

# Bathurst Wholefood Co-operative Ltd

## Invitation to Members to subscribe for Community Investment Notes

Disclosure Statement and Terms of Issue

Disclosure Statement prepared in accordance with the Co-operatives National Law 2012 and issued by Bathurst Wholefood Co-operative Ltd



**BATHURST WHOLEFOOD CO-OPERATIVE LTD**  
**Co-operative Registration Number: NSWC28476**  
**ABN 67 022 150 904**

**Invitation to members of the Bathurst Wholefood Co-operative Ltd to subscribe for Community Investment Notes**

Members of the Bathurst Wholefood Co-operative Ltd who are residents of New South Wales are hereby invited to subscribe for unsecured debentures issued by the co-operative and to be called Community Investment Notes.

This Invitation incorporates a Disclosure Statement for members as required under section 338 of the Co-operatives National Law 2012, Terms of Issue and an Application Form.

Members who are interested in subscribing for Community Investment Notes should read the disclosure statement and Terms of Issue before making a decision to invest. Members should also consider whether to obtain independent advice before making a decision to invest.



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## Disclosure statement for members to subscribe for Community Investment Notes

### 1. Approval and Note about this Disclosure Statement

This disclosure statement is prepared in accordance with the requirements of section 338 of the *Co-operatives National Law 2012*.

The Bathurst Wholefood Co-operative is a non-distributing co-operative. It does not have a share capital.

The Co-operatives National Law 2012 (the Act) permits co-operatives to issue debentures to members provided that there is an approved Disclosure Statement to members in respect of the invitation or offer.

This disclosure statement was approved by the Registrar of Co-operatives on 20<sup>th</sup> NOVEMBER 2014 as being compliant with the requirements of the Act.

Approval by the Registrar does not indicate any representation as to the accuracy of the information in this Disclosure Statement, nor any recommendation to invest.



## 2. Purpose of this Disclosure Statement

The Bathurst Wholefood Co-operative Limited invites members to subscribe for unsecured debenture securities to be called “Community Investment Notes”.

The purpose of this disclosure statement is to enable members to make an informed decision about whether to invest in the Bathurst Wholefood Co-operative Ltd by subscribing for Community Investment Notes.

Members should read the Disclosure Statement and Terms of Issue before deciding to apply for Community Investment Notes.

This Disclosure Statement contains information prepared in accordance with disclosure requirements under the Act, but it is not to be taken as general investment advice. Members who are considering investing in Community Investment Notes should obtain legal or financial advice relevant to their particular circumstances before applying to subscribe for these securities.



### **3. Summary of key information about Community Investment Notes**

#### **What is a Community Investment Note?**

A Community Investment Note is a debenture security issued by the co-operative. The debenture is simply a document that sets out the terms of a loan to the co-operative.

#### **What is a security?**

Co-operatives, like companies, are able to issue various securities to fund their business enterprise. The security itself is documentary evidence of what funds the investor has provided to the co-operative and on what terms. If the funds provided are for a loan with interest, then the security is called a debenture. If the funds are provided on the basis that the co-operative will pay a dividend then those securities are likely to be shares or equity securities. The Bathurst Wholefood Co-operative was not incorporated with a share capital and therefore cannot issue share securities, it can only issue debentures.

#### **Why are they called Community Investment Notes?**

The co-operative has chosen this description to indicate that the co-operative is intent on providing an opportunity for its community of members to invest in an enterprise that will have a positive impact in the local community.

#### **What are the terms of the debentures?**

These are referred to as 'Terms of Issue', which are set out in more detail later in this Disclosure Statement. Simply, Community Investment Notes have a term of 4 years, they are \$100 each and the interest rate of 2% pa is payable half yearly. Members contemplating applying for Community Investment Notes should make their own inquiries in respect of current Bank interest rates on savings and smaller term deposits.

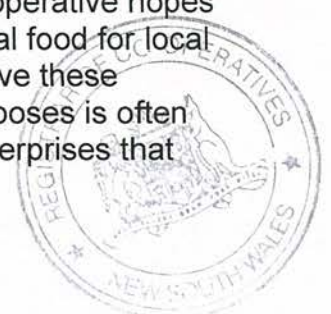
#### **Are they backed by any security?**

Debentures may be secured or 'backed' by specific assets of the co-operative, or they may be unsecured. A Community investment Note is not a secured debenture. This means that if the co-operative cannot repay the loan or the interest on the loan, then the debenture holder cannot claim a specific asset of the co-operative to settle the repayment. If a debenture is unsecured, this does not mean that it will not be repaid, rather it means that the co-operative must manage its business in a way to ensure that it has sufficient reserves to repay the debenture when it becomes due for repayment.

Because the Community Investment Notes are unsecured, it is important that potential investors are aware of the financial position of the co-operative before assessing any risk.

#### **What makes these securities different from other investments?**

Community Investment Notes are designed for a specific purpose. The co-operative is a not for profit enterprise and its objectives were drafted with a strong purpose to enhance the Bathurst and district community. By pursuing these objectives the co-operative hopes to strengthen our local farming community and to pursue our motto of 'local food for local people and healthy food for healthy people'. By investing in the co-operative these purposes will be better able to be achieved. Investment in community purposes is often referred to as 'community or social impact investment'. By investing in enterprises that



pursue a community or social impact, members will be able to see the impact of their investment through the success of achieving their co-operative's goals.

### **Do I have to invest?**

No, it is not compulsory to invest. The decision to invest should be made based upon the information in this Disclosure Statement and any advice that you may care to take from a financial adviser or your accountant.

### **What is the risk if I invest?**

All investments have risk. The worst that can happen is that you will lose all of the money that you invest in these securities. By investing in Community Investment Notes you will give up the opportunity to receive interest from other sources in respect of the amount that you invest in Community Investment Notes.

### **How do I know whether my investment is accepted?**

There is an application form on the last page of this disclosure statement. You can complete this form and lodge it at the co-operative store with the money that you wish to invest. You will be given a receipt when your application is received. Your Community Investment Note(s) will be issued shortly afterwards.

### **What will the co-operative use the money for?**

More detail about the purpose of the invitation or offer is set out in paragraph 5 of this Disclosure Statement.

In summary, the money raised by the issue of Community Investment Notes will be used to retire old debts and to acquire more modern and cost effective capital equipment.

### **How do I know whether my investment is having any community or social impact?**

The co-operative is formed under legislation that commits it to seven Co-operative Principles. The co-operative's Rules set out its purposes. The co-operative will provide annual financial reports to you as members that report against both financial and non-financial performance indicators.

Financial performance indicators will provide information about the financial sustainability of your co-operative in the context of its purposes under the Rules.

Non-financial performance indicators will provide information about the impact of your investment in the co-operative and they will address the seven co-operative principles as set out below:

1. *Voluntary and open membership*
2. *Democratic member control*
3. *Member economic participation*
4. *Autonomy and independence*
5. *Education, training and information*
6. *Co-operation among co-operatives*
7. *Concern for the Community*



## **How do I know whether the co-operative will be able to pay the interest and principal under the Community Investment Notes?**

This Disclosure Statement sets out comparative financial information for the past three years. As a member you are entitled to receive minimum basic financial reports each financial year. Current board policy permits all members to access key financial information on a quarterly basis by requesting this information from the board.

The co-operative has grown each year since it began trading and despite small losses in the previous two financial years it has met its operational debts and has serviced its liability under existing loans according to arrangements made with its lender.

It is not possible to predict the co-operative's financial position in the future and the board of the co-operative makes no warranty in this regard. The ongoing support of members and volunteers to maintain the operations of the co-operative is essential to ensure continued financial viability in a highly competitive retail market.

## **Can I ask for my investment money back?**

If your investment in Community Investment Notes is accepted and a certificate is issued, then, no, you cannot get your initial investment back until the end of the term, that is, after four years.

Community Investment Notes, however, are transferable. In other words, you can 'sell' or transfer your investment to another member under the process for transferring debentures set out in the Rules of the co-operative.

## **Who can subscribe for Community Investment Notes?**

The offer of Community Investment Notes is only available to members of the co-operative. See the application form at the end of this document regarding the method of establishing membership of the co-operative.

## **How do I subscribe?**

After you have read the Disclosure Statement and terms of issue, complete the application form at the end of this disclosure statement and deliver or post it along with your application money to Bathurst Wholefood Co-operative Ltd, Shop 5, 49 William Street, BATHURST, NSW 2795.





#### 4. Background

The objects of the Bathurst Wholefood Co-operative are set out in its Rules.

They are to:

1. purchase locally grown and/or organic foods and related products, for sale to cooperative members and the wider community;
2. work in conjunction with existing organisations to raise awareness in the community about the benefits of buying/consuming locally sourced produce;
3. work in conjunction with existing organisations to raise awareness in the community about the benefits of buying/consuming organic produce; and
4. promote and/or create a route to market for local/organic produce generated by the local farming community.

**The co-operative pursues these objectives by engaging in the following primary activities:**

1. operating a retail store in Bathurst, stocking (where possible) locally sourced food and related products;
2. buying fresh produce from local farmers for sale in the retail store;
3. stocking a selection of organic food and products for sale in the store; and
4. providing information and awareness-raising activities in the store on the benefits of buying/consuming locally sourced and/or organic products.

The co-operative began trading from its premises in Macquarie Plaza in 2012.

As at the date of this Disclosure Statement it has 488 active members.

The co-operative has concentrated on carrying out the primary activity of operating a retail store in Bathurst. The retail store now operates over 6 trading days and it has a small, but, growing number of local wholesale customers.

It now has three part time employees or contractors engaged in shop co-ordination, purchasing and delivery as well as business development and marketing activities.

The co-operative has established a strong customer base composed primarily of its members and suppliers and is developing an identity or brand within the local business community and regional area. The co-operative has been able to successfully promote its produce and its business ethic by participating in regular community events such as the Royal Bathurst Show, seasonal produce dinners and lunches as part of the Bathurst Regional Council celebrations for the 200 year anniversary of the establishment of Bathurst as a city.

In addition to the economic and promotional activities, the co-operative, which is dutifully supported by a large volunteer workforce, provides volunteering opportunities to enrich the lives of all members of the local community.

Volunteering is encouraged widely in all fields of the co-operative's activities from retail store operations, to participating at marketing events and seasonal dinners. The broad reach and attraction of volunteering at the co-operative delivers a strong sense of community teamwork and achievement as well as access to skills and community



friendships. The co-operative regularly provides volunteering opportunities to disabled and socially isolated community members.

The annual membership fee is \$50 for individuals, corporates or families.

Membership of the co-operative provides a sense of ownership and inclusion in the activities of the co-operative. Apart from the AGM, there is usually a members' informal meeting each year and members are kept informed of co-operative board decisions through a regular Chairperson's letter. There is also a fortnightly newsletter that keeps members and others informed about new products and seasonal supplies in the store as well as giving notice of upcoming events and activities. There are also separate meetings and training opportunities for volunteers.

Members receive a 10% discount on their purchases in the store and volunteers receive an additional 10% discount on purchases.

Our current retail space, located in Macquarie Plaza, shares ample parking areas and proximity to the Wholefood Kitchen with whom the co-operative enjoys a collaborative relationship.

## **5. Purpose of the Debenture Issue**

The co-operative has operated for three full trading years and its turnover has grown considerably given the physical location and restrictions on expansion. The co-operative pays rent at commercial rates, it owns some capital assets and leases others. Its largest single asset is its stock which, of course, varies according to sales.

The costs of leasing and operating refrigeration equipment is high and the restrictions of floor space in the retail store have hampered the co-operative's ability to increase turnover to an extent that would provide reserves or surpluses to acquire modern storage and point of sale (POS) equipment to help improve turnover.

The co-operative has been aided in its trading activities over the previous two financial years through the provision of loans by a former director, amounting to \$33,500. The loans carry various interest rates. The co-operative has repaid \$11,994 in capital and has paid interest. The co-operative wishes to retire the loans to the former director and to seek alternative capital more broadly across its membership.

By issuing debentures to members, the co-operative seeks not only to retire the existing loans, but also to provide capital to replace old, leased refrigeration and upgrade POS facilities. By inviting investment from the whole membership, the co-operative anticipates that members will have a stronger sense of ownership and commitment to their co-operative.

The Board of the co-operative is of the view that investment from members will help the co-operative's business grow sustainably, deliver greater benefit to the Bathurst community of producers and consumers and strengthen the relationship between the co-operative and its membership.



## **6. Amount of Debentures to be issued**

The co-operative has not determined any minimum or maximum amount to be raised under the debenture issue. The co-operative is however hoping to raise \$40,000 by issuing the debenture.

### **Restrictions on the issue of Debentures**

This issue of debentures is restricted to members only of the co-operative who are residents of New South Wales. It is governed by section 338 of the Co-operatives National Law Act 2012.

## **7. Not a prospectus**

This Disclosure Statement is not a prospectus under the Corporations Act, 2001. The information contained in this Disclosure Statement is provided to members to assist in the decision whether to invest in the debentures issued by the co-operative.

## **8. Directors' interests**

The directors do not have any direct or indirect interest in the offer, or issue of these securities other than whatever interest is created as a result of any director applying to subscribe for the securities on the same terms as any other member.

## **9. Compensation or consideration to be paid to members or officers**

No compensation, consideration or fees is to be paid to any member, director or officer of the co-operative in respect of these securities or any funds raised through the issue of these securities.

## **10. Disclaimer**

It is not possible for a disclosure statement to include all material relevant to each member's circumstances. Each member should make his or her own enquiries, and is advised to obtain professional advice if they feel this is necessary before deciding to invest in these debentures.

## **11. Taxation**

The debentures carry a rate of interest. Members who subscribe for and are issued debentures may be liable to income tax on interest payments (or its equivalent). There may be other tax implications for members. Members are advised to seek their own advice in respect of the tax implications of acquiring debentures in the co-operative.

## **12. Financial position of the Co-operative**

Financial accounts for the year ended 30 June 2011, 30 June 2012, 30 June 2013 and 30 June 2014 are available for inspection by members at the registered office of the co-operative upon request. Members are entitled to a copy of such accounts upon request.

Financial information for the year ending 30 June 2015 is provided in summary form in the following comparative tables.



## Comparative Statement of Comprehensive Income

|                                 | 30 June 2013     | 30 June 2014     | 30 June 2015     |
|---------------------------------|------------------|------------------|------------------|
| <b>REVENUE</b>                  | \$               | \$               | \$               |
| Membership subscriptions        | 10,313           | 12,716           | 14,730           |
| Sales                           | 159,223          | 247,365          | 321,010          |
| Interest                        | 17               | 2                | 2                |
| Discount received               | -                | -                | 7                |
| <b>Total Revenue</b>            | <b>169,553</b>   | <b>260,083</b>   | <b>335,749</b>   |
| <b>EXPENSES</b>                 |                  |                  |                  |
| Changes in inventory            | 6,572            | - 1,045          | 66               |
| Inventory Purchases             | - 135,170        | -192,235         | - 241,412        |
| Shop Management (1)             | - 43,754         | - 66,985         | - 89,596         |
| Finance Costs (2)               | - 1,894          | - 2,243          | - 3,239          |
| Administration Expenses (3)     | - 872            | - 1,594          | - 643            |
| <b>Total Expenses</b>           | <b>- 175,118</b> | <b>- 264,102</b> | <b>- 334,824</b> |
| <b>PROFIT/(LOSS) before Tax</b> | <b>- 5,565</b>   | <b>- 4,019</b>   | <b>925</b>       |

**Notes to Comparative Statement of Comprehensive Income**

## **Revenue**

*There has been an increase in revenue for the 2014/15 financial year of 30%.*

## **Expenses**

*Increases in expenses for the same period are 25%. No income tax was payable by the co-operative for the financial years ending 30 June, 2013 and 30 June 2014. The co-operative has not as yet lodged an income tax return for the year ending 30 June 2015.*

- (1) Major operational expense items are staff costs (wages, contract staff including insurance and superannuation), freight costs, electricity, rent and general and volunteer insurances. These make up 90% of Shop Management expenses.*
- (2) Finance expenses include bank fees and interest costs on existing loans (\$1,660 and \$1,578 respectively)*
- (3) Administration expenses include postage, printing and regulatory fees.*



## Comparative Balance Sheet

|                                      | 30 June<br>2013 | 30 June<br>2014 | 30 June<br>2015 |
|--------------------------------------|-----------------|-----------------|-----------------|
|                                      | \$              | \$              | \$              |
| <b>Current Assets</b>                |                 |                 |                 |
| Cash and cash equivalents            | 5,779           | 1,214           | 10,323          |
| Trade and other receivables          | -               | 2,271           | 5,612           |
| Inventories                          | 17,847          | 16,802          | 16,868          |
| Other current assets                 | -               | -               | -               |
| <b>Total Current Assets</b>          | <b>23,626</b>   | <b>20,287</b>   | <b>32,803</b>   |
| <b>Non-Current Assets</b>            |                 |                 |                 |
| Financial assets                     | 10              | 10              | 10              |
| Property, Plant and Equipment        | 1,673           | 1,050           | 4,141           |
| <b>Total Non-Current Assets</b>      | <b>1,683</b>    | <b>1,060</b>    | <b>4,151</b>    |
| <b>TOTAL ASSETS</b>                  | <b>25,309</b>   | <b>21,347</b>   | <b>36,954</b>   |
| <b>Current Liabilities</b>           |                 |                 |                 |
| Trade and other payables             | 11,210          | 10,493          | 17,439          |
| Financial liabilities                | 5,560           | 10,492          | 14,230          |
| <b>Total Current Liabilities</b>     | <b>16,770</b>   | <b>20,985</b>   | <b>31,669</b>   |
| <b>Non-Current Liabilities</b>       |                 |                 |                 |
| Financial liabilities                | 14,061          | 9,903           | 13,901          |
| <b>Total Non-Current Liabilities</b> | <b>14,061</b>   | <b>9,903</b>    | <b>13,901</b>   |
| <b>TOTAL LIABILITIES</b>             | <b>30,831</b>   | <b>30,888</b>   | <b>45,570</b>   |
| <b>NET ASSETS</b>                    | <b>-5,522</b>   | <b>-9,541</b>   | <b>-8,616</b>   |
| <b>MEMBERS FUNDS</b>                 |                 |                 |                 |
| Retained earnings                    | -5,522          | -9,541          | -8,616          |



### 13. Terms of Issue

13.1 **How to apply:** A member may apply for Community Investment Notes by lodging or posting a duly completed application in the form in Appendix 1 to this Invitation and Disclosure Statement, together with the amount to be subscribed. The application form includes an option for members to provide their tax file number. Completing the tax file number is optional, but if it is not completed, tax at the highest marginal rate may be deducted from any interest payable to that member. Information provided to the co-operative under the application form will be kept in the strictest confidence.

13.2 **Application is an offer:** The application form constitutes an offer by a member to subscribe for Community Investment Notes. The co-operative may refuse to accept an offer from a member without providing any reason.

13.3 **Offer Period:** The invitation is open for a period of 6 months from the date of approval of the Disclosure Statement by the Registrar of Co-operatives.

13.4 **Minimum and maximum offers:** The minimum investment amount is \$100. Each Community Investment Note will have a face value of \$100. Members may apply for any number of Community Investment Notes up to a maximum investment of \$5,000 (50 x \$100 Community Investment Notes).

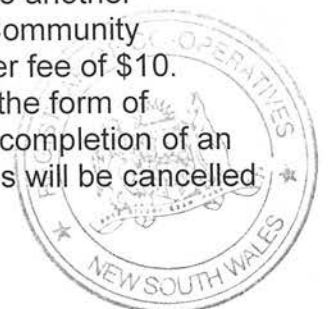
13.5 **Certificate of Community Investment Notes:** The co-operative will issue a certificate in respect of applications made by members and accepted by the co-operative. Upon issue of the certificate, the particulars of the Community Investment Note holder and the investment will be entered into the Register of Debenture Holders maintained by the co-operative. The information and entries in the Register of Debenture Holders will be conclusive evidence of title to the Community Investment Note or Notes.

13.6 **Redemption date:** Community Investment Notes are redeemable by the co-operative four (4) years after the date of issue of the Community Investment Note. A member may apply for Community Investment Notes more than once during the offer period. In each such case the date of redemption will be four (4) years after the date of the issue of each such Community Investment Note.

13.7 **Redemption generally:** Community Investment Notes are redeemable by the co-operative either in cash or by the issue of new securities at the option of the Community Investment Note holder.

13.8 **Interest payments:** The interest payable on Community Investment Notes is 2% pa throughout the term of the investment. Interest will be calculated and paid at 6 monthly intervals on the last business day of April and October. Interest will be paid either in cash, direct bank deposit or by the issue of equivalent value in vouchers redeemable at the co-operative store as specified by the Community Investment Note holder.

13.9 **Transfers:** Community Investment Notes are transferable but only to another member of the co-operative residing in New South Wales. Transfers of Community Investment Notes are subject to board approval and payment of a transfer fee of \$10. Proposed transfers of Community Investment Notes must be notified on the form of transfer provided on the Certificate of Community Investment Notes. On completion of an approved transfer, the original Certificate of Community Investment Notes will be cancelled.



and a new Certificate will be issued in the name of the transferee. A transfer of a Community Investment Note is not a new issue of a security and accordingly there is no change to the terms of issue as a result of any transfer. Transfers of Community Investment Notes will not be effected within 14 days before the date fixed for payment of interest.

**13.9 Early redemption:** The co-operative may, at its option, redeem any issued Community Investment Notes before the expiry of their term of four (4) years. Early redemption by the co-operative will be without penalty to the co-operative and will be made pro rata across all Community Investment Note holders. Any early redemption by the co-operative will be in respect of the face value of the Community Investment Note and will not be a fraction of such face value.

**13.11 Community Investment Notes are unsecured:** The Community Investment Notes will not be secured by any charge or personal property security over assets of the co-operative. In the event that the co-operative is wound up, Community Investment Note holders will rank equally with other unsecured creditors of the co-operative.

**13.12 Title to Community Investment Notes:** The person or persons whose name or names appear in the Register of Debenture Holders will be regarded as entitled to the benefits of the debenture. No notice of any trust in respect of the principal or interest in the Community Investment Note will be entered in the Register or recognised by the co-operative. The receipt by the person or persons named in the Register of any interest or principal payable under the Terms of Issue will be an absolute discharge of any obligation under the debenture in respect of the co-operative. If any two or more persons are registered as joint holders of Community Investment Notes, any one of such persons may give effectual receipt for any payments in respect of the Community Investment Notes. Any notices required to be given to holders of Community Investment Notes shall be given to the person whose name first appears in the Register of Debenture Holders.

This Invitation, Disclosure Statement and Terms of Issue is issued with the consent of each director of the Bathurst Wholefood Co-operative Ltd and signed by the Board on

20 November 2015

  
.....  
Director

CAMERON LOVE

  
.....  
Director and Secretary

ROBYN DONNELLY





### 14. Application for Community Investment Notes issued by the Bathurst Wholefood Co-operative Ltd

Only members may apply for Community Interest Notes. In order to establish membership you must provide your member number.

**Applicant's Surname:** \_\_\_\_\_

(If applicants are to be joint holders please supply both surnames and first names)

**First Name:** \_\_\_\_\_

**Full street address:** \_\_\_\_\_

(Must be in NSW) \_\_\_\_\_

**Phone Number:** \_\_\_\_\_

**Email Address:** \_\_\_\_\_

**Member No.** \_\_\_\_\_

**Tax File Number (optional):** \_\_\_\_\_

Number of Community Investment Notes applied for .....(minimum of 1 x \$100 and maximum of 50 x \$100)

Interest to be paid as follows: (please indicate preferred method of payment)

Deposit interest to bank account:

Financial Institution: \_\_\_\_\_

BSB No. \_\_\_\_\_

Account No. \_\_\_\_\_

Interest payment in cash by cheque

Interest payment in co-operative store vouchers

By signing and lodging this application for Community Investment Notes I/we acknowledge that I/we have read the Disclosure Statement and Terms of Issue dated 20 November 2015 in respect of Community Investment Notes.

**Signature(s):** \_\_\_\_\_

**Date:** \_\_\_\_\_

**OFFICE USE ONLY – Amount tendered with Application** \_\_\_\_\_ **Receipt No:**



