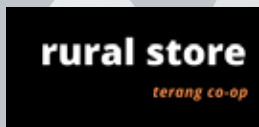




TERANG & DISTRICT CO-OPERATIVE LIMITED

ANNUAL REPORT

2019-2020



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Notice of GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 111TH ANNUAL GENERAL MEETING OF THE TERANG & DISTRICT CO-OPERATIVE LIMITED WILL BE HELD IN THE ROSE ROOM, CIVIC CENTRE, 105-107 HIGH STREET, TERANG ON WEDNESDAY 30TH SEPTEMBER 2020 AT 6PM.

DIRECTORS

Mr. Brendan Kenna
Mrs. Vicki Whiting
Ms. Linda Kenna
Mr. Nigel Bruckner
Mr. Robert Durant
Mr. Geoff Barby
Mrs. Elizabeth Green

BUSINESS

1. To confirm the Minutes of the 110th Annual General Meeting held on 26th June 2019
2. To receive and adopt the Financial Statements, Directors' Report and Auditor's Report for the year ending February 29th 2020
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

Chairman's REPORT



ON BEHALF OF THE BOARD OF DIRECTORS OF THE TERANG AND DISTRICT CO-OPERATIVE LTD, I AM PLEASED TO PRESENT THE 2019-2020 ANNUAL REPORT.

This past year has been one of consolidation and implementation of the Co-op's strategic plan. The effects of the earlier St. Patrick's Day fires continued to be felt throughout the district as people and businesses dealt with the aftermath of that disaster. The behaviour of some in the power industry in dealing with the causes was questionable to say the least!

Fortunately, the dairy industry, after many years of average returns, was able to return the best milk prices anybody had ever experienced. As well as the financial impact, it also gave hope to an industry which had been seriously questioning its own viability. This has put some confidence back into the industry and encourages present generations that the industry has a bright future.

Our 360 Dairy Solutions has been busy with a steady stream of work doing upgrades and planning new facilities.

After many years with the Combined Rural Traders Group (CRT), our Rural Division Manager, Chris Fitzgerald, along with the Board and Management, decided that the National Rural Independents group (NRI) was a better fit for our members, customers and business needs. We welcomed Alison Lee, a qualified agronomist, to the management of the Rural Store. We have revamped our rural offer making our store and products much more relevant to today's rural operations.

The IGA Supermarket has had a very good year's trading. It continues to be our standout performer and gives us a very solid foundation on which to build our Co-op. We thank Paul Bailey and his team for the very high standards of business and service we have all come to expect from our Supermarket. It was also very heartening to hear the appreciation of families in our community for the employment opportunities offered to our young people throughout the Co-op as an introduction to the workforce.

In the Hardware division, our manager, Gary Blain, after nearly 17 years' service to our Co-op, decided he would like to explore other opportunities. We thank him for his valuable contribution and wish him well with his future endeavours. We welcomed Michael Boote to the position of Trade Manager, with Jo Bailey appointed as the Retail Manager. This has allowed us to be more focused on our offer to customers in the trade and retail segments. The great work done at the Camperdown store has seen the large lift in patronage continue. Also, the revitalising of the Terang store has been very well received by members and

customers, making it more relevant to today's needs.

This year's trading has been steady and the Board and Management are pleased to announce a profit before tax of \$ 76,255. The changes implemented over previous years are starting to take effect.

We distributed \$54,976 in sponsorship and donations to many of our community organisations. This helps assist them to enrich all our communities which benefits us all. Also, in the last year, your Co-op distributed \$200,558 in members rewards to thank you all for your patronage and loyalty. Our Co-op is only ever as strong as the support we are given from you, our members and community. We welcomed 129 new members to our Co-op this year and thank them for their support and would encourage anyone to consider joining our Co-op. Our ever-popular seniors' discount has continued to reward those older members of our communities to whom we owe so much.

Our CEO, Kevin Ford, completed the first stage of his contract this year and your Board are very pleased to be able to continue into the next phase of his leadership. We thank Kevin for his commitment and look forward to future developments.

On behalf of the Board, I would like to sincerely thank the Co-op's Management and Staff for their diligent and cohesive acceptance of the many changes that have been implemented in the past year. Your Board and Management are well aware that some of these changes have not been easy but have been done in the best interests of all. We continue to strive to make our Co-op the best it can be.

I would also like to take this opportunity to thank my fellow Board members for all their support and friendship to me as Chairman over the last 4 years. It has been deeply appreciated. I would also like to acknowledge the contribution of retiring director, Matt Henderson, to our Co-op over the last 9 years. He has always been willing to take on whatever task needed attention and his business insights were of great benefit to the Board and our Co-op.

To our Members and Customers, who are the reason for our existence, thank you for your patronage and I hope that you enjoy the improvements that have been implemented. Your Board and Management have more planned in the future and are very confident that our Co-op has a bright future as we head into our 113th year of operation.

BRENDAN KENNA
Chairman

CEO REPORT



THE 2019-2020 FINANCIAL YEAR PROVED TO BE ANOTHER CHALLENGING BUSINESS MANAGEMENT YEAR WITH CONSIDERABLE CHANGE ACROSS THE CO-OP.

The final turnover of \$24.4m was a disappointing \$1m short of the previous year. Although we fell short of our sales objective, changes in business practices across both rural and hardware divisions managed to deliver greater retention of the sales dollar, higher than that achieved in 2018-2019.

The Co-op revenue remains healthy and changes to systems and greater adherence to operational policies started to deliver more acceptable gross profit in the latter half of the year. We improved wage control through the second half of the year by a greater focus on achieving industry best practice and benchmarks. This resulted in an improving net profit at the final roundup of \$76k, an improvement of \$66k on the previous financial year.

By the end of February 2020, inventory values had risen 15.5% on the previous year's levels with stock turns slowing from 5.2 to 4.6 times. The principal reason for this increase in stock relates to the Rural Division. An overall increase in Rural Store operating stock and 360 Dairy Solutions project stock account for the total increase.

Throughout the 2019-2020 financial year we focussed on improving operational capabilities across the Co-op. This focus on business improvement, closer adherence to industry benchmarks and best practice is a work in progress. Through this period of operational change, we lost several long-standing staff and management. Whilst it was disappointing to lose these people the effect of the change has enabled a more flexible and robust organisation. Such changes are also in line with the business needs of our operational strategy and will deliver outcomes expected of a co-operative in today's world.

Management continued to work on building towards the Co-op strategic plan goals. Each divisional manager has their operational plan which remains a key focus to take us into the future. Achieving industry benchmarks across their operations is one of the main priorities. Our drive for operational best practice means change in the way we operate. The changes are designed around continual improvement in delivery of product and service levels which will be better for members and customers alike.

My focus over the year has been on the following crucial aspects of the business divisions:

- Business management improvement
- Stock reduction, predominantly slow moving and dead stock
- Accounts receivable
- Strategic planning
- Change of the Co-op and staff culture.

In my report last year, I touched on changing Co-op culture and the time it takes. All Co-op employees and personnel, including board members and management have an obligation to embrace change, either small or large. In this last year we made considerable progress, but still have a way to go to achieve our strategic plan goals. Culture and change for the betterment of the Co-op will not be far from our lips for the next few years.


I am happy to report that substantial progress has been made in realigning our direction. Our bottom-line improvement reflects improving business practices, adherence to Co-op policy and generally better business decisions based on improving the Co-op's lot.

The management team bring a mixed set of qualities and business experience to the business. They are very competent managers who are onboard with our strategic plans and are focused on a successful Co-op future. It is with this team approach we will work towards ensuring we have a well-trained group of successors waiting in the wings for their chance to step up and achieve formidable business results.

Once again, our Supa IGA Supermarket continues to lead our business activities and performed well, delivering sales of \$13.7m. This confirms the strength of the Supa IGA business and exhibits value into the community by attracting high daily traffic flow to Terang. We recognise that much of the current shopping continues to be "top up" shopping. We are continually working on our range offer, especially in the fresh departments, with a target of encouraging more full shopping customers to the business.

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.

The Supa IGA team have worked diligently on their responsibilities to reduce total stock levels and increase turnover. We continued to make improvements within our store operations with a watchful eye kept on stock levels, reducing wastage and, consequently, increasing stock turns to 13 times per annum. Toward the end of



the financial year we were able to gain approval for a complete makeover of our Supermarket in 2020. We are very excited about this upcoming project which can only add value and increased shopping traffic into our town.

We know that, if you have enjoyed shopping with us in the past, you will be delighted with our new and improved Supermarket offer coming in 2020. I wish to take this opportunity to thank Paul Bailey for his dedication and commitment to his role and the entire Supa IGA team. I congratulate them all on another great trading year.

Our rural supplies store was part of the change in 2019 moving on from CRT and becoming the Terang Co-op Rural Store in February 2020. Over the year we have renewed our team and made significant changes to the operation. After thirty-plus years with Ruralco & CRT we finally separated and aligned the Co-op with National Rural Independents (NRI). This was not an overnight decision and considerable due diligence was undertaken by both the Board and management. The final test was the question whether we would consider the Co-op to be better off overall; the answer was "YES". I wish to thank both Chris Fitzgerald and Damien Ryan for their diligence in working professionally through this process as their final presentation to the Board ensured that the Board had accurate current data making the final decision relatively easy.

The change from CRT to NRI was notified in October 2019 and the notice period ended in January 2020. It is too soon to be able to measure the benefits at this point, but early indications bear out the original decision. We will continue to work on our overall rural offer and branding in the new financial year. Our Rural Store did not live up to budget expectations in 2019-2020. However, with the introduction of the new instore team, the final quarter finished very well which is encouraging for 2020-2021.

As with the Rural Store, the 360 Dairy Solutions business continued to struggle to perform to expectations. In the early part of the year we struggled to create a good pipeline of projects meaning income flow was sporadic. As the year progressed the pipeline of work started to fill but timing and supply factors meant we could not get any of the bigger projects into this financial year. Accordingly, our results for 360 Dairy Solutions were, at best, very disappointing. We are thankful for feed system installations and sheet metal work as they proved to be the backbone of the operation for the year. On a positive note, the pipeline of work at the end of February 2020 is full and we look forward to very different results in 2021.

I would like to thank Chris Fitzgerald and the whole Rural Division team, Rural Store and 360 Dairy Solutions, for their contributions to the Co-op and their unfailing loyalty and commitment throughout the year.

The Co-op's Hardware Division traded 6% down in sales on the previous year. Much of the downturn in sales occurred through the middle of the year but by year's end both businesses were back building lost sales. The 2018

investment in the upgrade of the Camperdown store is well spent with sales growth exceeding 16% for the year and a drastically improved bottom line on previous years for this business.

This year the Hardware Division team, under Jo Bailey (Retail) and Michael Boote (Trade), experienced both lows and highs with growth in sales and customer numbers in the fourth quarter. The management team have maintained accountability for both sales and service performance, and we continue to see positive results through setting higher business standards and greater personal accountability.

By the end of the year, the Hardware Division was much better placed to grow, deliver better service and ensure we have the right product in store when our customers wish to shop. We have a very strong home improvement offer in comparison to similar towns across the state or country for that matter. Thank you to Jo Bailey and Michael Boote for their continued hard work in moving this business forward and improving the standards required to meet Co-op benchmarks and customer expectations.

Whilst this year has not performed to expectations for the Co-op overall, we continue to make progress in several areas of the business including:

- Our stock control and stock turns continue to improve
- Ranging and in stocks is much improved, particularly in the Rural Store
- Transactions are growing
- Growing average sale per transaction
- Improving operating expense controls
- Sales growth back in the fourth quarter.

We now have in place an operational strategy, providing the roadmap to the future and the opportunities that are possible. We can assure members that you will continue to see further improvements across our trading businesses in this next financial year.

I appreciate the Board's support and assistance to 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 to develop some of the opportunities for the long-term future of the Co-op and the community. Along with the management team, I look forward to celebrating another year's trading in 2020-2021 and, beyond that, building and adding value to the strengths of the Terang and District Co-operative Limited.



KEVIN FORD
Chief Executive Officer

Directors' REPORT

YOUR DIRECTORS PRESENT THEIR REPORT ON THE TERANG & DISTRICT CO-OPERATIVE LIMITED FOR THE FINANCIAL YEAR ENDED 29 FEBRUARY 2020.

DIRECTORS

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

Mr Brendan Kenna (Chairman)
Ms Linda Kenna
Mr Geoff Barby - Deputy Chairman
Mr Matthew Henderson - resigned 25 March 2020
Mrs Vicki Whiting
Mr Nigel Bruckner
Mr Robert Durant
Ms Elizabeth Green - appointed 25 March 2020

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	6	11
Nigel Bruckner	9	11
Vicki Whiting	9	11
Linda Kenna	11	11
Geoff Barby	6	11
Robert Durant	8	11

Additionally, all directors participate in one or more sub-committees that meet periodically to work through more detailed activities to streamline board meetings. All recommendations from these committees are reported to the full board for adoption.

COMMITTEE	MEMBERS
Finance and Audit	Geoff Barby Nigel Bruckner Brendan Kenna
Governance	Brendan Kenna Geoff Barby Linda Kenna
Strategy and Risk	Vicki Whiting Robert Durant Geoff Barby

RESULT

The net operating profit of the Terang & District Co-operative Ltd for the financial year after providing for income tax amounted to \$44,709 (2019 : \$17,079).

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 29 February 2020.

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 section 307C of the Corporations Act 2001 is included in the full financial report.

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

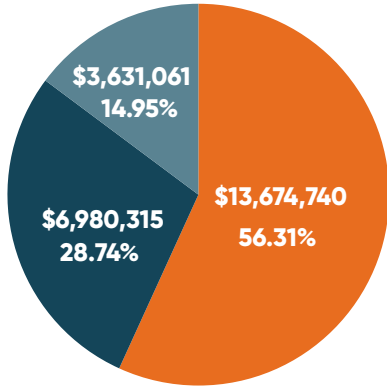


BRENDAN KENNA
Chairman

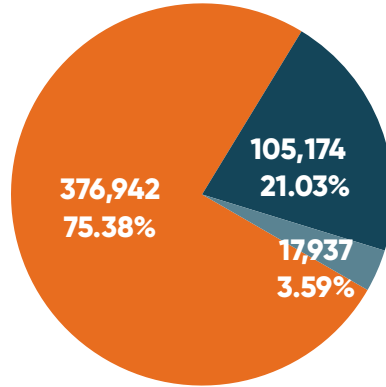
Signed at Terang this 29th day of July 2020.

The 2019-2020 year AT A GLANCE

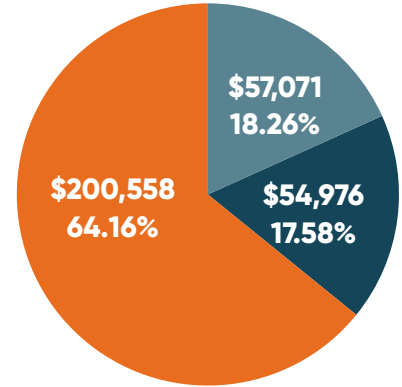
REVENUE SHARE



CUSTOMER VISITS

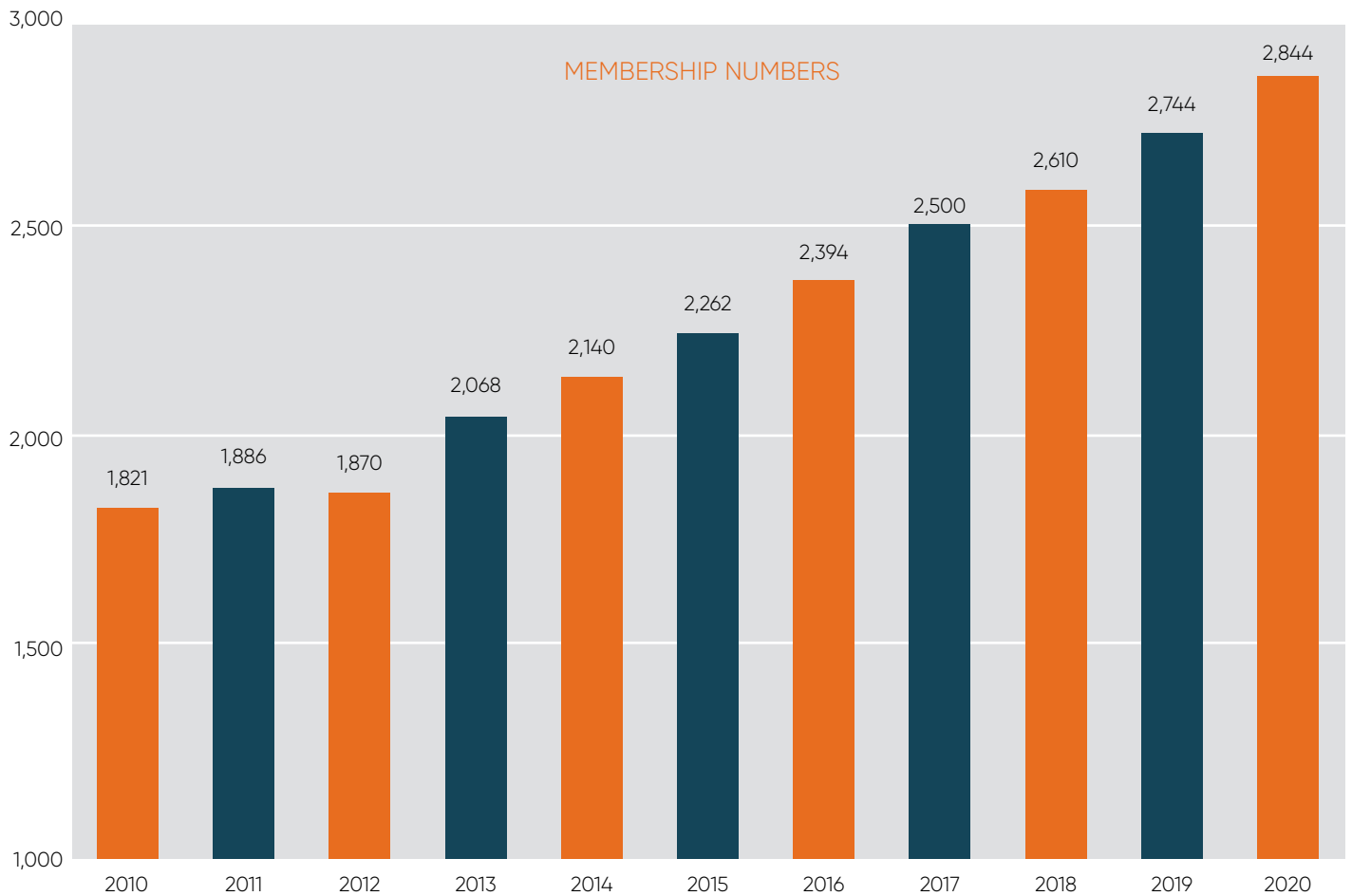


BENEFITS DISTRIBUTED



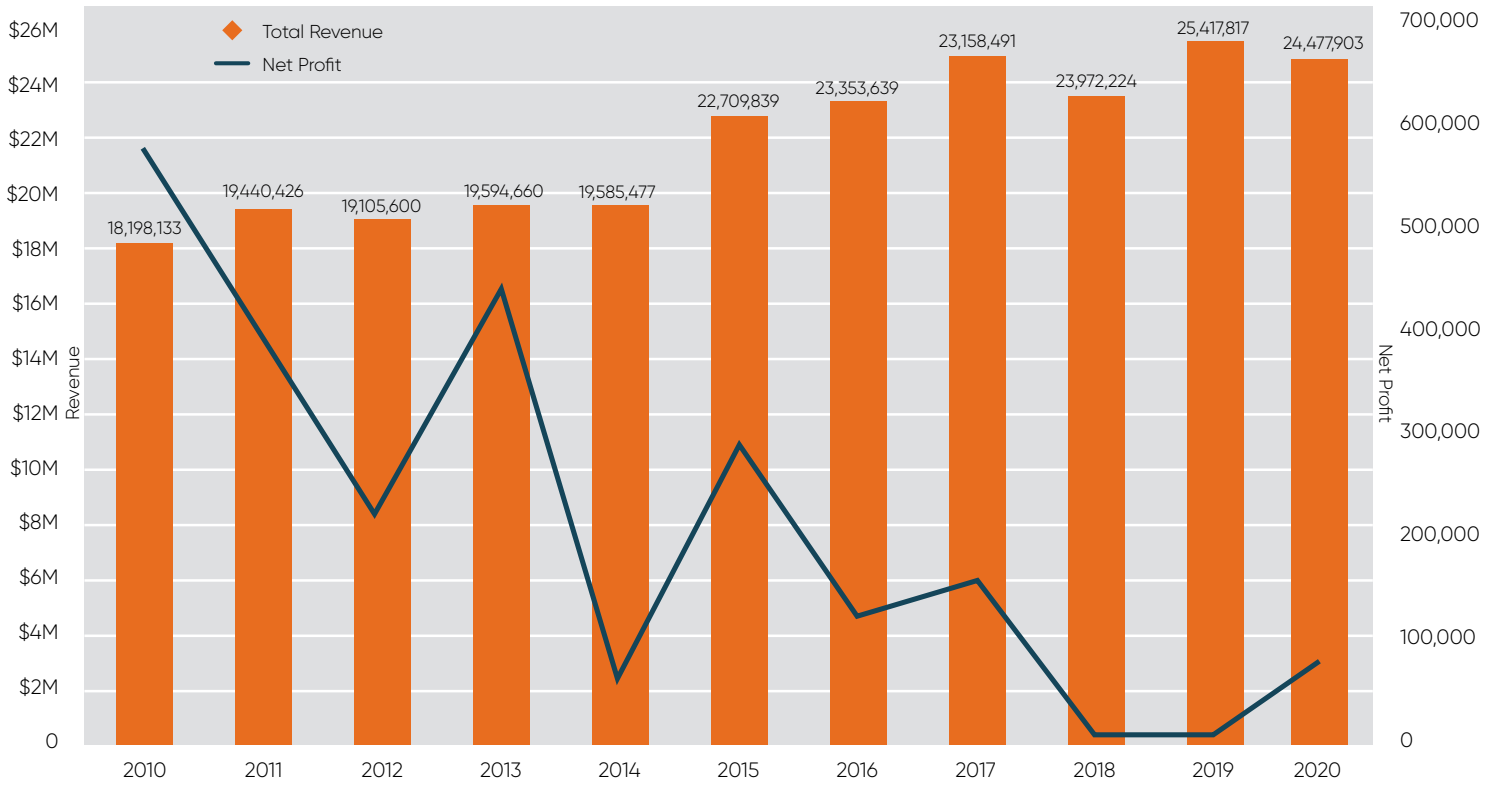
- HOME Hardware & Timber
- Rural Store & Dairy Services
- IGA Supermarket

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

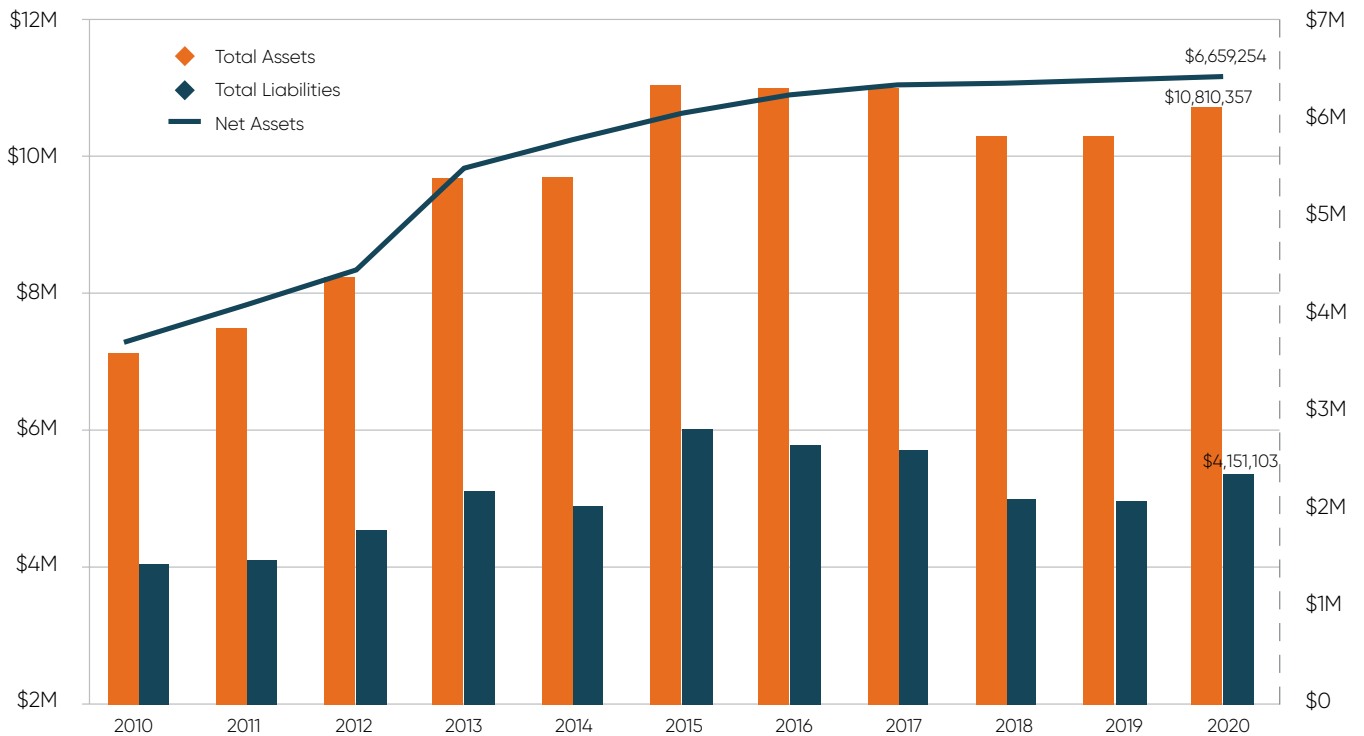


The 2019-2020 year AT A GLANCE

CONSOLIDATED REVENUE + NET PROFIT



ASSETS COMPARED TO LIABILITIES



Managers' COMMENTS

MIGHTY HELPFUL
MITRE 10

JO BAILEY MICHAEL BOOTE

Retail Manager **Trade Manager**
Terang and Camperdown Mitre 10 stores

AS ANOTHER FINANCIAL YEAR CLOSED, THE HARDWARE TEAM IS PLEASED THAT 2020 SAW A SOLID PERFORMANCE ACROSS OUR TIMBER & HARDWARE STORES WITH AN IMPROVED NET RESULT COMPARED TO THE PREVIOUS YEAR.

This was only achieved with the support of our loyal retail and trade customers, so we would like to take this opportunity to thank all our members who have been a customer in our stores in this past year.

Our increased offer in the Camperdown store plus the continual growth and change of our retail section in Terang have enticed new customers and regular shoppers to keep returning. The growth in customer numbers and sales in the Camperdown store was quite good.

We are excited to align ourselves with the Mitre 10 network, the leading independent hardware network across Australia, by rebranding our hardware stores to Mitre 10. While our core stock remains the same, we will have the ability to draw on extra resources and support when required. Mitre 10 runs a stronger marketing program and also an impressive online "Click and Collect" store. We hope our customers are just as excited about this change as we are.

Michael came on board as Trade Manager in July 2019 to help foster and promote positive change within the work group and to assist the broader business to modernize its approach to Occupational Health and Safety risk management.

The workplace habits practiced by our staff were holding back the performance of our stores. That humans resist change due to natural preconditioning is widely accepted in management thinking but the reality is that properly introduced changes to work systems and processes can have a very positive impact on any work group. All humans experience minor changes in their daily lives very frequently and adjust and cope with those changes adequately. Some changes are voluntary, and some are forced upon us due to external influences, changed circumstances or need, amongst a myriad of reasons. It is the need category of changes, particularly in the areas of housekeeping and promise, that were commonplace across both hardware stores that we have focused on in the past year.

Our housekeeping in Trade was appallingly bad and needed to change immediately. Workspaces were untidy and disorganized. Some stock was stored haphazardly and often unsafely, and workplace slip and trip hazards in storerooms and machinery sheds were common. The image that we were projecting to our customer base from poor housekeeping was unprofessional and lackadaisical. The overall impact on the psyche of our staff from a low care attitude is difficult to quantify but I can assure you it was real with several staff members having very low care factors. That is changing.

We were also not good at doing what we said we would do for our trade customers, meaning that we would routinely overpromise and underdeliver. That also needed to change rapidly, and it has. While we are not fully where we need to be with regard to our promises, we have improved and are now much better placed to be able to honour our word than we were at this time last year.

The trade staffing profile has changed quite a bit this year. A few staff members have left the business in recent times and we have recruited some new talent into the team. That has been beneficial to the business and has made us more efficient at stock management and deliveries, not just for the Hardware stores but also the Rural Store. Also making us more efficient and safer operators in the delivery space is the replacement of the old truck crane with a new crane that was approved by the Board and replaced in November 2019.

On the OH&S front much has been achieved in the process of modernizing our approach to identifying and controlling health and safety risks within the business but there is still considerably more to be done.

We have continued to make successful changes over the past year to both our stores and would like to thank the whole team for their support and help this year in improving how we meet the needs of members and customers.





PAUL BAILEY

Manager of the Supa IGA store

WHAT A HUGE 12 MONTHS WE HAVE HAD IN THE SUPERMARKET! SALES GREW ACROSS ALL DEPARTMENTS, WHICH WAS PLEASING FOR OUR TEAM.

Revenue for the supermarket finished on \$13.7m which was a 6.3% growth on last year. To achieve this, it has been a huge effort by the team in the supermarket. So, I would like to thank all of my team. Everyone plays an important part in the running of the supermarket, from full time, casual to after school casuals. Thanks to you all.

These sales could not have been achieved without the support of our members and customers, so I would like to thank them for their loyalty and making the Terang Supa IGA supermarket their place to shop. Our online grocery store continues to prove popular with continual growth in customer base, via the home delivery or click and collect choices.

Over the past 12 months, we said goodbye to two long-serving employees, being Lauren Benallack and Danny Rollo. I would personally like to thank them for all the support and commitment they gave in their time with the Co-op and wish them all the best in their future employment. I would also like to congratulate Janine Grinter on achieving 20 years of service and Julie Lourey for achieving 16 years of service to the Co-op. Well done.

Over the next few months, we have some huge renovations happening in the supermarket. We will be revamping our whole fresh area by increasing the size of the deli, the fruit and vegetable section, the meat fridge and the bakery offering.

The old coffin freezers have been removed and more glass door freezers are installed. But we do not stop there. We are increasing the size of the liquor store cool room and adding more cold storage doors to cater for more wines and other products. The front register area gets a small makeover as well with a new kiosk service counter.

We plan to do all of this with as minimal interruption for our customers as possible. There are exciting times ahead.

Thank you again in what has been a great year for the supermarket and, with the new plans in place, we can only make your shopping with us even better in the future.



CHRISTOPHER FITZGERALD

Manager of Rural Division - Rural Store and 360 Dairy Solutions

THE RURAL DIVISION HAS HAD SOME SIGNIFICANT CHANGES OVER THE PAST TWELVE MONTHS WHICH ARE ALREADY RESULTING IN POSITIVE IMPROVEMENTS ACROSS THE DIVISION.

We will continue to implement changes to meet our customer expectations and needs through value, product diversity, service and technology.

After being a CRT member for over 32 years, we saw an era come to an end. It was decided that it was in our members' interests that the Rural Store leave the CRT group and move to becoming a NRI (National Rural Independents) member and shareholder. The change was made to bring greater value to our members and reduce the overhead costs associated with our operations. So far, the Rural Store has had a positive outcome after the move from CRT to NRI.

Another significant change at the Rural Store was the introduction of the Husqvarna outdoor power equipment range. This has been well accepted by members, customers and the community. The range has been complemented by the back-up service, repairs and spare parts offered by our trained Husqvarna technicians.

360 Dairy Solutions is powering forward with new staff being employed to meet ever growing enquiries, service, installations and up-grades. 360 recently accomplished a milestone by installing and completing a new 60-unit dairy, our first since 2014. But we have not stopped there as we move on to a new dairy build of a 25-unit herringbone with a round yard and electric backing gate.

Feed system installations have been keeping everyone at 360 very busy as customers take advantage of government tax incentives. Our new relationships with Entegra Signature Sheds and Steelcorp Building Systems are working well as we see new dairy, hay, machinery, calf sheds and barns being installed in the area. And the feed pusher robot we installed down at Simpson, on a 220 metre feed pad, has now been going strong for 12 months without having slowed down or taken a holiday! Another positive for the 360 team.

360 has a lot of projects booked and the momentum is not slowing down as we see yet another promising good season for the dairy industry and surrounding district this year.

In summary, the Rural division is continually evolving to ensure we keep up with the times and expand on our services to meet our members' and customers' requirements. I look forward to what the next year brings. I would like to thank customers and members for supporting the Rural Division and our team over the past twelve months.

2019 - 2020 FINANCIALS

TERANG & DISTRICT CO-OPERATIVE LIMITED
DIRECTORS' DECLARATION & CONCISE
FINANCIAL REPORT FOR THE YEAR ENDED
29 FEBRUARY 2020

DIRECTORS DECLARATION

The directors of the Co-operative declare that the Concise Financial Report for the year ended 29 February 2020, 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 29 February 2020 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 29th day of July 2020.

CONCISE FINANCIAL REPORT

The concise financial report is an extract from the full financial report for the year ended 29 February 2020. The financial statements and disclosures in the concise financial report have been derived from the 2020 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 2020 Financial Report of Terang & District Co-operative Limited.

INCOME STATEMENT

The profit before income tax for the 2020 financial year is \$76,255 which represents an increase of \$65,980 on the \$10,275 profit for the previous year.

The Hardware & Timber segment result for 2020 was a \$4,783 net loss. Although revenue decreased by 6% on the prior year, by achieving margins slightly better than expected and controlling overall costs, the total segment result was \$49,630 better than the prior year's loss of \$54,413.

In the Rural segment, a revenue drop by over 25% on the prior year has translated to further losses. Costs were steady and margins improved slightly but the \$1.3m fall in revenue on the prior year pushed the current year Rural segment loss out to \$416,236, after the \$204,406 loss in the prior year.

The Supermarket segment was again an excellent performer and derived a higher profit than the prior year. Revenue growth of over 6%, whilst maintaining margins at a similar level, meant that the Supermarket was able to deliver a \$497,274 profit for 2020, being an extra \$228,180 profit on top of last year's \$269,094 result.

Despite the uneven performance of segments, the overall Co-op's 2020 performance was an improvement in the right direction on 2019, especially considering that the before tax profit of \$76,255 was after taking a comparatively conservative position on provisioning for stock recoverability.

BALANCE SHEET

Inventories increased \$571,327 during the 2020 financial year and was essentially directed towards increasing stock holdings in the Rural segment to both improve the offer in the Rural Store and to ensure special stock orders were on hand for projects that 360 Dairy Solutions commenced near the end of the financial year.

CASH FLOW STATEMENT

Cash flow was stable in the 2020 financial year but loan debt increased by \$263,000. This, together with a reduction in receivables and an increase in payables, helped fund the increased inventory on hand at year end compared to 2019.

2019 - 2020 FINANCIALS

TERANG & DISTRICT CO-OPERATIVE LIMITED
CONCISE FINANCIAL REPORT FOR THE YEAR
ENDED **29 FEBRUARY 2020**

STATEMENT OF COMPREHENSIVE INCOME

	2020 \$	2019 \$
Revenue	24,477,903	25,417,817
Cost of inventories	(18,567,509)	(19,478,972)
Employee benefits expense	(4,041,247)	(3,999,204)
Depreciation expense and amortisation	(322,248)	(290,926)
Finance costs	(24,035)	(24,198)
Other expenses	(1,445,790)	(1,614,242)
Other economic flows included in net result		
Unrealised net loss on financial instruments	(819)	-
Profit before income tax	76,255	10,275
Income tax expense	(31,546)	6,804
Profit for the financial year	44,709	17,079
Other comprehensive income		
Revaluation (loss)/gain on available-for-sale assets	-	17,970
Total comprehensive income for the year	44,709	35,049

The accompanying notes form part of these financial statements

2019 - 2020 FINANCIALS

TERANG & DISTRICT CO-OPERATIVE LIMITED
CONCISE FINANCIAL REPORT FOR THE YEAR
ENDED **29 FEBRUARY 2020**

BALANCE SHEET

	NOTE	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents		95,452	85,271
Trade & other receivables		1,138,521	1,233,459
Inventories		4,262,014	3,690,687
TOTAL CURRENT ASSETS		5,495,987	5,009,417
NON-CURRENT ASSETS			
Financial assets		39,320	73,567
Property, plant and equipment	3	4,959,224	4,983,535
Deferred tax assets		219,406	207,679
Right of use assets		96,420	-
TOTAL NON-CURRENT ASSETS		5,314,370	5,264,781
TOTAL ASSETS		10,810,357	10,274,198
CURRENT LIABILITIES			
Trade and other payables		2,259,482	2,089,851
Other liabilities		100,452	85,265
Lease liabilities		58,559	-
Interest bearing liabilities	4	608,000	345,000
Tax liabilities		31,904	29,225
Provisions		416,751	448,495
TOTAL CURRENT LIABILITIES		3,475,148	2,997,836
NON-CURRENT LIABILITIES			
Lease liabilities		23,803	-
Interest bearing liabilities	4	2,000	2,000
Tax liabilities		608,459	634,005
Provisions		41,693	32,402
TOTAL NON-CURRENT LIABILITIES		675,955	668,407
TOTAL LIABILITIES		4,151,103	3,666,243
NET ASSETS		6,659,254	6,607,955
EQUITY			
Contributed equity		159,406	152,816
Reserves		2,114,220	2,157,028
Retained profits		4,385,628	4,298,111
TOTAL EQUITY		6,659,254	6,607,955

The accompanying notes form part of these financial statements

2019 - 2020 FINANCIALS

TERANG & DISTRICT CO-OPERATIVE LIMITED
CONCISE FINANCIAL REPORT FOR THE YEAR
ENDED **29 FEBRUARY 2020**

STATEMENT OF CHANGES IN EQUITY

	Contributed Equity \$	Retained Surplus \$	Revaluation Surplus \$	Financial Asset Revaluation Reserve \$	Total \$
Balance at 1 March 2018	156,718	4,281,032	2,114,220	30,229	6,582,199
Surplus for the year	-	17,079	-	-	17,079
Other comprehensive income	-	-	-	17,970	17,970
Tax effect	-	-	-	(5,391)	(5,391)
Shares issued/(redeemed)	(3,902)	-	-	-	(3,902)
Balance at 28 February 2019	152,816	4,298,111	2,114,220	42,808	6,607,955
Balance at 1 March 2019	152,816	4,298,111	2,114,220	42,808	6,607,955
Change in accounting policy on implementation of AASB 9	-	42,808	-	(42,808)	-
Surplus for the year	-	44,709	-	-	44,709
Shares issued/(redeemed)	6,590	-	-	-	6,590
Balance at 29 February 2020	159,406	4,385,628	2,114,220	-	6,659,254

The accompanying notes form part of these financial statements

2019 - 2020 FINANCIALS

TERANG & DISTRICT CO-OPERATIVE LIMITED
DIRECTORS' DECLARATION & CONCISE
FINANCIAL REPORT FOR THE YEAR ENDED
29 FEBRUARY 2020

STATEMENT OF CASH FLOWS

	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	24,623,301	25,299,744
Payments to suppliers and employees	(24,514,990)	(24,783,684)
Dividends received	13,211	2,448
Finance costs	(21,358)	(24,198)
Income tax paid	(64,774)	43,792
Net cash provided by / (used in) operating activities	35,390	538,102
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for financial assets	(30,000)	-
Payment for property, plant & equipment	(276,117)	(139,029)
Proceeds from available for sale assets	49,427	-
Proceeds from sale of property, plant & equipment	19,414	15,650
Net cash (used in) investing activities	(237,276)	(123,379)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of leasing liabilities	(57,523)	-
Proceeds from / (repayment of) borrowings	263,000	(480,000)
Proceeds from share issue / (payment for shares redeemed)	6,590	(3,902)
Net cash provided by / (used in) financing activities	212,067	(483,902)
Net increase / (decrease) in cash held	10,181	(69,179)
Cash and cash equivalents at beginning of year	85,271	154,450
Cash and cash equivalents at end of year	95,452	85,271

The accompanying notes form part of these financial statements

2019 - 2020 FINANCIALS

TERANG & DISTRICT CO-OPERATIVE LIMITED
CONCISE FINANCIAL REPORT FOR THE YEAR
ENDED **29 FEBRUARY 2020**

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 29 February 2020. 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.

Application of new and revised Australian Accounting Standards

The Co-operative has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2019. These include AASB 15 Revenue from Contracts with Customers and AASB 16 Leases.

The Co-operative has adopted AASB 9 Financial Instruments with a date of initial application of 1 March 2019. As a result, the Co-operative has changed its financial instruments accounting policies as detailed in this note. From 1 March 2019, financial assets have been classified as follows:

Financial assets at fair value through net result

Equity instruments that are held for trading as well as derivative instruments are classified as fair value through net result. Other financial assets are required to be measured at fair value through net result unless they are measured at amortised cost or fair value through other comprehensive income as explained above.

However, as an exception to those rules above, the Co-operative may, at initial recognition, irrevocably designate financial assets as measured at fair value through net result if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Co-operative recognises listed equity securities as mandatorily measured at fair value through net result.

Previous categories under AASB139

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Subsequent to initial recognition, gains and losses arising from changes in fair value are recognised in 'Other Comprehensive Income' until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net result for the period.

2019 - 2020 FINANCIALS

TERANG & DISTRICT CO-OPERATIVE LIMITED
CONCISE FINANCIAL REPORT FOR THE YEAR
ENDED **29 FEBRUARY 2020**

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:

Timber & Hardware		Rural		Supermarket		Administration		Total	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total segment revenue									
6,980,315	7,395,019	3,631,061	4,982,517	13,674,740	12,859,131	191,787	181,150	24,477,903	25,417,817
Total segment expenses									
(6,985,098)	(7,449,432)	(4,047,297)	(5,186,923)	(13,177,466)	(12,590,037)	(191,787)	(181,150)	(24,401,648)	(25,407,542)
Operating result before tax									
(4,783)	(54,413)	(416,236)	(204,406)	497,274	269,094	-	-	76,255	10,275
Segment assets									
1,614,660	1,608,657	1,845,375	1,283,963	801,977	798,067	6,548,345	6,583,511	10,810,357	10,274,198
Segment liabilities									
-	-	-	-	-	-	4,151,103	3,666,243	4,151,103	3,666,243

2019 - 2020 FINANCIALS

TERANG & DISTRICT CO-OPERATIVE LIMITED
CONCISE FINANCIAL REPORT FOR THE YEAR
ENDED **29 FEBRUARY 2020**

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

	2020 \$	2019 \$
Land - at valuation	1,480,000	1,480,000
	1,480,000	1,480,000
Buildings - at valuation	2,575,000	2,575,000
Accumulated depreciation	(166,618)	(83,309)
	2,408,382	2,491,691
Buildings - at cost	91,202	56,552
Buildings - at valuation	98,608	98,608
Accumulated depreciation	(11,203)	(5,198)
	178,607	149,962
Buildings - leasehold improvements	65,657	63,889
Accumulated depreciation	(57,562)	(53,536)
	8,095	10,353
Total Buildings	2,595,084	2,652,006
Plant & Equipment - at cost	2,763,087	2,678,835
Accumulated depreciation	(2,058,459)	(1,929,650)
	704,628	749,185
Motor Vehicles - at cost	525,443	443,968
Accumulated depreciation	(345,931)	(341,624)
	179,512	102,344
Works in progress	-	-
	4,959,224	4,983,535

NOTE 4: BORROWINGS

	2019 \$	2018 \$
Current		
Bank loan - secured (a)	608,000	345,000
Non Current		
Bank loan - secured (a)	2,000	2,000
Total borrowings	610,000	347,000

(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 1-5 and 2-4 Baynes Street Terang. Loans are also secured by equitable charge over the assets of the business.



Audit REPORT

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THE 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 29 February 2020, 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 29 February 2020 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 July 2020.

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: 31 July 2020

Liability limited by a scheme approved under
Professional Standards Legislation.

Did you know the Terang Co-op...

Achieved a milestone across all stores combined in the 2020 financial year by reaching over

HALF A MILLION CUSTOMER VISITS IN ONE YEAR

for the first time ever! We are continually reaching more people all the time.

Has **GROWN REVENUE** from \$7.2m in the year 2000 to \$24.5m in 2020 whilst **NET ASSETS HAVE GROWN** from \$1.2m to \$6.7m in the same time.

Currently has 38% of its members from the Terang 3264 postcode and **62% FROM OTHER POSTCODES!** One-third of all Co-op members are from the 3265 and 3260 postcodes.

CONTRIBUTED OVER \$3,000,000

into members' rewards, community sponsorships, donations and seniors' discounts over the last 10 years.

DIRECTLY EMPLOYED 535 PEOPLE

including the current work force, within the past 10 years! 47% of such employees are female and 53% are male. By also supporting local contractors and suppliers, the Co-op has supported many more jobs indirectly as well.

In the 2020 financial year, provided just on **120,000 HOURS OF DIRECT EMPLOYMENT**

across all sites in total! Many young people are given employment opportunities at the Co-op to start their working lives.

Giving back to the community since 1908...

TC TERANG
CO-OP
conveniently yours

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