



100th Annual Report 2015-16



Celebrating our Centenary



The Hastings Co-op family





Notice to all active Shareholder Members of Annual General Meeting 2016

Notice is hereby give that the 100th Annual General Meeting of the Hastings Co-operative Limited will be held on Tuesday 22nd November 2016 at the Auditorium, Wauchope Country Club, commencing 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 99th Annual General Meeting held the 24th November 2015.
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 2016**
 - 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 7 be \$96,913.22 (2015 \$94,090.50). This represents an increase of 3% over the 2015 figure.
11. **To agree on the appointment of the independent auditor for 2015-16**
12. **To declare the result of any director election**
13. **To declare the result of the special resolution in relation to repurchase of shares.**
14. **Concluding remarks**

By Order of the Board of Directors

Allan Gordon
Co-operative Secretary
10th October 2016

Questions

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

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On behalf of the Board of Directors of Hastings Co-operative Limited, I am pleased to present my Chairman's Report for the financial year 2015/2016, to Shareholder Members.

As we celebrate our centenary year, it is interesting to reflect on the journey from 1916 until now 2016.

I would like to personally thank all my fellow Directors for their dedication to the role of Director and their contributions and support of the Hastings Co-operative Limited. The varied skills and experience of directors is complemented by a collaborative, co-operative and transparent approach to dealing with the positive Governance of the organisation.

Directors have given their time not only for Regular Monthly Board Meetings but as members of the Board Committees: Budget/Performance, Audit/Risk, Marketing/Communications, Governance, CEO Performance Review and Nominations Committees.

The Board subscribes to four pillars when undertaking business decisions:

- Financial stability
- Value back to Shareholder Members
- Employer of choice
- Good governance

I thank Chief Executive Officer/Secretary Allan Gordon, for his tremendous work in leading our team at Hastings Co-operative into its 100th year. It is a pleasure for the Board to work with the CEO and senior management, as it moves into the next phase of strength, change and growth.

Most importantly, I wish to thank our shareholder members, staff, customers, suppliers and the local community for your continued support for the Co-op. Your involvement is vital and is what makes the Co-op business strong and unique.

2015/16 has been a year of positive growth for the Co-op in what is a challenging and ever changing business environment. The Board is aware of its role in the development, review and implementation of the strategic direction of the Co-op and building strong foundations for the further development and the ongoing positive future for the organisation.

The Co-op is one of the largest employers in the area and we hold firmly to the ethos of a 'local supporting locals' wherever possible.

Yours sincerely,

Julie Muller (Chairman)



For and on behalf of the Board of Directors

Deputy Chair:

Richard McGovern (Chair of governance committee, member of marketing and communications committee)

Directors:

Anthony Abi-Saab (member of marketing and communications committee and audit and risk committee)

David Johnson (Chair of budget and performance committee, member of governance committee)

Jane Dawson (member of budget and performance committee and audit and risk committee)

Lisa Intemann (Chair of audit and risk committee)

Stuart Goodfellow (Chair of marketing and communications committee, member of budget and performance committee)

Chief executive officer's report



Dear Shareholder Members,

It is with great pleasure and honour that I present to you my report in this, the centenary year of the Co-op. One hundred years of building and being part of the communities of the Hastings Valley and Comboyne plateau. A community Co-op, proud of its heritage and enthusiastically looking forward to the next 100 years.

This is my fourth year in reporting the annual results and I am very pleased to confirm that the Co-op continued to improve its performance and its overall business profile during the financial year.

Whilst the result is good, it can not be underestimated that the current retail environment continues to have some real challenges especially where there is grocery deflation, margin volatility in the fuel division and a squeeze on margins in the rural sector. Our business will continue to be successful through the ongoing support of our loyal customers and through improved efficiencies that we are making in all sections of the Co-op. Our aim is that we will continue to strive to provide the best possible retail experience for all our customers at the best possible price.

In 2013 the Co-op adopted a four pillars approach as part of its strategic objectives and in my past reports, and in this report, I have commented against these pillars to provide you with a snapshot of how we have progressed over the last financial year.

To provide a sound financial platform

I am pleased to report that the underlying after tax trading profit for this financial year is \$1,318,983 (2014-15 \$562,376); an increase on last year's result of \$756,607. This result has been achieved through improved business performance and a reduction in financing charges as a result of the renegotiation of banking facilities in August 2015.

Timbertown IGA and Mitre 10/ farm supplies have seen significant improvements in their contribution to the Co-op and in particular Mitre 10 / farm supplies has seen an increase in revenues of 20% on the previous financial year.

Our supermarket and liquor divisions have continued to grow at above industry average rates, however Port Macquarie recorded a subdued result through a combination of lost custom through a disruption to the supply chain in the early part of the financial year and through road works throughout the rest of the financial year.

The Department Store has operated in a very tough environment over the last 12 months and the store is currently being made over to provide our customers with a new retail experience.



Our fuel division recorded solid results for the financial year and contributed soundly to the overall financial result of the Co-op.

This financial year we have invested heavily in the replacement of our aging infrastructure and 2016-17 will be the same. The infrastructure at the Cedar Service Station has come to the end of its useful life and decisions will be made over the coming 12 months on the best way to improve the site for the benefit of our customers.

This year also saw the launch of our Bago Bluff range of condiments and we have plans to distribute the products throughout NSW in the 2016-17 year. We are very proud that we have the opportunity to support our local farmers and special thanks to Eric and Monica Robinson for manufacturing the product on our behalf. At the 2016 Royal Hobart Fine Food Show the Bago Bluff products were awarded seven medals, including a gold medal for our honey product.

2016-17 will also see the Co-op take on a new business venture in the form of a café at the Sovereign Hills sales office. Known as Stirling Green Café, it will be opened seven days a week from October 2016 and I urge you to come and support this business venture.

To provide value back to shareholders

Our reward scheme has been in place for more than 12 months now and has continued to prove very popular with our members.

During the financial year the Co-op issued **12,217** reward vouchers to the value of **\$217,680.00** which is a fantastic effort and is testament to the loyalty that you have displayed towards the Co-op and I sincerely thank you for your continued patronage.

In respect of the repurchase of shares, the Co-op repaid to shareholders over \$125,000 and we will continue to reduce the level of outstanding repurchase requests this coming financial year.

Additionally, the Co-op has continued to offer a number of discounts and member specials throughout 2015-16 including our very popular wine club offering, our member discounts at the Department Store and Mitre 10 businesses as well as in store promotions and giveaways including the Renault Clio motor vehicle valued at over \$22K. We are currently looking at ways to improve the retail experience for all our Co-op members and improve our reward scheme.

The Co-op also continues to support many community, sporting and non for profit groups and indeed over 30 groups were the beneficiaries of either in kind donations or financial support this financial year.



To be an employer of choice

Over the 2015-16 financial year the Co-op invested heavily in training and development opportunities for our staff. Our partnership with North Coast TAFE has worked well and our staff have responded by enthusiastically embracing the opportunities that have been provided. We have also conducted an independent staff survey through an organisation that provides services throughout Australia. The results of the survey were very encouraging and the Co-op reached gold standard for staff satisfaction for 2016.

In the recent Greater Port Macquarie Business Awards, the Co-op was awarded the best large retailer award for 2016.

To provide good governance

The Board and Management have continued to develop the strategic direction of the Co-op. In February 2016 the Board adopted a new strategic plan with a five year horizon. It is hoped that the delivery of this plan will set up the Co-op for continued success over the long term. The Co-op has operated an effective committee structure to provide sound guidance and oversight in all aspects of the Co-op's operations and will continue to do so.

This has been my third full year as your CEO and I remain humbled by the loyalty and support that you our shareholder members have shown to the Co-op over the last financial year. We hope that our period of consolidation is coming to an end and the Co-op can commence looking for business opportunities that will support our member base and provide ongoing value to all our customers.

I cannot under state the value that our staff play in the success of the Co-op. They are the face of the Co-op and provide the customer service and the sense of "family" that the Co-op has become famous for. It is this feeling of belonging that our staff and customers exhibit everyday when they come to work, or come to shop, that has held us in good stead in times of adversity and in the good times. It is this unique identity, that makes us different to our competitors, that makes us, "The Hastings Co-op", and I am very proud to be part of it.

And finally, I would like to thank the Board for their guidance and wisdom over the course of the financial year; we have achieved a lot, but have more to do.

I look forward to serving our shareholder members and our customers in 2016-17.

Allan Gordon
Chief Executive Officer

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Your Directors present their report on the Co-operative for the financial year ended 30 June 2016.

Directors

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

Julie Muller	(Chairperson)
Richard McGovern	(Deputy Chairperson)
Anthony Abi-Saab	
Stuart Goodfellow	
Lisa Intemann	
David Johnson	
Jane Dawson	(Appointed 24 th November 2015)
Scott Newton	(Resigned 24 th November 2015)

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

Co-operative Secretary

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

Principal Activities

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

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

Operating Results

The total revenue for the Co-operative was \$75,752,670 for the current financial year as compared to revenue of \$74,704,621 for the previous financial year. The profit of the Co-operative for the financial year after providing for income tax amounted to \$1,318,983 compared to a profit of \$562,376 in the previous financial year.

Dividends

No dividend is recommended to be paid for the financial year ended 30 June 2016.

Shareholder reward vouchers redeemed for the financial year totalled \$217,680

Review of Operations

The Co-operative has performed well in a very competitive market. Marked improvements in performance of Mitre 10 / CRT and Timbertown IGA has seen profit performance increase considerably over the previous financial year.

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, 40 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		Communications and Marketing 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
Julie Muller	10	9	3	3	-	-	-	-	-	-	5	4
Richard McGovern	9	9	3	3	-	-	-	-	6	5	4	4
Anthony Abi Saab	10	7	3	3	-	-	4	3	6	4	-	-
Stuart Goodfellow	10	10	3	3	12	12	-	-	6	6	-	-
Lisa Intemann	10	9	3	3	-	-	4	4	-	-	-	-
David Johnson	10	9	3	3	12	11	-	-	-	-	5	5
Jane Dawson	6	6	1	1	7	7	3	2	-	-	-	-
Scott Newton	4	4	2	1	5	4	1	1	-	-	-	-

Information on Current Directors

Julie Muller – Independent Non- Executive Director



Julie Muller has been Chair of the Board since 2011. Julie holds the position of Chair of the Nominations Committee and is a member of the Governance Committee. Julie has been a small business owner in Wauchope for many years and currently a member of the Wauchope and Port Macquarie Chambers of Commerce, NSW Business Chamber and a member of the Hastings Business Womens' Network.

Julie has been a Director of the Co-operative for 23 years and brings a wealth of Co-operative experience to the Board as well as experience in governance, leadership and business management. Julie is also a Director and Deputy Chair of Meals on Wheels MNC and a Director of Bundaleer Care Services.

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



Richard McGovern has been Deputy Chair of the Board since the 24th November 2015. Richard 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.

Anthony Abi-Saab – Independent Non-Executive Director – B.Sc, B.Arts/Law Current, BA,Psy (Hons) Grad Dip (Hons) IASOS, Grad Dip- Adult Education and Training, 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 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 one outside directorship with Saab Industries Pty Ltd.

Jane Dawson – Independent Non-Executive Director – B.Vsc, MVPHMgt, 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 Budget and Performance Committee as well as the Audit and Risk 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 19 years and with business for 10 years.

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

Stuart Goodfellow – Independent Non-Executive Director – Certified Business Coach, Grad Dip Mkting, Dip. Ap Sc Systems Adv. Cert Mkting



Stuart joined the Board in 2013 and is currently the Chair of the Marketing and Communications Committee and a member of the Budget and Performance Committee. Stuart is a small business owner and operates in the specialised business coaching environment. Stuart brings his expertise in marketing and communication skills to the Board. Stuart is a Board member of the Port Macquarie Chamber of Business, a member of the Wauchope Chamber of Commerce and Hastings Business Enterprise Centre. Stuart has worked with a number of businesses in the areas of business strategy, sales and marketing, human resources, finance and accountability. Stuart holds one outside directorship with Regional Business Specialists Pty Ltd

Lisa Intemann – Non Executive Director PhD, BA (Hons), Bsc, Cert of Mediation



Lisa joined the Board in 2012 and is currently the Chair of the Audit and Risk Committee and was the Deputy Chair until 24th November 2015. 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.

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



David joined the Board in 2013 and is currently the Chair of the Budget and Performance Committee and a member of the Governance Committee. David is a professional company director and has over 30 years experience in the banking 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 one outside directorship with Bundaleer Care Services.

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:.....

A handwritten signature in purple ink, appearing to read 'J Muller'.

Julie Muller

Deputy Chairperson:.....

A handwritten signature in purple ink, appearing to read 'R McGovern'.

Richard McGovern

Dated: 4 October 2016



PARTNERS
Robert Magnussen B Bus FCA
Paul Fahey B Bus CA
Rodney Smith B Fin Admin FCA
Tony Faulder B Com CPA Affiliate ICAA
Bart Lawler B Com CA
Patrick Brennan B Com CA

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 2016 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: 4 October 2016

10-12 Short Street
PORT MACQUARIE NSW 2444



Chartered Accountants
Suites 1-3 Bourne House, 10-12 Short Street, PO Box 166, Port Macquarie NSW 2444
51 Cameron Street, PO Box 75, Wauchope NSW 2446
T 02 6588 4444 F 02 6583 4527 E northcorp@northcorp.com.au www.northcorp.com.au
Liability Limited by a scheme approved under Professional Standards Legislation

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2016

		2016	2015
	Note	\$	\$
Revenue	3(a)	75,671,360	74,704,621
Other income	3(b)	81,310	-
		<u>75,752,670</u>	<u>74,704,621</u>
Changes in inventories	4	427,579	(124,443)
Inventory purchases	4	(60,535,131)	(59,670,994)
Bad and doubtful debts expense	4	(16,775)	(2,281)
Depreciation and amortisation expense	4	(792,160)	(733,942)
Employee benefits expense		(7,822,577)	(7,439,648)
Finance costs	4	(581,360)	(930,942)
Rent expense		(899,155)	(844,800)
Other expenses		(4,286,732)	(4,432,894)
		<u>(74,506,311)</u>	<u>(74,179,944)</u>
Profit/(loss) before income tax		1,246,359	524,677
Income tax expense	5	72,624	37,699
Profit/(loss) for the year		<u>1,318,983</u>	<u>562,376</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>1,318,983</u>	<u>562,376</u>
Profit / (loss) attributable to members of the Co-operative		<u>1,318,983</u>	<u>562,376</u>
Total comprehensive income attributable to members of the Co-operative		<u>1,318,983</u>	<u>562,376</u>

Statement of financial position

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	71,050	67,500
Trade and other receivables	8	1,322,425	1,437,890
Inventories	9	4,180,335	3,757,516
Other assets	11	40,904	118,079
Total current assets		5,614,714	5,380,985
Non-current assets			
Other financial assets	10	1,000	1,000
Property, plant and equipment	12	14,928,726	15,029,372
Intangible assets	13	318,655	264,359
Deferred tax assets	14(a)	378,332	305,708
Total non-current assets		15,626,713	15,600,439
TOTAL ASSETS		21,241,427	20,981,424
LIABILITIES			
Current liabilities			
Trade and other payables	15	4,366,960	4,752,692
Borrowings	16	2,058,924	2,722,345
Short-term provisions	18	786,801	709,544
Other liabilities	19	6,932	49,403
Total current liabilities		7,219,617	8,233,984
Non-current liabilities			
Borrowings	16	7,126,984	7,140,758
Members' shares	17	2,388,729	2,512,416
Long-term provisions	18	212,937	120,089
Total non-current liabilities		9,728,650	9,773,263
TOTAL LIABILITIES		16,948,267	18,007,247
NET ASSETS		4,293,160	2,974,177
EQUITY			
Reserves	21	5,328,379	5,328,379
Retained earnings		(1,035,219)	(2,354,202)
TOTAL EQUITY		4,293,160	2,974,177

Statement of changes in equity

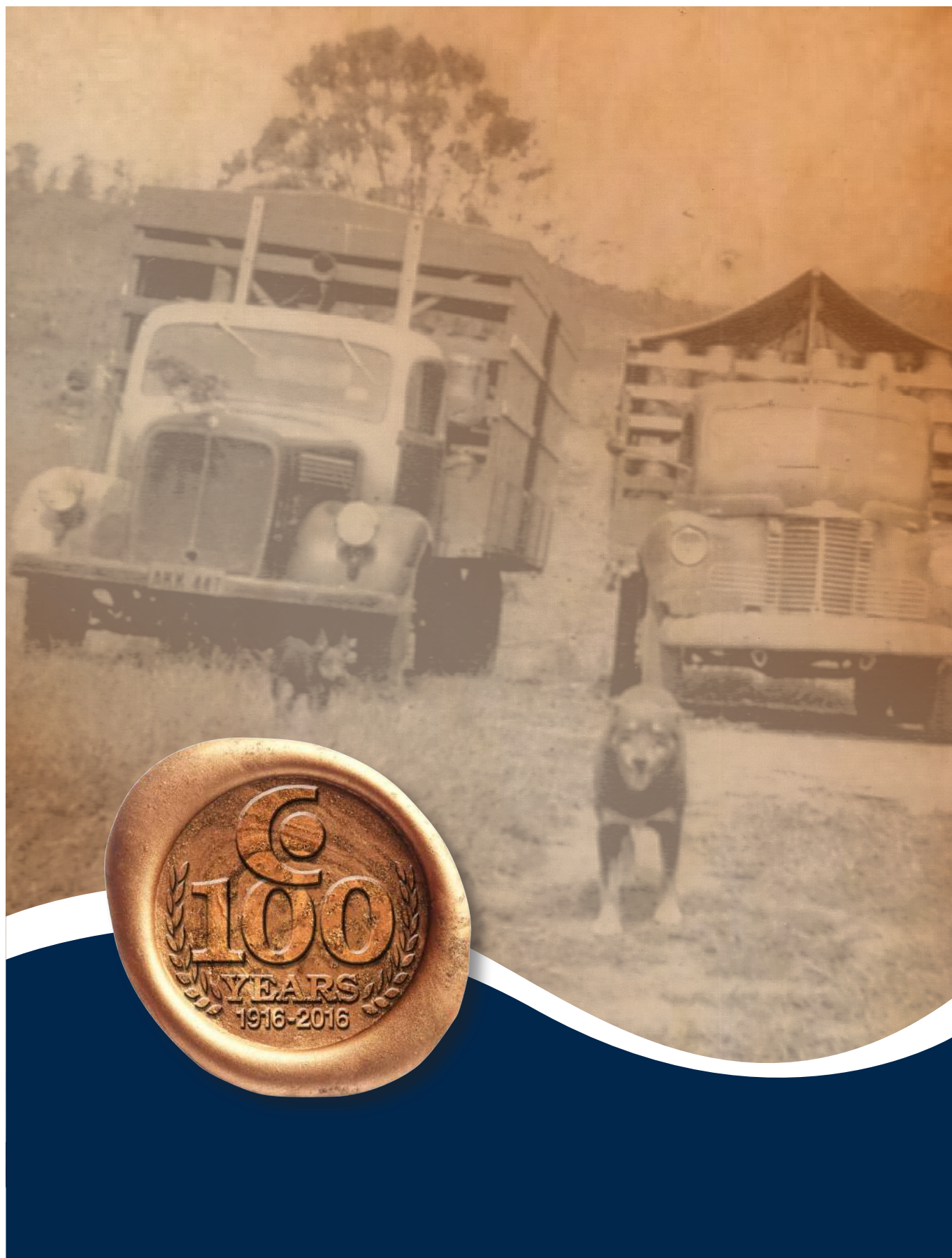
FOR THE YEAR ENDED 30 JUNE 2016

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

2015

	Retained Earnings \$	Asset Revaluation Surplus \$	Total \$
Balance at 1 July 2014	(2,916,578)	5,328,379	2,411,801
Profit / (loss) attributable to members of the Co-operative	562,376	-	562,376
Other comprehensive income	-	-	-
Total comprehensive income for the year	562,376	-	562,376
Balance at 30 June 2015	(2,354,202)	5,328,379	2,974,177



Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities:			
Receipts from customers		80,908,424	79,965,633
Payments to suppliers and employees		(78,890,480)	(77,655,119)
Finance costs		(581,360)	(930,942)
Interest received		16,559	18,566
Net cash provided by (used in) operating activities	26(a)	<u>1,453,143</u>	<u>1,398,138</u>
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		82,752	-
Purchase of property, plant and equipment		(707,217)	(267,982)
Acquisition of intangible assets		(26,697)	-
Net cash provided by (used in) investing activities		<u>(651,162)</u>	<u>(267,982)</u>
Cash flows from financing activities:			
Shares issued		4,460	10,980
Shares repaid		(125,696)	(82,501)
Net increase / (decrease) in borrowings		415,465	(851,905)
Net increase / (decrease) in members' deposits		(322,772)	(22,177)
Net cash provided by (used in) financing activities		<u>(28,543)</u>	<u>(945,603)</u>
Net increase (decrease) in cash held		773,438	184,553
Cash and cash equivalents at beginning of financial year		(853,539)	(1,038,092)
Cash and cash equivalents at end of financial year	7	<u>(80,101)</u>	<u>(853,539)</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.

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 (ie. trade date accounting is adopted).

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 value with a consequential recognition of an income or expense in profit or loss.

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

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

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), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

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

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

Plant and Equipment

Plant and equipment are measured on the cost basis less 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 2014-7: Amendments to Australian Accounting Standards Arising from AASB 9.	This Standard provides consequential amendments to Australian Accounting Standards arising from the issue of AASB 9 and additional disclosure requirements added to AASB 7 regarding credit risk exposures.	1 January 2018
AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	This standard focuses on clarifying the presentation and disclosure requirements in AASB 101 and permits entities to tailor the presentation of the financial statements to their particular circumstances and the needs of the users.	1 January 2016
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

Note 1 Summary of Significant Accounting Policies (continued)

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

AASB 2014-4: Clarification of Acceptable Methods of Depreciation and Amortisation	This Standard amends AASB116: Property, Plant and Equipment and AASB 138: Intangible Assets to disallow revenue-based methods of depreciation and amortisation.	1 January 2016
AASB 2014-5: Amendments to Australian Accounting Standards Arising from AASB 15	This Standard provides consequential amendments to Australian Accounting Standards arising from the issue of AASB 15.	1 January 2018
AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107.	This Standard amends AASB 107: Statement of Cash Flows to require an entity to additionally disclose the details regarding movement of liabilities that arise from financing activities by way of reconciliation in the statement of financial position.	1 January 2017

The abovementioned Standards are applicable for annual reporting periods commencing on the operative date. Application of these Standards is not expected to materially affect any of the amounts recognised in the financial statements.

(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 9% and a growth rate of 2%. In determining the recoverable amount of the cash-generating unit, management used projected cash flows, based on approved budgets, covering a finite of 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 4 October 2016.

Note 2 Correction of Prior Period Error

Corrections to opening balances in the 2016 financial report were required, as a result of the subsequent identification of prior year errors, mainly in connection with the underpayment of GST to the Australian Taxation Office in relation to the Co-operative's fuel business unit.

The correction of these prior period errors resulted in the following restatements of opening balances and comparative figures in the 2016 financial report.

	Balance as per 2015 Financial Report	2016 Adjustments	Restated 2015 Comparative Balances in 2016 Financial Report
	\$	\$	\$
Statement of Financial Position			
Trade and other payables	4,314,259	438,433	4,752,692
Retained earnings as at 1 July 2014	(2,554,321)	(362,257)	(2,916,578)
Statement of Comprehensive Income			
Sales revenue	72,930,591	(76,176)	72,854,415

Note 3 Revenue and Other Income

(a) Revenue

	2016	2015
	\$	\$
Sale of goods		
Sales revenue	73,902,462	72,854,415
Other revenue:		
Interest received	16,559	18,566
Rent received	212,397	211,271
Other revenue	1,539,942	1,620,369
Total Revenue	75,671,360	74,704,621
(b) Other income		
Net gain on sale of property, plant and equipment	81,310	-
Total Revenue and Other Income	75,752,670	74,704,621

Note 4 Profit / (Loss) for the Year

(a) Expenses

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

	2016	2015
	\$	\$
Cost of Sales	60,107,552	59,795,437
Finance Costs		
Interest Expense		
Members' deposits	93,165	114,062
Borrowings - unrelated parties	488,195	816,880
Total finance costs	581,360	930,942
Depreciation and Amortisation Expense		
Depreciation		
Buildings and improvements	167,160	166,625
Plant and equipment	597,427	567,317
	764,587	733,942
Amortisation		
Computer software	27,573	-
Total depreciation and amortisation expense	792,160	733,942
Bad and Doubtful Debts		
Trade receivables	16,775	2,281
Total bad and doubtful debts	16,775	2,281

Note 5 Income Tax Expense

(a) The components of tax expense comprise:

	2016	2015
	\$	\$
Current tax expense / (income)	444,101	239,756
Deferred tax arising from the origination and reversal of temporary differences	(72,624)	(37,699)
Recoupment of prior year losses	(444,101)	(239,756)
	<u>(72,624)</u>	<u>(37,699)</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% (2015: 30%)	373,908	180,256
Add:		
Tax effect of:		
- other non-allowable items	-	-
	<u>373,908</u>	<u>180,256</u>
Less:		
Tax effect of:		
- rebateable fully franked dividends	-	-
- current year taxation allowances	-	-
- current and prior years losses and adjustments	(446,532)	(217,955)
	<u>(446,532)</u>	<u>(217,955)</u>
Income tax (benefit) / expense attributable to the Co-operative	<u>(72,624)</u>	<u>(37,699)</u>

Note 6 Dividends

	2016 \$	2015 \$
Fully franked dividend of Nil% of issued share capital (2015: 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 7 Cash and Cash Equivalents

Cash on hand	71,050	67,500
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	71,050	67,500
Bank overdraft	(151,151)	(921,039)
	(80,101)	(853,539)

Note 8 Trade and Other Receivables

	Note	2016 \$	2015 \$
Current			
Trade receivables		1,014,976	1,299,654
Provision for impairment	8(b)	-	(6,079)
		<u>1,014,976</u>	<u>1,293,575</u>
Other receivables		331,642	144,315
Provision for impairment	8(b)	(24,193)	-
		<u>307,449</u>	<u>144,315</u>
Total current trade and other receivables		<u>1,322,425</u>	<u>1,437,890</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. (2015: 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. An amount of \$24,193 has been provided for impaired other receivables as at 30 June 2016 (2015: NIL). No impairment has been provided for trade receivables as at 30 June 2016 (2015: \$6,079).

Note 9 Inventories

Current

Finished goods at cost	4,180,335	3,757,516
	<u>4,180,335</u>	<u>3,757,516</u>

Note 10 Other Financial Assets

Non-current

Available-for-sale financial assets

Unlisted investments, at cost:

- shares in other corporations	1,000	1,000
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Note 11 Other Assets

	2016	2015
	\$	\$
Current		
Prepayments	<u>40,904</u>	<u>118,079</u>

Note 12 Property, Plant and Equipment

Land and Buildings

Freehold land

Freehold land at independent valuation	<u>5,785,000</u>	<u>5,785,000</u>
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Buildings

Buildings and improvements at independent valuation	6,671,732	6,665,000
Less accumulated depreciation	<u>(333,785)</u>	<u>(166,625)</u>
Total buildings	<u>6,337,947</u>	<u>6,498,375</u>

Total land and buildings	<u>12,122,947</u>	<u>12,283,375</u>
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Plant and equipment

Plant and equipment at cost	7,787,061	7,553,001
Less accumulated depreciation	<u>(4,981,282)</u>	<u>(4,807,004)</u>
Total plant and equipment	<u>2,805,779</u>	<u>2,745,997</u>

Total property, plant and equipment	<u>14,928,726</u>	<u>15,029,372</u>
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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 12 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 \$
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)
Revaluation increment (decrement)	-	-	-	-
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
2015				
Balance at 1 July 2014	5,785,000	6,665,000	3,045,332	15,495,332
Additions	-	-	267,982	267,982
Depreciation expense	-	(166,625)	(567,317)	(733,942)
Balance at 30 June 2015	5,785,000	6,498,375	2,745,997	15,029,372

(b) Historical Cost

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

	2016 \$	2015 \$
Cost	7,973,916	7,967,184
Accumulated depreciation	(1,089,008)	(927,300)
Net book value	6,884,908	7,039,884

Note 13 Intangible Assets

	2016	2015
	\$	\$
Goodwill		
Cost	264,359	264,359
Accumulated impairment losses	-	-
Net carrying amount	264,359	264,359
Computer software		
Cost	158,483	-
Accumulated amortisation and impairment	(104,187)	-
Net carrying value	54,296	-
Total intangible assets	318,655	264,359

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

(a) Movements in Carrying Amounts

	Computer software	Goodwill	Total
	\$	\$	\$
Year ended 30 June 2015			
Balance at the beginning of year	-	264,359	264,359
Additions	-	-	-
Transfers	-	-	-
Amortisation charge	-	-	-
Balance at 30 June 2015	-	264,359	264,359
Year ended 30 June 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

Note 14 Tax

(a) Assets

Non Current

	Opening Balance	Charged to Income	Charged Directly to Equity	Closing Balance
	\$	\$	\$	\$
Deferred Tax Assets				
Provisions	262,524	2,028	-	264,552
Impairment of trade receivables	1,139	684	-	1,823
Other	4,346	34,987	-	39,333
Balance at 30 June 2015	268,009	37,699	-	305,708
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

(b) Liabilities

The balance of deferred tax liabilities as at 30 June 2016 was NIL (2015: NIL)

Note 15 Trade and Other Payables

	2016	2015
	\$	\$
Current		
Unsecured liabilities		
Trade payables	3,615,770	3,972,441
Other payables and accrued expenses	751,190	780,251
	4,366,960	4,752,692

(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 16 Borrowings

	Note	2016 \$	2015 \$
Current			
Unsecured liabilities			
Members' deposits		<u>1,137,639</u>	<u>1,126,935</u>
Secured liabilities			
Bank overdraft	16(a)	151,151	921,039
Commercial loans	16(a)	<u>770,134</u>	<u>674,371</u>
		<u>921,285</u>	<u>1,595,410</u>
Total current borrowings		<u>2,058,924</u>	<u>2,722,345</u>
Non-Current			
Unsecured liabilities			
Members' deposits		<u>242,837</u>	<u>576,313</u>
Secured liabilities			
Commercial loans	16(a)	<u>6,884,147</u>	<u>6,564,445</u>
Total non-current borrowings		<u>7,126,984</u>	<u>7,140,758</u>
Total borrowings		<u>9,185,908</u>	<u>9,863,103</u>
(a) Total current and non-current secured liabilities			
Bank overdraft		151,151	921,039
Commercial loans		<u>7,654,281</u>	<u>7,238,816</u>
		<u>7,805,432</u>	<u>8,159,855</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	<u>12,122,947</u>	<u>12,283,375</u>
Plant and equipment	<u>2,805,779</u>	<u>2,745,997</u>
	<u>14,928,726</u>	<u>15,029,372</u>

Note 16 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.
- 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 17 Members' Shares

	Note	2016 \$	2015 \$
Non Current			
Fully paid ordinary shares		2,388,729	2,512,416
Ordinary Shares			
Balance at the beginning of the financial year		2,512,416	2,634,808
Allotment of shares		4,460	10,980
		2,516,876	2,645,788
Shares bought back during the year		(125,696)	(82,501)
Shares forfeited	17(a)	(2,451)	(50,871)
Balance at the end of the financial year		2,388,729	2,512,416

(a) Forfeiture of Shares

During the year ended 30 June 2016 shares totalling \$2,451 (2015: \$50,871) 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 \$2,451 (2015: \$50,871) was recognised in profit.

Note 18 Provisions

	Employee benefits \$	Total \$
Opening balance at 1 July 2015	829,633	829,633
Additional provisions	170,105	170,105
Balance at 30 June 2016	999,738	999,738

Analysis of Total Provisions

	2016 \$	2015 \$
Current	786,801	709,544
Non-current	212,937	120,089
	999,738	829,633

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 19 Other liabilities

Current

Income in advance	6,932	49,403
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Note 20 Auditors' Remuneration

	2016 \$	2015 \$
Remuneration of the auditor of the Co-operative for:		
Auditing the financial report	51,000	50,000
Taxation services	2,000	6,625
Other services	5,000	5,000
	58,000	61,625

Note 21 Reserves

(a) Asset Revaluation Reserve

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

Note 22 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 23 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 24 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:

	2016	2015
	\$	\$
Payable		
- not later than 1 year	893,914	872,939
- later than 1 year but not later than 5 years	2,433,951	2,807,692
- later than 5 years	-	296,394
	3,327,865	3,977,025

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	395,349
Payable:		
- not later than 1 year	70,000	395,349

Note 25 Disclosures on Directors and Other Key Management Personnel

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

(a) Directors

During the financial year the following Directors held office:

Julie Muller	(Chairperson)
Richard McGovern	(Deputy Chairperson)
Anthony Abi Saab	
Stuart Goodfellow	
Lisa Intemann	
David Johnson	
Jane Dawson	(Appointed 24/11/2015)
Scott Newton	(Resigned 24/11/2015)

(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 Lowe	Business Unit Manager
Darren Partridge	Business Unit Manager
Judith Standring	Business Unit Manager
Terry Halloran	Business Unit Manager
David Hore	Business Unit Manager
Lisa Atkins	Business Unit Manager

Note 25 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:

	2016	2015
	\$	\$
Short-term employee benefits	745,737	729,086
Post-employment benefits	69,071	67,512
Other long-term benefits	7,610	10,704
Termination benefits	-	-
	822,418	807,302

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:

889	131
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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:

615	568
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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 2016 amounts totalling \$14,475 (2015: \$13,804) 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 2016 amounts totalling \$797 (2015: \$418) 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.

During the year ended 30 June 2015 amounts totalling \$5,715 were paid to Greg Keft Electrical, the spouse of Business Unit Manager, Lesley Keft. The amount paid related to electrical services provided to the Co-operative. No amounts were paid to the abovementioned related party during the year ended 30 June 2016.

Note 25 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

	2016 No.	2015 No.
(i) Aggregate number of shares held by KMP at the end of the reporting period	3,313	3,303
(ii) Aggregate number of shares acquired by KMP during the financial year	40	157

Note 26 Cash Flow Information

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

	2016 \$	2015 \$
Profit / (loss) after income tax	1,318,983	562,376
Non-cash flows in profit		
Depreciation and amortisation expense	792,160	733,942
Net (gain)/loss on disposal of property, plant and equipment	(81,310)	-
Shares forfeited	(2,451)	(50,871)
Changes in assets and liabilities		
(Increase) / decrease in receivables	115,465	101,371
(Increase) / decrease in inventories	(422,819)	124,443
(Increase) / decrease in other assets	77,175	(38,520)
(Increase) / decrease in tax assets	(72,624)	(37,699)
Increase / (decrease) in trade and other payables	(399,070)	(41,690)
Increase / (decrease) in provisions	170,105	1,383
Increase / (decrease) in other liabilities	(42,471)	43,403
Cash flow from operations	1,453,143	1,398,138

Note 26 Cash Flow Information (continued)

(b) Financing Arrangements with Banks

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

	Note	2016 \$	2015 \$
Total Facilities Available			
Credit facility	26(b)(i)	50,000	50,000
Bank overdraft	26(b)(ii)	800,000	1,800,000
Commercial Loan	26(b)(iii)	3,800,000	5,800,000
Commercial Loan	26(b)(iv)	21,325	37,124
Commercial Loan	26(b)(v)	13,622	35,728
Commercial Loan	26(b)(vi)	100,113	124,258
Commercial Loan	26(b)(vii)	2,000,000	-
Commercial Loan	26(b)(viii)	1,700,000	-
Commercial Loan	26(b)(ix)	1,391,197	-
Commercial Loan	26(b)(x)	333,436	-
Commercial Loan		-	629,400
Commercial Loan		-	255,427
Commercial Loan		-	356,878
		10,209,693	9,088,815
Facilities Utilised at Reporting Date			
Credit facility		13,473	7,602
Bank overdraft		151,151	921,039
Commercial Loan		3,800,000	5,800,000
Commercial Loan		21,325	37,124
Commercial Loan		13,622	35,728
Commercial Loan		100,113	124,258
Commercial Loan		1,720,000	-
Commercial Loan		274,588	-
Commercial Loan		1,391,197	-
Commercial Loan		333,436	-
Commercial Loan		-	629,400
Commercial Loan		-	255,427
Commercial Loan		-	356,878
		7,818,905	8,167,456

Note 26 Cash Flow Information (continued)

(b) Financing Arrangements with Banks (continued)

Facilities Not Utilised at Reporting Date

Credit facility	36,527	42,398
Bank overdraft	648,849	878,961
Commercial Loan	-	-
Commercial Loan	-	-
Commercial Loan	-	-
Commercial Loan	-	-
Commercial Loan	280,000	-
Commercial Loan	1,425,412	-
Commercial Loan	-	-
Commercial Loan	-	-
Commercial Loan	-	-
Commercial Loan	-	-
Commercial Loan	-	-
	2,390,788	921,359

(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 (2015: \$1,800,000) 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 2016 was 3.62% plus 1.4% line fee (2015: 5.0% 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% (2015: 9.5%).

Note 26 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% (2015: 6.83%).

(v) Commercial Loan

The commercial loan facility is secured by a bill of sale over chattels in relation to farm supplies business, a registered first mortgage over freehold property of the Co-operative and a fixed and floating charge over all assets. The interest rate applicable to the commercial loan is 6.96% (2015: 6.96%).

(vi) 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% (2015: 6.3%).

(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 3.815% plus 1.1% 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 4.17% plus 1.31% line fee.

(ix) 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%.

(x) 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%.

Note 27 Financial Risk Management

Financial Risk Management Policies

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

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

Specific Financial Risk Exposures and Management

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

(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 27 Financial Risk Management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis

	Maturing within 1 Year		Maturing 1 to 5 Years		Maturing Over 5 Years		Total Contractual Cash Flow
	2016	2015	2016	2015	2016	2015	
	\$	\$	\$	\$	\$	\$	\$
Financial assets - cash flows realisable							
Cash and cash equivalents	71,050	67,500	-	-	-	-	71,050
Other investments	-	-	-	-	1,000	1,000	1,000
Trade and other receivables	1,322,425	1,437,890	-	-	-	-	1,322,425
Total Financial Assets	1,393,475	1,505,390	-	-	1,000	1,000	1,394,475
Financial liabilities due for payment							
Bank overdraft	151,151	921,039	-	-	-	-	151,151
Commercial loans	770,134	674,371	6,884,147	6,564,445	-	-	7,654,281
Members' deposits	1,137,639	1,126,935	242,837	576,313	-	-	1,380,476
Members' shares	-	-	2,388,729	2,512,416	-	-	2,388,729
Trade and other payables	4,366,960	4,752,692	-	-	-	-	4,366,960
Total Financial Liabilities	6,425,884	7,475,037	9,515,713	9,653,174	-	-	15,941,597
Net (outflow)/inflow on financial instruments	(5,032,409)	(5,969,647)	(9,515,713)	(9,653,174)	1,000	1,000	(14,547,122)



Note 27 Financial Risk Management (continued)

(c) Market risk

Interest rate risk

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

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

Sensitivity Analysis

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

	Carrying Amount \$	-1% Profit \$	-1% Equity \$	+1% Profit \$	+1% Equity \$
Financial Liabilities					
Bank overdraft	151,151	1,512	1,512	(1,512)	(1,512)
Commercial loans	4,168,496	41,685	41,685	(41,685)	(41,685)
Members' deposits	1,380,476	13,805	13,805	(13,805)	(13,805)
Increase/(decrease)		57,002	57,002	(57,002)	(57,002)

Note 28 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 28 Fair Value Measurements (continued)

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 2016					
Recurring fair value measurements					
Financial Assets		-	-	-	-
Total financial assets recognised at fair value on a recurring basis		-	-	-	-
Non-financial assets					
Freehold land	12	-	5,785,000	-	5,785,000
Freehold buildings	12	-	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		-	-	-	-
30 June 2015					
Recurring fair value measurements					
Financial Assets		-	-	-	-
Total financial assets recognised at fair value on a recurring basis		-	-	-	-
Non-financial assets					
Freehold land	12	-	5,785,000	-	5,785,000
Freehold buildings	12	-	6,498,375	-	6,498,375
Total non-financial assets recognised at fair value on a recurring basis		-	12,283,375	-	12,283,375
Total non-financial assets recognised at fair value on a non-recurring basis		-	-	-	-
Total non-financial assets recognised at fair value		-	12,283,375	-	12,283,375
Total liabilities recognised at fair value		-	-	-	-

Note 28 Fair Value Measurements (continued)

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 (2015: no transfers).

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

Description	2016 \$	2015 \$	Valuation Techniques	Inputs Used
Non-financial assets				
Freehold land	5,785,000	5,785,000	(i)	(ii)
Freehold buildings	6,337,947	6,498,375	(i)	(ii)
	<u>12,122,947</u>	<u>12,283,375</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 three years based on valuations by an independent valuer. At the end of each intervening period, the Directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

(c) Discounted Fair Value Measurements

The following assets and liabilities are not measured at fair value in the Statement of Financial Position. As stated in Note 28 (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 28 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 29 Co-operative Details

The registered office of the Co-operative is:

Hastings Co-operative Limited
Level 1, 9-13 High Street
Wauchope NSW 2446

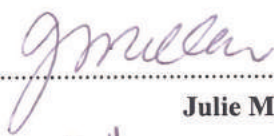


The Directors of the Co-operative declare that:

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 2016 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.

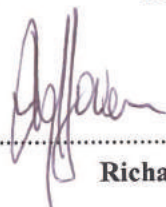
This declaration is made in accordance with a resolution of the Board of Directors.

Chairperson:.....



Julie Muller

Deputy Chairperson:.....



Richard McGovern

Dated: 4 October 2016

PARTNERS

Robert Magnussen B Bus FCA

Paul Fahey B Bus CA

Rodney Smith B Fin Admin FCA

Tony Faulder B Com CPA Affiliate ICAA

Bart Lawler B Com CA

Patrick Brennan B Com CA

INDEPENDENT AUDITOR'S REPORT

To the members of Hastings Co-operative Limited

Report on the Financial Report

We have audited the accompanying financial report of Hastings Co-operative Limited, which comprises the Statement of Financial Position as at 30 June 2016, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement Cash of Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The Directors of the 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 Note 1, the Directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

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

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

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

PARTNERS

Robert Magnussen B Bus FCA

Paul Fahey B Bus CA

Rodney Smith B Fin Admin FCA

Tony Faulder B Com CPA Affiliate ICAA

Bart Lawler B Com CA

Patrick Brennan B Com CA

INDEPENDENT AUDITOR'S REPORT
To the members of Hastings Co-operative Limited

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

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 2016 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.

NorthCorp Accountants



Robert Magnussen

Partner

51 Cameron Street

Wauchope NSW 2446

Dated: 4 October 2016

Contributing to the community



2nd Wauchope Scout Group fundraiser
8th Annual Men's Stew Off Beechwood
Australia's Biggest Morning Tea
Australian Hearing
Beechwood Billycart Classic
Beechwood Football Club 2014
Bundaleer Nursing home Fundraiser
Christmas in July dinner at Wauchope Uniting Church
Comboyne Campdraft 2015
Comboyne Pre School Fundraiser 2015
Comboyne Show 2015
Comboyne Village Fair
Hastings Cancer Trust
Hastings Country Music Association
Hastings Education Fund
Hastings Home Hospice Inc
Hastings Maternity Coalition
Hollisdale RFS Fundraiser
Kendall search for William Tyrrell
Lasiandra Festival 2015
Marine Rescue Camden Haven
Marovo Medical Foundation
Melanoma March
NSW Mid North Coast Local Health District
Pappinbarra Progress Assoc Fundraiser
Pedal for Pat
Port Base Hospital Hastings MacLeay Dialysis Network
Port City Breakers Rugby League Club
Port Macquarie Art Society
PPA (Pappinbarra Progress Association) Bush Dance
RDA Bago Bush ride
Rotary Port Macquarie Sunrise Club "The Big Dig"
Slice of Haven 2015
Tastings on Hastings
Teen Antenatal Support Port Base Hospital
The Hastings Valley Dressage Club Inc
Wauchope 2nd Scout Jamboree 2016.
Wauchope and Bonny Hills Surf Club
Wauchope Centenary of Rail
Wauchope Community Radio 2WAY FM
Wauchope for the Wildside Adventure Race
Wauchope High School P&C
Wauchope High School Presentation

Wauchope Hospital
Wauchope Men's Golf Club
Wauchope Men's Veterans Golf Club
Wauchope Public School P & C
Wauchope Rotary
Wauchope RSL Amateur Fishing Club
Wauchope Show 2015
Wauchope Show Farmers Challenge
Wauchope Swimming Club Fundraiser
Wauchope Thunder Rugby Club
Wauchope Uniting Church Fundraiser
Wauchope Women's Veterans Golf Club
Yesteryear Truck Show 2015





Congratulations to our Hastings Co-op Employees who have contributed over ten years service as at 30th June 2016

Gwenda JOHNSON	47
Patricia MILLER	31
Annette Kay MONKLEY	27
Elizabeth MOULTON	24
Sonny HACKNEY	24
Rhonda HAWLEY	24
Denise MOORE	24
Julie MULLER	22
Kim BARNES	21
Matthew WHITE	21
Darren PARTRIDGE	20
Jo-ann DENHAM	19
Sarah HUISMAN	19
Maxine BYATT	18
Luke MACKAY	18
Michael SMITH	17
Gemma BANNISTER	17
Helen CURREY	16
Andrew QUIBELL	15
Craig SWAIN	14
Lynn RYAN	14
Colleen HOLLIS	14
Cecil BLANCH	13
Terence HALLORAN	13
Emma NICHOLSON	13
Emma DAVIS	13
Jarrold EYLES	13
Allan FARLEY	12
Dionne ALLEN	12
Tania ARENTSEN	12
Kathryn NOCKE	12
Daniel LANGENS	11
Victoria HOLLIS	11
Mario LENKIC	10
Kylie JOSEPH	10



Celebrating our Centenary



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