

Esk District Co-op Ltd

110th

Annual Report

and

Balance Sheet

30th JUNE 2016

To be presented to the Shareholders at the

ANNUAL GENERAL MEETING

9.30am Friday

28th October 2016

Esk RSL Hall, Esk

Esk District Co-op Ltd

ABN 98 306 274 225

Esk District Co-op Ltd

Established 1906

Registered under "The Co-operative Act 1997"

Registered Office:

Toogoolawah, Queensland

Retail Stores:

Esk and Toogoolawah

Directors:

A FitzGerald (Chairman)
F Evans, L Witham, S Todd, C Lynch

Bankers:

ANZ Bank

Secretary:

T Lukritz

Auditors:

Horizon Accounting Group, Toowoomba

ESK DISTRICT CO-OP LTD NOTICE OF ANNUAL GENERAL MEETING

Pursuant to the Rules of the Co-operative, Notice is hereby given that an Annual General Meeting is to be held at 9.30am, 28th October 2016, at the Esk RSL Hall, Esk.

AGENDA

1. Registration of Attendees and Proxies
2. Quorum
3. Confirmation of the Minutes of the previous Annual General Meeting
4. Adoption of Annual Report including Financial Statements and Auditor's Report
5. Appointment of Auditor
6. Declaration of Results for the Election of Directors
7. General Business

By Order,

T Lukritz
Secretary

Toogoolawah, 4th October 2016

Esk District Co-op Ltd

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CHAIRMAN'S REPORT 2016

On behalf of the Board of Directors of the Esk District Co-op Ltd I present the Annual Report for the financial year ending 30 June 2016.

Twelve months ago we highlighted the difficult trading conditions and the increased competition in the Australian food market with the addition of Aldi, Costco and the imminent entry of the German giant Lidl. These difficult trading conditions have continued. On 27 October 1992 a report in the Courier Mail quoted the then Managing Director of Woolworths as saying that, "Woolworths is aiming to build its share of the national food market principally at the expense of the independent retailer". On 25 August 2016 Woolworths reported a downturn in its own sales, net profit and return to shareholders and highlighted action it planned to combat this result. Woolworths, the predator of the Independents in 1992 has now joined the Independents in the ranks of the prey. This simply serves to highlight just how difficult the trading conditions currently are and all companies are rightly taking measures to try to protect their share. Metcash, the owner of the IGA brand and our supplier to both stores is no exception.

Last year we mentioned the introduction by Metcash of the Price Match scheme which you will have seen advertised throughout the IGA store. This was designed to match the prices of the retail giants on some 950 items in our stores and whilst the customer may have benefitted from the lower prices the margins available to the retailer have also been reduced. It is true that on many items over the year the margin is so low that after paying for freight we actually lose money and this is reflected in the fact that whilst our sales increase was a creditable 4.9% the corresponding cost of purchasing these goods rose by an alarming 5.8%. This and increased operational costs have had a significant impact on the profitability of our company and is reflected in our financial report.

Although our total income made up of sales and other income was a record \$12,437,971 in addition to the increased purchasing costs the cost of selling the goods rose by \$140,388 or 5.2 %, over \$80,000 of which were staff related costs (wages, superannuation and payroll tax). These staff costs exceeded \$2.1 million for the first time.

The end result is that from a record turnover of \$12,437,971 the resultant nett profit after depreciation (\$118,965) dropped to \$67,213 (\$167,924 in 2014/15).

It is clear that similar to the likes of Woolworths we have to make changes to continue to be viable. Over the years our staff have been very vigilant in pruning costs where possible without impacting on the goods and services we provide but now it is clear that in the future we have to do it better. Our job had been made more difficult with the closing in June this year of the ANZ bank in Toogoolawah and now the imminent closure of the Heritage mini branches including the branches in both our stores. This latter closure has a direct financial impact on us but the loss of banking facilities in any town has a long term impact on the

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viability of all businesses. The Directors applaud the efforts of the Bendigo Community Bank Committee of Toogoolawah and encourage shareholders and the community to support the formation of this bank.

Whilst the current climate is challenging and we foresee the next two years as difficult for the company we will continue to make improvements where necessary and financially possible. For example, customers will have noticed recent improvement to the check outs at the Esk store and the new check out computers at Toogoolawah. Technology has become a significant part of the operation of the stores and we need to continually utilise these facilities to stream line our operation which ultimately saves time for our staff.

Staff are an integral part of any business and we are fortunate to have a nucleus of capable committed staff who are led by the general manager Mr John Burrow and the Board secretary Mrs Tania Lukritz. Our staff willingly embrace any necessary changes and continue to seek to provide the customers with fine service in a pleasant atmosphere. We are grateful to them all, from the two leaders and the departmental managers down to the young students who for the most part welcome the opportunity to gain experience and employment. Without their commitment we could not prevail.

Last year we expressed the wish that we could grow our business by 4% so our growth this year of 4.4% exceeds our forecast. It also exceeds the annual CPI and is achieved in a climate where many stores are not achieving any growth at all. It remains imperative therefore that costs are contained and even in a climate of expected difficulties as mentioned earlier we are again hopeful of an increase in the vicinity of 4% which will allow us to meet our commitments to our financial institution and pay our way.

As I have said many times before our ability to survive depends not only on what we do but also depends on the loyalty of our customers who are keen to support their local business in the face of considerable enticements from the major supermarkets. With their support they ultimately support the district in which they live and we are grateful to those members and customers. As in any small business particularly in country towns it is a matter of use it or lose it and at this time in Toogoolawah it is particularly important with respect to the provision of banking services which makes the establishment of a community bank so essential and again I commend it to you.

On behalf of the Board I would like to express our thanks to Mr Tim Davis our auditor and his staff of Horizon Accounting Group for their assistance and advice throughout the year and for the pleasant and timely manner in which they conducted our audit.

On a personal note I would like to thank Mr Lawrie Witham as deputy chairman and my fellow directors for their contribution and support throughout the year.

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Financial Statements

For the Year Ended 30 June 2016

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Your directors present this report on the entity for the financial year ended 30 June 2016.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Dr A C B FitzGerald (Chairman)

L Witham (Deputy Chairman)

F M Evans

S P Todd

C T Lynch

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

Company Secretary

The following person held the position of entity secretary at the end of the financial year: Tania Lukritz.

Principal Activities

The principal activities of the company during the financial year was retailing in Esk and Toogoolawah.

No significant changes in the nature of the company's activities occurred during the financial year.

Operating Results

The profit of the company before income tax amounted to \$67,213 (2015: \$158,402).

Dividends Paid or Recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Significant Changes in State of Affairs

No significant changes in the company's state of affairs occurred during the financial year.

After Balance Date Events

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

Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Information and Meetings of Directors

During the financial year, 15 meetings of directors were held. Attendances by each director were as follows:

	Directors' Meetings		Position
	Number eligible to attend	Number attended	
Dr A C B FitzGerald	15	15	Chairman
L Witham	15	14	Deputy Chairman
F M Evans	15	12	Director
S Todd	15	14	Director
C Lynch	15	13	Director

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Indemnifying Officers or Auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

Proceedings on Behalf of the Entity

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

The company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 3 of the directors' report.

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

Chairman



Dr A C B FitzGerald (Chairman)

Dated this 28th day of September 2016

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ESK DISTRICT CO-OP LTD**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been:

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

Horizon Accounting Group

Tim Davis

Date: 19 September 2016

21 Russell Street, Toowoomba

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STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		\$	\$
Sales Revenue	2	12,361,965	11,814,637
Cost of Sales		(9,448,798)	(8,939,345)
Gross Profit		<u>2,913,167</u>	<u>2,875,292</u>
Other income	2	76,006	102,576
Marketing Costs		(20,972)	(17,652)
Administrative Costs		(2,667,304)	(2,521,149)
Finance Costs		(130,164)	(150,798)
Depreciation and Amortisation		(118,965)	(129,867)
Profit before income tax		<u>51,768</u>	<u>158,402</u>
Income tax (expense) / benefit	3	15,445	9,523
Profit for the year		<u>67,213</u>	<u>167,925</u>
Profit attributable to members		<u><u>67,213</u></u>	<u><u>167,925</u></u>

The accompanying notes form part of these financial statements.

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		\$	\$
Profit for the year		67,213	167,925
Other comprehensive income			
Total comprehensive income for the year		67,213	167,925
Total comprehensive income for the year attributable to members of the entity		67,213	167,925

The accompanying notes form part of these financial statements.

Esk District Co-op Ltd
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	2016	2015
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	204,247	95,495
Trade and other receivables	7	37,518	49,193
Inventories	8	890,214	851,912
Financial assets	9	-	-
Current tax receivable	13	43,621	28,176
Other assets		16,476	29,210
TOTAL CURRENT ASSETS		<u>1,192,076</u>	<u>1,053,986</u>
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,673,914	2,778,318
TOTAL NON-CURRENT ASSETS		<u>2,673,914</u>	<u>2,778,318</u>
TOTAL ASSETS		<u>3,865,990</u>	<u>3,832,304</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	579,043	467,423
Financial liabilities (short term)	12	419,337	371,983
Short-term provisions	14	127,686	102,969
TOTAL CURRENT LIABILITIES		<u>1,126,066</u>	<u>942,375</u>
NON-CURRENT LIABILITIES			
Financial liabilities (long term)	12	934,133	1,151,847
Long-term provisions	14	5,418	4,922
TOTAL NON-CURRENT LIABILITIES		<u>939,551</u>	<u>1,156,769</u>
TOTAL LIABILITIES		<u>2,065,617</u>	<u>2,099,144</u>
NET ASSETS		<u>1,800,373</u>	<u>1,733,160</u>
EQUITY			
Issued capital	15	81,168	81,168
Reserves		1,194,581	1,194,581
Retained Earnings		524,624	457,411
TOTAL EQUITY		<u>1,800,373</u>	<u>1,733,160</u>

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

Note	Ordinary Shares	Retained Earnings	Asset Revaluation Reserve	General Reserves	Share Purchase Reserve	Capital Reserve	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	81,168	457,411	1,071,994	46,290	632	75,665	1,733,160
Shares issued during the year							
Profit attributable to members		67,213					67,213
Transfers to /from reserves							
- Asset Revaluation Reserve							
Balance at 30 June 2016	81,168	524,624	1,071,994	46,290	632	75,665	1,800,373
Balance at 1 July 2014	81,168	289,486	1,071,994	46,290	632	75,665	1,565,235
Shares issued during the year							
Profit attributable to members		167,925					167,925
Transfers to /from reserves							
- Asset Revaluation Reserve							
Balance at 30 June 2015	81,168	457,411	1,071,994	46,290	632	75,665	1,733,160

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from Customers		13,086,267	12,564,858
Payments to suppliers and employees		(12,663,749)	(12,205,425)
Interest received		1,319	781
Finance costs		(130,164)	(150,798)
Net cash generated from operating activities	17	293,673	209,416
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	-
Proceeds from sale of investments		-	18,276
Payment for property, plant and equipment		(14,561)	(29,684)
Net cash used in investing activities		(14,561)	(11,408)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	-
Repayment of borrowings		(207,714)	(188,886)
Proceeds from borrowings		-	-
Payment of finance lease liabilities		-	-
Net cash used in financing activities		(207,714)	(188,886)
Net increase in cash held		71,398	9,122
Cash and cash equivalents at beginning of the financial year		(67,488)	(76,610)
Cash and cash equivalents at the end of the financial year	6	3,910	(67,488)

The accompanying notes form part of these financial statements.

Esk District Co-op Ltd
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

The financial statements are for Esk District Co-op Ltd as an individual entity. Esk District Co-op Ltd is a co-operative limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 28 September 2016 by the directors of the company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Cooperatives Act 1997 and relevant Cooperatives Regulations 1997*.

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. The amounts presented in the financial statements have been rounded to the nearest dollar.

Accounting Policies

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

(i) Current Income Tax Expense

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

(ii) Deferred income tax assets

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

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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.

It has been determined that the recovery of tax losses as at 30 June 2016 is unlikely and accordingly, no deferred tax asset has been recorded in respect of tax losses.

- b. **Inventories**

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

- c. **Property, Plant and Equipment**

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 valuations by external independent valuers, less subsequent depreciation for buildings. All additions subsequent to the valuation are recorded at cost.

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 and are therefore carried at cost less accumulated depreciation and any accumulated impairment.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. Recoverable amount is the higher of fair value less costs to sell less value in use (depreciated replacement cost of the asset)

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated 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	2.5%
Plant and equipment	7.5% - 66.6%
Motor Vehicles	18.75% - 25%
Office Furniture and Equipment	11.25% - 50%

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

d. 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 entity are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset or over the lease term. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

e. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised

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

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) 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.

Impairment

At the end of each reporting period, the co-operative assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events having occurred, which has an impact on estimated future cash flows of the financial asset.

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit and loss immediately.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

f. **Impairment of Assets**

At the end of each reporting period, the co-operative assesses whether there is any indication that an asset may be 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 recognised immediately in profit and loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an assets class, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

g. **Employee Benefits**

Short Term Employee Benefits

Provision is made for the co-operative's liability for short term employee benefits. Short term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, Short term employee benefits are measured at the amounts expected to be paid when the obligation is settled.

Other Long Term Employee Benefits

Provision is made for employees' long service and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departure and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the measurement of obligations for other long term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense.

The co-operative's obligation for long term benefits are presented as non current provisions in its statement of financial position, except where the co-operative does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

h. **Cash and Cash Equivalents**

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

i. **Revenue**

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.

Dividend revenue is recognised when the right to receive a dividend has been established.

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

j. **Borrowings**

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 the period in which they are incurred.

k. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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.

m. **Comparative Figures**

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

When an entity 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 must be disclosed.

n. **Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

o. **Critical Accounting Estimates and Judgements**

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

Key Estimates

Impairment

The entity assesses impairment at each reporting date by evaluating conditions specific to the entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

The future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its future economic benefits, value in use is the depreciated replacement cost.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 2: REVENUE AND OTHER INCOME

	2016	2015
	\$	\$
Revenue		
<i>Operating Activities</i>		
Sale of Goods	12,361,965	11,814,637
Interest Income	1,319	781
Staff Traineeship Subsidy	-	2,000
Other Income	74,687	99,795
Total Revenue	12,437,971	11,917,213
 <i>Interest Received from:</i>		
Bank	1,319	781
Interest charged on trade and other receivables	-	-
	1,319	781

NOTE 3: INCOME TAX EXPENSE

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax payable on the profit from ordinary activities before income tax at 30% (2015 30%)	15,530	47,521
Add:		
Tax Effect of		
Accrued rebates	3,820	4,711
Provisions	7,564	2,955
Accrued Expenses	4,062	1,843
Lay by deposits	(2)	-
	15,444	9,509
Less		
Tax Effect of		
Tax losses	(46,419)	(66,553)
	(46,419)	(66,553)
Income tax attributable to the entity (deferred)	(15,445)	(9,523)

Esk District Co-op Ltd
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 4: KEY MANAGEMENT PERSONNEL COMPENSATION

a Key Management Personnel

Names and positions held of key management personnel in office at any time during the financial year are:

Key Management Person	Position
Dr A Fitzgerald	Chairman
Mr L Witham	Deputy Chairman
Mrs S Todd	Director
Mrs F Evans	Director
Ms C Lynch	Director
Mr J Burrow	General Manager

b Compensation

	Short Term Benefits	Post Employment Benefits	Total
	\$	\$	\$
2016			
Total Compensation	99,869	9,487	109,356
<hr/>			
2015			
Total Compensation	97,118	11,189	108,307
<hr/>			

5 AUDITORS' REMUNERATION

	2016	2015
	\$	\$
Remuneration of the auditor of the co-operative for:		
- Auditing or reviewing the financial report	18,000	17,500

NOTE 6 CASH AND CASH EQUIVALENTS

	2016	2015
	\$	\$
CURRENT		
Cash at hand	6,220	6,400
Cash at bank	198,027	89,095
	<hr/> 204,247	<hr/> 95,495

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	204,247	95,495
Bank overdraft	(200,337)	(162,983)
	<hr/> 3,910	<hr/> (67,488)

Esk District Co-op Ltd

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 7 TRADE AND OTHER RECEIVABLES

CURRENT

Trade receivables	38,882	50,557
Provision for impairment	(2,500)	(2,500)
	<u>36,382</u>	<u>48,057</u>
Other related parties	1,136	1,136
	<u>37,518</u>	<u>49,193</u>

NOTE 8 INVENTORIES

CURRENT

At cost

Inventories	890,214	851,912
	<u>890,214</u>	<u>851,912</u>

Detailed table

Esk grocery	170,709	188,550
Esk hardware	215,806	202,129
Toogoolawah Grocery	347,091	325,641
Toogoolawah Hardware	156,608	135,592
	<u>890,214</u>	<u>851,912</u>

NOTE 9 FINANCIAL ASSETS

2016 **2015**

\$ **\$**

CURRENT

Listed investments at fair value, shares in listed corporations	-	-
	<u>-</u>	<u>-</u>

Available for sale financial assets comprise of investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

LAND AND BUILDINGS

Land and Buildings at written down value	2,159,461	2,190,992
Total land and buildings	<u>2,159,461</u>	<u>2,190,992</u>

PLANT AND EQUIPMENT

Plant and equipment at written down value	504,890	575,519
Motor Vehicles at written down value	6,559	8,328

Esk District Co-op Ltd
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

Office Furniture at written down value	3,004	3,479
Total plant and equipment	514,453	587,326
Total property, plant and equipment	2,673,914	2,778,318

Land and Buildings valuations were prepared by Taylor Byrne Valuers dated 3 February 2010.

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:

	Land and Buildings	Plant and Equipment	Motor Vehicles	Office Equipment	Total
	\$	\$	\$	\$	\$
2016					
Balance at the beginning of the year	2,190,992	575,519	8,328	3,479	2,778,318
Revaluations					
Additions at cost		14,561			14,561
Disposals					
Depreciation expense	(31,531)	(85,190)	(1,769)	(475)	(118,965)
Carrying amount at end of year	2,159,461	504,890	6,559	3,004	2,673,914
2015					
Balance at the beginning of the year	2,222,498	644,173	10,582	4,020	2,881,273
Revaluations					
Additions at cost		29,684			29,684
Disposals		(2,772)			(2,772)
Depreciation expense	(31,506)	(95,566)	(2,254)	(541)	(129,867)
Carrying amount at end of year	2,190,992	575,519	8,328	3,479	2,778,318

Esk District Co-op Ltd
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	Land and Buildings	Plant and Equipment	Motor Vehicles	Office Equipment	Total
NOTE 11: TRADE AND OTHER PAYABLES					
			Note	2016	2015
CURRENT				\$	\$
Trade payables				526,970	418,218
Goods and services tax				34,778	30,691
PAYG withholding				17,295	18,514
				579,043	467,423
				579,043	467,423
NOTE 12: BORROWINGS					
CURRENT					
Bank overdraft – secured				200,337	162,983
Loans – secured				219,000	209,000
				419,337	371,983
NON-CURRENT					
Other Financial liabilities - unsecured				78,354	78,354
Loans – secured				855,779	1,073,493
TOTAL BORROWINGS				934,133	1,151,847
Total current and non-current secured liabilities					
Bank overdraft				200,337	162,983
Loans				1,074,779	1,282,493
				1,275,116	1,445,476
				1,275,116	1,445,476

Esk District Co-op Ltd
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
NOTE 13: TAX		
(a) Assets		
CURRENT		
Deferred Tax Asset	43,621	28,176
	43,621	28,176

NOTE 14: PROVISIONS

	Employee Entitlements	Total
	\$	\$
Opening balance at 1 July 2015	107,891	107,891
Additional provisions	25,213	25,213
Balance at 30 June 2016	133,104	133,104
Analysis of Total Provisions		
Current		127,686
Non-Current		5,418
		133,104

Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

NOTE 15: ISSUED CAPITAL

Summary table

40,584 (2015: 40,584) ordinary authorised shares	81,168	81,168
	81,168	81,168

NOTE 16: RESERVES

Asset Revaluation Reserve

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

Esk District Co-op Ltd
ABN 98 306 274 225
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 17: CASH FLOW INFORMATION

	Note	2016	2015
		\$	\$
a. Reconciliation of Cashflow from Operations with Profit after Income Tax			
Net income loss for period		67,213	167,925
Cash flows excluded from profit attributable to operating activities			
Non cash flows			
Depreciation and Amortisation		118,965	129,867
(Gain) / Loss on Sale			1,921
Changes in assets and liabilities			
(Increase) / decrease in trade and other receivables		11,675	8,498
(Increase) / decrease in other assets		12,734	15,704
(Increase) / decrease in inventories		(38,302)	12,462
Increase/(decrease) in trade and other payables		111,620	(127,291)
(Increase) / decrease in deferred tax asset		(15,445)	(9,523)
Increase / (decrease) in provisions		25,213	9,853
		293,673	209,416

NOTE 18 CONTINGENT LIABILITIES AND ASSETS

There were no contingent liabilities at balance date.

NOTE 19: EVENTS AFTER THE REPORTING PERIOD

There are no events after the balance sheet date that will affect the financial report.

NOTE 20: RELATED PARTY TRANSACTIONS

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

Esk District Co-op Ltd
ABN 98 306 274 225
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 21: ENTITY DETAILS

The registered office of the company is:

Esk District Co-op Ltd
43 Cressbrook Street
TOOGOOLAWAH QLD 4313

The principal place of business is:

Esk Friendly Grocer and Home Timber and Hardware
101 Ipswich Street
ESK QLD 4312

Toogoolawah IGA & Home Timber and Hardware
43 Cressbrook Street
TOOGOOLAWAH QLD 4313

Esk District Co-op Ltd
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

STATEMENT BY THE COMMITTEE

The directors of the co-operative declare that:

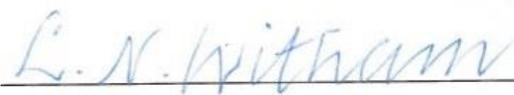
1. The financial statements and notes, as set out on pages 9 to 28, are in accordance with the *Cooperatives Act 1997 and the relevant Cooperatives Regulations 1997; and*
 - a. comply with Australian Accounting Standards and the Cooperatives Act 1997 and the relevant Cooperative Regulations 1997; and
 - b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the entity.
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.



Director

Dr A C B FitzGerald



Director

L Witham

Dated this 28th day of September 2016

Esk District Co-op Ltd
ABN 98 306 274 225
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ESK DISTRICT CO-OP LTD

Report on the Financial Report

We have audited the accompanying financial statements of Esk District Co-op Ltd, which comprises the Statement of Financial Position as at 30 June 2016 and the Comprehensive Income Statement, Statement of Change in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

The Responsibility of the Directors for the Financial Statements

The directors of the co-operative are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Cooperatives Act 1997*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity'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 statements.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional ethics requirements. We confirm that the independence declaration provided to the directors of Esk District Co-op Ltd on 19 September 2016, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Esk District Co-op Ltd as of 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with the *Cooperatives Act 1997 and the relevant Cooperatives Regulations 1997* and the Australian Accounting Standards.

Horizon Accounting Group

Tim Davis

21 Russell Street, Toowoomba

Dated this 28th day of September 2016