge	Business Unit Manager
Judith Standring	Business Unit Manager
Terry Halloran	Business Unit Manager (Appointed 21/12/2013)
David Hore	Business Unit Manager (Appointed 03/09/2013)
Sonny Hackney	Business Unit Manager (Until 02/09/2013)
	Business Development Manager (From 03/09/2013)
Patrick Trotter	Business Unit Manager (Resigned 20/12/2013)

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 – 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:

	2014	2013
	\$	\$
Short term employee benefits	636,087	582,688
Post employment benefits	56,270	49,753
Other long term benefits	-	4,989
Termination benefits	38,987	-
	731,344	637,430

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:	96	140
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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:	342	299
--	-----	-----

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.

During the year ended 30 June 2014 amounts totalling \$13,450 (2013: \$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 previous financial year 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.

During the previous year an amount of \$676 was paid to Weststeer Holdings Pty Ltd, a director related entity of former Director John Hollis. 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

	2014	2013
	No.	No.
(i) Aggregate number of shares held by KMP at the end of the reporting period	6,580	9,827
(ii) Aggregate number of shares acquired by KMP during the financial year	59	80

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 – CASH FLOW INFORMATION

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

	2014	2013
	\$	\$
Profit / (loss) after income tax	525,241	(369,159)
Non cash flows in profit		
Depreciation and amortisation expense	748,840	788,917
Reversal of revaluation decrement	(115,360)	-
Net (gain)/loss on disposal of property, plant and equipment	1,457	-
Changes in assets and liabilities		
(Increase) / decrease in receivables	434,088	285,791
(Increase) / decrease in inventories	(236,154)	27,634
(Increase) / decrease in other assets	59,702	22,375
(Increase) / decrease in tax assets	41,449	(12,165)
Increase / (decrease) in trade and other payables	(1,172,033)	219,915
Increase / (decrease) in provisions	6,057	23,068
Increase / (decrease) in other liabilities	6,000	(26,405)
Cash flow from operations	299,287	959,971

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 – CASH FLOW INFORMATION (CONTINUED)

b) Financing Arrangements with Banks

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

		2014	2013
	Note	\$	\$
Total Facilities Available			
Credit facility	25(b)(i)	32,000	27,000
Bank overdraft	25(b)(ii)	1,800,000	1,500,000
Commercial Loan	25(b)(iii)	629,400	629,400
Commercial Loan	25(b)(iii)	5,800,000	5,800,000
Commercial Loan	25(b)(iv)	-	369,832
Commercial Loan	25(b)(v)	830,765	1,356,604
Commercial Loan	25(b)(vi)	53,313	-
Commercial Loan	25(b)(vii)	56,430	-
Commercial Loan	25(b)(viii)	720,813	-
		9,922,721	9,682,836
Facilities Utilised at Reporting Date			
Credit facility		5,495	4,977
Bank overdraft		1,099,512	1,101,567
Commercial Loan		629,400	629,400
Commercial Loan		5,800,000	5,800,000
Commercial Loan		-	369,832
Commercial Loan		830,765	1,356,604
Commercial Loan		53,313	-
Commercial Loan		56,430	-
Commercial Loan		720,813	-
		9,195,728	9,262,380
Facilities Not Utilised at Reporting Date			
Credit facility		26,505	22,023
Bank overdraft		700,488	398,433
Commercial Loan		-	-
Commercial Loan		-	-
Commercial Loan		-	-
Commercial Loan		-	-
Commercial Loan		-	-
Commercial Loan		-	-
Commercial Loan		-	-
Commercial Loan		-	-
		726,993	420,456

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 – CASH FLOW INFORMATION (CONTINUED)

c) 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
\$1,800,000 (2013: \$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 2014 was 5.62% (2013: 6.17%). 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% (2013: 9.5%).
- iv) Commercial Loan
The commercial loan facility was 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 was 7.85% for the 2013 year.
- v) Commercial Loan
The commercial loan facility is secured by a bill of sale over 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% (2013: 9.03%).
- vi) Commercial Loan
The commercial loan facility is secured by a bill of sale over chattels in relation to fuel businesses, 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 6.54% .
- vii) Commercial Loan
The commercial loan facility is secured by a bill of sale over chattels in relation to farm supplies business, 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 6.57% .
- viii) Commercial Loan
The commercial loan facility is secured by a bill of sale over chattels in relation to supermarket businesses, 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 7.06% .

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 26 – 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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 26 – 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets cash flows realisable								
Cash and cash equivalents	61,420	82,270	-	-	-	-	61,420	82,270
Other investments	-	-	-	-	1,000	-	1,000	-
Trade and other receivables	1,493,986	1,928,074	-	-	-	-	1,493,986	1,928,074
Total Financial Assets	1,555,406	2,010,344	-	-	1,000	-	1,556,406	2,010,344
Financial liabilities due for payment								
Bank overdraft	1,099,512	1,101,567	-	-	-	-	1,099,512	1,101,567
Commercial loans	7,659,615	8,155,836	431,106	-	-	-	8,090,721	8,155,836
Members' deposits	1,285,345	1,112,498	440,080	682,636	-	-	1,725,425	1,795,134
Members' shares	-	-	2,634,808	2,629,208	-	-	2,634,808	2,629,208
Trade and other payables	4,386,850	5,558,883	-	-	-	-	4,386,850	5,558,883
Total Financial Liabilities	14,431,322	15,928,784	3,505,994	3,311,844	-	-	17,937,316	19,240,628
Net (outflow)/inflow on financial instruments	(12,875,916)	(13,918,440)	(3,505,994)	(3,311,844)	1,000	-	(16,380,910)	(17,230,284)

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 26 – 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%	+1%	+1%
		Profit	Equity	Profit	Equity
	\$	\$	\$	\$	\$
Financial Liabilities					
Bank overdraft	1,099,512	10,995	10,995	(10,995)	(10,995)
Commercial loans	1,661,321	16,613	16,613	(16,613)	(16,613)
Members' deposits	1,725,425	17,254	17,254	(17,254)	(17,254)
Increase/(decrease)	-	44,862	44,862	(44,862)	(44,862)

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 27 – FAIR VALUE MEASUREMENTS

The Co-operative measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- Freehold land and buildings

a) Fair Value Hierarchy

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

Level 1: Measurements based on quoted prices (unadjusted) in active markets for identical assets and liabilities that the Co-operative can access at the measurement date.

Level 2: Measurements based on inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the assets or liability is included in Level 3.

Valuation techniques

The Co-operative selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Co-operative are consistent with one or more of the following valuation approaches:

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Co-operative gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 27 – FAIR VALUE MEASUREMENTS (CONTINUED)

a) Fair Value Hierarchy (continued)

The following tables provide the fair values of the Co-operative's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within their fair value hierarchy.

30 June 2014		Level 1	Level 2	Level 3	Total
		\$	\$	\$	\$
Recurring fair value measurements					
Financial Assets		-	-	-	-
Total financial assets recognised at fair value on a recurring basis		-	-	-	-
Non financial assets					
Freehold land	11	-	5,785,000	-	5,785,000
Freehold buildings	11	-	6,665,000	-	6,665,000
Total non financial assets recognised at fair value on a recurring basis		-	12,450,000	-	12,450,000
Total non financial assets recognised at fair value on a non recurring basis		-	-	-	-
Total non financial assets recognised at fair value		-	12,450,000	-	12,450,000
Total liabilities recognised at fair value		-	-	-	-
30 June 2013					
Recurring fair value measurements					
Financial Assets		-	-	-	-
Total financial assets recognised at fair value on a recurring basis		-	-	-	-
Non financial assets					
Freehold land	11	-	4,765,000	-	4,765,000
Freehold buildings	11	-	7,113,250	-	7,113,250
Total non financial assets recognised at fair value on a recurring basis		-	11,878,250	-	11,878,250
Total non financial assets recognised at fair value on a non recurring basis		-	-	-	-
Total non financial assets recognised at fair value		-	11,878,250	-	11,878,250
Total liabilities recognised at fair value		-	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 27 – FAIR VALUE MEASUREMENTS (CONTINUED)

There were no transfers between Level 1, Level 2 or Level 3 for assets or liabilities measured at fair value on a recurring basis during the reporting period (2013: no transfers).

b) Valuation Techniques and Inputs Used to Measure Level 2 Fair Values

Description	2014	2013	Valuation Techniques	Inputs Used
	\$	\$		
Non financial assets				
Freehold land	5,785,000	4,765,000	(i)	(ii)
Freehold buildings	6,665,000	7,113,250	(i)	(ii)
	12,450,000	11,878,250		

- i) Market approach using recent observable market data for similar properties.
- ii) Price per square metre.
- iii) The fair value of freehold land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the Directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

c) Discounted Fair Value Measurements

The following assets and liabilities are not measured at fair value in the Statement of Financial Position. As stated in Note 27 (d) the net fair values of financial assets and financial liabilities approximates their carrying values.

Description	Fair Value Hierarchy Level	Valuation Techniques	Inputs Used
Assets			
Cash and cash equivalents	2	(i)	(ii)
Trade and other receivables	2	(i)	(ii)
Liabilities			
Bank overdraft	2	(i)	(ii)
Commercial loans	2	(i)	(ii)
Members' deposits	2	(i)	(ii)
Members' shares	2	(i)	(ii)
Trade and other payables	2	(i)	(ii)

- i) Income approach using discounted cash flow methodology.
- ii) Market interest rates for similar assets and liabilities.

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the notes to the financial statements.

d) Net Fair Values

The net fair values of financial assets and financial liabilities approximate 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

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

DIRECTOR'S 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 National Law 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 2014 and of the performance for the year ended on that date of the Company;
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.



Julie Muller
Chairperson



Lisa Intemann
Deputy Chairperson

Dated: 8 October 2014

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

INDEPENDENT AUDITOR'S REPORT



Partners

Douglas Cheetham
B.Comm FCA

Chris Garrett
B.Bus CA

Anthony de Jager
B.Comm CPA

Hastings Co-operative Ltd

Independent Audit Report to the members of Hastings Co-operative Ltd

Report on the Financial Report

We have audited the accompanying financial report of Hastings Co-operative Ltd, which comprises the statement of financial position as at Monday, 30 June 2014, the 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 Co-operative are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Co-operative's 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 Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

KEMPSEY

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INDEPENDENT AUDITOR'S REPORT



Partners

Douglas Cheetham
B.Commer FCA

Chris Garrett
B.Bus CA

Anthony de Jager
B.Commer CPA

Hastings Co-operative Ltd

Independent Audit Report to the members of Hastings Co-operative Ltd

In our opinion:

- (a) the financial report of Hastings Co-operative Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at Monday, 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note .

Emphasis of Matter

We draw attention to Note 1a to the financial statements which describe the uncertainty related to the going concern ability of the Co-operative. As at the 30 June 2014 the Co-operative's current liabilities exceed its current assets by \$9,611,856. This condition, 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.

A handwritten signature in black ink, appearing to read 'Doug Cheetham', is written over a horizontal line.

Doug Cheetham
Wrights Chartered Accountants

Kempsey, NSW

8 October 2014

KEMPSEY

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www.wrightscas.com.au



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CONTRIBUTING TO THE COMMUNITY

Community Chest Recipients 2014

Wauchope Public School
Riding for the Disabled
St Mathews Anglican Church Wauchope
Wauchope Community Heated Pool
Wauchope Hospital
2 WAY FM Community Radio
Wauchope Uniting Church Meals Prog
St Joseph's Primary School
Bundaleer Care Services
Wauchope Little Athletics
Wauchope Pre-School Kindergarten Inc
Huntingdon Public School
Wauchope Community Childcare Centre
Wauchope Soccer Club
Long flat Public School
Pappinbarra Progress Association Inc
Comboyne Primary School
Hastings Country Music Association INC
Wauchope JNR Netball Club
Hastings Westpac Rescue Helicopter
Beechwood Public School
FAWNA
Wauchope Senior Citizens

Contributions to Community Activities

Wauchope Talent Quest 2013
Wauchope Starlight Foundation Fundraiser
Comboyne Public School P & C Triva night
Wauchope High School
Wauchope Golf Veterans
Wauchope Public School Fete
Wauchope Christmas Carols
Wauchope Rotary Australia Day celebration
Hastings Hospice Inc Charity Bowls
Trek 4 Kids
Wauchope Mens Veterans Golf Club
Wauchope Swimming Club Fundraiser
Beechwood Cricket Club
Hastings Country Music Association
Beechwood P & C Fundraiser
Nurse/Midwife of the year sponsorship
Hastings Valley Netball Assoc Over 35's Rep Team
Pappinbarra Triva Night 2014
Hastings Education Fund
Wauchope & Bonny Hills Surf Club
Wauchope Youth Theatre
Comboyne Fair 2014
Wauchope Primary School Netball team
Wauchope Rotary Operation Cleft Pallet fundraiser
Hastings Relay for Life - Hoilday Coast credit Union
Ladies in Red - Salvation Army
Saint Josephs Primary School Fundraiser
Wauchope Show 2014
Wauchope Soccer Club
Comboyne Tigers Rugby League Club
Port Macquarie Arts Society Fundraiser
Port City Breakers Rugby League Club
Slice of Haven 2014
Pappinbarra Progress Association Bush Dance

CONGRATULATIONS

Congratulations to our Hastings Co-op employees who have contributed over 10 years of service.

Gwenda Johnson	45	Shona Andrew	14
Robyn Pritchard	30	Gemma Bannister	14
Patricia Miller	28	Andrew Quibell	13
Kay Monkley	25	Helen Currey	13
Elizabeth Moulton	21	Craig Swain	12
Sonny Hackney	21	Amy Young	12
Rhonda Hawley	21	Robert Minion	12
Denise Moore	21	Cecil Blanch	11
Julie Muller	20	Katrina Battle	11
Kerrie Monkley	19	Lynn Ryan	11
Matthew White	19	Emma Davis	11
Kim Barnes	18	Colleen Hollis	11
Jo-ann Denham	17	Kristy Everson	11
Darren Partridge	17	Terence Halloran	10
Joy McKenzie	17	Emma Nicholson	10
Maxine Byatt	16	Jarrold Eyles	10
Luke Mackay	16	Tania Arentsen	10
Sarah Huisman	16	Kathryn Nocke	10
Michael Smith	15	Dionne Allen	10
Wade Stewart	14		

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