

MULLUMBIMBY RURAL CO-OPERATIVE SOCIETY LTD
ABN: 77 380 757 800

ANNUAL REPORT



MULLUMBIMBY RURAL CO-OPERATIVE
SOCIETY LTD

ABN 77380757800

Financial Report for The Year Ended

30 June 2022

MULLUMBIMBY RURAL CO-OPERATIVE SOCIETY LTD

ABN: 77380757800

Financial Report for the year ended 30 June 2022

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MULLUMBIMBY RURAL CO-OPERATIVE SOCIETY LTD
ABN: 77 380 757 800

Notice is hereby given that the Annual General Meeting of the Shareholders of the Mullumbimby Rural Co-Operative Society Limited will be held at the Mullumbimby Rural Co-Operative Society, 1670 Coolamon Scenic Drive, Mullumbimby on Wednesday 30 November 2022 commencing at 6pm.

Members are invited to submit any queries regarding the Audit, in writing, seven (7) days prior to the AGM.

AGENDA

1. Welcome to Shareholders and visitors by the Chairman, Neil Farquhar.
2. Confirmation of the Minutes of the Annual General Meeting held on Wednesday 24 November 2021.
3. To receive the Directors Report from Mr Neil Farquhar, Chairman of the Board of Directors.
4. To receive and consider the audited Financial Statements and related reports of the Board of the year ended 30 June 2022.
5. To elect four directors noting the following:
 - a. John Bashforth, Bill Nicholls and Mark Toon who are due to retire in rotation, offer themselves for re-election.
 - b. Wayne Moffat who is filling a casual vacancy requires election.
6. To determine remuneration of Directors.
7. To appoint auditors for ensuing year.
8. To determine the quantum of rebate for FY21/22. Directors have recommended that no rebate be distributed in FY 2022/23.
9. To seek approval for a staff shareholder proposal.
10. To transact any other business which may be dealt with in accordance with the rules of the Co-Operative.

Dated at Mullumbimby this 2nd day of November 2022

By Order of the Board

Ross Tucker, Secretary.

MULLUMBIMBY RURAL CO-OPERATIVE SOCIETY LTD
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DIRECTORS' REPORT

Your directors present this report on the Co-Operative for the financial year ended 30 June 2022.

Directors

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

John Bashforth
Terry Daly
Neil Farquhar
Terence Johnston (resigned 15 Feb 22)
Wayne Moffat (commenced 15 Feb 22)
William Nicholls
Mark Toon
Ross Tucker OAM

All directors have been in office since July 2021 unless otherwise indicated.

Principal Activities

The principal activities of the Co-Operative during the financial year were:

- Purchasing farming and household commodities for supply to shareholders and customers.
- No changes in the nature of the Co-Operatives activities occurred during the financial year

Short-term and Long-term Objectives

- Finalise the upgrade of the Stock Management System and its integration with the financial system to improve business transparency and reporting.
- Develop the Co-Operative's Web page and social media platforms to improve community communications and marketing.
- Upgrade and increase point-of-sale services for customers.
- Review stock pricing, product selection and supply to better meet customer expectations.
- Upgrade internal shop layout.

Key Performance Measures

Implement the new integrated stock management, accounting and administrative IT system.

Develop a functional web site which facilitates online purchasing, communication and interaction with shareholders and customers.

MULLUMBIMBY RURAL CO-OPERATIVE SOCIETY LTD
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DIRECTORS' REPORT
(Continued)

Information on Directors

John Bashforth	—	Director
Qualifications	—	Business Owner
Experience	—	Board member since 17 May 2016
Terry Daly	—	Director
Qualifications	—	Beef Producer, Retired Pharmacist
Experience	—	Board Member since 20 October 2014
Neil Farquhar	—	Director, Chairman
Qualifications	—	Retired Vet / Business Owner
Experience	—	Board Member since 22 November 2005
Terence Johnston	—	Director
Qualifications	—	Beef Breeder; ex Board member Bangalow Sweet Pork
Experience	—	Board Member since 18 April 2006 (resigned 15 February 2022)
Wayne Moffatt	—	Director
Qualifications	—	Licensed Club CEO, farmer, Director Mullumbimby Ex Services Club
Experience	—	Board Member since 15 February 2022
William Nicholls	—	Director
Qualifications	—	Accountant
Experience	—	Board Member since 21 July 2020, Finance Director
Mark Toon	—	Director
Qualifications	—	Beef farmer, retired bank executive
Experience	—	Board Member since 21 July 2020
Ross Tucker OAM	—	Director, Board Secretary
Qualifications	—	Retired Army officer, Beef farmer, awarded Medal of the Order of Australia in 2014
Experience	—	Board Member since 21 February 2017

Meetings of Directors

During the financial year there were 12 monthly Board meetings, 3 Strategic Planning meetings and 1 Special meeting. Attendance by each director was as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
John Bashforth	12	10
Terry Daly	12	12
Neil Farquhar	12	12
Terence Johnston	7	7
Wayne Moffatt	5	4
William Nicholls	12	11
Mark Toon	12	11
Ross Tucker OAM	12	12

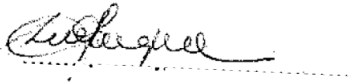
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DIRECTORS' REPORT
(Continued)

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2022 has been received and can be found on page 11 of the financial report.

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



Director: ***Neil Farquhar***

Dated this 3rd day of November 2022

MULLUMBIMBY RURAL CO-OPERATIVE SOCIETY LTD
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CHAIRMAN'S REPORT

Year	Sales Income	Profit/(Loss)	Member's Equity
FY 20-21	\$6,934,897	\$196,338	\$2,452,835
FY 21-22	\$8,095,602	(\$136,708)	\$2,206,127

FY 21-22 has been both a challenging and exciting one for MRC.

The challenges:

The Co-op has remained largely unchanged in its operations for nearly 70 years and we all would agree that the times are changing.

COVID has dramatically affected retailing, the demographic of the region is rapidly changing and traditional farming that we have known for all these years is under pressure from the move by people from cities to regional areas.

Superimpose on these factors the effect of La Nina and the catastrophic flooding that ensued, resulting in two major floods hitting our region.

We need to position MRC to a business that can cater for these changed demographic and variable circumstances.

Our major challenge has been getting our new IT system in place. We have installed QuickFuel (QF). QF has over 1000 sites using their software mainly servicing the retail fuel industry with added on retail sales. QF will integrate with our fuel management system and our accounting model Xero.

MRC is unique in its member/public based fuel and retail sales providing 30-day accounts to members. The Board saw the need for this function to be supplied by an organisation with back up resources rather than the single person provider models used in the past. There has been significant pain felt during the transition but we are seeing the light at the end of the tunnel. Statements have been an issue and are being worked on to provide better functionality.

The excitement:

There is a new vibrancy in this business!

The retail space has never looked better and there are plans to make this area more productive and attractive to our customers. Watch out for exciting opportunities to attend community information sessions featuring ways for customers to get the best out of the many products we stock. Guest experts in their fields will head up these seminars.

Please see results of our Strategic Planning Workshops and Customer surveys in the GM's report.

You will have seen the new branding on the buildings, vehicles and stationery.

Our website is launched. We now have an active presence on social media.

A real positive is that the management and the Board are now getting accurate reports that separate fuel and retail sales which has never been done successfully in the past. It is also allowing us to have a more accurate inventory management system and we will have the ability to identify product sales and concentrate on our strengths.

We now have a delivery truck which is already busy servicing our customers.

Our team:

General Manager Jeff Beard resigned towards the end of 2021 and Mick Tucker very capably held the fort until our current GM, Ian Frain took over the reins on February 28, 2022. Excuse the use of the word "reins" as Ian's starting date was met with "rains" that produced the largest and most damaging flood in the areas history!

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CHAIRMAN'S REPORT

Ian's history is in the RAF and RAAF, followed by 10 years as a Senior Executive in DHL, a worldwide leader in supply chain management. A move to Murwillumbah has resulted in Ian seeking a new challenge and we are delighted to have procured his services. His skills in team building, community engagement, inventory management and IT are having a very positive impact on MRC.

Fiona Ash now heads our administration team and brings terrific skills to this essential position.

I am extremely proud of all of our team members who are providing excellent service to our customers. There is a mixture of youth and experience with all team members keen to hone their skills. Every day, there is a planning and training session for our team from 8 until 830.

MRC is a unique business and your Board is proud to be leading it. We want our 900 plus members to be a part of building an enterprise with great products, great service and a positive impact on the social fabric of our community.



Neil Farquhar,

Chairman,

Mullumbimby Rural Cooperative.

GENERAL MANAGER'S REPORT

Last year's focus was to build on Audit feedback and refine core back-office processes including, ordering, receipting, invoicing and stock management. Aspirations to link these improvements with the introduction of an enhanced system that would provide better end-to-end transparency of data, was delayed due to Covid and then subsequently the floods earlier this year. Introduction of the new system was achieved in April 2022.

With a change of management in March 2022, a vision was developed to maximise system enhancements and provide impetus for further improvement. A Customer Feedback Survey was also used to help consolidate ideas and align targets. Concerted efforts to deliver planned goals has resulted in key benefits including:

- Branding refresh
- Improved customer reach through a professional online presence
- Introduction of a social media suite
- Improved Newsletter content and appearance
- Increased product delivery capabilities with the acquisition of a new truck
- More effective business reporting and analysis
- Greater stock-taking accuracy
- Better stock rationalisation to improve product ranges, simplify shop layout and minimize risk of waste
- Daily Profit & Loss and Budget tracking
- Simplified audit adherence and process

Whilst the benefits of related enhancements (including a growing data-bank) are proving incredibly valuable to the business, it is acknowledged that the change program has had its fair share of challenges. The team and I are extremely grateful to the patience and support of the membership as these changes continue to bed-down.

In terms of our future state, Figure 1 provides an overview of how we see the business continuing to improve in the coming years. Many initiatives listed are already being progressed although the more strategic projects such as a fuel station upgrade will require further detailed planning. Similarly, dependency on external agencies can also impact future targets and timings; our work with the local High School and Council relating to improved traffic management is a point in case.

The Strategic Plan aims to:

- Build on operating system, website and e-Commerce capabilities to reach new customers and broaden the Mullum Co-Op's profile regionally
- Increase appeal through an enhanced site structure, simpler shop layout and greater team knowledge
- Streamline business functions and processes to bring added convenience for our customers while lowering costs
- Bring new and novel products that provides a point of difference and broadens appeal
- Support local events and facilitate educational sessions that promote community, encourage growth through word-of-mouth and support our mantra "growing with you"

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022 there have been:

- i. no contraventions of the auditor's 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

WFD Assurance Services

Lianne Smith

WFD Assurance Services

**LR Smith
Principal**

Santos Place
Level 27, 32 Turbot Street
Brisbane
Dated: 3rd November 2022

MULLUMBIMBY RURAL CO-OPERATIVE SOCIETY LTD
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$	2021 \$
Revenue	3	8,095,602	6,934,783
Interest Income	3	611	114
Other income	3	37,095	55,901
Total revenue and other income		8,133,308	6,990,798
Employee benefits expense	4	(894,093)	(618,818)
Depreciation and amortisation expense	4	(91,871)	(84,940)
Cost of sales	4	(6,917,813)	(5,699,078)
Other expenses	4	(415,388)	(375,265)
Total expenditure		(8,319,165)	(6,778,101)
Profit/(loss) before income tax		(185,857)	212,697
Tax expense (income)	15	49,149	(16,359)
Profit/(loss)for the year		(136,708)	196,338
Rebates to members		(110,000)	-
Write-back prior period unclaimed rebates		-	-
Total other comprehensive (losses)/income for the year		(110,000)	-
Total comprehensive income for the year		(246,708)	196,338

The accompanying notes form part of these financial statements.

MULLUMBIMBY RURAL CO-OPERATIVE SOCIETY LTD
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BALANCE SHEET
AS AT 30 JUNE 2022

	Note	2022 \$	2021 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	389,459	813,745
Trade and other receivables	6	449,068	221,992
Inventories		731,233	570,475
Income tax receivable		12,000	34,496
Prepayments		4,145	34,679
Total current assets		1,585,905	1,675,387
Non-current assets			
Property, plant and equipment	7	1,742,105	1,730,723
Deferred tax assets	15	49,149	-
Total non-current assets		1,791,254	1,730,723
TOTAL ASSETS		3,377,159	3,406,110
LIABILITIES			
Current liabilities			
Trade and other payables	8	820,494	541,170
Provisions	9	24,614	-
Members rebates	13	-	33,016
Total current liabilities		845,108	574,186
Non-current liabilities			
Member Share Capital	14	325,924	379,089
Total non-current liabilities		325,924	379,089
TOTAL LIABILITIES		1,171,032	953,275
NET ASSETS		2,206,127	2,452,835
EQUITY			
Retained earnings		2,159,844	2,406,552
Reserves		46,283	46,283
TOTAL EQUITY		2,206,127	2,452,835

The accompanying notes form part of these financial statements.

MULLUMBIMBY RURAL CO-OPERATIVE SOCIETY LTD
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Retained Earnings \$	Capital Profit Reserve \$	Total \$
Balance at 1 July 2020	2,210,214	143	2,210,357
Profit/(Loss) for the year	196,338	-	196,338
Rebates to members	-	-	-
Write-back prior period unclaimed rebates	-	-	-
Inactive/forfeited shareholdings	-	46,140	46,140
Balance at 30 June 2021	2,406,552	46,283	2,452,835
Profit/(Loss) for the year	(136,708)	-	(136,708)
Rebates to members	(110,000)	-	(110,000)
Write-back prior period unclaimed rebates	-	-	-
Inactive/forfeited shareholdings	-	-	-
Balance at 30 June 2022	2,159,844	46,283	2,206,127

The accompanying notes form part of these financial statements.

MULLUMBIMBY RURAL CO-OPERATIVE SOCIETY LTD
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 \$	2021 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members, non-members and government		7,966,990	7,706,669
Payments to suppliers, employees and ATO		(8,114,949)	(7,415,673)
Interest received		611	114
Income tax received (paid)		22,496	(53,394)
Net cash (used in)/generated from operating activities	16.2	(124,852)	237,716
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on disposal of property plant and equipment		-	42,273
Payment for property, plant and equipment		(103,253)	(662,530)
Proceeds from held-to-maturity investments		-	820,000
Net cash from/(used in) investing activities		(103,253)	199,743
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares bought back		(53,165)	(5,844)
Payment of rebates		(143,016)	(186,984)
Increase from unclaimed rebates/debentures, shares issued		-	2,800
Net cash from/(used in) financing activities		(196,181)	(190,028)
Net increase in cash held		(424,286)	247,431
Cash and cash equivalents at beginning of the financial year		813,745	566,314
Cash and cash equivalents at end of the financial year	16.1	389,459	813,745

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

1. BASIS OF PREPARATION

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The entity is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial report was authorised for issued by the Directors on 3 November 2022.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2. Summary of Significant Accounting Policies

(a) Revenue

The core principle of ASSB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Co-Operative expects to receive in exchange for those goods or services.

Generally, the timing of the payment for the sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Co-Operative have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Sale of goods

Revenue from the sale of goods comprises revenue when the goods have been delivered to and accepted by the customer or its agent and collectability of the related receivable is probable.

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Co-Operative is expected to be entitled in exchange for transferring goods or services to a customer.

Interest income

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other income is recognised when the right to receive the income has been established.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(b) Inventories

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

Inventories acquired at no cost, or for nominal consideration, are valued at the current replacement cost as at the date of acquisition.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment.

Freehold land is not depreciated. In the event the carrying amount of an asset is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses recognised in profit and loss.

A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 2(d) for details of impairment).

Plant and equipment that have been contributed at no cost, or for nominal cost, are valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets, including buildings but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use.

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

Class of Fixed Asset	Depreciation Rate
Buildings	3%
Plant and equipment	2.5-34%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in accounting estimate.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(c) Financial Instruments

Financial instruments are recognised initially on the date that the Co-Operative becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Co-Operative classifies its financial assets into the following categories, those measured at amortised cost

Financial assets are not reclassified subsequent to their initial recognition unless the Co-Operative changes its business model for managing financial assets.

The Co-Operative's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis.

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimate of lifetime expected credit losses. The Co-Operative has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectible then the gross carrying amount is written off against the associated allowance.

Where the Co-Operative renegotiates the terms of the trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting differences to the carrying value is recognised in profit or loss.

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(c) Financial Instruments

No provision for the impairment of receivables or other financial assets measured at amortised cost was required in either the current or prior financial year.

Financial liabilities

The Co-Operative measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Co-Operative comprise trade payables, bank and other loans and lease liabilities.

(d) Impairment of non-financial Assets

At the end of each reporting period the Co-Operative determines whether there is evidence of an impairment indicator for non-financial assets.

Where an indicator exists the recoverable amount of the asset is estimated.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

(e) Employee Benefits

Provision is made for the Co-Operative's liability for employee benefits, those benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Defined contribution schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

(Continued)

2. Summary of Significant Accounting Policies (Continued)

(f) Cash and Cash Equivalents

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

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(h) Income Tax

Income Tax is brought to account when applicable on a tax payable basis. Accounting for possible deferred tax liabilities, or future tax benefits, is considered inappropriate because of the uncertainty and insignificance of expected future tax liabilities. Rebates and Dividends to members are determined on an annual basis and are tax deductible.

(i) Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of reporting period.

(j) Trade and Other Payables

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(k) Critical Accounting Estimates and Judgements

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

Key estimates

Depreciation

Assessments are made on the useful lives of fixed assets. Depreciation rates are set accordingly.

Receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

No provision was considered necessary in either the current or prior financial year.

Provision for inventories

The inventory held is reviewed on an annual basis to determine whether there is any old, damaged or obsolete stock or other stock items which need to be written down to net realisable value based on the current economic conditions, sales histories and forecasts performed by the Co-Operative.

No provision was considered necessary in either the current or prior financial year.

(l) Economic Dependence

The Co-Operative is dependent on the members and non-members for the majority of its revenue used to operate the business. At the date of this report the Board of Directors has no reason to believe the members will not continue to support the Co-Operative.

(m) Rebates

With Members Share Capital classified as a liability in the balance sheet upon the interpretation of AAS 132 Financial Instruments, rebates to members are recognised as an expense and disclosed as a separate item of other comprehensive income/(expenses) in the Statement of Comprehensive Income.

(n) Comparative Figures

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

MULLUMBIMBY RURAL CO-OPERATIVE SOCIETY LTD
ABN: 77 380 757 800

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(Continued)

3. Revenue and Other Income

	2022	2021
	\$	\$
Sales of products	8,095,602	6,934,783
Interest received	611	114
Sundry Income	37,095	-
Gain on disposal of property, plant and equipment	-	24,346
Federal Government Jobkeeper Subsidy	-	31,555
Total Other Income	37,095	55,901
Total Revenue and Other income	8,133,308	6,690,798
Disaggregation of revenue from contracts with customers		
Timing of revenue recognition		
At a point in time	8,095,602	6,934,783
Over time	-	-
Total revenue from contracts with customers	8,095,602	6,934,783

MULLUMBIMBY RURAL CO-OPERATIVE SOCIETY LTD
ABN: 77 380 757 800

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(Continued)

4. Expenses

	2022	2021
	\$	\$
Employee benefits expense including superannuation	885,566	616,617
Employee on-costs	8,527	2,201
	<hr/>	<hr/>
Total Employee Benefits Expense	894,093	618,818
	<hr/>	<hr/>
Land and buildings	10,867	10,867
Plant and equipment	81,004	74,073
	<hr/>	<hr/>
Total Depreciation and Amortisation expense	91,871	84,940
	<hr/>	<hr/>
Purchases	7,078,571	5,688,308
Change in inventory	(160,758)	10,770
	<hr/>	<hr/>
Total Cost of Sales	6,917,813	5,699,078
	<hr/>	<hr/>
Repairs & maintenance	35,120	42,866
Subcontractors	42,717	55,922
Insurance	64,458	56,551
Accounting, audit and other services	18,151	34,351
Bank charges & merchant fees	30,561	30,681
Computer, software support & training	29,916	35,472
Advertising, stationery & postage	26,412	21,498
Directors Fees	16,800	17,400
Rates and land tax	38,981	7,127
Consultants	36,922	37,575
Telephone	4,796	12,410
Electricity	8,376	7,863
Rubbish removal	2,822	2,700
Other operating expenses	59,356	12,849
	<hr/>	<hr/>
Total Other expenses	415,388	375,265
	<hr/>	<hr/>

MULLUMBIMBY RURAL CO-OPERATIVE SOCIETY LTD
ABN: 77 380 757 800

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(Continued)

5. Cash and Cash Equivalents

	2022	2021
	\$	\$
Cash at bank	187,855	813,745
On-line Saver Account	200,148	-
Cash on hand	1,456	-
	389,459	813,745
Total Cash and Cash Equivalents	389,459	813,745

6. Trade and Other Receivables

Trade debtors	472,415	232,732
Less: Provision for doubtful debts	(23,347)	(10,740)
	449,068	221,992
Total Trade and other receivables	449,068	221,992

7. Property, Plant and Equipment

Land and buildings

Freehold land:

At cost	1,000,921	1,000,921
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Buildings

At cost	421,250	421,250
Accumulated depreciation	(138,678)	(127,811)
	282,572	293,439

Total buildings	282,572	293,439
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Total land and buildings	1,283,493	1,294,360
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Plant and equipment

At cost	1,048,824	941,571
Accumulated depreciation	(590,212)	(509,208)
	458,612	432,363

Total plant and equipment	458,612	432,363
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Capital Works in Progress (CWIP)

At cost	-	4,000
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Total property, plant and equipment	1,742,105	1,730,723
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(Continued)

7. Property, Plant and Equipment (continued)

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 \$	Buildings \$	Plant and Equipment \$	CWIP \$	Total \$
2022					
Balance at the beginning of the year	1,000,921	293,439	432,363	4,000	1,730,723
Additions at cost	-	-	103,253	-	103,253
Transfers - CWIP			4,000	(4,000)	-
Disposals					-
Depreciation expense	-	(10,867)	(81,004)	-	(91,871)
Carrying amount at the end of the year	1,000,921	282,572	458,612	-	1,742,105

8. Trade and Other Payables

	Note	2022 \$	2021 \$
Trade payables		744,457	512,472
Accrued expenses		10,603	-
GST payable and PAYG		18,899	10,608
Payroll liabilities and accruals		46,535	18,090
Debentures inactive members		-	-
Total current trade and other payables		820,494	541,170

9. Provisions

Annual leave	24,614	-
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10. Events After Reporting Period

There were no material events subsequent to 30 June 2022 and up until the authorisation of the financial statements for issue, that have not been disclosed elsewhere in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(Continued)

11. Key Management Personnel Compensation

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) is considered key management personnel (KMP).

The totals of remuneration paid to KMP of the entity during the year are as follows:

KMP compensation:	62,809	218,649
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Key Management Personnel Compensation

Name	2022			2021		
	Gross \$	Super \$	Total \$	Gross \$	Super \$	Total \$
Current General Manager	41,826	4,183	46,009			
Former General Manager				31,530	2,985	34,515
Former Manager				161,419	5,315	166,734
Directors fees in aggregate	16,800	-	16,800	17,400	-	17,400
	58,626	4,183	62,809	210,349	8,300	218,649

Other Related Party Transactions

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel individually or collectively with their close family members.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(Continued)

11. Key Management Personnel Compensation (continued)

Other Related Party Transactions (continued)

During the year the following related party transactions took place:

2022 Related Party	Relationship to Co-Operative	Sales and services \$	Balance Receivable at 30/6/22 \$
Bill Nicholls	Director	4,994	1,431
John Bashforth (including related entity)	Director	11,748	939
Mark Toon	Director	11,758	1,300
Anthony Wayne Moffatt	Director	805	-
Neil Farquhar	Director	2,928	366
Ross Tucker	Director	3,632	327
Terry Daly	Director	36,419	568
Terry Johnston	Director	12,914	2,368
Wild Honey Creative	Contractor	5,992	-
Total		91,190	7,299

2021 Related Party	Relationship to Co-Operative	Sales and services \$	Balance Receivable at 30/6/22 \$
John Bashforth (including related entity)	Director	9,216	1,034
Terry Daly	Director	27,858	-
Neil Farquhar	Director	2,901	284
Terence Johnston	Director	9,564	-
Ross Tucker	Director	2,391	237
Bill Nicholls	Director	5,428	431
Mark Toon	Director	8,513	628
Maurie Maher (including services)	Director	2,155	-
Rhonda Maher (including services)	Wife of Director	821	-
Antonio Naclerio	Manager	7,674	-
Stewart Kerr	Director	433	-
Total		76,954	2,614

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(Continued)

12. Financial Risk Management

The entity's financial instruments consist mainly of deposits with banks, short-term and long-term investments, payables and borrowings.

		2022	2021
Financial assets			
Cash and cash equivalents	5	389,459	813,745
Trade and other receivables	6	449,068	221,992
Total financial assets		838,527	1,035,737
Financial liabilities			
Trade and other payables	8	820,494	541,170
Member share capital	14	325,924	379,089
Member rebates	14	-	33,016
Total financial liabilities		1,146,418	953,275

13. Members Rebates

Of the \$220,000 provided for at 30 June 2020, \$186,984 was paid in 2021, leaving a balance of \$33,016 to be paid in 2022 financial year. Payment was made either in cash or via a credit to shareholders' account with the Co-Operative. No rebate is recommended for the 2022 financial year.

14. Member Share Capital

		2022	2021
		\$	\$
Fully paid ordinary shares		325,924	379,089
		No.	No.
At the beginning of reporting period		379,089	382,133
Shares issued during year		-	2,800
Shares bought back during year		(53,165)	(5,844)
Less transfer to inactive list		-	-
		325,924	379,089

During the year the Co-Operative did not issue ordinary shares.

Member share capital upon the interpretation of AASB 132 is classified as a liability in the balance sheet.

At shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(Continued)

15. Taxation

	2022	2021
	\$	\$
a) The major components of tax expense (income) comprise:		
Current tax expense – current period	(37,159)	16,359
Deferred tax expense – future periods	(11,990)	-
	(49,149)	16,359
b) Reconciliation of income tax to accounting profit/(loss):		
Profit/(loss) before income tax	(185,857)	212,697
Prima facie tax payable on profit from ordinary activities before income tax at 25% (2021: 26%)	(46,464)	55,301
Tax effect of:		
- Non-deductible expense/other	9,305	(38,942)
- Changes in temporary differences	(11,990)	-
	(49,149)	16,359
Weighted average effective tax rate	26.44%	7.7%
c) Deferred income tax at 30 June relates to the following:		
Deferred tax assets		
Employee leave provisions	5,837	-
Provision for doubtful debts	6,153	-
Tax losses carried forward	37,159	-
Deferred tax assets	49,149	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022
(Continued)

16. Cash Flow Information

16.1 Reconciliation of cash and cash equivalents

	2022	2021
	\$	\$
Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	389,459	813,745

16.2 Reconciliation of Net cash provided by operating activities with Profit (loss) for the period after income tax

Profit (loss) for the period after income tax	(136,708)	196,338
Non-cash flows in profit (loss):		
- Depreciation of plant and equipment	91,871	84,940
- Loss (Gain) on Disposal	-	(24,346)
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(227,076)	18,097
- (increase)/decrease in other assets	30,533	10,770
- (increase)/decrease in inventories	(160,758)	(7,164)
- increase/(decrease) in trade and other payables	279,325	31,162
- increase/(decrease) in provisions	24,614	(118,221)
- (increase)/decrease in income tax receivable	22,496	-
- (increase)/decrease in deferred tax assets	(49,149)	-
- increase/(decrease) in other liabilities	-	46,140
Net cash provided by operating activities	(124,852)	237,716

17. Auditors' Remuneration

	2022	2021
	\$	\$
Remuneration of the auditor of the entity, WFD Assurance Services Pty Ltd for:		
- Auditing the financial statements	17,210	16,851

18. Capital Commitments

The were no capital commitments to be paid in the subsequent period.

19. Entity Details

The registered office and principal place of business of the entity is:
Mullumbimby Rural Co-Operative Society Ltd
1670 Coolamon Scenic Drive
Mullumbimby NSW 2482

DIRECTORS' DECLARATION

The directors of the Co-Operative declare that:

- a) The financial statements and notes set out on pages 12 to 30 are in accordance with the Co-Operatives (Adoption of National Law) Act 2012 and the Corporations Act 2001, including:
 - i) Complying with Australian Accounting Standards – Simplified Disclosures, the Co-Operatives (Adoption of National Law) Act 2012 the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii) Giving a true and fair view of the Co-Operative's financial position as at 30 June 2022 and of its performance for the year ended on that date
- b) 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 directors.



Director

Neil Farquhar

Dated this 3rd day of November 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
FOR THE YEAR ENDED 30 JUNE 2022

Qualified Opinion

We have audited the financial report of the Co-Operative which comprises: the balance sheet at 30 June 2022 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

Except for the effects described in the basis for qualified opinion paragraph, the accompanying financial report of the entity is in accordance with the Co-Operatives (Adoption of National Law) Act 2012 (NSW) and Corporations Act 2001, including

- i. giving a true and fair view of the Co-Operative's financial position at 30 June 2022 and its performance for the year then ended;
- ii. complying with Australian Accounting Standards – Simplified Disclosure Standard and the Corporations Regulations 2001.

Basis for Qualified Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the entity in accordance with the auditor independence requirements of the Co-Operatives (Adoption of National Law) Act 2012 (NSW) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Completeness of Revenue

The Co-Operative operated two Point of Sale (POS) systems during the financial year, transitioning from their former system to going "live" with the new system on 6 April 2022. In their former system, transactions within the computer system were capable of deletion without a suitable audit trail, giving rise to the risk that transactions reported from this system were not complete.

Consequently, our tests in regards to sales for the period 1 July 2021 to 5 April 2022 were restricted to what was recorded through the POS system and banked by the Co-Operative.

As noted above, the new system has been in place since 6 April 2022. This system does not allow for the deletion or alteration of transactions. As such, revenue for the period 6 April 2022 to 30 June 2022 was able to be audited, and our audit opinion on revenue for the period 6 April 2022 to 30 June 2022 is not subject to modification.

MULLUMBIMBY RURAL CO-OPERATIVE SOCIETY LTD
ABN: 77 380 757 800

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
FOR THE YEAR ENDED 30 JUNE 2022

We confirm that the independence declaration required by the Co-Operatives (Adoption of National Law) Act 2012 (NSW), which has been given to the directors of Mullumbimby Rural Co-Operative Society Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the entity's annual report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Simplified Disclosure Standard, Corporations Act 2001 and the Co-Operatives (Adoption of National Law) Act 2012 (NSW) 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.

In preparing the financial report, the directors are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

MULLUMBIMBY RURAL CO-OPERATIVE SOCIETY LTD
ABN: 77 380 757 800

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
FOR THE YEAR ENDED 30 JUNE 2022

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

WFD Assurance Services

WFD Assurance Services

Santos Place
Level 27, 32 Turbot Street
Brisbane

Dated this 3rd day of November 2022

Lianne Smith

LR Smith
Principal