



— 101ST —

ANNUAL REPORT 2016-17



Thank you for being part of the  Hastings Co-op family



***"Growing from strength to strength
with the community at the heart
of everything we do."***

Community Chest grant recipients:
Representatives from 17 local
community groups who shared
\$27,600 in funding in 2016.

Hastings Co-op family



Annual general meeting 2017

Notice to all active Shareholder Members of Annual General Meeting 2017

Notice is hereby given that the 101st Annual General Meeting of the Hastings Co-operative Limited will be held on Tuesday 21st November 2017 at the Wauchope Country Club auditorium at 10.30am.

Agenda

1. Welcome and apologies

2. Acknowledgement of country

3. Co-operative prayer

4. Receipt and noting of minutes

To receive and note the minutes of the 100th Annual General Meeting held on the 22nd November 2016

5. Report from Chair

6. Report from the Chief Executive Officer

7. Report from the Independent Auditor

8. To receive and adopt the following for the year ending the 30th June 2017

- a. Directors' report and Directors' declaration
- b. Annual financial statements; and
- c. Independent Auditor's report

9. Questions from Members – with notice

10. Directors' remuneration

It is recommended that the total remuneration for a Board of seven be \$99,820.62 (2016 \$96,913.22). This represents an increase of 3% over the 2016 figure.

11. To agree on the appointment of the independent auditor for 2017-18

12. To declare the result of any director election

13. To confirm the appointment of Rodney Barnaby as a Director. Mr Barnaby filled a casual vacancy left by the retirement of Director Stuart Goodfellow.

14. To declare the result of the special resolutions in relation to, (a) repurchase of share limit, (b) Board Tenure and (c) Circulating resolutions.

15. Concluding remarks

By Order of the Board of Directors

Allan Gordon - Co-operative Secretary

5th October 2017

Please submit all questions in writing at least three 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

This is the Co-operative's 101st year of operation serving the various communities of the Hastings Valley and Comboyne plateau and on behalf of the Board of Directors of Hastings Co-operative Limited I am pleased to present my Chairman's Report for the 2016/17 year.

The results for the current year on a Net Profit After Tax basis of just over \$1.2m was slightly ahead of the budget established by the Board and our CEO Allan Gordon will report in more detail on divisional results achieved.

The year has been one of positive change, building on the results of recent years even though the current retail environment remains extraordinarily competitive. Co-operative business unit Managers and their staff members have responded positively to the challenge.

Again, the Co-operative has been successful at the Greater Port Macquarie Business Awards for 2017 and most recently further successes at the Royal Hobart Fine Food Awards for the Co-operative Bago Bluff product lines. This range showcases the best locally grown produce and raw ingredients and was an initiative of the Co-operative that commenced in early 2016. The range of products are available locally through our businesses and the list of local restaurants adding Bago Bluff products to their menus is steadily increasing.

Our Co-operative strength is in the firmly held ethos of "Locals Supporting Locals" wherever possible. To this end the Co-operative is also a supporter to the educational aspirations of local students through support to the Hastings Education Fund and Charles Sturt University, where sponsorships are made available to younger community members to pursue their educational dreams and aspirations.

The Board's Strategy is to sustainably expand our business operations as appropriate opportunities arise and your Board subscribes to four pillars when making those business decisions:

- To provide a sound financial platform.
- To provide value back to shareholders.
- To be an employer of choice.
- To provide good governance.

CEO Allan Gordon will be elaborating in more detail on our progress under these initiatives and I, on behalf of the Board, extend thanks to Allan for his work and commitment to leading the team at the Co-operative as we continue the journey into our second centenary of operation.

Special thanks are extended to the shareholder members, staff, customers, suppliers and the local community for the continuing support of the Co-operative - it is this support that makes the Co-operative businesses strong and unique.

In closing I thank my fellow Directors for their individual contributions to the Board over the past 12 months and the varied skills that they bring to the Board in its deliberations.

David Johnson - Chairman

Chief executive officer's report

Dear Shareholder Members,

When I look back over the 2016-17 financial year it is with great appreciation for your loyalty and continued support that you, our shareholder members, have played in building the Co-op into a strong, healthy and vibrant business. A Co-op, that by turnover, is the second largest consumer/retail Co-operative in Australia. A Co-op that provides a diverse and competitive retail offering. A Co-op that is indeed, proud of its heritage but has its eye firmly on the future. To you, I say thank you for another successful financial year.

The 2016-17 financial year provided a solid result in line with our budget however, reduced margins in all areas of our business were recorded. Fuel and supermarkets were particularly vulnerable which has made the year a challenging one to ensure that we run our business efficiently. The results achieved are a testament to the hard work and dedication of all our staff.

The retail environment is constantly changing and we are continually faced with increased competition in all areas that we trade in. Over the coming years, the Co-op will need to continue to find efficiencies within its business model to ensure we remain competitive.

In assessing our 2016-17 performance I would like to report in the familiar, four pillars format, that I have used in past years.

1. To provide a sound financial platform.

I am pleased to report the underlying after-tax trading profit for this financial year was \$1,215,568, slightly down from the 2015-16 result of \$1,318,983. This decrease was budgeted for as we were aware that tighter margins in the fuel and supermarket industries were to be incurred during this financial year.

In terms of divisional results, I can report the following;

Our supermarket division recorded strong revenue growth for the year which was above industry average, however decreasing margins, increased labour costs and overheads saw much of this gain absorbed with no tangible flow through to the bottom line profit. Overall, the final results for our supermarket division was subdued and reflects the current overall competitive nature of the supermarket industry. Very little growth in grocery prices was achieved in 2016-17 and these conditions are expected to prevail during 2017-18.

Our Liquor Division achieved excellent revenue growth and met expectations in terms of budget and contribution to the Co-op. Wauchope SUPA IGA Plus Liquor won the National Independent Liquor retailer of the year award in 2016 and I congratulate all our liquor staff and Manager Lisa Attkins for their efforts in achieving this award.

The Department Store continues to operate in a very tough retail environment with many larger national retailers falling victim to the economic conditions during 2016-17. The revamp of the Wauchope store is nearing completion and we expect to see a rebound in the sales figures in 2017-18. The addition of new departments, greater depth in price ranges and improved merchandising are just some of the elements that customers can look forward to. The industry outlook for department stores in general is very subdued and with the introduction of major international competitors and on-line retailers the need to differentiate our offering is paramount.

The Mitre 10 / Rural supplies division had an outstanding year with revenue growth exceeding budget and contribution to the Co-op. David and his staff are to be congratulated on this outstanding effort. The investment in new infrastructure in the last half of the financial year at both

Chief executive officer's report

Wauchope and Comboyne will provide the opportunity to capitalise on the growth that has occurred. The Co-op also purchased the property at 17 Thone Street Comboyne to allow for further expansion of the offering to the residents of the plateau and beyond.

Our fuel division saw reduced margins in the first half of the year and minimal revenue growth was recorded. Notwithstanding, fuel volumes exceeded budget however lower margins and lower retail pricing helped keep the result static. The fuel division is cognisant of the need to maintain volume in a low margin environment and as a result considerable expansion of the bulk fuel division has occurred since March 2017. The management of the Caltex Service Station located in Bolwarra Road Port Macquarie on behalf of Caltex has added significant volumes, as has the acquisition of several Caltex energy clients located between Newcastle and Macksville. Our Fuel division was also successful in retendering for several major mid north coast councils which has solidified the overall bulk fuel business. The current infrastructure of the fuel division is getting to the end of its useful life and significant capital expenditure will be required over 2017-18 to replace rolling stock and the awning at 4 High Street. Additional compliance costs will also feature in 2017-18.

The retail market in all areas is changing rapidly and over the next decade the environment in which we operate will not look like it does today. Domestic and International competitors will be competing for your business and it will require the Co-op to be adaptive and nimble to ensure that we can remain competitive and provide you with the best retail experience that we can.

2. To provide value back to shareholders.

If I were to reflect on what makes the Co-op offer a compelling one, then it comes down to 5 key areas.

1. **We support** – Local producers and other businesses in many areas. Our meat comes from Wingham, we stock locally baked bread and our Bago Bluff condiment range uses many local products in their manufacture and supports local jobs. Where we can, we stock local produce in our fruit and vegetables departments. All in all, our support for local producers and businesses helps sustain the broader economy of the Hastings Valley.
2. **We give back** – To many local organisations, sporting groups, community groups and hospitals. Over the last financial year our support either in kind or cash donations has included the IGA community Chest grants of over \$27,000 in community chest donations, \$10,000 to the Port Base Hospital maternity unit from the sale of the centenary pins not to mention the numerous donations made to local organisations. We understand that a good social fabric in our local community is paramount to our success and we acknowledge the significant work done by our community, sporting and charity groups in these areas.
3. **We are different**- In our customer service, our willingness to listen and to make doing business with us easy. We are looking to the future and what opportunities the Co-op can take advantage of.
4. **We provide choice** – when many of our competitors are reducing ranges and limiting choice the Co-op has endeavoured to provide as much choice to customers as we can.
5. **We reward** – In 2016-17 we issued **\$275,610.00** worth of reward vouchers to both shareholder members and Co-op 100 members. Our reward scheme provides real value to members and acknowledges those members who give their custom to the Co-op.

I am also cognisant of the need to ensure that we repay those shareholders who have requested their shareholding be returned. Both this year and last year we have gone to shareholders seeking approval to increase the amount allowed to be paid back in any one year. Over the course of 2016-

Chief executive officer's report

17 we have repaid \$169,981 and expect to be able to pay a similar or greater amount during 2017-18. Whilst the rate of repayment to some shareholders may appear to be slow, we are also very aware of the need to ensure we retain sufficient funds within the business to meet our capital requirements and to ensure that we operate in a prudent and effective manner.

3. To be an employer of choice.

The Co-op continues to invest heavily in our employees by offering training opportunities and to provide improved working conditions. Enhancements to our internal communication systems, increased training opportunities, new equipment and improved ways of doing business have given staff the opportunity to invest in their own careers. Staff survey results continue to reflect the improvements we are making in our business and we welcome their feedback to ensure that we are serving our customers well.

Over the course of the next 12 to 18 months we will be providing opportunities for all staff to undertake further customer service training so that all our customers will experience a consistent and excellent level of service every time they enter one of our businesses.

4. To provide sound governance of the Co-operative.

The Board and senior management are responsible for setting the strategic direction of the Co-op. Over the next 5 years the Co-op will look to diversify and grow our current businesses to ensure that we continue to meet the needs of our shareholder members.

Understanding the risks and issues for each business segment is a challenge in itself and the Board has participated in strategic planning and risk assessment sessions to ensure that these issues are always top of mind. In addition, Board members have participated in education sessions from governance updates to chain of responsible legislation requirements to ensure that they have the knowledge required to effectively guide the organisation in the future.

In today's fast paced and ever-changing world, where the term "disruptor" is viewed, by many, with great fanfare, we have not lost sight that the personal touch, going the extra mile, knowing our customers by name and endeavouring to provide the best retail experience is far more valuable to the overall economic sustainability of the local community than a digital keyboard, a cheap foreign product and foreign raider who contributes very little, if anything, to the local community. Our Co-op, I am proud to say, is one business, firmly entrenched in making sure we do provide benefits back to the local communities in which we operate and we will continue to do so for many years to come.

In closing, I would like to thank our staff for being the face of the Co-op, for delivering the customer experience on a day to day basis and for making my job that much easier. To the Board for their guidance and wisdom and finally to you, our shareholders; I remain extremely humbled by the loyalty and custom that you display towards the Co-op, year in, year out and I look forward to serving you in 2017-18.

Allan Gordon - Chief Executive Officer



FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

ABN 86 601 035 121

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Your Directors present their report on the Co-operative for the financial year ended 30 June 2017.

Directors

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

David Johnson	(Chairperson)
Julie Muller	(Deputy Chairperson)
Anthony Abi-Saab	
Lisa Intemann	
Richard McGovern	
Jane Dawson	
Rodney Barnaby	(Appointed 01/05/2017)
Stuart Goodfellow	(Resigned 22/11/2016)

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 bulk fuel and hospitality.

The addition of the Stirling Green Café has been the only significant change to these principal activities during the financial year.

Operating Results

The total revenue for the Co-operative was \$81,416,752 for the current financial year as compared to revenue of \$75,752,670 for the previous financial year. The profit of the Co-operative for the financial year after providing for income tax amounted to \$1,215,568 compared to a profit of \$1,318,983 in the previous financial year.

Dividends

No dividend is recommended to be paid for the financial year ended 30 June 2017.

Shareholder reward vouchers issued for the financial year totalled **\$252,420** and Co-op 100 Vouchers issued for the financial year totalled **\$23,190**.

Review of Operations

The retail environment has continued to be extremely competitive during 2016-17. Reduced margins in both grocery and retail fuel have impacted the final result for this year. Our hardware and rural supplies division has seen significant growth and a much improved performance.

Significant changes in State of Affairs

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

Events after the Reporting Period

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 Co-operative in future financial years.

Future Developments

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

Environmental Regulations

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

The Board believes that the Co-operative has adequate systems in place for the management of its environmental requirements and is 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 held a Directors and Officers Insurance Policy. The policy has an exclusion clause which precludes any further disclosure.

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

Proceedings on Behalf of Co-operative

No person has applied for leave of Court to bring proceedings on behalf of the Co-operative or intervene in any proceedings to which the Co-operative is a party for the purpose of taking responsibility on behalf of the Co-operative for all or any part of those proceedings.

The Co-operative was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 has been received and is included in this financial report.

Meetings of Directors

During the financial year, 28 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*		Audit and Risk Committee		Marketing and Communications Committee		Governance Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
David Johnson	11	11	1	1	4	4	-	-	-	-	5	5
Julie Muller	11	11	1	1	-	-	-	-	-	-	5	5
Anthony Abi Saab	11	8	1	1	-	-	4	4	3	1	-	-
Lisa Intemann	11	9	1	1	-	-	4	3	3	1	-	-
Richard McGovern	10	10	1	1	-	-	-	-	3	3	4	4
Jane Dawson	11	10	1	1	4	4	4	3	-	-	-	-
Rodney Barnaby	2	2	-	-	-	-	-	-	-	-	-	-
Stuart Goodfellow	4	3	-	-	4	3	-	-	1	1	-	-

*The Budget and Performance Committee was absorbed by the full Board in February 2017 and no longer meets.

Information on Current Directors

David Johnson – Independent Non-Executive Director, BA, CPA, Grad Dip AICD, JP



David has been a member of the Board since 2013 and has been Chair since 2016. David holds the position of Chair of the Nominations Committee and is member of the Governance Committee. David is a professional company director and has over 30 years experience in the banking and finance industry as well as 12 years company secretarial experience. David brings to the Board a wealth of experience in business management and accounting as well as governance, policy development and risk management. David holds two outside directorships with Bundaleer Care Services Ltd and Holiday Coast Credit Union Ltd.

Julie Muller – Independent Non- Executive Director – Member AICD



Julie has been a Director of the Co-operative for 25 years and brings a wealth of co-operative experience to the Board as well as experience in governance, leadership and business management. Julie is a member of the Governance Committee and been an active member of the local business community for many years. Julie is a member of the Australian Institute of Company Directors and holds one outside directorship with Bundaleer Care Services Limited.

Anthony Abi-Saab – Independent Non-Executive Director – B.Sc, BA., HBA, Grad Dip (Hons) IASOS, Grad Dip AET, Cert III IT, Cert IV Multi-Media, Cert IV TAE



Anthony Abi-Saab has been a member of the Board since 2012. Anthony is a member of the Audit and Risk Committee as well as Chair of the Marketing and Communications Committee. Anthony has been a small business owner in Wauchope for a number of years and operates a business in the consumer beverages market. Anthony brings to the Board his expertise in business to consumer sales as well as legal and communications. Anthony holds the following outside directorships Saab Industries Pty Ltd, Hastings Valley Spring Water Pty Ltd, Maxabi Pty Ltd, and SAAB Pty Ltd

Lisa Intemann – Independent Non-Executive Director PhD, BA (Hons), BSc, Grad. Dip Soc.Sc. Cert of Mediation, MAICD



Lisa joined the Board in 2012 and is currently the Chair of the Audit and Risk Committee and is a member of the Marketing and Communications Committee. Lisa is currently an elected Councillor for the Port Macquarie Hastings Council serving from 1995 to 2008 and from 2012 to the present. Lisa has an extensive background in small business management having managed family businesses for many years. Lisa brings to the Board her expertise in governance and strategic planning, risk management and policy development.

Richard McGovern – Independent Non - Executive Director - Cert III in Bus Mkt/Promotions and Customer Service



Richard McGovern holds the position of Chair of the Governance Committee and is a member of the Marketing and Communications Committee. Richard has been a small business owner in Wauchope since 2004 and operates several businesses in the promotions and marketing sphere. Richard has a background in sales, marketing and promotion and brings knowledge and expertise to the Board in these areas. Richard is a member of the Port Macquarie Hastings Council – Mayors Sporting Fund Committee and has been a Director of the Co-operative since 2013.

Jane Dawson – Independent Non-Executive Director – B.Vsc, MVPH Mgt, Grad Dip AICD, Grad Dip Animal Science (Genetics), Cert Int Assoc of Public Participation



Jane joined the Board in 2015 and is a member of the Audit and Risk Committee as well as previously being a member of the Budget and Performance Committee. Jane is a small business owner and operates a business specialising in strategic planning, project management and livestock health. Jane brings her expertise in corporate agriculture, farmer representation and small business to the Board. Jane has worked for shareholder organisations for 20 years and with business for 11 years.

Jane holds one outside directorship with Dawson Agri Enterprises Pty Ltd.

Rodney Barnaby – Independent Non-Executive Director -



Rod filled a casual vacancy on the Board on the 1st May 2017. Following a successful military career as an officer in the Australian Army, Rod has extensive corporate experience from owning and managing a national high volume customer facing service business. He has also owned and managed smaller businesses including a local training and development company. Rod brings to the Board skills in strategic planning and leadership, governance and commercial decision making. Rod currently sits on the Board of Regional Development Australia and Destination Network North Coast, and is an owner and Director of Future Ambition Pty Ltd and Biodiversity Solutions Australia Pty Ltd

Acknowledgements

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

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

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

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

Chairperson:.....

David Johnson

Deputy Chairperson:.....

Julie Muller

Dated: 3 October 2017

AUDITOR'S INDEPENDENCE DECLARATION

Under Section 307C of the Corporations Act 2001

To the Directors of Hastings Co-operative Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

NORTHCORP ACCOUNTANTS



Robert Magnussen
Partner
Registered Company Auditor

Dated: 3 October 2017

3/80 High Street
WAUCHOPE NSW 2446



CHARTERED ACCOUNTANTS
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Liability Limited by a scheme approved under Professional Standards Legislation

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2017

		2017	2016
	Note	\$	\$
Revenue	2(a)	81,400,455	75,671,360
Other income	2(b)	16,297	81,310
		<u>81,416,752</u>	<u>75,752,670</u>
Changes in inventories	3	333,036	427,579
Inventory purchases	3	(65,116,694)	(60,535,131)
Bad and doubtful debts expense	3	19,789	(16,775)
Depreciation and amortisation expense	3	(843,033)	(792,160)
Employee benefits expense		(8,549,562)	(7,822,577)
Finance costs	3	(497,704)	(581,360)
Rent expense		(930,950)	(899,155)
Other expenses		(4,637,909)	(4,286,732)
		<u>(80,223,027)</u>	<u>(74,506,311)</u>
Profit/(loss) before income tax		1,193,725	1,246,359
Income tax expense	4	21,843	72,624
Profit/(loss) for the year		<u>1,215,568</u>	<u>1,318,983</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>1,215,568</u>	<u>1,318,983</u>
Profit / (loss) attributable to members of the Co-operative		<u>1,215,568</u>	<u>1,318,983</u>
Total comprehensive income attributable to members of the Co-operative		<u>1,215,568</u>	<u>1,318,983</u>

The accompanying notes form part of these financial statements.

Statement of financial position

AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	78,900	71,050
Trade and other receivables	7	1,264,657	1,322,425
Inventories	8	4,558,016	4,180,335
Other assets	10	19,107	40,904
Total current assets		5,920,680	5,614,714
Non-current assets			
Other financial assets	9	1,000	1,000
Property, plant and equipment	11	15,088,669	14,928,726
Intangible assets	12	321,463	318,655
Deferred tax assets	13(a)	400,175	378,332
Total non-current assets		15,811,307	15,626,713
TOTAL ASSETS		21,731,987	21,241,427
LIABILITIES			
Current liabilities			
Trade and other payables	14	4,019,773	4,366,960
Borrowings	15	1,206,639	2,058,924
Short-term provisions	17	817,686	786,801
Other liabilities	18	28,066	6,932
Total current liabilities		6,072,164	7,219,617
Non-current liabilities			
Borrowings	15	7,649,869	7,126,984
Members' shares	16	2,217,197	2,388,729
Long-term provisions	17	284,029	212,937
Total non-current liabilities		10,151,095	9,728,650
TOTAL LIABILITIES		16,223,259	16,948,267
NET ASSETS		5,508,728	4,293,160
EQUITY			
Reserves	20	5,328,379	5,328,379
Retained earnings		180,349	(1,035,219)
TOTAL EQUITY		5,508,728	4,293,160

The accompanying notes form part of these financial statements.

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2017

2017

	Retained Earnings \$	Asset Revaluation Surplus \$	Total \$
Balance at 1 July 2016	(1,035,219)	5,328,379	4,293,160
Profit / (loss) attributable to members of the Co-operative	1,215,568	-	1,215,568
Other comprehensive income	-	-	-
Total comprehensive income for the year	1,215,568	-	1,215,568
Balance at 30 June 2017	180,349	5,328,379	5,508,728

2016

	Retained Earnings \$	Asset Revaluation Surplus \$	Total \$
Balance at 1 July 2015	(2,354,202)	5,328,379	2,974,177
Profit / (loss) attributable to members of the Co-operative	1,318,983	-	1,318,983
Other comprehensive income	-	-	-
Total comprehensive income for the year	1,318,983	-	1,318,983
Balance at 30 June 2016	(1,035,219)	5,328,379	4,293,160

The accompanying notes form part of these financial statements.

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities:			
Receipts from customers		87,586,028	80,908,424
Payments to suppliers and employees		(85,585,372)	(78,890,480)
Finance costs		(497,704)	(581,360)
Interest received		6,827	16,559
Net cash provided by (used in) operating activities	25(a)	<u>1,509,779</u>	<u>1,453,143</u>
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		25,594	82,752
Purchase of property, plant and equipment		(994,973)	(707,217)
Acquisition of intangible assets		(33,446)	(26,697)
Net cash provided by (used in) investing activities		<u>(1,002,825)</u>	<u>(651,162)</u>
Cash flows from financing activities:			
Shares issued		277	4,460
Shares repaid		(169,981)	(125,696)
Net increase / (decrease) in borrowings		920,227	415,465
Net increase / (decrease) in members' deposits		(1,380,476)	(322,772)
Net cash provided by (used in) financing activities		<u>(629,953)</u>	<u>(28,543)</u>
Net increase (decrease) in cash held		(122,999)	773,438
Cash and cash equivalents at beginning of financial year		<u>(80,101)</u>	<u>(853,539)</u>
Cash and cash equivalents at end of financial year	6	<u>(203,100)</u>	<u>(80,101)</u>

The financial statements are for Hastings Co-operative Limited as an individual entity. Hastings Co-operative Limited is a Co-operative under the Co-operatives National Law (NSW), 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 (NSW) 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, except for the cash flow information, 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) 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 using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

Note 1 Summary of Significant Accounting Policies (Continued)**(b) 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 on the statement of financial position.

(c) 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.

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

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 amount 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 amount included in profit or loss.

Note 1 Summary of Significant Accounting Policies (Continued)**(c) Financial Instruments (Continued)****(ii) *Loans and receivables***

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

Loans and receivables are classified as 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 classified as 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. They are subsequently measured at fair value.

Available-for-sale financial assets are classified as 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.

Note 1 Summary of Significant Accounting Policies (Continued)

(c) Financial Instruments (Continued)

Impairment

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

(d) Inventories

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

(e) 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) less subsequent depreciation for buildings. The fair value of freehold land and buildings is based on periodic valuations performed by independent external valuers at least once in every five years.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the asset revaluation reserve in equity. Revaluation decreases that offset previous increases of the same asset are charged against the asset revaluation reserve 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 accumulated depreciation and impairment losses.

In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses are recognised in the statement of comprehensive income. An assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(g) for details of impairment).

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.

Note 1 Summary of Significant Accounting Policies (Continued)**(e) Property, Plant and Equipment (Continued)*****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 recognised in the statement of comprehensive income in the period in which they arise. When revalued assets are sold, amounts included in the revaluation reserve relating to those assets are transferred to retained earnings.

(f) 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.

(g) 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.

Note 1 Summary of Significant Accounting Policies (Continued)**(h) Intangible Assets*****Goodwill***

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

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

Software

Items of computer software which are not integral to the computer hardware owned by the Co-operative are classified as intangible assets. Computer software held as an intangible asset is amortised over the expected useful life of the software which is generally determined to be 4 years.

(i) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Co-operative during the reporting period which remain unpaid at the end of the reporting period. The balance is recognised as a current liability.

(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, plus related on-costs. 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 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 the requirements of International Financial Reporting Standards, members' shares were reclassified as non-current liabilities in the statement of financial position. 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. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Note 1 Summary of Significant Accounting Policies (Continued)

(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 profit or loss in the period in which they are incurred.

(o) Leases

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

Finance leases are capitalised by recognising 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 the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives, where it is likely that the Co-operative will obtain ownership of the asset, or the term of the lease.

Lease payments for operating leases, where substantially all of 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 (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

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.

Note 1 Summary of Significant Accounting Policies (Continued)**(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 Accounting Standards and interpretations that have mandatory application for future reporting periods. The Co-operative has decided against early adoption of the following Standards which are applicable to the Co-operative but are not yet effective:

Title of Standard	Future Reporting Requirements	Operative Date
AASB 9 : Financial Instruments and Associated Amending Standards.	This Standard will be 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 2018
AASB 15: Revenue from Contracts with Customers.	This Standard provides a comprehensive framework for determining, whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118: Revenue.	1 January 2018
AASB 16: Leases.	This Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.	1 January 2019

The abovementioned Standards are applicable for annual reporting periods commencing on the operative date. Although the adoption of these Standards may have an impact on the Co-operative's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Note 1 Summary of Significant Accounting Policies (Continued)**(t) Critical Accounting Estimates and Judgements**

The Directors evaluate estimates and judgements 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 nominal discount rate of 8.5% and a growth rate of 2.5%. In determining the recoverable amount of the cash-generating unit, management used projected cash flows, based on approved budgets, covering a 5 year period. 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 3 October 2017.

Note 2 Revenue and Other Income**(a) Revenue**

	2017	2016
	\$	\$
Sale of goods		
Sales revenue	79,261,778	73,902,462
Other revenue:		
Interest received	6,827	16,559
Rent received	220,283	212,397
Other revenue	1,911,567	1,539,942
Total Revenue	81,400,455	75,671,360
(b) Other income		
Net gain on sale of property, plant and equipment	16,297	81,310
Total Revenue and Other Income	81,416,752	75,752,670

Note 3 Profit / (Loss) for the Year

(a) Expenses

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

	2017	2016
	\$	\$
Cost of Sales	64,783,658	60,107,552
Finance Costs		
Interest Expense		
Members' deposits	51,559	93,165
Borrowings - unrelated parties	446,145	488,195
Total finance costs	497,704	581,360
Depreciation and Amortisation Expense		
Depreciation		
Buildings and improvements	176,043	167,160
Plant and equipment	636,352	597,427
	812,395	764,587
Amortisation		
Computer software	30,638	27,573
Total depreciation and amortisation expense	843,033	792,160
Bad and Doubtful Debts		
Trade receivables	(19,789)	16,775
Total bad and doubtful debts expense / (income)	(19,789)	16,775

Note 4 Income Tax Expense

(a) The components of tax expense comprise:

	2017	2016
	\$	\$
Current tax expense / (income)	378,725	444,101
Deferred tax arising from the origination and reversal of temporary differences	(21,843)	(72,624)
Recoupment of prior year losses	(378,725)	(444,101)
	<u>(21,843)</u>	<u>(72,624)</u>

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

Prime facie tax on profit / (loss) before income tax expense at 30% (2016: 30%)	358,117	373,908
Add:		
Tax effect of:		
- other non-allowable items	259	-
	<u>358,376</u>	<u>373,908</u>
Less:		
Tax effect of:		
- prior year losses and adjustments	(1,917)	-
- movement in deferred tax liabilities relating to property, plant & equipment not accounted for	423	(2,431)
- recoupment of prior year tax losses not previously brought to account	(378,725)	(444,101)
	<u>(380,219)</u>	<u>(446,532)</u>
Income tax (benefit) / expense attributable to the Co-operative	<u>(21,843)</u>	<u>(72,624)</u>

Note 5 Dividends

	2017	2016
Note	\$	\$
Fully franked dividend of Nil% of issued share capital (2016: 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		78,900	71,050
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		78,900	71,050
Bank overdraft	15	(282,000)	(151,151)
		(203,100)	(80,101)

Note 7 Trade and Other Receivables

	Note	2017 \$	2016 \$
Current			
Trade receivables		1,037,010	1,014,976
Provision for impairment	7(b)	(2,620)	-
		<u>1,034,390</u>	<u>1,014,976</u>
Other receivables		230,267	331,642
Provision for impairment	7(b)	-	(24,193)
		<u>230,267</u>	<u>307,449</u>
Total current trade and other receivables		<u>1,264,657</u>	<u>1,322,425</u>

(a) Trade Receivables

The Co-operative provides trading terms of 21 days from the end of the month to approved ABN holders. Interest is charged at 18% p.a. (2016: 18% p.a) on outstanding balances outside trading terms. An administration charge of \$10 may also apply.

(b) Impairment of Trade Receivables

In determining the recoverability of a trade and other receivables the Co-operative considers any change in the credit quality of the trade and other receivables from the date credit was initially granted up to the reporting date.

Note 8 Inventories

Current

Finished goods at cost	<u>4,558,016</u>	<u>4,180,335</u>
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Note 9 Other Financial Assets

Non-current

Available-for-sale financial assets

Unlisted investments, at cost:

- shares in other corporations	<u>1,000</u>	<u>1,000</u>
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Note 10 Other Assets

	2017	2016
	\$	\$
Current		
Prepayments	19,107	40,904

Note 11 Property, Plant and Equipment

Land and Buildings

Freehold land

Freehold land at independent valuation	5,900,000	5,785,000
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Buildings

Buildings and improvements at independent valuation	6,967,465	6,671,732
Less accumulated depreciation	(509,828)	(333,785)
Total buildings	6,457,637	6,337,947

Total land and buildings	12,357,637	12,122,947
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Plant and equipment

Plant and equipment at cost	8,165,708	7,787,061
Less accumulated depreciation	(5,434,676)	(4,981,282)
Total plant and equipment	2,731,032	2,805,779

Total property, plant and equipment	15,088,669	14,928,726
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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.

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 \$
2017				
Balance at 1 July 2016	5,785,000	6,337,947	2,805,779	14,928,726
Additions	115,000	295,733	570,902	981,635
Disposals	-	-	(9,297)	(9,297)
Depreciation expense	-	(176,043)	(636,352)	(812,395)
Balance at 30 June 2017	5,900,000	6,457,637	2,731,032	15,088,669

2016				
Balance at 1 July 2015	5,785,000	6,498,375	2,745,997	15,029,372
Additions	-	6,732	713,823	720,555
Disposals	-	-	(1,442)	(1,442)
Transfers	-	-	(55,172)	(55,172)
Depreciation expense	-	(167,160)	(597,427)	(764,587)
Balance at 30 June 2016	5,785,000	6,337,947	2,805,779	14,928,726

(b) Historical Cost

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

	2017 \$	2016 \$
Cost	8,384,649	7,973,916
Accumulated depreciation	(1,251,211)	(1,089,008)
Net book value	7,133,438	6,884,908

Note 12 Intangible Assets

	2017	2016
	\$	\$
Goodwill		
Cost	264,359	264,359
Accumulated impairment losses	-	-
Net carrying amount	264,359	264,359
Computer software		
Cost	191,929	158,483
Accumulated amortisation and impairment	(134,825)	(104,187)
Net carrying value	57,104	54,296
Total intangible assets	321,463	318,655

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

	Computer software	Goodwill	Total
	\$	\$	\$
2016			
Balance at the beginning of year	-	264,359	264,359
Additions	26,697	-	26,697
Transfers	55,172	-	55,172
Amortisation charge	(27,573)	-	(27,573)
Balance at 30 June 2016	54,296	264,359	318,655
2017			
Balance at the beginning of year	54,296	264,359	318,655
Additions	33,446	-	33,446
Amortisation charge	(30,638)	-	(30,638)
Balance at 30 June 2017	57,104	264,359	321,463

Note 13 Tax

(a) Assets

Non Current

	Opening Balance	Charged to Income	Charged Directly to Equity	Closing Balance
	\$	\$	\$	\$
Deferred Tax Assets				
2016				
Provisions	264,552	51,652	-	316,204
Impairment of trade receivables	1,823	3,084	-	4,907
Other	39,333	17,888	-	57,221
Balance at 30 June 2016	305,708	72,624	-	378,332
2017				
Provisions	316,204	31,743	-	347,947
Impairment of trade receivables	4,907	(4,121)	-	786
Other	57,221	(5,779)	-	51,442
Balance at 30 June 2017	378,332	21,843	-	400,175

(b) Liabilities

The balance of deferred tax liabilities as at 30 June 2017 was NIL (2016: NIL)

Note 14 Trade and Other Payables

	2017 \$	2016 \$
Current		
Unsecured liabilities		
Trade payables	3,699,819	3,615,770
Other payables and accrued expenses	319,954	751,190
	4,019,773	4,366,960

(a) Trade Payables

The Co-operative has financial risk management policies in place to ensure that trade and other payables are paid within reasonable credit timeframes.

Note 15 Borrowings

	Note	2017 \$	2016 \$
Current			
Unsecured liabilities			
Members' deposits		-	1,137,639
Secured liabilities			
Bank overdraft	15(a)	282,000	151,151
Commercial loans	15(a)	924,639	770,134
		<u>1,206,639</u>	<u>921,285</u>
Total current borrowings		<u>1,206,639</u>	<u>2,058,924</u>
Non-Current			
Unsecured liabilities			
Members' deposits		-	242,837
Secured liabilities			
Commercial loans	15(a)	7,649,869	6,884,147
		<u>7,649,869</u>	<u>7,126,984</u>
Total non-current borrowings		<u>7,649,869</u>	<u>7,126,984</u>
Total borrowings		<u>8,856,508</u>	<u>9,185,908</u>
(a) Total current and non-current secured liabilities			
Bank overdraft		282,000	151,151
Commercial loans		8,574,508	7,654,281
		<u>8,856,508</u>	<u>7,805,432</u>

(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	12,357,637	12,122,947
Plant and equipment	2,731,032	2,805,779
	<u>15,088,669</u>	<u>14,928,726</u>

Note 15 Borrowings (Continued)

(c) Financial Covenants

Covenants within the Co-operative's business finance agreement with its banker, and letters of variations to borrowings, require compliance with the following financial undertakings:

- Financial reports to be provided to the bank on a half yearly basis within 30 days of the corresponding balance date.
- Interest Cover Ratio not less than 1.50 times earnings before interest and taxation (EBIT).
- Debt Service Cover (DSC) of not less than 1.00 times as measured at each half yearly 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.

Note 16 Members' Shares

	2017	2016
Note	\$	\$
Non Current		
Fully paid ordinary shares	2,217,197	2,388,729
Ordinary Shares		
Balance at the beginning of the financial year	2,388,729	2,512,416
Allotment of shares	277	4,460
	2,389,006	2,516,876
Shares bought back during the year	(169,981)	(125,696)
Shares forfeited	16(a) (1,828)	(2,451)
Balance at the end of the financial year	2,217,197	2,388,729

(a) Forfeiture of Shares

During the year ended 30 June 2017 shares totalling \$1,828 (2016: \$2,451) were forfeited in relation to members whose whereabouts were unknown and whose shares were less than \$100 in value. The forfeiture of these shares was in accordance with the Co-operative's Rules and the requirements of the Co-operatives National Law (NSW).

In accordance with the requirements of Accounting Standard AASB 139, the forfeited shares were derecognised as a financial liability and the amount of the extinguished liability of \$1,828 (2016: \$2,451) was recognised in profit.

Note 17 Provisions

	Employee benefits \$	Total \$
Opening balance at 1 July 2016	999,738	999,738
Additional provisions	101,977	101,977
Balance at 30 June 2017	<u>1,101,715</u>	<u>1,101,715</u>

Analysis of Total Provisions

	2017 \$	2016 \$
Current	817,686	786,801
Non-current	284,029	212,937
	<u>1,101,715</u>	<u>999,738</u>

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for wages, annual leave and long service leave.

The current portion for the provision includes the total amount accrued for wages and annual leave entitlements and amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service.

These amounts are classified as current liabilities since the Co-operative does not have an unconditional right to defer settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion of the provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Note 18 Other liabilities

Current

Income in advance	<u>28,066</u>	<u>6,932</u>
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Note 19 Auditors' Remuneration

	2017 \$	2016 \$
Remuneration of the auditor of the Co-operative for:		
Auditing the financial report	54,500	51,000
Taxation services	11,820	2,000
Other services	5,500	5,000
	71,820	58,000

Note 20 Reserves

(a) Asset Revaluation Reserve

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

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 working capital requirements on a regular monthly basis.

Note 22 Contingent Liabilities

(a) Bank Guarantee

Combined Rural Traders Pty Ltd	100,000	100,000
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The Co-operative has a banker's guarantee in favour of Combined Rural Traders Limited totalling \$100,000.

The guarantee is secured by mortgage over the Co-operative's assets. The guarantee is only payable in the event of economic loss, damage, liability or costs caused to Combined Rural Traders Limited by the Co-operative and its staff. To date there has been no event or events that would require the guarantee to be called upon.

(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 supermarket inventory assets of the Co-operative.

Note 23 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:

	2017 \$	2016 \$
Payable		
- not later than 1 year	876,357	893,914
- later than 1 year but not later than 5 years	1,497,838	2,433,951
- later than 5 years	-	-
	<u>2,374,195</u>	<u>3,327,865</u>

The building accommodation leases are non-cancellable leases with terms ranging from 3 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.

(b) Capital Expenditure Commitments

Capital expenditure commitments contracted for:

Plant and equipment purchases	-	70,000
Payable:		
- not later than 1 year	-	70,000

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:

David Johnson	(Chairperson)
Julie Muller	(Deputy Chairperson)
Anthony Abi Saab	
Lisa Intemann	
Richard McGovern	
Jane Dawson	
Rodney Barnaby	(Appointed 01/05/2017)
Stuart Goodfellow	(Resigned 22/11/2016)

(b) Other Key Management Personnel

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

<i>Name</i>	<i>Position</i>
Allan Gordon	Chief Executive Officer
Lesley Keft	Business Unit Manager
Carol Leach	Business Unit Manager
Darren Partridge	Business Unit Manager
Judith Standring	Business Unit Manager
David Hore	Business Unit Manager
Lisa Atkins	Business Unit Manager
Stephen Russell	Business Unit Manager (Appointed 27/10/2016)
Terry Halloran	Business Unit Manager (Resigned 25/11/2016)

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:

	2017	2016
	\$	\$
Short-term employee benefits	810,948	745,737
Post-employment benefits	72,216	69,071
Other long-term benefits	3,248	7,610
Termination benefits	-	-
	886,412	822,418

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:

1,880	889
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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:

438	615
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(f) Related Party Transactions

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

During the year ended 30 June 2017 amounts totalling \$17,630 (2016: \$14,475) were paid to Saab Industries Pty Ltd, a director-related entity of Director Anthony Abi-Saab. The amount paid related to the supply of bottled water to the Co-operative.

During the year ended 30 June 2017 amounts totalling \$955 (2016: \$797) were paid to Wauchope Sports and Trophies, a director-related entity of Director Richard McGovern. The amount paid related to the supply of badges and name tags to the Co-operative.

Note 24 Disclosures on Directors and Other Key Management Personnel (Continued)

(g) Other Transactions with Key Management Personnel

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

	2017 No.	2016 No.
(i) Aggregate number of shares held by KMP at the end of the reporting period	3,285	3,313
(ii) Aggregate number of shares acquired by KMP during the financial year	10	20

Note 25 Cash Flow Information

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

	2017 \$	2016 \$
Profit / (loss) after income tax	1,215,568	1,318,983
Non-cash flows in profit		
Depreciation and amortisation expense	843,033	792,160
Net (gain)/loss on disposal of property, plant and equipment	(16,297)	(81,310)
Shares forfeited	(1,828)	(2,451)
Changes in assets and liabilities		
(Increase) / decrease in receivables	57,768	115,465
(Increase) / decrease in inventories	(377,681)	(422,819)
(Increase) / decrease in other assets	21,797	77,175
(Increase) / decrease in tax assets	(21,843)	(72,624)
Increase / (decrease) in trade and other payables	(333,849)	(399,070)
Increase / (decrease) in provisions	101,977	170,105
Increase / (decrease) in other liabilities	21,134	(42,471)
Cash flow from operations	1,509,779	1,453,143

Note 25 Cash Flow Information (Continued)

(b) Financing Arrangements with Banks

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

	Note	2017 \$	2016 \$
Total Facilities Available			
Credit facility	25(b)(i)	50,000	50,000
Bank overdraft	25(b)(ii)	800,000	800,000
Commercial Loan	25(b)(iii)	3,800,000	3,800,000
Commercial Loan	25(b)(iv)	4,411	21,325
Commercial Loan		-	13,622
Commercial Loan	25(b)(v)	74,403	100,113
Commercial Loan	25(b)(vi)	2,000,000	2,000,000
Commercial Loan	25(b)(vii)	1,357,406	1,700,000
Commercial Loan	25(b)(viii)	1,088,226	1,391,197
Commercial Loan	25(b)(ix)	257,899	333,436
Commercial Loan	25(b)(x)	242,163	-
		9,674,508	10,209,693
Facilities Utilised at Reporting Date			
Credit facility		1,553	13,473
Bank overdraft		282,000	151,151
Commercial Loan		3,800,000	3,800,000
Commercial Loan		4,411	21,325
Commercial Loan		-	13,622
Commercial Loan		74,403	100,113
Commercial Loan		1,750,000	1,720,000
Commercial Loan		1,357,406	274,588
Commercial Loan		1,088,226	1,391,197
Commercial Loan		257,899	333,436
Commercial Loan		242,163	-
		8,858,061	7,818,905

Note 25 Cash Flow Information (Continued)

(b) Financing Arrangements with Banks (Continued)

Facilities Not Utilised at Reporting Date

Credit facility	48,447	36,527
Bank overdraft	518,000	648,849
Commercial Loan	-	-
Commercial Loan	-	-
Commercial Loan	-	-
Commercial Loan	-	-
Commercial Loan	250,000	280,000
Commercial Loan	-	1,425,412
Commercial Loan	-	-
Commercial Loan	-	-
Commercial Loan	-	-
	816,447	2,390,788

(i) Credit Facility

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

(ii) Bank Overdraft

\$800,000 (2016: \$800,000) 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 2017 was 3.66% plus 1.2% line fee (2016: 3.62% plus 1.4% line fee). 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 5.45% (2016: 5.45%).

Note 25 Cash Flow Information (Continued)**(b) Financing Arrangements with Banks (Continued)****(iv) 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 6.83% (2016: 6.83%).

(v) 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 Cooperative and a fixed and floating charge over all assets. The interest rate applicable to the commercial loan is 6.3% (2016: 6.3%).

(vi) 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 3.835% plus 1.0% line fee (2016: 3.815% plus 1.1% line fee).

(vii) 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 4.18% plus 1.0% line fee (2016: 4.17% plus 1.31% line fee).

(viii) 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 5.45% (2016: 5.45%).

(ix) 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 Cooperative and a fixed and floating charge over all assets. The interest rate applicable to the commercial loan is 6.57% (2016: 6.57%).

(x) 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 6.57%.

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 and commercial loans.

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 and financial assets.

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.

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	
	2017	2016		2017	2016		2017	2016		2017	2016
	\$	\$		\$	\$		\$	\$		\$	\$
Financial assets - cash flows realisable											
Cash and cash equivalents	78,900	71,050	-	-	-	-	-	-	-	78,900	71,050
Other investments	-	-	-	-	-	-	1,000	1,000	-	1,000	1,000
Trade and other receivables	1,264,657	1,322,425	-	-	-	-	-	-	-	1,264,657	1,322,425
Total Financial Assets	1,343,557	1,393,475	-	-	-	-	1,000	1,000	-	1,344,557	1,394,475
Financial liabilities due for payment											
Bank overdraft	282,000	151,151	-	-	-	-	-	-	-	282,000	151,151
Commercial loans	924,639	770,134	7,649,869	6,884,147	-	-	-	-	-	8,574,508	7,654,281
Members' deposits	-	1,137,639	-	242,837	-	-	-	-	-	-	1,380,476
Members' shares	-	-	2,217,197	2,388,729	-	-	-	-	-	2,217,197	2,388,729
Trade and other payables	4,019,773	4,366,960	-	-	-	-	-	-	-	4,019,773	4,366,960
Total Financial Liabilities	5,226,412	6,425,884	9,867,066	9,515,713	-	-	-	-	-	15,093,478	15,941,597
Net (outflow)/inflow on financial instruments	(3,882,855)	(5,032,409)	(9,867,066)	(9,515,713)	1,000	1,000	-	-	1,000	(13,748,921)	(14,547,122)

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.

		-1%	-1%	+1%	+1%
	Carrying Amount	Profit	Equity	Profit	Equity
	\$	\$	\$	\$	\$
Financial Liabilities					
Bank overdraft	282,000	2,820	2,820	(2,820)	(2,820)
Commercial loans	3,686,282	36,863	36,863	(36,863)	(36,863)
Increase/(decrease)		39,683	39,683	(39,683)	(39,683)

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 and 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.

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.

		Level 1	Level 2	Level 3	Total
	Note	\$	\$	\$	\$
30 June 2017					
Recurring fair value measurements					
Financial Assets		-	-	-	-
Total financial assets recognised at fair value on a recurring basis		-	-	-	-
Non-financial assets					
Freehold land	11	-	5,900,000	-	5,900,000
Freehold buildings	11	-	6,457,637	-	6,457,637
Total non-financial assets recognised at fair value on a recurring basis		-	12,357,637	-	12,357,637
Total non-financial assets recognised at fair value on a non-recurring basis		-	-	-	-
Total non-financial assets recognised at fair value		-	12,357,637	-	12,357,637
Total liabilities recognised at fair value		-	-	-	-
30 June 2016					
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	-	6,337,947	-	6,337,947
Total non-financial assets recognised at fair value on a recurring basis		-	12,122,947	-	12,122,947
Total non-financial assets recognised at fair value on a non-recurring basis		-	-	-	-
Total non-financial assets recognised at fair value		-	12,122,947	-	12,122,947
Total liabilities recognised at fair value		-	-	-	-

Note 27 Fair Value Measurements (Continued)

(a) Fair Value Hierarchy (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 (2016: no transfers).

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

Description	2017 \$	2016 \$	Valuation Techniques	Inputs Used
Non-financial assets				
Freehold land	5,900,000	5,785,000	(i)	(ii)
Freehold buildings	6,457,637	6,337,947	(i)	(ii)
	<u>12,357,637</u>	<u>12,122,947</u>		

(i) Market approach using recent observable market data for similar properties.

(ii) Price per square metre.

The fair value of freehold land and buildings is determined at least every five 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
Financial Assets			
Cash and cash equivalents	2	(i)	(ii)
Other Investments	2	(i)	(ii)
Trade and other receivables	2	(i)	(ii)
Financial 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.

Note 27 Fair Value Measurements (Continued)

(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

Level 1, 9-13 High Street

Wauchope NSW 2446

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 (NSW)* 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 of the Co-operative as at 30 June 2017 and of its performance for the year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they become due and payable.

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

Chairperson:.....


David Johnson

Deputy Chairperson:.....


Julie Muller

Dated: 3 October 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Hastings Co-operative Limited

Opinion

We have audited the accompanying financial report of Hastings Co-operative Limited, which comprises the Statement of Financial Position as at 30 June 2017, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes to the financial statements including a summary of significant accounting policies, and other explanatory information and the Directors' Declaration.

In our opinion:

- (a) the financial report of Hastings Co-operative Limited is in accordance with the Co-operatives National Law (NSW) and the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Co-operative's financial position as at 30 June 2017 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 1.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Co-operative in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Co-operative's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



INDEPENDENT AUDITOR'S REPORT

To the members of Hastings Co-operative Limited

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, the Co-operatives National Law (NSW) 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 is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Co-operative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Co-operative or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

PARTNERS

Robert Magnussen B Bus FCA
Paul Fahey B Bus CA
Rodney Smith B Fin Admin FCA
Bart Lawler B Com CA
Patrick Brennan B Com CA

INDEPENDENT AUDITOR'S REPORT

To the members of Hastings Co-operative Limited

Auditor's Responsibilities for the Audit of the Financial Report (continued)

- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Co-operative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Co-operative to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

NorthCorp Accountants



Robert Magnussen
Partner

3/80 High Street
Wauchope NSW 2446

Dated: 3 October 2017



CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

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3/80 High Street, Wauchope NSW 2446 | PO Box 166, Port Macquarie NSW 2444

Liability Limited by a scheme approved under Professional Standards Legislation

Contributing to the community

2nd Wauchope Scout Group
 Beechwood Public School
 Beechwood Shamrocks Rugby League Football Club
 Byabarra Community Hall
 Camp Quality
 Charles Sturt University scholarships
 Comboyne Tigers Rugby League Football Club
 Comboyne Show 2017
 Comboyne Spring Fair 2016
 Comboyne Tennis Club
 Hastings Country Music Association
 Hastings Education Fund Scholarship
 Hastings Secondary College
 If We All Had Wings
 Lifeline Port Macquarie
 Lions Club of Wauchope
 Long Flat Rugby League Football Club
 Melanoma March
 NSW Rural Fire Service
 One Voice Hastings Homeless Support Group
 Orange Sky Mobile Laundry Van
 Oxfam
 Pappinbarra Bushfire Relief
 Pappinbarra Progress Association
 Port Macquarie Cycle Club
 Port Macquarie Hastings Legacy Club Ltd
 Port Macquarie Luminosity 2017
 Port Macquarie Hospital
 Port Macquarie Orthodontics – Black Tie Ball
 Rollands Plains Community Group
 Slice Of Haven 2017
 Starlight Foundation
 Taking Point Public School P&C
 Taking Point Surf Life Saving Club
 Tastings on Hastings
 Timbertown Heritage Park Annual Steam Fair 2017
 Upper Rollands Plains Public School
 Wauchope and Port Macquarie Riding for the Disabled
 Wauchope Blues Junior Rugby League Football Club
 Wauchope Blues Senior Rugby League Football Club
 Wauchope Boxing Club
 Wauchope High School
 Wauchope Hospital
 Wauchope Hockey Club
 Wauchope Lady Golfers
 Wauchope Mens Golf Day
 Wauchope Netball Club 2017
 Wauchope Park Run
 Wauchope Public School
 Wauchope Rotary Club
 Wauchope RSL Amateur Fishing Club

Wauchope RSL Cricket Club
 Wauchope Show Society
 Wauchope Soccer Club
 Wauchope Thunder Rugby Club
 Wauchope Veteran Woman's Golf
 Westpac Rescue Helicopter
 Woop Woop Cup 2016
 Yesteryear Truck and Machinery Show



Congratulations

Congratulations to our Hastings Co-op Employees who have contributed over ten years service as at 30th June 2017.

Gwenda JOHNSON	48
Patricia MILLER	31
Annette Kay MONKLEY	28
Elizabeth MOULTON	24
Sonny HACKNEY	24
Rhonda HAWLEY	24
Denise MOORE	24
Julie MULLER	23
Matthew WHITE	22
Kim BARNES	21
Jo-ann DENHAM	20
Darren PARTRIDGE	20
Maxine BYATT	19
Luke MACKAY	19
Sarah HUISMAN	19
Michael SMITH	18
Gemma BANNISTER	17
Andrew QUIBELL	16
Helen Ruth CURREY	16
Craig SWAIN	15
Colleen HOLLIS	15
Cecil Bruce BLANCH	14
Emma NICHOLSON	14
Emma DAVIS	14
Lynn RYAN	14
Tania ARENTSEN	13
Kathryn NOCKE	13
Dionne ALLEN	13
Jarrold EYLES	13
Daniel LANGENS	12
Allan FARLEY	12
Mario LENKIC	11
Kylie JOSEPH	11
Glenn THOMPSON	10
Lisa ATTKINS	10
Kerrie PEAD	10
Susan SHAW	10
Warren MCWHIRTER	10
Kelvin KELLY	10

Notes



Thank you for being part of the  Hastings Co-op family



We've got all your
needs covered

- Supermarkets • Liquor • Fuel
- Rural Supplies • Hardware
- Department Stores
- Stirling Green Cafe
- Bago Bluff condiments

www.hastingscoop.com.au

1	Wauchope Supa IGA Plus Liquor 42 Hastings Street, Wauchope (02) 6585 2222	5	The Bottle-O 4 High Street, Wauchope (02) 6586 4613	9	Port Macquarie Department Store Shop 2/78 Horton Street, Port Macquarie (02) 6584 5817
2	Corporate Centre Level 1, 9-13 High Street, Wauchope (02) 6588 8999	6	Mitre 10 and CRT 1 Carrington Street, Wauchope (02) 6585 1655	10	Lasiandra Service Station 188 High Street, Wauchope (02) 6585 1546
3	Wauchope Department Store 22 High Street, Wauchope (02) 6585 2299	7	Stirling Green Cafe Cnr Sovereign Drive and Gillman Way, Port Macquarie 0477 100 970	11	Timbertown Supa IGA Plus Liquor 245 Oxley Highway, Wauchope (02) 5524 1000
4	Cedar Service Station 4 High Street, Wauchope (02) 6585 2017	8	Port Macquarie IGA Foodbarn 138 Gordon Street, Port Macquarie (02) 6584 9600	12	Comboyne Rural Store Thone Street, Comboyne (02) 6550 4007





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