

Giving back to the community since 1908...



TERANG & DISTRICT CO-OPERATIVE LIMITED

ANNUAL REPORT 2017-2018

St. Patrick's Primary School Camperdown College
GARVOC PUBLIC HALL TERANG MORTLAKE
FN CLUB
Terang Harness Racing Club
Mortlake Cricket Club Terang Kindergarten
Camperdown Bowling Club
East Fram Golf Club
Murray to Moyne Terang & District
Racing Club
Kolora Noorat
FN Club
TERANG COLLEGE
Noorat Show
St. Thomas Terang TERANG TORNADES
Noorat Public School
The Sisters Terang Bowling
Public Hall
Terang RSL COBDEN FN CLUB
Panmure
FN Club Terang Olympic
Basketball Stadium
Camperdown FN
Club Terang
Cricket
Club
Mercy Regional College
Relay for Life
Terang College RIDLEY'S GOLF DAY
Terang country
MUSIC FESTIVAL
TERANG ATHLETIC CLUB

Notice of GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT
THE 109TH ANNUAL GENERAL
MEETING OF THE TERANG
& DISTRICT CO-OPERATIVE
LIMITED WILL BE HELD IN THE
CO-OP BOARDROOM, 1ST
FLOOR, 30-38 HIGH STREET,
TERANG ON WEDNESDAY JUNE
27TH 2018 AT 11.00AM

DIRECTORS

Mr. Brendan Kenna
Mr. Matthew Henderson
Mrs. Vicki Whiting
Ms. Linda Kenna
Mr. Nigel Bruckner
Mr. David Rae
Mr. Geoff Barby

CHIEF EXECUTIVE OFFICER

Mr Kevin Ford

BUSINESS & FINANCE MANAGER, SECRETARY

Mr Damien Ryan

BUSINESS

1. To confirm the Minutes of the 108th Annual General Meeting held on 28th June 2017
2. To receive and adopt the Financial Statements, Directors' Report and Auditor's Report for the year ending February 28th 2018
3. To elect Directors
4. To receive the Chairman's Report
5. To receive the Chief Executive Officer's Report
6. To review remuneration of Directors
7. General Business



By order of the Board

DAMIEN RYAN

Co-operative Secretary

... SOME OF OUR VALUED STAFF



Chairman's REPORT



ON BEHALF OF THE BOARD OF DIRECTORS OF THE TERANG AND DISTRICT CO-OPERATIVE LTD, I AM PLEASED TO PRESENT THE 2017-2018 ANNUAL REPORT.

As we reflect on the previous 12 months it would be very easy to be disappointed with our small profit of \$9900 if it was not taken in the context of our overall business. Your Board, management and staff have all worked very hard to keep the business in the positive despite some very challenging conditions. We have been able to grow our sales against the previous year but our costs have also continued to climb. We are very mindful of this and are scrutinising every area of the business to get it to perform at its optimum. Rest assured that your Board is very focused on growing our profitability.

Our rural segment is still suffering from the severe downturn that hit the dairy industry and our business is reflecting their reduced circumstances. We have expanded our dairy services offer with the purchase of the DTS West business in Warrnambool and rebranded our Dairy Services to "360 Dairy Solutions" to appeal to a much wider base. This is to strengthen our dairy services division and make it a viable segment of our business. The CRT store continues to supply the needs of our members and the district through this. Needless to say, that when things are tough we are there to stand by our community members be they urban or rural.

The hardware segment, including the stores at Terang and Camperdown, have also increased sales and our offer is continually being appraised to remain relevant to our members and customers alike. The supermarket continues to be the base business of our Co-op with increased sales and steady returns.

Your Co-op has a unique position in our community, in that the community is the Co-op and we all have ownership of that! We are always there ready to support the community in many ways, not least of which is sponsorship to our many community organisations. This year we distributed \$57,062 to all areas of our community. Schools, hospitals, emergency services, sporting clubs and local events have benefited from your Co-op being there and offering support. I would also like to commend our staff members who are members of these organisations and help with their operation.

Another pleasing aspect is the continuing growth in our membership, with 110 new members taking a share in our Co-op. It is also pleasing to see the spread of members from a greater area is increasing, meaning we are appealing to a wider audience. In the past 12 months, members have been rewarded for their loyalty and patronage with benefits amounting to \$180,856 for

supporting our Co-op. Our seniors discount is also highly appreciated by our older members to ease those cost of living pressures.

During this year, your Board has been very focused on inventory and how it impacts our balance sheet. With this in mind we directed management to reduce inventory and target inappropriate stock. We have managed to reduce our inventory by just over \$434,000 this year, which has enabled us to also reduce our debt. This has required a concerted effort by all management and the Board appreciates their success in this ongoing area.

Your Board and management have also spent a large amount of time on our strategic plan which was due for update. This has been a formidable exercise, taking a lot of resources. The significance of this now, and well into the future, will give us a sound direction for our business and plan for the next phase.

During the year we were all shocked to watch the rapid demise of one of Australia's largest co-operatives, being Murray-Goulburn, and felt the pain and disappointment of its members as they saw their business fail. But as big business and the large banks increasingly turn their back on rural Australia, in the pursuit of higher profits and at the expense of services, it makes the co-operative model more important than ever and we think it has an exciting future.

On behalf of the Board, I would like to thank management and staff for their diligence and commitment to our Co-op and maintaining that high level of service that we are so recognised for.

I would also like to thank my fellow Board members for their support and dedication to directing our Co-op and ensuring that we always put our members and community first in all our deliberations. I would also like to acknowledge the contribution of our two retiring Board members in Mr. Matt Henderson and Mr. David Rae. They have given great service to the Board and Co-op and have been very diligent in their duty. Their commitment to our Co-op is deeply appreciated.

Lastly, I would like to thank our dedicated members and customers for their continued support of our Co-op. We only exist to meet their needs and those of our community, but it is something we have done for 110 years quite successfully.

Thank you

A handwritten signature in black ink, appearing to read 'Brendan Kenna'.

BRENDAN KENNA
Chairman

CEO's REPORT



THE 2017-18 FINANCIAL YEAR PROVED TO BE A DIFFICULT YEAR. ALTHOUGH OUR TRADING OF JUST OVER \$23M WAS HEALTHY WE FAILED TO ACHIEVE OUR BUDGET OBJECTIVES IN ALL DIVISIONS ACROSS THE CO-OPERATIVE. TRADING ACROSS BOTH THE RURAL DIVISIONS WAS DIFFICULT WITH PRICE BEING A MAJOR INFLUENCE IN DECISION MAKING PROCESS. ALTHOUGH REVENUE WAS HEALTHY, MARGINS REMAINED AT THE PREVIOUS YEAR'S LEVELS WHILST OPERATING COSTS INCREASED. THIS RESULTED IN A MINIMAL NET PROFIT AT THE FINAL ROUNDUP OF \$9900.

Much of my focus over the year was employed on the following crucial aspects of the business divisions: liquidity improvement; stock reduction including both of slow moving and dead stock; accounts receivable; strategic planning; and Co-op and staff culture.

I am pleased to advise that, by the end of February 2018, stock values had reduced by around 10% on the previous year's levels. A substantial reduction in accounts receivable to the Co-op has also been achieved over the year. These two factors have allowed the Co-op to continue to pay down loan debt over the year delivering a more solid platform to launch forward from in the future.

Management has worked with the Board and consultants in developing a high level strategic plan. This plan will set the direction and map out the expected performance of the business over the next three to five years and beyond. The Board has recently signed off on this strategic initiative. Now work begins for the management team in developing the individual strategic plans for each division based on that overarching strategy. I can envisage some exciting times to come within the Co-op as each manager sets new benchmarks and targets for their business. Achieving substantial increases in sales, along with a commitment to an improved annual net return, are top priorities.

Early into my new role last year it became apparent that the culture across the Co-op was not the "can do" exceptional service culture I had anticipated prior to moving to Terang. Time in my new role exposed conflicts of interest where the Co-op was not placed first and some behaviours in the workplace were not up to the expectation of a quality workplace. In November, we surveyed all staff and then, from a series of meetings throughout late January and February, were then able to deliver the results of those survey findings back to all staff. Broadly, and in summary, we will be working on improving our communication within the Co-op and looking to find better ways of recognition and reward across the business sectors. We will continue to work on building better communication, recognition and reward systems across the business into the future. Already some

divisional managers have instigated more regular staff and management meetings which has had immediate impact on overall staff morale.

The Supa IGA Supermarket continues to lead our business activities this year and perform well delivering sales in excess of \$12m. This confirms the strength of the Supa IGA business and exhibits value into the community by attracting good daily traffic flow to the town. Although we recognise that much of the current shopping is top up shopping we are continually working on our range offer, especially in the fresh departments, with a target of encouraging additional full shopping customers as well. Our online shopping continues to meet the needs of a segment of that customer base. We have a steady flow of online shoppers every week either using the home delivery, in Terang, or our "click and collect" option which remains popular.

Over the year we have made small improvements within our store such as reducing the height of the gondolas at the shop entrance and removing some half bays facing the fruit and veg section. Both these moves created space for the shopper and allow better visibility of the fresh offer in that section of the supermarket. The Supa IGA team have worked diligently on their responsibilities to reduce total stock levels and increasing turnover. The result delivered significant progress in stock reduction with a great end of year result and stock turns reaching new highs over the last six months of the year.

We are pleased that you find our store a great place to shop and, more often, to catch up with neighbours and friends too. I wish to take this opportunity to thank Paul Bailey and the Supa IGA team and congratulate them on another great trading year.

For the second year in a row the Co-op's CRT store was recognised amongst its peers as a CRT National Community Award Finalist in 2016/17. We are again proud of the Co-op's contribution to the community which enabled us to reach this standard and recognition within the CRT Group. Trading proved difficult throughout the year with short term price being a key factor in many purchasers' decision making, affecting both sales and margin. As with the previous year, sales continued to decline finishing the year at 5.7% down on the previous year's sales. Some margin improvement was achieved but the business still fell below budget plans. The team worked hard over the year in improving and organising the product layout both outside and within the store. Whilst this is still a work in progress, the store is becoming more shoppable from the customer perspective. A thank you to Trevor Dowd and the team in CRT for their sterling work throughout the year.

In July 2017, the Co-op purchased the DTS West dairy service business in Warrnambool from GEA Australia and incorporated this into the dairy services division. The transition process was not as professional as expected. As a result, many of the DTS West customers were lost to competitors before the deal was finalised. This had a devastating impact on the bottom-line result of the 360 Dairy Solutions business as the anticipated sales growth from this acquisition could not be achieved. 360 Dairy Solutions did generate sufficient sales to cover the CRT sales shortfall and achieve minimal growth in total rural segment sales. Long-serving dairy services manager Peter Clark announced his retirement in September resulting in the loss of valuable experience from the business. The business suffered most from a poor operating culture which was exposed when we lost two good staff in the third quarter. We are still in the process of trying to rebuild the business with new leadership and vastly improved systems.

In merging the Terang Co-op Dairy Services and the DTS West businesses it was decided to launch a completely new brand. We chose to run with the name 360 Dairy Solutions which, when launched and since being released to the market, has proved appealing and successful. Although we have a long way to go to achieve our business objectives, we are now building a team culture around positive contributors. 2018-19 will be another challenging year but I feel we are closer to having the right team of people to begin hitting bigger goals. I would like to thank the whole team at 360 Dairy Solutions for their contributions to the business and their unfailing loyalty to the business throughout the year.

Throughout the year, the Home Timber & Hardware Stores, in Terang & Camperdown, have continued to grow sales over previous years. We were able to reduce stock holding by in excess of \$500k over the previous year, thus improving stock turn and moving towards benchmark levels. Failure to control stock adequately in the first quarter in Camperdown substantially reduced gross profit performance and failure to control wages across both stores delivered a very disappointing bottom line result after growing total sales beyond \$6.7m, some 7% above 2016-17 levels.

Both hardware stores made physical changes and improvements over the year resulting in a vastly improved welcome to our customers on entering each store. By the end of the financial year, both stores presented a very different offer to members and customers, on entry. We continue to work on rationalising stock holding whilst we work to improve the total offer within both businesses. New racking in Camperdown enabled us to tidy up the whole premises, presenting a much enhanced offer and improved safety on site. Terang introduced a minimal range of spring plants which proved a huge success, assisting substantially in growing the garden category. A very successful carpark sale was held at the beginning of February. Held in conjunction with CRT, the day proved very successful with record Saturday sales. You can be assured that this will be repeated again in the near future.

The purchase of the Home Timber & Hardware brand by Metcash (Mitre 10) in October 2016 is bringing about change within the industry. That change will, most likely, come to Terang in the near future. The merger of the major hardware brands will enable better buying and much improved product ranging across our hardware businesses.

We are working with the Independent Hardware Group (IHG), the new combined group name, to ensure that the Terang Co-op is not left behind and our stores will reflect any new imagery or offers as they are released into the market. Gary Blain and the team have performed well this year but have some big goals ahead of them in ensuring an adequate return on investment for the Co-op whilst continuing to improve the offer in Camperdown and Terang.

Whilst this last year has not performed to expectations for the Co-op overall, we have made substantial progress in a number of areas within the business. A 10% reduction in stock value, including slow moving and dead stock, coupled with a reduction in longer term debt, place the Co-op in a stronger position than we were at the beginning of the year. We now have in place an overarching strategy providing the roadmap to the future and look forward to the opportunities that are available. We are assured that members will continue to see further improvements across our trading businesses in this next financial year.

In early June 2017, we were again very pleased with your support of our annual members' week celebration where we partnered with our suppliers to provide great deals to reward our loyal members. The feedback from this event has encouraged us to continue this support of the community and to reinforce the value of being a member, recognising the support you show us when you shop locally at the Co-op.

The Co-op team continues to work diligently and co-operatively to deliver to your needs. As the business evolves so does the complexity. Therefore, we are continually aware of the need to invest in improved staff training and also bring in skilled support where necessary.

I appreciate the Board's support and guidance for the management group and team members throughout the Co-op. I record my appreciation for all their efforts. It is a team I am pleased and proud to be part of.

In conclusion, I would like to say thank you to you all, our loyal customers and valued members of the Co-op. It is exciting and challenging to continue to take this business to new levels with careful investment and developing opportunities for the long-term future of the Co-op and the community. Along with the management team, I look forward to celebrating 110 years trading in 2018-19 and, beyond that, building and adding value to the strengths of the Terang and District Co-operative Limited.



KEVIN FORD
Chief Executive Officer

Our Co-Op Strategic PLAN

"The Co has floated like a cork over Terang for 100 years. Buffeted by drought, fire and burglary, rejigged by changes in technology, the imposition of federal wage rates, the Co has survived it all. And it must be said that, without the Co, Terang and its community would be a much lesser place. I hope that the Co survives all that the 21st century has to throw at it, so that it might continue to act as the soul of Terang" – Bernard Salt, Terang Co-op 2008 Centenary Booklet

OUR FUNDAMENTAL BELIEF

A strong co-operative means a strong community

MISSION

OUR REASON FOR BEING

To be a strong and diversified force to create opportunities for our membership and sustain their communities

VALUES & PRINCIPLES

CRITICAL TO ACHIEVING OUR MISSION

- Acting as strong guardians of a cherished long-standing community asset
- Guarding against complacency by continually challenging ourselves to do better
- Relentless pursuit of strong business health for sustainability and longevity
- Being reliable and delivering what we promise
- An assured community leader setting high standards

VISION

HOW DOES THIS LOOK IN THE FUTURE?

A vibrant, modern organisation constantly evolving to serve our members' needs in a viable and responsible way.

SHORT-TERM OBJECTIVES 2019

- Emphasis on addressing financial performance
- Update and communicate staff accountabilities
- Focus on culture and leadership development
- Business planning updates across the Co-op
- Review business and work practices

MEDIUM-TERM OBJECTIVES 2021

- Establish a master plan for Co-op sites
- Review capital funding requirements and options
- Implement improved information systems
- Leverage membership numbers to improve benefits
- Develop capability to identify and consider growth opportunities

LONG-TERM OBJECTIVES 2025

- Modern and functional facilities
- Smarter utilisation of the power of our co-operative membership
- Engaged and supportive members throughout the region
- Experienced, skilled and agile management
- Highly capable and engaged workforce

Directors' REPORT

YOUR DIRECTORS PRESENT THEIR REPORT ON THE TERANG & DISTRICT CO-OPERATIVE LIMITED FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2018.

DIRECTORS

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

Mr. Brendan Kenna – Chairman
Mr. Matthew Henderson – Deputy Chairman
Mr. Nigel Bruckner
Ms. Vicki Whiting
Ms. Linda Kenna
Mr. David Rae
Mr. Geoff Barby

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

DIRECTORS' MEETINGS

Directors meeting attendance for the year was as follows:

DIRECTOR	ATTENDED	ELIGIBLE
Brendan Kenna	10	11
Matthew Henderson	8	11
Nigel Bruckner	9	11
Vicki Whiting	11	11
Linda Kenna	11	11
David Rae	10	11
Geoff Barby	9	11

RESULT

The net operating profit of the Terang & District Co-operative Limited for the financial year after providing for income tax amounted to \$4,602 (2017: \$108,109).

ACTIVITIES

The principal activities of the Co-operative in the course of the year have been to retail food and general merchandise and otherwise carry on the business of trading under the Co-operatives National Law Application Act 2013. No significant change in the nature of these activities occurred during the year.

EVENTS SUBSEQUENT TO BALANCE DATE

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

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL ISSUES

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

DIVIDENDS

No dividends have been declared for the year ended 28 February 2018.

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 Co-operative.

PROCEEDINGS AGAINST THE CO-OPERATIVE

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under 307C of the Corporations Act 2001 is included in the full financial report.

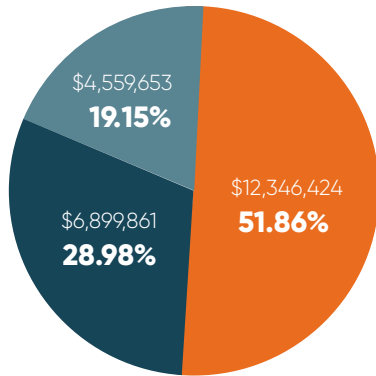
Signed in accordance with a resolution of the Board of Directors:



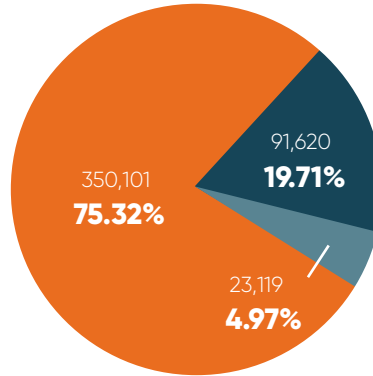
BRENDAN KENNA
Chairman

Signed at Terang this 30th day of May 2018.

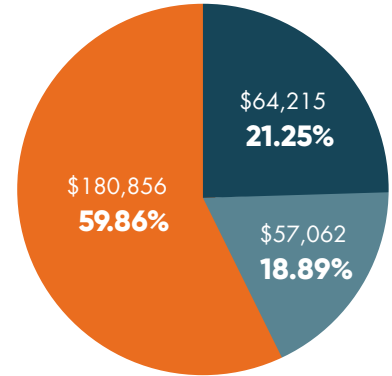
The 2017-2018 year AT A GLANCE



REVENUE SHARE



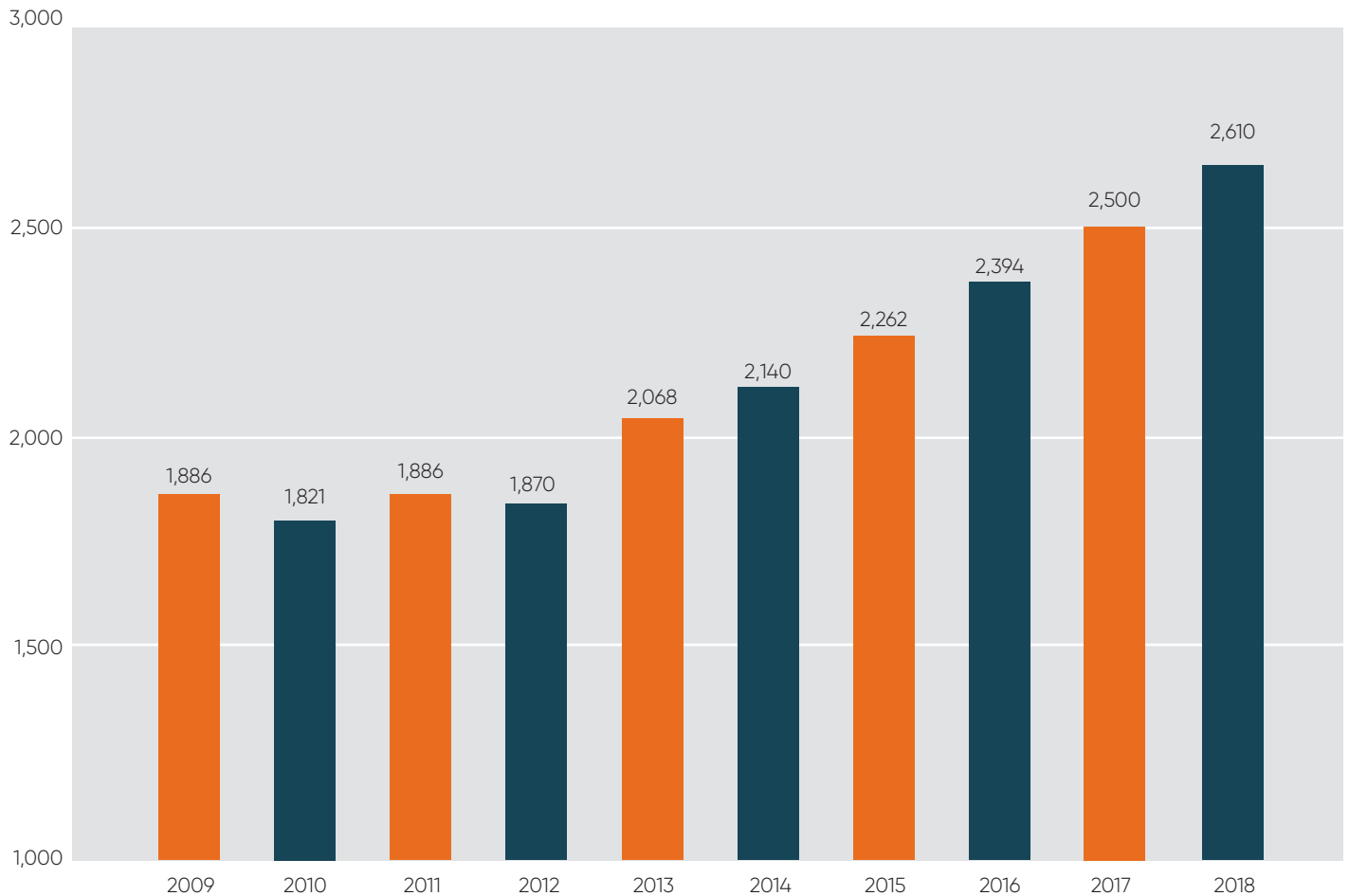
CUSTOMER VISITS



BENEFITS DISTRIBUTED

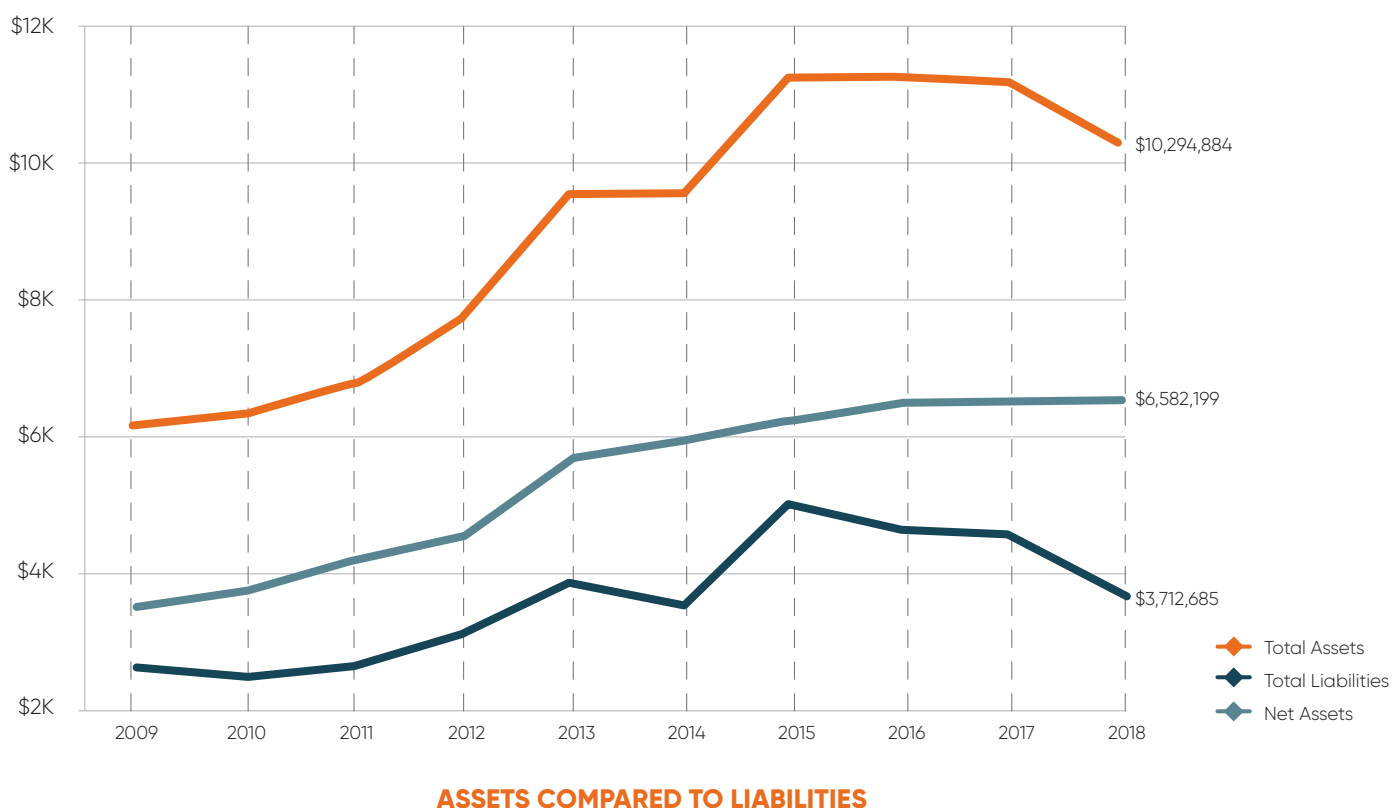
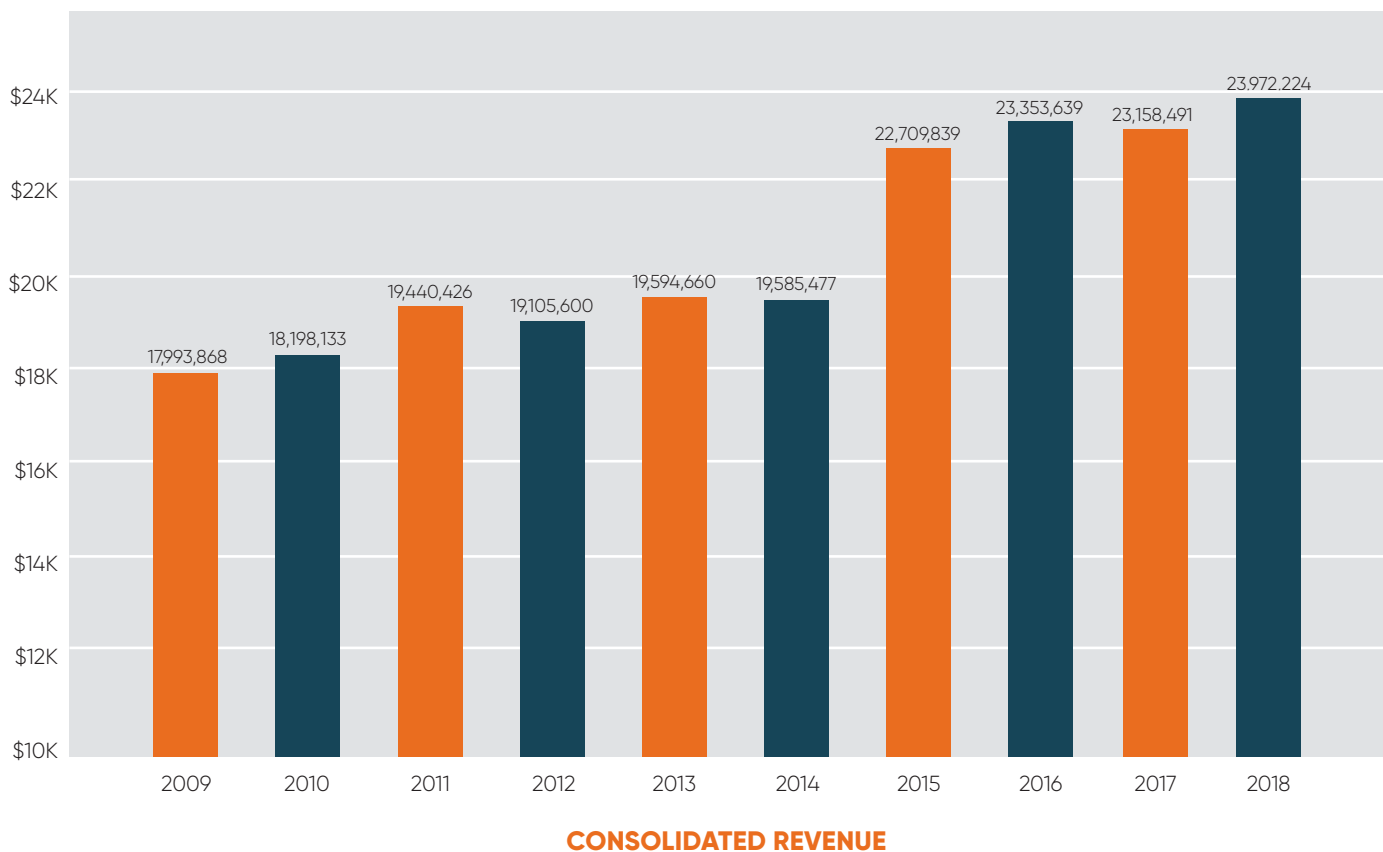
- HOME Hardware & Timber
- CRT Rural & Dairy Services
- IGA Supermarket

- Discounts for Seniors, Hostels, Hospitals & Staff
- Sponsorships & Donations
- Member Rewards



MEMBERSHIP NUMBERS

The 2017-2018 year AT A GLANCE



Managers' COMMENTS

GARY BLAIN

**Manager of Terang & Camperdown
HOME Timber & Hardware**

AS ANOTHER FINANCIAL YEAR COMES TO A CLOSE, I AM PLEASED WITH OUR CONTINUED INCREASE IN SALES IN BOTH THE TERANG AND CAMPERDOWN HOME TIMBER & HARDWARE STORES. THIS YEAR'S HARDWARE SEGMENT GREW BY 6.8% WITH THE TERANG STORE INCREASING SALES BY 8.9% AND CAMPERDOWN BY 2.6%. THIS CAN ONLY BE ACHIEVED WITH THE SUPPORT OF OUR LOYAL RETAIL AND TRADE CUSTOMERS, SO I WOULD LIKE TO TAKE THIS OPPORTUNITY TO THANK EVERYONE WHO HAS BEEN IN OUR STORE IN THE LAST YEAR.

This year we have opened up the front of the shop at our Terang location to showcase seasonal products. In the summer, we used this space for outdoor living furniture and Weber BBQs and in the autumn and winter, to showcase wood heaters. In the spring, we will be introducing a new range of outdoor furniture.

Along with showcasing outdoor living furniture, the Terang store added an Easy Colour plant range which has proven to be very popular. Because of its popularity, we decided to expand our range into the Camperdown store. Additionally, in the Camperdown store, we have new timber racks and have improved our Haymes paint display.

We held our first Carpark sale in February this year. This was a huge success and we received a great deal of positive feedback from customers. We have now planned to do this sale twice a year, with new products and bargains.

We welcome new staff members, Lynn Kedwell and Hayden Costelloe, to our Terang HOME store and Bruce McDonald to our Camperdown Store. These three staff members have been a great addition to our teams.

We have made some successful changes over the past year to our HOME stores thanks to the fresh insight and wealth of ideas from our CEO Kevin Ford. He has proven to be a great asset to the Co-op.



PAUL BAILEY

Manager of the Supa IGA

IT IS PLEASING TO REPORT THAT OUR SUPERMARKET HAS CONTINUED TO HAVE GROWTH IN OVERALL REVENUE AGAIN. WE FINISHED THE YEAR WITH \$12.3 MILLION IN REVENUE, UP BY 2.4% ON LAST YEAR. CREDIT MUST GO TO MY TEAM OF DEDICATED MANAGERS AND STAFF FOR ALL THE HARD WORK THEY HAVE PUT IN OVER THE PAST TWELVE MONTHS. I WOULD ALSO LIKE TO THANK OUR MEMBERS AND CUSTOMERS FOR YOUR CONTINUED SUPPORT. YOUR LOYALTY IS VERY MUCH APPRECIATED. OUR CUSTOMER SERVICE IS SOMETHING WE ARE VERY PROUD OF AND WE ARE CONTINUALLY TRYING TO IMPROVE.

While we have grown over the past twelve months we are aware that we need to continually seek improvement to keep growing the business. We will be looking at ways we can develop and improve the supermarket to suit our customers' needs and provide a point of difference.

Over the next twelve months we will be working on improving our productivity and efficiency in order to reduce our operating costs. We will also be looking at our categories across the store to ensure that we have the right range of products to suit our demographic.

During the past 12 months we have welcomed Jim Burns to our team in the Fruit & Veg Department and we said good bye to Thomas Pender. I would like to thank Tom for all his work during the time he spent with us.

Once again thank you, and we look forward to continuing to serve and meet your needs over the next 12 months.



TREVOR DOWD

Manager of CRT

ANOTHER YEAR OF UNCERTAINTY IN THE RURAL SCENE BUT THE FUTURE IS LOOKING BRIGHTER. AN INCREASED DEMAND FOR MILK FROM ALL FACTORIES SHOULD HELP LIFT THE MILK PRICE AND PROMOTE BUSINESS AT THE CRT STORE. THIS YEAR, WE HAVE FELT THAT OUR EFFORTS WERE RECOGNIZED AND APPRECIATED DUE TO THE GREAT SUPPORT WE HAVE RECEIVED FROM THE MEMBERS.

We were nominated again for the CRT National Community Member of the year award but unfortunately, we did not win as we came up against four other very worthy nominees. On a positive note, the town of Terang did gain some exposure being represented on the big screens at the CRT Conference in Perth. I had many people congratulate me and the team on our nomination after the awards ceremony, so I take that as a huge win in itself. Without this exposure, many would not have known anything about the Terang district except for the nominations we have received in the last 2 years.

Paddy Kavenagh left our store to take up a new challenge after 15 years of service. We appreciate Paddy's input over the years. We welcomed Leigh Barling, a beef farmer from Pomorneit, to the team at the end of March 2018. We are pleased to have him and trust that his service to our customers will leave them with a pleasant shopping experience.

On behalf of Jon, Leigh and myself I would like to thank you all for your support this year and hope this coming year is a year of growth for both the Terang Co-op and your own enterprises.



SCOTT PHILLIPS

Manager of 360 Dairy Solutions

WHAT A BIG YEAR IT HAS BEEN FOR 360 DAIRY SOLUTIONS. NEW MANAGEMENT, A NEW STORE AND A BRAND-NEW NAME.

Over the last financial year, we have seen some growth in both clientele and sales, especially in feed systems and steelwork. We have also expanded with an outlet in Warrnambool on Raglan Parade. With this we have changed our brand to '360 Dairy Solutions'. Customer growth in the Colac area has been encouraging.

Peter Clark has retired after over 20 years of service which has given me the opportunity to step up as manager. I would like to thank Peter for his loyal service and I look forward to this new challenge.

This year has seen both traditional and interesting jobs for our customers. New signs for the Volcanic Trail tourist spot in Camperdown, new yards getting built in Colac, complete herringbone rebuilds, complete herringbone feed system upgrades, disc mills, calf sheds and even an upgrade on a buffalo farm are some of the jobs that have been done.

We have welcomed 5 new staff members, Will Brumley, Paul Cragg, Ken White, Sandy Kurzman and Julie Gray to our 360 Dairy Solutions team. The 360 Dairy Solutions team would like to thank Peter Clark for his service and wish him all the best in his retirement.

I would like to thank the 360 Dairy Solutions staff for their hard work and dedication throughout this busy time. The 360 Dairy Solutions team would like to thank all our members for their business and support in this period, offer a welcome to all new members and we look forward in assisting our members in the future.



2017 - 2018 FINANCIALS

TERANG & DISTRICT CO-OPERATIVE LIMITED
DIRECTORS' DECLARATION & CONCISE
FINANCIAL REPORT FOR THE YEAR ENDED
28 FEBRUARY 2018

DIRECTORS' DECLARATION

The directors of the co-operative declare that the concise financial report for the year ended 28 February 2018, including the statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes to the financial report;

- (a) comply with Accounting Standard AASB 1039 Concise Financial Reports; and
- (b) is an extract from the full financial report for the year ended 28 February 2018 and has been derived from and is consistent with the full financial report of Terang & District Co-operative Limited.

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



BRENDAN KENNA

Chairman

Signed at Terang, this 30th day of May 2018.

CONCISE FINANCIAL REPORT

The concise financial report is an extract from the full financial report for the year ended 28 February 2018. The financial statements and disclosures in the concise financial report have been derived from the 2018 Financial Report of Terang & District Co-operative Limited. A copy of the full financial report and auditor's report will be sent to any member, free of charge, upon request.

The discussion and analysis is provided to assist members in understanding the concise financial report. The discussion and analysis is based on Terang & District Co-operative Limited financial statements and the information contained in the concise financial report has been derived from the full 2018 Financial Report of Terang & District Co-operative Limited.

INCOME STATEMENT

The profit before income tax for the 2018 financial year is \$9,900 which represents a decrease of \$143,886 on the \$153,786 profit for the previous year. The hardware and rural segments are primarily responsible for the profit drop. Although 2018 hardware segment revenues were up on the prior year, gross margins were down by just over one percentage point. This resulted in trading profit growth that was insufficient to absorb wage and cost increases.

Revenues in the rural segment, including the CRT rural store and the 360 Dairy Solutions dairy service, were slightly down overall. The CRT store's revenues were down but made up lost ground by achieving a one percentage point increase in gross margin. The dairy service rebranded and expanded during the financial year to take on an outlet in Warrnambool. Sales revenue was up on the prior year but not by as much as estimated with the expansion. Revenue leakage from the takeover of the new outlet was more than estimated and whilst planned wages costs were curtailed, the fixed overheads associated with the expansion were not covered by extra sales. The supermarket segment was again a solid performer in 2018 and derived a slightly higher profit than in 2017.

BALANCE SHEET

Loan debt was reduced by \$271,100 during the 2018 financial year despite the poor profit result. Plant and equipment acquisitions focused on timber racks, technology, communications, security, a utility vehicle and workshop equipment. Property valuations conducted in February 2018 resulted in negligible change to land and buildings values.

CASH FLOW STATEMENT

The Co-op's cash flow was hampered by the poor profit result in 2018. However, focus on stock levels and debt collection helped generate cash from reducing stock and receivables. This helped the cash flow, allowing debt reduction to continue.

2017 - 2018 FINANCIALS

TERANG & DISTRICT CO-OPERATIVE LIMITED
CONCISE FINANCIAL REPORT FOR THE YEAR
ENDED **28 FEBRUARY 2018**

STATEMENT OF COMPREHENSIVE INCOME

	2018 \$	2017 \$
Revenue	23,972,224	23,158,491
Cost of inventories	(18,153,491)	(17,552,970)
Employee benefits expense	(3,917,907)	(3,717,000)
Depreciation expense	(314,659)	(300,296)
Finance costs	(42,219)	(53,926)
Other expenses	(1,534,048)	(1,380,513)
Profit before income tax	9,900	153,786
Income tax expense	(5,298)	(45,677)
Profit for the financial year	4,602	108,109
Other comprehensive income	-	-
Revaluation of land and buildings	5,032	-
Revaluation gain/(loss) on available-for-sale assets	4,330	(3,645)
Total comprehensive income for the year	13,964	104,464

The accompanying notes form part of these financial statements

2017 - 2018 FINANCIALS

TERANG & DISTRICT CO-OPERATIVE LIMITED
CONCISE FINANCIAL REPORT FOR THE YEAR
ENDED **28 FEBRUARY 2018**

BALANCE SHEET

	NOTE	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents		154,450	106,980
Trade & other receivables		1,118,789	1,414,815
Inventories		3,640,836	4,075,579
TOTAL CURRENT ASSETS		4,914,075	5,597,374
NON-CURRENT ASSETS			
Financial assets		55,597	51,266
Property, plant and equipment	3	5,151,013	5,316,915
Deferred tax assets		174,199	180,341
TOTAL NON-CURRENT ASSETS		5,380,809	5,548,522
TOTAL ASSETS		10,294,884	11,145,896
CURRENT LIABILITIES			
Trade and other payables		1,782,140	2,199,535
Other liabilities		76,057	87,846
Interest bearing liabilities	4	-	253,000
Tax liabilities		(57,901)	43,141
Provisions		430,190	497,277
TOTAL CURRENT LIABILITIES		2,230,486	3,080,799
NON-CURRENT LIABILITIES			
Interest bearing liabilities	4	827,000	845,100
Tax liabilities		645,272	643,758
Provisions		9,927	11,310
TOTAL NON-CURRENT LIABILITIES		1,482,199	1,500,168
TOTAL LIABILITIES		3,712,685	4,580,967
NET ASSETS		6,582,199	6,564,929
EQUITY			
Contributed equity		156,718	151,054
Reserves		2,144,449	2,137,445
Retained profits		4,281,032	4,276,430
TOTAL EQUITY		6,582,199	6,564,929

The accompanying notes form part of these financial statements

2017 - 2018 FINANCIALS

TERANG & DISTRICT CO-OPERATIVE LIMITED
CONCISE FINANCIAL REPORT FOR THE YEAR
ENDED **28 FEBRUARY 2018**

STATEMENT OF CHANGES IN EQUITY

	Contributed Equity \$	Retained Surplus \$	Revaluation Surplus \$	Financial Asset Revaluation Reserve \$	Total \$
Balance at 1 March 2016	146,914	4,168,321	2,109,188	31,902	6,456,325
Surplus for the year	-	108,109	-	-	108,109
Other comprehensive income	-	-	-	(3,645)	(3,645)
Shares issued/(redeemed)	4,140	-	-	-	4,140
Balance at 28 February 2017	151,054	4,276,430	2,109,188	28,257	6,564,929
Balance at 1 March 2017	151,054	4,276,430	2,109,188	28,257	6,564,929
Surplus for the year	-	4,602	-	-	4,602
Other comprehensive income	-	-	5,032	4,330	9,362
Tax Effect	-	-	-	(2,358)	(2,358)
Shares issued/(redeemed)	5,664	-	-	-	5,664
Balance at 28 February 2018	156,718	4,281,032	2,114,220	30,229	6,582,199

The accompanying notes form part of these financial statements

2017 - 2018 FINANCIALS

TERANG & DISTRICT CO-OPERATIVE LIMITED
CONCISE FINANCIAL REPORT FOR THE YEAR
ENDED **28 FEBRUARY 2018**

STATEMENT OF CASH FLOWS

	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	24,297,351	23,045,025
Payments to suppliers and employees	(23,697,462)	(22,577,279)
Finance costs	(42,219)	(53,926)
Income tax paid	(101,038)	(92,432)
Net cash provided by / (used in) operating activities	456,632	321,388
CASH FLOW FROM INVESTING ACTIVITIES		
Payment for property, plant & equipment	(188,660)	(235,471)
Proceeds from sale of property, plant & equipment	44,934	-
Net cash (used in) investing activities	(143,726)	(235,471)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of borrowings	(271,100)	(305,000)
Proceeds from share issue	5,664	5,700
Payment for shares redeemed	-	(1,560)
Net cash provided by / (used in) financing activities	(265,436)	(300,860)
Net increase / (decrease) in cash held	47,470	(214,943)
Cash and cash equivalents at beginning of year	106,980	321,923
Cash and cash equivalents at end of year	154,450	106,980

The accompanying notes form part of these financial statements

2017 – 2018 FINANCIALS

TERANG & DISTRICT CO-OPERATIVE LIMITED
CONCISE FINANCIAL REPORT FOR THE YEAR
ENDED **28 FEBRUARY 2018**

NOTE 1: BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

The concise financial report is an extract from the full financial report for the year ended 28 February 2018. The concise financial report has been prepared in accordance with Accounting Standard AASB 1039: Concise Financial Reports, the Co-operatives National Law Application Act 2013 and the Corporations Act 2001.

The financial statements, specific disclosures and other information included in the concise financial report are derived from, and are consistent with, the full financial report of Terang & District Co-operative Limited. The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investing activities of Terang & District Co-operative Limited as the full financial report. A copy of the full financial report and auditor's report will be sent to any member, free of charge, upon request.

The financial report of Terang & District Co-operative Limited complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. The presentation currency used in this concise financial report is Australian dollars.

NOTE 2: SEGMENT INFORMATION

(a) Description of segments

The Co-operative has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

(b) Segment information provided to the board of directors

The segment information provided to the board of directors for the reportable segments is as follows:

Hardware		Rural		Supermarket		Administration		Total	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total segment revenue									
6,899,861	6,457,742	4,559,653	4,485,476	12,346,424	12,059,179	166,286	156,094	23,972,224	23,158,491
Total segment expenses									
(6,979,646)	(6,451,028)	(4,702,130)	(4,562,178)	(12,114,262)	(11,835,405)	(166,286)	(156,094)	(23,962,324)	(23,004,705)
Operating result before tax									
(79,785)	6,714	(142,477)	(76,702)	232,162	223,774	-	-	9,900	153,786
Segment assets									
1,484,765	2,023,939	1,335,207	1,220,073	820,864	872,567	6,654,048	7,029,317	10,294,884	11,145,896
Segment liabilities									
-	-	-	-	-	-	3,712,685	4,580,967	3,712,685	4,580,967

2017 – 2018 FINANCIALS

TERANG & DISTRICT CO-OPERATIVE LIMITED
CONCISE FINANCIAL REPORT FOR THE YEAR
ENDED **28 FEBRUARY 2018**

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

	2018 \$	2017 \$
Land – at valuation	1,480,000	1,470,000
Total Land	1,480,000	1,470,000
Buildings – at valuation	2,575,000	2,845,000
Accumulated depreciation	–	(73,333)
	2,575,000	2,771,667
Buildings – at cost	46,392	28,649
Buildings – at valuation	98,608	–
Accumulated depreciation	–	(8,828)
	145,000	19,821
Buildings – leasehold improvements	56,769	56,769
Accumulated depreciation	(44,176)	(31,053)
	12,593	25,716
Total Buildings	2,732,593	2,817,204
Plant & Equipment – at cost	2,574,378	3,045,985
Accumulated depreciation	(1,762,430)	(2,218,411)
Total Plant & Equipment	811,948	827,574
Motor Vehicles – at cost	443,968	498,203
Accumulated depreciation	(317,497)	(325,648)
Total Motor Vehicles	126,472	172,555
Works in progress	–	29,582
Total Property, Plant & Equipment	5,151,013	5,316,915

NOTE 4: BORROWINGS

	2018 \$	2017 \$
Current		
Bank loan – secured (a)	–	253,000
Non Current		
Bank loan – secured (a)	827,000	845,100
Total borrowings	827,000	1,098,100

(a) Secured liabilities

All credit facilities with the Commonwealth Bank of Australia are secured by a first registered mortgage over the properties situated at 30–38 High Street and 4 Baynes Street Terang. Loans are also secured by equitable charge over the assets of the business.

Audit REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TERANG AND DISTRICT CO-OPERATIVE LIMITED

OPINION

We have audited the concise financial report of Terang and District Co-operative Limited (the Co-operative), which comprises the balance sheet as at 28 February 2018, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and related notes, derived from the financial report of Terang and District Co-operative Limited for the year ended 28 February 2018 and the discussion and analysis.

In our opinion, the accompanying concise financial report, including the discussion and analysis of Terang and District Co-operative Limited, complies with Accounting Standard AASB 1039 Concise Financial Reports.

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We are independent of the Co-operative in accordance with the auditor independence requirements of the Corporations Act 2001 and Co-operatives National Law Application Act 2013 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the concise financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

CONCISE FINANCIAL REPORT

The concise financial report does not contain all the disclosures required by the Australian Accounting Standards in the preparation of the financial report. Reading the concise financial report and the auditor's report thereon, therefore, is not a substitute for reading the financial report and the auditor's report thereon.

THE FINANCIAL REPORT AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the financial report in our report dated 31 May 2018.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONCISE FINANCIAL REPORT

The directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 Concise Financial Reports, and the Corporations Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the concise financial report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONCISE FINANCIAL REPORT

Our responsibility is to express an opinion on whether the concise financial report, in all material respects, complies with AASB 1039 Concise Financial Reports and whether the discussion and analysis complies with AASB 1039 Concise Financial Reports based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements.



MCLAREN HUNT AUDIT AND ASSURANCE
Chairman



C.J. KOL
Partner

Dated at Warrnambool: 31st May 2018.

Liability limited by a scheme approved under Professional Standards Legislation.

conveniently yours...

strong growth
3271 reliable
HOME resilient
promise CRT
Leader Brand
Board customer Supa IGA
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360 Dairy Solutions
sustainability
Terang
3280 engagement
development since 1908
donate 3265 longevity sponsor
SERVICE give back
diverse community
capable leadership



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