

Esk District Co-op Ltd

111th

Annual Report

and

Balance Sheet

30th JUNE 2017

To be presented to the Shareholders at the

ANNUAL GENERAL MEETING

9.30am Friday

27th October 2017

Mt Beppo Hall, Mt Beppo

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, 27th October 2017, at the Mt Beppo Public Hall, Mt Beppo.

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, 5th October 2017

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CHAIRMAN'S REPORT 2017

On behalf of the Board of Directors of the Esk District Co-op Ltd I have pleasure in presenting the annual report for the financial year ending 30 June 2017.

The year just concluded has seen a continuation of the difficult trading conditions which have been a feature of the past few years and which seem to be prevalent throughout the country. Consequently there is great competition for the retailing dollar which is exacerbated by the entry and expansion of new players in the market. Our financial situation is impacted by our supplier, Metcash Ltd., trying to compete with our major competitors, Woolworths and Coles, by reducing the margins on many of the products in our range. This impacts on our gross returns whilst we face ever increasing cost of wages and such operating expenses as electricity which rose from \$136,311 in 2016 to \$152,424 in 2017 an increase of 11.8%. Wages for the year, including superannuation and payroll tax amounted to \$2,228,839 an increase of 6% on the previous year. The management is always looking at opportunities to minimise costs and will continue to do so but there is a limit to the avenues for reduction.

The trading year was one of two halves. The first six months were quite buoyant with an increase in sales of 4% but the second half of the year was much tighter so that the overall increase in income was just 2.3% at \$12,727,854 and a net profit of \$38,068 compared with the 2016 figure of \$67,213 after allowing \$112,660 for depreciation.

During the year the Heritage Bank closed many of their agencies including those conducted at both stores which results in a loss of income of approximately \$50,000 in a full year. It is our view that the loss of a full service shopfront bank in the town is impacting negatively on business. It is therefore important that the Bendigo Community Bank becomes a reality in the very near future and we commend the efforts of the local committee to make this a reality.

It is now 5 years since we completed the redevelopment of the Toogoolawah store at which time the company had incurred debts of some 1.8 million dollars. I am pleased to say that in that time the debt has been reduced to less than \$800,000 which means that we have repaid approximately 1 million dollars. This has been achieved at the same time as we have made several improvements especially in the Esk store, the latest of which has been the new check outs and now the installation of air conditioning which will be operating for the coming summer season. The Board is indebted to Mrs Tania Lukritz for her prudent management of the company's finances. Tania has been a long serving member of the Co-op who as a young girl started as a junior office girl and check out operator and now has an intimate knowledge of the whole of the business. Her work ethic, her loyalty and her commitment to the stores and the local area will be rewarded in the near future as our current General Manager, Mr John Burrow has decided to retire in December and Tania has accepted the Board's offer to take on the role of General Manager. We are grateful to John for giving us timely warning of his intentions which has allowed the Board to put in place a succession process which will see a seamless transfer when he leaves.

That of course is not all we are indebted to John for. When he was appointed to the General Manager position in 2012 he brought with him a wealth of supermarket knowledge and experience which he has been able to impart to our staff, so much so, that the change will occur with minimal disruption. When John joined the company the income was \$8,522,652 compared with the already stated \$12,727,854 in the last financial year, approximately 50%

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higher in five years, but his greatest and lasting contribution would be his development of the skills of critical staff members and the encouragement of more junior staff. Although we will miss his guidance, his legacy will be the ability of the co-op to progress in the future, utilising the advice and tutoring he has imparted. On behalf of the Board, the shareholders and the local community at large I offer John our best wishes for his retirement and our sincere thanks.

Our thanks also go to all members of the staff for their commitment, diligence and loyalty. It does not matter what you sell, you will not succeed unless it is done in a pleasant and friendly manner, and we are proud of the staff and their attitude to our customers.

Shareholders may be aware of some changes in the hardware business. The well publicised exit of Woolworths from the hardware business with the closing of the Masters stores and the sale of the Home Timber and Hardware business to Metcash Ltd means that Mitre 10 and Home Timber and Hardware are now both owned by Metcash Ltd the owners of the IGA brand. At this stage we are not sure if the Home Timber and Hardware brand will continue or if all will convert to the Mitre 10 brand, but we do know that the stores will continue to operate under which ever name is decided.

During the year our auditor Mr Tim Davis of the Horizon Accounting Group carried out an appraisal of our governance and administrative structures and procedures and provided a comprehensive report which was adopted by the Board. Most of the recommendations have now been acted upon with more to come and although there may be no changes publicly visible I can assure shareholders the changes and procedures implemented will be of considerable benefit in the future. One of the immediate benefits has been the changes required with the departure of John Burrow, which saw a realignment of a number of administrative positions and procedures.

We are grateful to Mr Davis for this work and to his staff at Horizon Accounting for their assistance during the year, and the manner and promptness with which they conducted the audit.

On a personal note I wish to thank Mr Lawrie Witham as deputy chairman for his support and his considered advice throughout the year and to my fellow directors for their contribution and support also throughout the year. As we look forward to the challenges of the year ahead we are confident that with the support of shareholders and the wider community the Esk District Co-op will continue to provide a valuable service to the area and continue to support the many local organisations and events that are held throughout the area.

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Financial Statements

For the Year Ended 30 June 2017

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DIRECTORS' REPORT

Your directors present this report on the entity for the financial year ended 30 June 2017.

Directors

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

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 company secretary at the end of the financial year: Tania Lukritz.

Principal Activities

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

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

Operating Results

The profit of the company for the financial year after providing for income tax amounted to \$38,068 (2016: \$67,213).

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.

Events Subsequent to the End of the Reporting Period

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

Environmental Regulation

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.

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Information and Meetings of Directors

During the financial year, 12 meetings of directors were held. Attendances by each director were as follows:

	Directors' Meetings		
	Number eligible to attend	Number attended	Position
Dr A C B Fitzgerald	12	12	Chairman
L Witham	12	11	Deputy Chairman
F M Evans	12	12	Director
S Todd	12	10	Director
C Lynch	12	12	Director

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 2017 has been received and can be found on page 3 of the directors' report.

This directors' report is signed in accordance with a resolution of the Board of Directors.

Chairman



Dr A C B Fitzgerald (Chairman)

Dated this 15th day of September 2017

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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 2017 there have been no contraventions of:

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

Horizon Accounting Group

Tim Davis

Date: 12th September 2017

21 Russell Street, Toowoomba

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STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		\$	\$
Sales Revenue	2	12,679,742	12,361,965
Cost of Sales		(9,586,166)	(9,448,798)
Gross Profit		<u>3,093,576</u>	<u>2,913,167</u>
Other income	2	48,112	76,006
Marketing Costs		(13,860)	(20,972)
Administrative Costs		(2,868,941)	(2,667,304)
Finance Costs		(116,203)	(130,164)
Depreciation and Amortisation		(112,660)	(118,965)
Profit before income tax		<u>30,024</u>	<u>51,768</u>
Income tax (expense) / benefit	3	8,044	15,445
Profit for the year		<u>38,068</u>	<u>67,213</u>
Profit attributable to members		<u><u>38,068</u></u>	<u><u>67,213</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 2017

	Note	2017	2016
		\$	\$
Profit for the year		38,068	67,213
Other comprehensive income			
Total comprehensive income for the year		38,068	67,213
Total comprehensive income for the year attributable to members of the entity		38,068	67,213

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017	2016
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	105,952	204,247
Trade and other receivables	7	38,278	37,518
Inventories	8	937,202	890,214
Financial assets	9		-
Current tax receivable	13	51,665	43,621
Other assets		-	16,476
TOTAL CURRENT ASSETS		<u>1,133,097</u>	<u>1,192,076</u>
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,127,976	2,673,914
TOTAL NON-CURRENT ASSETS		<u>2,127,976</u>	<u>2,673,914</u>
TOTAL ASSETS		<u>3,261,073</u>	<u>3,865,990</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	574,953	579,043
Financial liabilities (short term)	12	436,223	419,337
Short-term provisions	14	134,723	127,686
TOTAL CURRENT LIABILITIES		<u>1,145,899</u>	<u>1,126,066</u>
NON-CURRENT LIABILITIES			
Financial liabilities (long term)	12	707,499	934,133
Long-term provisions	14	7,308	5,418
TOTAL NON-CURRENT LIABILITIES		<u>714,807</u>	<u>939,551</u>
TOTAL LIABILITIES		<u>1,860,706</u>	<u>2,065,617</u>
NET ASSETS		<u>1,400,367</u>	<u>1,800,373</u>
EQUITY			
Issued capital	15	81,168	81,168
Reserves		756,507	1,194,581
Retained Earnings		562,692	524,624
TOTAL EQUITY		<u>1,400,367</u>	<u>1,800,373</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 2017

Note	Ordinary Shares	Retained Earnings	Asset Revaluation Reserve	General Reserves	Share Purchase Reserve	Capital Reserve	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	81,168	524,624	1,071,994	46,290	632	75,665	1,800,373
Shares issued during the year							
Profit attributable to members		38,068					38,068
Transfers to /from reserves							
- Asset Revaluation Reserve			(438,074)				(438,074)
Balance at 30 June 2017	81,168	562,692	633,920	46,290	632	75,665	1,400,367
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

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from Customers		13,492,889	13,086,267
Payments to suppliers and employees		(13,251,934)	(12,663,749)
Interest received		496	1,319
Finance costs		(116,203)	(130,164)
Net cash generated from operating activities	17	125,248	293,673
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	-
Proceeds from sale of investments		-	-
Payment for property, plant and equipment		(13,795)	(14,561)
Net cash used in investing activities		(13,795)	(14,561)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	-
Repayment of borrowings		(213,134)	(207,714)
Proceeds from borrowings		-	-
Payment of finance lease liabilities		-	-
Net cash used in financing activities		(213,134)	(207,714)
Net increase in cash held		(101,681)	71,398
Cash and cash equivalents at beginning of the financial year		3,910	(67,488)
Cash and cash equivalents at the end of the financial year	6	(97,771)	3,910

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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 15 September 2017 by the directors of the company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements 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 accrual 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 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 profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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 2017 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 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 valuations by external independent valuers, less accumulated depreciation for buildings. All additions subsequent to the valuation are recorded at cost.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus. Decreases that offset previous increases of the same asset are recognised directly against the reserve, all other decreases are recognised in profit and loss.

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. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount.

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.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in 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 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 their estimated useful lives where it is likely that the entity will obtain ownership of the asset, or over the lease term.

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 transaction costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are recognised as expenses in profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at 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.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for the cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

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

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 other than 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 (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") 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. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtor or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, indications that they will enter bankruptcy or other financial reorganisations, and changes in arrears or economic conditions that correlate with defaults.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment was previously recognised in the allowance account.

De-recognition

Financial assets are derecognised when 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 have 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.

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, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit and loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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 obligation 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 departures 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 borrowings in current liabilities on the statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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).

j. **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.

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 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.

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 to changes in presentation for the current financial year.

Where the entity retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

n. **Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by entity that remain unpaid at the end of the reporting period. 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 the end of reporting period by evaluating the conditions and events specific to the entity that may be indicative of impairment triggers. 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.

Esk District Co-op Ltd
ABN 98 306 274 225
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NOTE 2: REVENUE AND OTHER INCOME

	2017	2016
	\$	\$
Revenue		
<i>Operating Activities</i>		
Sale of Goods	12,679,742	12,361,965
Interest Income	496	1,319
Staff Traineeship Subsidy	-	-
Other Income	47,616	74,687
Total Revenue	12,727,854	12,437,971
 <i>Interest Received from:</i>		
Bank	496	1,319
Interest charged on trade and other receivables	-	-
	496	1,319

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% (2016 30%)	9,007	15,530
Add:		
Tax Effect of		
Accrued rebates	4,943	3,820
Provisions	2,678	7,564
Accrued Expenses	424	4,062
Lay by deposits	(1)	(2)
	8,044	15,444
 Less		
Tax Effect of		
Tax losses	(25,095)	(46,419)
Income tax attributable to the entity (deferred)	(8,044)	(15,445)

Esk District Co-op Ltd

ABN 98 306 274 225

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 3: INCOME TAX EXPENSE

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
	\$	\$	\$
2017			
Total Compensation	105,750	10,046	115,796
2016			
Total Compensation	99,869	9,487	109,356

5 AUDITORS' REMUNERATION

	2017	2016
	\$	\$
Remuneration of the auditor of the co-operative for:		
- Auditing or reviewing the financial report	18,000	18,000
- Other services	15,200	1,200

Esk District Co-op Ltd
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 6 CASH AND CASH EQUIVALENTS

	2017	2016
	\$	\$
CURRENT		
Cash at hand	6,220	6,220
Cash at bank	99,732	198,027
	105,952	204,247
 Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	105,952	204,247
Bank overdraft	(203,723)	(200,337)
	(97,771)	3,910

NOTE 7 TRADE AND OTHER RECEIVABLES

CURRENT		
Trade receivables	38,346	38,882
Provision for impairment	(2,500)	(2,500)
	35,846	36,382
Other related parties	2,432	1,136
	38,278	37,518

NOTE 8 INVENTORIES

CURRENT		
At cost		
Inventories	937,202	890,214
	937,202	890,214
 Detailed table		
Esk grocery	181,196	170,709
Esk hardware	219,955	215,806
Toogoolawah grocery	351,431	347,091
Toogoolawah hardware	184,620	156,608
	937,202	890,214

Esk District Co-op Ltd
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 9 FINANCIAL ASSETS

	2017	2016
	\$	\$
CURRENT		
Listed investments at fair value, shares in listed corporations	-	-
	-	-

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 independent valuation 2017	1,690,000	-
Land and buildings at written down value	-	2,159,461
Total land and buildings	1,690,000	2,159,461

PLANT AND EQUIPMENT

Plant and equipment at written down value	428,276	504,890
Motor Vehicles at written down value	5,178	6,559
Office Furniture at written down value	4,522	3,004
Total plant and equipment	437,976	514,453
Total property, plant and equipment	2,127,976	2,673,914

Land and Buildings valuations were prepared by Herron Todd White dated 15 November 2016.

The revaluation decrement was debited directly to the asset revaluation reserve to reverse previous increments which have been recognised for this asset.

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 Equip-ment	Total
	\$	\$	\$	\$	\$
2017					
Balance at the beginning of the year	2,159,461	504,890	6,559	3,004	2,673,914
Revaluations	(438,074)				(438,074)
Additions at cost		10,735		3,060	13,795
Disposals		(8,733)		(266)	(8,999)
Depreciation expense	(31,387)	(78,616)	(1,381)	(1,276)	(112,660)
Carrying amount at end of year	1,690,000	428,276	5,178	4,522	2,127,976

Esk District Co-op Ltd
ABN 98 306 274 225
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

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	<u>2,159,461</u>	<u>504,890</u>	<u>6,559</u>	<u>3,004</u>	<u>2,673,914</u>

NOTE 11: TRADE AND OTHER PAYABLES

	Note	2017	2016
CURRENT		\$	\$
Trade payables		509,101	526,970
Goods and services tax		23,446	34,778
PAYG withholding		42,406	17,295
		<u>574,953</u>	<u>579,043</u>

NOTE 12: BORROWINGS

CURRENT

Bank overdraft – secured	203,723	200,337
Loans – secured	232,500	219,000
	<u>436,223</u>	<u>419,337</u>

NON-CURRENT

Other Financial liabilities - unsecured	78,354	78,354
Loans – secured	621,145	855,779
TOTAL BORROWINGS	<u>707,499</u>	<u>934,133</u>

Total current and non current secured liabilities

Bank overdraft	203,723	200,337
Loans	861,645	1,074,779
	<u>1,065,368</u>	<u>1,275,116</u>

Esk District Co-op Ltd
ABN 98 306 274 225
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
NOTE 13: TAX		
(a) Assets		
CURRENT		
Deferred Tax Asset	51,665	43,621
	51,665	43,621

NOTE 14: PROVISIONS

	Employee Entitlements	Total
	\$	\$
Opening balance at 1 July 2016	133,104	133,104
Additional provisions	8,927	8,927
Balance at 30 June 2017	142,031	142,031
Analysis of Total Provisions		
Current		134,723
Non Current		7,308
		142,031

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 (2016: 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 2017

NOTE 17: CASH FLOW INFORMATION

	Note	2017	2016
		\$	\$
a. Reconciliation of Cashflow from Operations with Profit after Income Tax			
Net income loss for period		38,068	67,213
Cash flows excluded from profit attributable to operating activities			
Non cash flows			
Depreciation and Amortisation		112,660	118,965
(Gain) / Loss on Sale		8,999	
Changes in assets and liabilities			
(Increase) / decrease in trade and other receivables		(760)	11,675
(Increase) / decrease in other assets		16,476	12,734
(Increase) / decrease in inventories		(46,988)	(38,302)
Increase/(decrease) in trade and other payables		(4,090)	111,620
(Increase) / decrease in deferred tax asset		(8,044)	(15,445)
Increase / (decrease) in provisions		8,927	25,213
		125,248	293,673

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.

NOTE 21: OPERATING LEASE COMMITMENTS

Non-cancellable operating lease contracted for but not recognised in the financial statements

Payable – minimum lease payments		
Not later than 12 months	20,617	20,617
Between 12 months and 5 years	61,854	82,471
	82,471	103,088

Esk District Co-op Ltd
ABN 98 306 274 225
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 22: 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

STATEMENT BY THE COMMITTEE

The directors of the co-operative declare that:

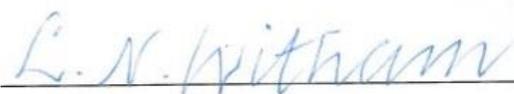
1. The financial statements and notes, as set out on pages 4 to 22, are in accordance with the *Cooperatives Act 1997* and the relevant Cooperatives Regulations 1997; and
 - a. comply with Australian Accounting Standards and the Cooperatives Act 1997 and the relevant Cooperative Regulations 1997; and
 - b. give a true and fair view of the financial position as at 30 June 2017 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 15th day of September 2017

Esk District Co-op Ltd
ABN 98 306 274 225
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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 2017 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 12 September 2017, 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 2017, 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 29th day of September 2017