



# **ANNUAL REPORT 2010**



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 90<sup>th</sup> Annual General Meeting of the Shareholders of Denmark Co-operative Company Limited will be held at the Denmark Country Club, Denmark on Monday, 25 October 2010 at 7:30 p.m.

### ORDINARY BUSINESS

1. To approve the Minutes of the 89<sup>th</sup> Annual General Meeting.
2. To receive and consider:
  - the Report of the Directors for the year ended 30 April 2010;
  - the Balance Sheet as at 30 April 2010;
  - the Profit and Loss Statement for the year ended 30 April 2010; and
  - the Report of the Auditors for the year ended 30 April 2010.
3. To declare that no dividend shall be paid for the year ended 30 April 2010.
4. To consider and, if thought fit, pass the following resolution:

“That Anderson Munro & Wyllie, Chartered Accountants, being eligible for appointment, be appointed Auditors and that the Directors be authorised to fix the Auditors’ remuneration.”
5. To elect Directors. In accordance with Article 37, the following Directors retire by rotation and, being eligible for reappointment, offer themselves for re-election:

Mr P. Middleton  
Mr S. Hawks
6. To fix the remuneration of the Directors at a maximum aggregate amount of \$15,000.
7. To transact such other business as may be legally brought forward or which is brought under discussion by the Chairman’s Report on behalf of the Directors.

### SPECIAL BUSINESS

8. To consider and, if thought fit, pass the following resolutions:
  - (a) That, in Article 2 of the Articles of Association, the definition of “*Inactive member*” be amended by deleting the words “*five hundred dollars (\$500.00)*” and inserting in their place the words “*two hundred and fifty dollars (\$250.00)*”; and that, in Article 4.2, the third paragraph be amended by deleting the words “*five hundred dollars (\$500.00)*” in both the places where they occur and inserting in each place the words “*two hundred and fifty dollars (\$250.00)*”.
  - (b) That, in Article 4.4, the third paragraph be amended by deleting the words “*fifty percent (50%)*” and inserting in their place the words “*ten percent (10%)*”.

By Order of the Board

Chris Langslow, CEO and Secretary

Denmark, 27 September 2010



## THE BOARD OF DIRECTORS

The Directors of the Company during the financial year under review were:

Mr A.A. Wilson	-	Chairman
Mr D.D. Sheed	-	Member
Mr S. Hawks	-	Member
Mr P. Middleton	-	Member
Mr P. Wilson	-	Member
Mrs B. Jones	-	Member (resigned 8 June 2009)

There were 12 meetings of the Board during the year under review. The attendance of the Directors at those meetings was as follows:

<b>Name</b>	<b>Board Meetings</b>
Mr A.A. Wilson	12
Mr D.D. Sheed	10
Mr S. Hawks	9
Mr P. Middleton	12
Mr P. Wilson	12
Mrs B. Jones	0

## DIRECTORS' REPORT

### *Overview*

The year ended 30 April 2010 marked an encouraging first step in what we expect to be the long term recovery of the Denmark Co-op's fortunes. It was the first full year of the Co-op's new trading configuration and we have been much encouraged by the speed with which financial results have improved. Whilst further changes and improvements continue to be needed, as in any business, the Board is confident that we are now on the right trajectory.

The Department Store has led the way in trading improvement, occupying as it does some of Denmark's most visible retail space. Thoughtful expansion of breadth and quality of range, at appropriate price points for our demographic, has turned this operation into a flourishing retail business in very short order. Rural and Hardware has, as ever, performed well, achieving very creditable growth in difficult market conditions. The Karri Hi Shell service station has also traded reasonably in an oversupplied local market for service stations.

As previously reported, in July 2009 part of our Strickland Street floor space was leased to the Denmark Pharmacy, which has helped to turn our corner location into a better looking and busier shopper hub, to everyone's benefit.

Also as previously reported, during the year a settlement was reached



between the Co-op as plaintiff and a contractor, from whom we were seeking redress, whereby a significant portion of our costs would be reimbursed on a monthly basis into 2011. I am happy to report that, to date, monthly periodic payments have been duly received in accordance with the settlement.

The Co-op continues to benefit from the outstanding efforts of its staff. We are very fortunate to have such a dedicated team, the stability of which remains one of its greatest strengths.

### ***Hardy Street***

We are pleased to report that the Hardy Street retail development, a partnership between the Co-op and the Castelli Group, has received conditional planning approval from the Denmark Shire Council. Our latest information is that progress has been made towards concluding outstanding matters and, assuming final approval is granted, construction is now targeted to commence in early 2011.

### ***Board Matters***

Beryl Jones stepped down as a Director early in the year. We appreciate the contribution that she made to the Board.

Chris Langslow, our CEO, agreed also to assume the role of Company Secretary during the year, for which he has our thanks. We are happy that this year's Annual Report to shareholders has been produced promptly and we look forward to reestablishing this as the normal timing for our Annual Report and AGM.

### ***Co-operatives Act 2009***

After many years of anticipation, WA's new Co-operatives Act 2009 finally became law in 2010. All co-operatives will be required to apply for registration under the new legislation by early in 2012. We intend for the Denmark Co-op to embark on this process during 2011 and we will keep all shareholders informed as matters progress.

### ***Member Shopper Benefit Scheme and Changes to Articles***

One aspect of the new legislation is that there will be tougher requirements for co-operatives to ensure that their members meet the minimum threshold set for "active" status in their trading volume with us. In anticipation of this, we are re-introducing a member shopper benefit scheme, the details of which are fully explained in a letter which has been mailed to each shareholder with this Report. The intention of the Scheme, which will take effect from 1 November 2010, is to reward members for shopping (which we will be able to track) at the Co-op. We are also proposing to amend the Co-op's Articles of Association so as to reduce the minimum amount that members need to



spend with us each year in order to retain “active” status, at the same time as we reduce the proportion of face value due to be paid to “inactive” members if their shares are repurchased by the Co-op.

The Board always appreciates shareholders’ support. In the coming year, we are particularly looking forward to the introduction of the upcoming initiatives that we hope will help re-energise the Co-op’s shareholder base as active trading members. We are confident that next year’s report will highlight the further considerable progress that is being made during the year currently under way.

### **The Directors**

Denmark Co-operative Company Limited

## **CHIEF EXECUTIVE’S REPORT**

I am delighted at how much easier it is to write this year’s report than last year’s. The Co-op has started to fulfill the promise of its core strengths: an excellent trading location in the heart of town; its large freehold properties; a very willing and committed workforce; a dedicated and supportive Board of Directors; and a core of patient debenture holders and shareholders. We have traded significantly better in all areas and have come tantalisingly close to breaking even at the bottom line.

On a consolidated basis, despite sales rising by only 3% to \$3.568 million, gross profit rose by 24 per cent. to \$779,479. Wage costs were almost flat and operating expenses fell by 14%. These improvements resulted in a much reduced net loss of \$43,841 compared to \$287,393 in the previous year, and a net profit before interest of \$66,364.

This improved result represents a good start in the regeneration of the Co-op’s fortunes. Whilst we fell short of making a net profit, the hemorrhaging of prior years has been stemmed. Moreover, it has been stemmed not by defensive cost cutting but by the energetic growth of our very viable retail trading operations. Our ambition is to continue to drive this progress through focused and selective measures. We still have much to do and I am excited that there remains much scope for incremental improvement.

Some commentary on a departmental basis is helpful to understand the make-up of the year’s result:

### **Department Store**

Our continued investment in an ambitious Department Store format has been rewarded by excitingly strong growth. Sales grew year-on-year by 74% and



trading profit increased by 102% to \$128,823. We are confident that the Department Store has potential for significant additional growth, as we continue to invest in improvements to its look and feel, and to its product ranges. Customer awareness of the breadth, quality and value-for-money of our offering is continuing to spread and we target being able to capture an increasing share of the Denmark population's spending, away from Albany retail.

### **Rural and Hardware**

Rural and Hardware had a strong year, showing a 22% year-on-year increase in trading profit to \$137,187 on the back of a 5% increase in sales, which reached \$1.9 million. This result was achieved through a combination of more active marketing, improved store layout and product range and availability, and careful control of wage costs and operating expenses.

### **Karri Hi Shell**

Karri Hi returned to just short of break even, a significant improvement compared to last year's trading loss of \$55,656. Volume improvements were driven by a combination of sensible price-leadership and a shopper discount scheme linked with our other retail departments. Fuel delivery costs were reduced, while wage costs were also reduced, as we discontinued regularly loss-making Sunday trading.

### **Administration and Central Overheads**

We now have a very competent team in Administration, which deals with the back office operations of the Co-op in a low key and efficient manner. As a result, wage costs have been well controlled, while debtor and creditor management is effectively monitored. We have also been able to drive significant reductions in telecommunication, computer and IT costs without any loss of service. The Directors also, to their very great credit, determined to reduce their own (already very minor) fees while the Co-op continued to make losses.

The settlement of our legal matter during the year meant that we were no longer hampered by the outflow of significant legal fees.

On the income side, revenues from the Denmark Pharmacy lease and the new CashCard ATM lease have boosted recurring revenue.

All taken together, we have been able to increase our investment in local advertising and paid marketing by 40% year-on-year, while still reducing the net costs of Administration and Central Overheads by 14% to \$300,332.



### ***Current year trading***

The first four months of the current year have demonstrated that last year's improvement was not a "flash in the pan". Consolidated gross profit is up 15% year-on-year, driven by very strong growth in the Department Store and good trading in Rural and Hardware. At the bottom line, we are significantly ahead of where we were at the same stage last year.

The Co-op's journey back to success is underpinned by its workforce. The team works as well as it does because many of our staff display strong personal initiative and step up to assume far greater levels of responsibility than might be imagined by customers and shareholders. It is a great credit to them that they display such a sense of ownership of their sometimes unglamorous roles in such a very unassuming way.

Ever mindful that we must deliver quality, service and price at all times, I am excited about the possibilities of re-energising our very large membership base through the upcoming Member Shopper Benefit Scheme. This will be a good opportunity for us to reward existing and additional shopping and loyalty among active member-customers, while also enticing lapsed member-customers back to rediscover what the Co-op can offer. I look forward to another important year in the Co-op's return to fortune.

**Chris Langslow**  
Chief Executive Officer



**BALANCE SHEET as at 30 APRIL 2010**

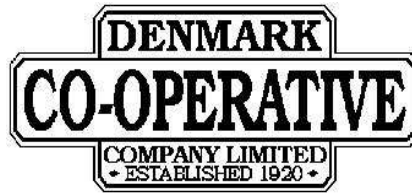
	Note	2010 \$	2009 \$
<b>AUTHORISED CAPITAL</b>			
20,000,000 Shares of 50 cents each		<u>10,000,000</u>	<u>10,000,000</u>
<b>ISSUED CAPITAL</b>			
626,628 (2009: 625,350) Ordinary Shares of 50 cents each		313,314	312,675
50,200 (2009: 50,200) Preference Shares of 50 cents each		25,100	25,100
<b>RESERVES</b>			
Asset Revaluation Reserve		1,123,531	1,123,531
Forfeited Share Reserve		(1,290)	(1,290)
Profit & Loss Appropriation Account		<u>(704,723)</u>	<u>(660,882)</u>
<b>SHARE CAPITAL &amp; RESERVES</b>		<u><u>755,932</u></u>	<u><u>799,134</u></u>
<b>CURRENT ASSETS</b>			
Trade Debtors		168,224	171,053
<u>Less</u> Provision for Doubtful Debts		<u>(26,750)</u>	<u>(500)</u>
		141,474	170,553
Stock on Hand		590,274	476,242
Cash at Bank		5,052	3,489
Cash on Hand		<u>4,300</u>	<u>4,300</u>
		<u>741,100</u>	<u>654,584</u>





**BALANCE SHEET as at 30 APRIL 2010**

	Note	2010 \$	2009 \$
<b>CURRENT LIABILITIES</b>			
Trade Creditors		228,467	243,617
Other Creditors		24,001	86,246
Provision for Holiday Pay		6,566	3,141
Unclaimed Monies		6,205	6,205
Debentures	6	596,869	1,275,111
Accrued Debenture Interest		61,399	-
Provision for Income Tax		<u>(1,044)</u>	<u>(1,045)</u>
		<u>922,463</u>	<u>1,613,276</u>
<b>WORKING CAPITAL</b>		<u>(181,363)</u>	<u>(958,692)</u>
<b>FIXED ASSETS</b>			
Land & Buildings at Revaluation		1,811,310	1,809,491
Plant & Vehicles at Cost		<u>258,236</u>	<u>289,438</u>
		2,069,547	2,098,929
Provision for Depreciation		<u>(184,809)</u>	<u>(219,467)</u>
		<u>1,884,738</u>	<u>1,879,462</u>
<b>INVESTMENTS (at Cost)</b>		<u>20,392</u>	<u>20,392</u>
<b>TOTAL FIXED ASSETS</b>		<u>1,905,130</u>	<u>1,899,854</u>
<b>NON-CURRENT LIABILITIES</b>			
Debentures	6	817,834	142,028
Long Term Bank Loan		<u>150,000</u>	<u>-</u>
<b>EXCESS OF ASSETS OVER LIABILITIES</b>		<u><u>755,932</u></u>	<u><u>799,134</u></u>



**PROFIT & LOSS STATEMENT  
YEAR ENDED 30 APRIL 2010**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>INCOME</b>		
Gross Profit on Trading	744,401	598,034
Interest	3,339	15,500
Other Income	26,648	7,233
Sundry Income	5,091	8,658
	<u>779,479</u>	<u>629,425</u>
<b>EXPENSES</b>		
Accounting and Audit	14,839	8,358
Advertising	10,223	7,333
Bad Debts	414	(7,297)
Bank Charges	18,580	20,625
Banking Arrangement Costs	3,624	-
Computer & IT	7,866	14,195
Consulting	-	480
Cleaning	6,802	8,858
Dead & Damaged	382	-
Depreciation	15,439	25,081
Directors' Fees	1,300	7,984
Directors' Meeting Costs	106	98
Donations	14	173
Doubtful Debts	26,250	-
Electricity	8,238	11,521
Employment	-	2,250
Entertainment	-	520
Equipment Hire	460	1,661
Franchise Fees	8,403	5,135
General	3,523	(155)
Insurance	13,716	12,088
Interest on Debentures	98,611	104,531
Interest - Other	11,594	6,953
Legal Fees	(25,006)	39,903
Licences	551	1,548
Loss on Disposal of Fixed Assets	-	41,030
Motor Vehicle	9,170	14,320
Postage	4,443	2,643
Printing & Stationery	7,428	5,735
Rates & Taxes	9,550	10,956
Rent	31,851	32,396
Repairs & Maintenance	4,919	8,612



**PROFIT & LOSS STATEMENT  
YEAR ENDED 30 APRIL 2010**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Rubbish Removal	2,609	2,143
Security	1,046	1,005
Staff Amenities	678	159
Subscriptions	900	900
Superannuation	45,545	45,782
Telephone	10,076	16,797
Training Staff	771	550
Wages	458,040	451,787
Workers Compensation Insurance	10,365	10,160
	<hr/>	<hr/>
	823,319	916,818
	<hr/>	<hr/>
<b>NET LOSS FOR THE YEAR</b>	<b>(43,841)</b>	<b>(287,393)</b>

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>After including</b>		
Interest Received	3,339	15,500
<b>After charging</b>		
Audit Fees	10,038	7,998
Bad Debts	414	(7,297)
Depreciation	15,439	25,081
Directors' Fees	1,300	7,984
Donations	14	173
Interest (incl. Debentures)	110,205	111,484
Repairs & Maintenance	4,919	8,612

<b>Less income tax expense</b>	-	-
	<hr/>	<hr/>
	(43,841)	(287,393)
<b>Balance Forward at start of year</b>	<hr/>	<hr/>
	(660,882)	(374,396)
	<hr/>	<hr/>
	(704,723)	(661,789)
<b>A Class repurchases @ 12.5 cents per share (25%)</b>	<hr/>	<hr/>
	-	907
	<hr/>	<hr/>
<b>Balance at end of year</b>	<b>(704,723)</b>	<b>(660,882)</b>



**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 APRIL 2010**

**1. Statement of accounting policies**

(a) This is not a general purpose financial report. It is a special purpose report prepared for the members of the Company to enable compliance with the requirements of the Companies (Co-operative) Act 1943-1976 and the Income Tax Assessment Act.

The accounts have been prepared in accordance with the requirements of the Companies (Co-operative) Act 1943-1976 including the disclosure requirements of that Act.

The Company is of a type identified in Statement of Accounting Concepts 1 as a non-reporting entity. No regard has been paid to other Statements of Accounting Concepts or Accounting Standards in the preparation of this report.

The accounts have been prepared from historical cost records, except where stated otherwise. The accrual and going concern basis of accounting have been adopted.

(b) Depreciation of fixed assets

Depreciation on buildings, plant and motor vehicles has been provided for on a diminishing value basis, so as substantially to write off the cost of the assets over their effective working life.

(c) Income tax

The charge for income tax in the profit and loss statement has been calculated by applying the current rate of income tax to the estimated taxable income.

(d) Going concern

The Company has incurred a cumulative net loss of \$43,841 to 30 April 2010 (2009: \$287,393 net loss). At the balance sheet date, the Company had a deficiency in working capital of \$181,363 (2009: \$958,692). The Directors believe that preparing the financial reports on the going concern basis is warranted as in prior years the majority of the Holders of Debentures have rolled forward their holdings and have not redeemed them.

<b>2. Revenue</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Sales revenue	3,581,384	3,502,481
Other operating revenue:		
Dividends, interest, rental income, etc.	35,078	31,391



### 3. Stock on hand

Stock on hand has been valued at the lower of cost and net realisable value. The auditors did not attend the physical stocktake and have accepted the existence and value of stock under a certificate supplied by management.

### 4. Investments

Investments have been included at the cost of each investment.

### 5. Banking facility

Banking arrangements include a Business Overdraft Facility for \$150,000, a Bank Guarantee for \$50,000 and a long term loan of \$150,000, all secured against property, assets and undertaking of the Company.

### 6. Debentures

Maturity Date	Interest Rate	Principal Amount		
30/04/2011	3.75%	10,112.50		
	5.25%	18,546.67		
	5.70%	16,342.00		
	6.00%	190,056.44		
	6.40%	55,000.00		
	6.45%	50,000.00		
	6.50%	140,115.27		
	7.20%	23,830.40		
	7.50%	10,000.00		
	8.00%	82,866.13		
	Sub-total		596,869	42%
30/04/2012	3.75%	7,075.00		
	5.25%	1,000.00		
	5.70%	24,642.72		
	6.40%	80,054.61		
	6.50%	60,500.00		
	8.00%	558,200.00		
	Sub-total		731,472	52%
30/04/2013	5.70%	6,361.59		
	7.50%	20,000.00		
	8.00%	60,000.00		
	Sub-total		86,362	6%
	Total		1,414,703	100%







## SECRETARY'S CERTIFICATE

I, Christopher Langslow, Secretary of Denmark Co-operative Company Limited, hereby certify that:

1. the reserves of the Company are used in the business;
2. the accompanying Profit and Loss Statement and Balance Sheet are, to the best of my knowledge and belief, true in every particular; and
3. the names and occupations of persons who were Directors of the Company at the date of the Statement are:

ALBERT ANTHONY WILSON	DENMARK	RETIRED
DONALD DAVID SHEED	DENMARK	FARMER
PHILIP MIDDLETON	DENMARK	FARMER
PETER WILSON	DENMARK	BUSINESS PROPRIETOR
STEPHEN HAWKS	DENMARK	FARMER

10 August 2010

Christopher Langslow

## DIRECTORS' CERTIFICATE

The Directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The Directors declare that:

1. the financial statements and notes present fairly the Company's financial position as at 30 April 2010 and its results for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial report;
2. in the opinion of the Directors, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

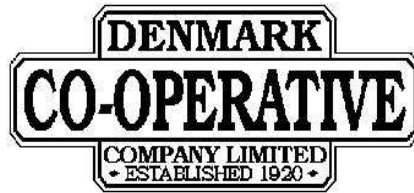
This declaration is made in accordance with a resolution of the Directors.

10 August 2010

Tony Wilson

Don Sheed





**DENMARK CO-OP'S STAFF MEMBERS**

CEO and Company Secretary	Chris Langslow
<b><u>Rural &amp; Hardware</u></b>	
Joint Department Heads	Dave Carter Janine McCrum
Customer Service	Ros Criddle Danny Hedley Matt Monaghan Grant Moulden
LPG and Delivery	James Alpers
<b><u>Department Store</u></b>	
Department Head	Vivian Herbert
Electricals and White Goods	Ros Criddle
Customer Service	Deborah McNamara
<b><u>Karri Hi Shell</u></b>	
Customer Service	Tessa Rawlings Shaun Stennett Laurette Beurteux Barbara Marshall
<b><u>Administration and Accounts</u></b>	
Financial Controller	Ary Clarke
Admin Assistants	Kerri McCaul Dallas Newcombe



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Strickland Street  
DENMARK  
WA 6333

I/We .....  
(Full Name – Block Letters)

of .....

being a Member/Members of Denmark Co-operative Company Limited, hereby  
appoint as my/our proxy

.....  
(Name of Proxy)

of .....

**OR** failing such person, or if no such person is designated, the Chairman of the  
Meeting

to vote on my/our behalf at the Ordinary General Meeting of Denmark Co-operative  
Company Limited to be held on Monday 25 October 2010 and at any adjournment  
thereof.

**If you wish, you can direct your proxy how to vote by placing an “X” in the  
appropriate box(es). If no preferences are indicated, the proxy appointed may  
vote as he/she thinks fit.**

RESOLUTION No.	FOR	AGAINST
1. To receive and approve Reports	( )	( )
2. To appoint Auditors	( )	( )
3. Proxy voting prohibited for election of Directors		
4. To fix the Directors' remuneration	( )	( )
5. To approve changes to Articles of Association		
a)	( )	( )
b)	( )	( )

Dated this ..... day of ..... 2010

.....  
(Signature of Shareholder)

.....  
(Signature of Shareholder)



## **INSTRUCTIONS FOR THE APPOINTMENT OF PROXIES**

1. "Active" Members who are entitled to attend and vote at this Meeting of the Company are entitled to appoint an individual or a body corporate as their proxy to vote on their behalf.
2. A proxy must be a Member who is entitled to attend and vote in his/her own right, except for a corporation (whether a Member or a proxy for a Member) which may by resolution of its directors appoint one of its officers to act as its representative.
3. To be effective, forms to appoint a proxy and the power of attorney (if any) under which it is signed or a facsimile copy of such form(s) must reach the registered office of the Company (fax number 08 9848 1307) not less than 24 hours prior to the commencement of the Meeting or adjourned Meeting at which the person named in the proxy proposes to vote.

Your attention is also drawn to the following Article of the Company's Articles of Association with regard to the upcoming Annual General Meeting, which covers who can attend and vote at the Meeting:

Article 32: Every member qualified to vote shall have equal voting power irrespective of the number of shares held by him. Where there are joint registered holders of any share the members whose name stands first in the register in respect of such share shall alone be entitled to a vote in respect thereof but the other joint holders shall be entitled to be present at the meeting.