

Avoca District Co-operative Limited

ABN: 82 022 501 598

Financial Statements

For the Year Ended 30 June 2013

Avoca District Co-operative Limited

ABN: 82 022 501 598

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30 June 2013

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Avoca District Co-operative Limited

ABN: 82 022 501 598

Directors' Report

30 June 2013

Your directors present their report on Avoca District Co-operative Limited for the financial year ended 30 June 2013.

Directors

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

Mr D. Lloyd Gollop	
Mr Anthony F. O'Shea	
Mr Hayden Charles Pilgrim	
Mr Vincent J. Scully	
Mr Barry David Slater	
Mr Douglas I. Streeter	Retired 24 September 2012
Mr Graeme J. Porter	
Ms Sally-ann Jukes	Retired 7 August 2013
Mr Ken Field	
Mrs Maria Smith	Appointed 31 January 2013
Mrs Lauren Mitchell	Appointed 31 January 2013
Mr Nathan Porter	Appointed 31 January 2013

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

Secretary

Mrs Julie Driscoll has been the secretary of the Co-operative since being appointed in November 2012. Julie is a local resident with twelve years of secretarial experience and is involved in various community groups.

Principal activities

The principal activities of Avoca District Co-operative Limited during the financial year was to provide suitable premises, furniture, equipment, staff and other resources to enable the operation of the Avoca and Maryborough Community Bank Branches of the Bendigo & Adelaide Bank Limited, by way of management contracts with Bendigo & Adelaide Bank Limited and franchise agreements with a subsidiary company of the Bendigo & Adelaide Bank Limited and to manage the operation of the Bank's agency in St Arnaud.

No significant changes in the nature of the entity's activity occurred during the financial year.

Operating results

The profit of the Co-operative after providing for income tax amounted to \$62,410 (2012: \$126,226).

A review of the operations of the Co-operative during the financial year and the results of those operations show that while turnover has improved for each branch, profitability has declined significantly during the year under review. The decline in profit is a consequence of changes to the agreements that the Co-operative has with Bendigo & Adelaide Bank Limited, changes in product mix and increased staffing costs. This challenging environment is expected to continue.

Avoca District Co-operative Limited

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Directors' Report

30 June 2013

Dividends and bonuses paid or recommended

Dividends and bonuses paid or recommended for payment since the start of the financial year are as follows:

- An 8% fully franked dividend was paid during the year as recommended in last year's report.
- An 8% fully franked dividend is recommended for payment out of retained earnings available at the time of declaration of the dividends.
- No transaction based bonus is recommended for payment in relation to the year ended 30 June 2013.
- No amount is recommended for payment in accordance with Section 272(2) of the Co-operatives Act 1996.

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

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Co-operative during the year.

After balance date events

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

Future developments and results

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 regulations under a law of the Commonwealth or of a state or territory of Australia.

Avoca District Co-operative Limited

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Directors' Report

30 June 2013

Information on directors

Mr D. Lloyd Gollop	
Occupation	Farmer
Shares held in the Co-operative	300
Mr Anthony F. O'Shea	
Occupation	Co-operative Director Manager
Shares held in the Co-operative	20
Mr Hayden Charles Pilgrim	
Occupation	Retired School Principal
Shares held in the Co-operative	200 (held jointly)
Mr Vincent J. Scully	
Occupation	Vignerons
Shares held in the Co-operative	50
Mr Barry David Slater	
Occupation	Business Proprietor
Shares held in the Co-operative	270
Mr Graeme J. Porter	
Occupation	Master Builder
Shares held in the Co-operative	258
Mr Ken Field	
Occupation	Retired Teacher
Shares held in the Co-operative	116 (held jointly)
Mrs Maria Smith	
Occupation	Business Owner
Shares held in the Co-operative	10
Mrs Lauren Mitchell	
Occupation	Conveyance Clerk
Shares held in the Co-operative	20
Mr Nathan Porter	
Occupation	Diesel Mechanic
Shares held in the Co-operative	10

Avoca District Co-operative Limited

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Directors' Report

30 June 2013

Meetings of directors

During the financial year, 11 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Mr D. Lloyd Gollop	11	9
Mr Anthony F. O'Shea	11	11
Mr Hayden Charles Pilgrim	11	11
Mr Vincent J. Scully	11	10
Mr Barry David Slater	11	10
Mr Douglas I. Streeter	2	-
Mr Graeme J. Porter	11	11
Ms Sally-ann Jukes	11	10
Mr Ken Field	11	8
Mrs Maria Smith	6	4
Mrs Lauren Mitchell	6	6
Mr Nathan Porter	6	6

Indemnification and insurance of officers and auditors

No indemnities have been given, during or since the end of the financial year, for any person who is or has been an officer or auditor of Avoca District Co-operative Limited. During the financial year the Co-operative has paid a premium in respect of a contract insuring the directors against certain liabilities. The contract prohibits disclosure of the nature of the liabilities and the amount of the premium.

Proceedings on behalf of co-operative

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

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

Avoca District Co-operative Limited

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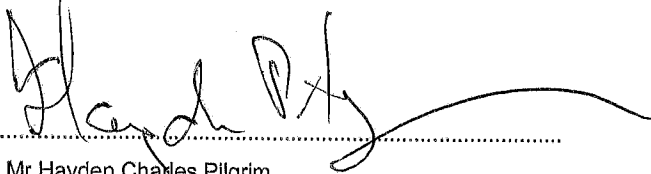
Directors' Report

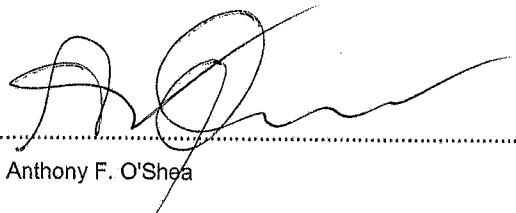
30 June 2013

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2013 has been received and can be found on page 6 of the financial report.

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

Director: 
Mr Hayden Charles Pilgrim

Director: 
Mr Anthony F. O'Shea

Dated 24 October 2013

Avoca District Co-operative Limited

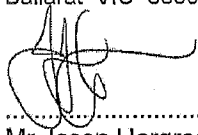
ABN: 82 022 501 598

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Avoca District Co-operative Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013, there have been:

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

Prowse Perrin & Twomey
Certified Practising Accountants
20 Lydiard Street South
Ballarat VIC 3350



.....
Mr Jason Hargreaves (Partner)

Dated 21 October 2013

Avoca District Co-operative Limited

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Statement of Comprehensive Income

For the Year Ended 30 June 2013

		2013	2012
	Note	\$	\$
Revenue	2	1,275,149	1,218,772
Administration		(107,190)	(100,921)
Advertising, marketing and sponsorship	4	(116,881)	(71,546)
Depreciation and amortisation		(61,864)	(66,699)
Employment and staffing costs		(700,260)	(608,382)
Finance costs		(17,443)	(18,445)
Information technology costs		(43,745)	(43,727)
Service delivery costs		(45,561)	(42,245)
Occupancy costs		(73,672)	(69,160)
Motor vehicle operating costs		(13,084)	(11,802)
Operating profit before income tax		95,449	185,845
Income tax expense	5	(33,039)	(59,619)
Operating profit for the year attributable to members		62,410	126,226
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		62,410	126,226

The accompanying notes form part of these financial statements.

Avoca District Co-operative Limited

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Statement of Financial Position**As At 30 June 2013**

	Note	2013 \$	2012 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9(a)	306,221	291,335
Trade and other receivables	10	114,547	120,817
Current tax receivable	17(a)	17,155	-
Other assets	11	5,464	3,971
TOTAL CURRENT ASSETS		443,387	416,123
NON-CURRENT ASSETS			
Financial assets	12	10	10
Property, plant and equipment	13	340,071	368,771
Intangible assets	14	48,225	77,653
Deferred tax assets	17(a)	14,661	13,757
TOTAL NON-CURRENT ASSETS		402,967	460,191
TOTAL ASSETS		846,354	876,314
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	56,937	68,138
Borrowings	16	12,186	11,297
Current tax liabilities	17(b)	-	41,399
Short-term provisions	18	4,175	4,353
Provision for employee benefits	19	48,610	43,635
TOTAL CURRENT LIABILITIES		121,908	168,822
NON-CURRENT LIABILITIES			
Borrowings	16	229,766	241,952
Employee benefits	19	6,181	5,404
TOTAL NON-CURRENT LIABILITIES		235,947	247,356
TOTAL LIABILITIES		357,855	416,178
NET ASSETS		488,499	460,136
EQUITY			
Issued capital	20	441,440	358,592
Retained earnings		47,059	101,544
TOTAL EQUITY		488,499	460,136

The accompanying notes form part of these financial statements.

Avoca District Co-operative Limited

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Statement of Changes in Equity

For the Year Ended 30 June 2013

2013

	Contributed Equity	Retained Earnings	Total
Note	\$	\$	\$
Balance at 1 July 2012	358,592	101,544	460,136
Total comprehensive income for the year	-	62,410	62,410
Shares issued	400	-	400
Bonus shares issued	88,208	(88,208)	-
Shares bought back during the year	(5,760)	-	(5,760)
Dividends paid or provided for	8(a) -	(28,687)	(28,687)
Balance at 30 June 2013	441,440	47,059	488,499

2012

	Contributed Equity	Retained Earnings	Total
Note	\$	\$	\$
Balance at 1 July 2011	224,120	143,409	367,529
Total comprehensive income for the year	-	126,226	126,226
Bonus shares issued	134,472	(134,472)	-
Dividends paid or provided for	8(a) -	(33,619)	(33,619)
Balance at 30 June 2012	358,592	101,544	460,136

The accompanying notes form part of these financial statements.

Avoca District Co-operative Limited

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**Statement of Cash Flows
For the Year Ended 30 June 2013**

	2013	2012
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	1,397,986	1,312,259
Payments to suppliers and employees	(1,232,085)	(1,048,744)
Interest received	8,183	14,395
Finance costs	(17,443)	(18,445)
Income tax paid	(92,497)	(81,023)
Net cash provided by operating activities	<u>64,144</u>	<u>178,442</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(3,736)	(93,940)
Payments for intangibles	-	(69,322)
Net cash used in investing activities	<u>(3,736)</u>	<u>(163,262)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	400	-
Proceeds from borrowings	-	26,500
Payments for shares bought back	(5,760)	-
Repayment of borrowings	(11,297)	(9,403)
Dividends paid	(28,865)	(32,066)
Net cash used in financing activities	<u>(45,522)</u>	<u>(14,969)</u>
Net increase (decrease) in cash and cash equivalents held	14,886	211
Cash and cash equivalents at beginning of year	<u>291,335</u>	<u>291,124</u>
Cash and cash equivalents at end of financial year	9(a) <u><u>306,221</u></u>	<u><u>291,335</u></u>

The accompanying notes form part of these financial statements.

Avoca District Co-operative Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2013

Avoca District Co-operative Limited is a Co-operative limited by shares, incorporated and domiciled in Australia.

1 Summary of Significant Accounting Policies

(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the requirements of the Co-operatives Act 1996 (Vic).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Comparative figures

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

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from those assets.

Land and buildings are measured at cost less accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis less depreciation and impairment losses. Cost includes expenditure that is directly attributable to the asset.

Depreciation

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated over the asset's useful life to the Co-operative commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5%
Furniture, Fixtures and Fittings	5-40%
Motor Vehicles	25-30%
Computer Equipment and Software	25-50%
Leasehold improvements	2.5-40%

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

Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies continued

(c) Property, plant and equipment continued

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

(d) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the Co-operative commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- (d) less any reduction for impairment.

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

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

The Co-operative does not designate any interest as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies continued

(d) Financial instruments continued

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting year.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Co-operative's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the Co-operative sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be sold within 12 months after the end of the reporting period.

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are classified as current liabilities unless the Co-operative has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies continued

(e) Impairment of non-financial assets

At the end of each reporting period, the Co-operative assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

(f) Intangibles

Franchise fees are measured at cost less amortisation and impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(h) Employee entitlements

Provision is made for the Co-operative's liability for employee entitlements arising from services rendered by employees to the end of the reporting period. Provisions for annual leave and sick leave have been measured at nominal value plus related on-costs. Provision for long service leave is accrued after 5 years and recorded as a current liability after 7 years of service and has been measured at nominal value plus related on-costs.

(i) Provisions

Provisions are recognised when the Co-operative has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies continued

(j) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting year. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

(k) Revenue and other income

The Co-operative recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of Avoca District Co-operative Limited's activities.

Revenue from profit share is recognised when the income is earned and can be reliably measured. Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

(l) Goods and services tax (GST)

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

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Avoca District Co-operative Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2013

2 Revenue and Other Income

	2013	2012
	\$	\$
Commission income	1,147,505	1,107,102
Market development income	100,000	100,000
Interest received	9,396	11,670
Other revenue	18,248	-
	<u>1,275,149</u>	<u>1,218,772</u>

3 Result for the Year

The operating result for the year is after allowing for the following specific expenses:

Interest expense	<u>17,443</u>	<u>18,445</u>
Depreciation and amortisation of non-current assets:		
- Buildings	2,494	2,722
- Plant and equipment	14,158	17,453
- Motor vehicles	11,102	11,351
- Leasehold improvements	4,682	6,606
- Intangibles	29,428	28,567
	<u>61,864</u>	<u>66,699</u>
Bad debts	<u>469</u>	<u>1,388</u>
Rental expense on operating leases	<u>48,705</u>	<u>53,187</u>

4 Advertising, marketing and sponsorship

Advertising, marketing and sponsorship includes the following significant expense:

Sponsorship of Community Enterprise Foundation	<u>54,545</u>	<u>9,091</u>
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The sponsorship of Community Enterprise Foundation during 2013 financial year is in support of the MDHS Cancer Appeal.

Avoca District Co-operative Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2013

5 Income Tax Expense

(a) The components of tax expense comprise:

	2013	2012
	\$	\$
Current tax	33,848	64,349
Deferred tax	(904)	(2,708)
Under/(over) provision in respect of prior years	95	(2,022)
	<u>33,039</u>	<u>59,619</u>

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

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2012: 30%)	28,635	55,753
Add tax effect of:		
- non-deductible depreciation and amortisation	4,404	5,805
- other non-allowable items	-	83
Less:		
- Over provision in respect of prior years	-	(2,022)
Income tax expense	<u>33,039</u>	<u>59,619</u>

6 Remuneration and retirement benefits

The totals of remuneration paid to the key management personnel of Avoca District Co-operative Limited during the year are as follows:

(a) Remuneration of Directors

No remuneration was received or receivable by the directors of the Co-operative other than \$5,200 (2012: \$5,200) paid to Anthony F. O'Shea as an honorarium for his efforts as secretary of the Co-operative.

(b) Retirement Benefits

No amounts were paid to a superannuation plan for the provision of retirement benefits by:

- the Co-operative for any related party or for directors of the Co-operative
- the Co-operative for directors of any related parties.

7 Auditors' Remuneration

Remuneration of the auditors of the Co-operative, Prowse Perrin & Twomey, for:

- auditing the financial statements	3,000	2,900
- accounting, consulting and taxation services	15,030	14,000
	<u>18,030</u>	<u>16,900</u>

Avoca District Co-operative Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2013

8 Dividends

(a) Dividends and distributions paid

	2013	2012
	\$	\$
Final franked ordinary dividends of \$1.60 (2012: \$3.00) per share were paid or provided for during the year	28,687	33,619
	<u>28,687</u>	<u>33,619</u>

(b) Franking account

The franking credits available for subsequent financial years at a tax rate of 30%

	<u>198,056</u>	<u>176,502</u>
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The above available balance is based on the dividend franking account at year-end adjusted for:

- Franking credits that will arise from the payment of the current tax liabilities;
- Franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

The ability to use the franking credits is dependent upon the entity's future ability to declare dividends.

9 Cash and Cash Equivalents

(a) Cash and cash equivalents

Cash at bank	39,473	132,607
Short-term bank deposits	266,748	158,728
	<u>306,221</u>	<u>291,335</u>

(b) Reconciliation of result for the year to cashflows from operating activities

Operating profit from ordinary activities	62,410	126,226
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation and amortisation	61,864	66,699
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	5,589	(11,415)
- (increase)/decrease in other assets	130	(223)
- (increase)/decrease in prepayments	(1,623)	832
- increase/(decrease) in trade and other payables	(10,520)	11,565
- increase/(decrease) in income taxes payable	(59,458)	(21,405)
- increase/(decrease) in employee benefits	5,752	6,163
Cashflow from operations	<u>64,144</u>	<u>178,442</u>

Avoca District Co-operative Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2013

10 Trade and Other Receivables

	2013	2012
	\$	\$
Trade receivables	111,524	119,007
Accrued income	3,023	1,810
	<u>114,547</u>	<u>120,817</u>

11 Other Assets

Prepayments	5,074	3,451
Borrowing costs	390	520
	<u>5,464</u>	<u>3,971</u>

12 Other Financial Assets

Shares in other Co-operatives	10	10
	<u>10</u>	<u>10</u>

13 Property, Plant and Equipment

Land and buildings		
At cost	184,134	184,134
Accumulated depreciation	(12,422)	(9,928)
	<u>171,712</u>	<u>174,206</u>
Furniture, fixture and fittings		
At cost	174,519	170,783
Accumulated depreciation	(122,863)	(108,705)
	<u>51,656</u>	<u>62,078</u>
Motor vehicles		
At cost	60,587	60,587
Accumulated depreciation	(27,365)	(16,263)
	<u>33,222</u>	<u>44,324</u>
Leasehold improvements		
At cost	135,459	135,459
Accumulated depreciation	(51,978)	(47,296)
	<u>83,481</u>	<u>88,163</u>
Total property, plant and equipment	<u>340,071</u>	<u>368,771</u>

Notes to the Financial Statements

For the Year Ended 30 June 2013

13 Property, Plant and Equipment continued

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land and buildings	Furniture, Fixtures and Fittings	Motor Vehicles	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Balance at the beginning of the year	174,206	62,078	44,324	88,163	368,771
Additions	-	3,736	-	-	3,736
Depreciation expense	(2,494)	(14,158)	(11,102)	(4,682)	(32,436)
Balance at 30 June 2013	171,712	51,656	33,222	83,481	340,071

14 Intangible Assets

	2013	2012
	\$	\$
Licences and franchises		
At cost	170,799	170,799
Accumulated amortisation and impairment	(122,574)	(93,146)
Total Intangibles	48,225	77,653

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of intangible asset between the beginning and the end of the current financial year:

	Licences and franchises	Total
	\$	\$
Balance at the beginning of the year	77,653	77,653
Amortisation	(29,428)	(29,428)
Balance at 30 June 2013	48,225	48,225

15 Trade and Other Payables

	2013	2012
	\$	\$
Unsecured liabilities		
Trade payables	53,637	64,948
Accrued expenses	3,300	3,190
	56,937	68,138

Avoca District Co-operative Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2013

16 Borrowings

	2013	2012
	\$	\$
CURRENT		
Secured liabilities:		
Motor vehicle finance	12,186	11,297
	<u>12,186</u>	<u>11,297</u>
NON-CURRENT		
Secured liabilities:		
Motor vehicle finance	29,766	41,952
Unsecured liabilities:		
Bank loan	200,000	200,000
	<u>229,766</u>	<u>241,952</u>
Total borrowings	<u><u>241,952</u></u>	<u><u>253,249</u></u>

The Bendigo & Adelaide Bank Limited holds registered commercial chattel mortgages over the motor vehicles owned by the Co-operative as security for the motor vehicle finance.

17 Tax

(a) Tax Assets

CURRENT

Income tax refundable

17,155

-

17,155

-

NON-CURRENT

Deferred tax assets comprise:

Accrued expenses

900

870

Provisions

16,437

14,712

Accrued income

(907)

(543)

Prepaid expenses

(1,522)

(1,129)

Other

(247)

(153)

14,661

13,757

(b) Tax Liabilities

CURRENT

Income tax payable

-

41,399

-

41,399

Avoca District Co-operative Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2013

18 Provisions

	2013	2012
	\$	\$
Provision for dividends	4,175	4,353
	<u>4,175</u>	<u>4,353</u>

19 Employee Benefits

CURRENT		
Provision for employee entitlements	48,610	43,635
NON-CURRENT		
Provision for employee entitlements	6,181	5,404
	<u>54,791</u>	<u>49,039</u>

20 Issued Capital

22,072 (2012: 17,930) ordinary shares issued at \$20.00 each	441,440	358,592
	<u>441,440</u>	<u>358,592</u>

Fully paid ordinary shares

	No.	No.
At the beginning of the reporting period	17,930	11,206
Shares issued during the year	20	-
Bonus shares issued during the year	4,410	6,724
Shares bought back during the year	(288)	-
At the end of the reporting period	<u>22,072</u>	<u>17,930</u>

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Co-operative in proportion to the number of shares held. At shareholders meetings of the Co-operative, each member has one vote in person regardless of the number of shares held.

Avoca District Co-operative Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2013

21 Lease Commitments

The following non-cancellable operating leases have been contracted for but not capitalised in the financial statements:

	2013	2012
	\$	\$
Payable - minimum lease payments:		
- no later than 1 year	25,560	30,404
- between 1 year and 5 years	42,050	69,458
	<u>67,610</u>	<u>99,862</u>

Operating leases have been taken out for branch premises in Avoca and Maryborough. Lease payments are increased on an annual basis in line with the consumer price index. The current lease for the Avoca branch premises commenced on 1 February 2009 for a term of 5 years with an option for 1 additional term of 5 years. The option under the current lease for the Maryborough branch premises was exercised for a term of 5 years commencing on 1 November 2011 with an option for 1 additional term of 5 years.

22 Segment Reporting

The economic entity operates community bank branches of the Bendigo & Adelaide Bank Limited in the Avoca and Maryborough districts together with an agency of the Bendigo & Adelaide Bank Limited in the St Arnaud district.

23 Economic Dependency

The normal trading activities of the Co-operative (which undertakes the branch activities of the Bendigo & Adelaide Bank in the Avoca and Maryborough districts) rely on the franchise contracts with the Bendigo & Adelaide Bank Group.

Avoca District Co-operative Limited

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Notes to the Financial Statements
For the Year Ended 30 June 2013

24 Financial Risk Management

(a) Interest Rate Risk

The Co-operative's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	%	%	\$	\$	\$	\$	\$	\$
Financial Assets:								
Cash at bank	0.01	0.02	39,473	132,607	-	-	39,473	132,607
Short term bank deposits	4.59	5.75	-	-	266,748	158,728	266,748	158,728
Total Financial Assets			39,473	132,607	266,748	158,728	306,221	291,335
Financial Liabilities:								
Bank loans	6.92	7.49	200,000	200,000	-	-	200,000	200,000
Motor vehicle finance	7.57	7.84	-	-	41,952	53,249	41,952	53,249
Total Financial Liabilities			200,000	200,000	41,952	53,249	241,952	253,249

Notes to the Financial Statements

For the Year Ended 30 June 2013

24 Financial Risk Management continued

(b) Credit risk

The maximum exposure of the Co-operative to credit risk, excluding the value of any collateral or other security, at the reporting date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the financial statements.

(c) Liquidity risk

The Co-operative manages liquidity risk by monitoring cash flows and ensuring that adequate liquid investments are held.

(d) Net Fair Values

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

	2013		2012	
	Net Carrying Value	Net Fair value	Net Carrying Value	Net Fair value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	306,221	306,221	291,335	291,335
Trade and other receivables	114,547	114,547	120,817	120,817
Total financial assets	420,768	420,768	412,152	412,152
Financial liabilities				
Trade and other payables	56,937	56,937	68,138	68,138
Loans and other borrowings	241,952	241,952	253,249	253,249
Total financial liabilities	298,889	298,889	321,387	321,387

Avoca District Co-operative Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2013

25 Contingent Liabilities and Contingent Assets

In the opinion of the Directors, the Co-operative did not have any contingent assets or liabilities at 30 June 2013 or 30 June 2012.

26 Related Party Transactions

Related Parties

The Co-operative's main related parties are as follows:

Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 6: Key Management Personnel Compensation.

Transactions with related parties

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

The following transactions occurred with related parties (excluding GST):

	2013	2012
	\$	\$
Premises were leased in Maryborough from director, Mr Hayden C. Pilgrim and Mrs M. A. Pilgrim	15,339	15,562
Motor vehicle fuel was purchased from director, Mr D. Lloyd Gollop (Gollops Garage)	2,061	1,984

27 Co-operative Details

The registered office of the Co-operative is:
Avoca District Co-operative Limited
30-36 Boyce Street
Avoca Victoria

Avoca District Co-operative Limited

ABN: 82 022 501 598

Directors' Declaration

The directors of the Co-operative declare that:

1. The financial statements and notes, as set out on pages 7 to 26, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the Co-operative.
2. In the directors' opinion, there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they become due and payable.

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

Director
Mr Hayden Charles Pilgrim

Director
Mr Anthony F. O'Shea

Dated 24 October 2013

Avoca District Co-operative Limited

ABN: 82 022 501 598

Independent Audit Report to the members of Avoca District Co-operative Limited

We have audited the accompanying financial report of Avoca District Co-operative Limited, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Co-operative are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Avoca District Co-operative Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Avoca District Co-operative Limited

ABN: 82 022 501 598

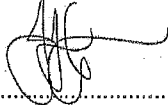
Independent Audit Report to the members of Avoca District Co-operative Limited

Opinion

In our opinion the financial report of Avoca District Co-operative Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Co-operative's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Prowse Perrin & Twomey
Certified Practising Accountants
20 Lydiard Street South
Ballarat VIC 3350



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Mr Jason Hargreaves (Partner)

Dated 28 October 2013