**NAME OF CO-OPERATIVE:**

**DISCLOSURE STATEMENT**

# DISCLOSURE STATEMENT

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**DISCLOSURE STATEMENT**

### Introduction

**Explanation of the Co-operative**

Instruction: The Co-operatives National Law (VIC) (the CNL) requires that a distributing co- operative has a disclosure statement. The disclosure statement sets out information necessary to ensure eligible members are informed of the nature and extent of their financial involvement or liability as a member of the Co-operative. In this section, explain what the Co-operative is.

### Background and demand for services

* 1. **Background to forming the co-operative**

Instruction: Describe the background of the co-operative.

* 1. **Objects**

Instruction: A co-operative may have objects in addition to primary activities. If so, include them here.

* 1. **Demand for services**

Instruction: Set out any information that assists prospective members in understanding the need for the services the co-operative intends to provide.

1. **Membership**
	1. **Who can be a member**

Instruction: Set out any qualifications/eligibility for membership as specified in the rules. This part should set out if minors can be members and joint membership is permitted.

*Specify any on-going eligibility requirements (if any) to maintain membership.*

* 1. **Application for membership and shares**

Instruction: Set out the procedures to be followed by applicants for membership.

Include details of documents to be completed; payment required for shares/entrance fees etc.

Note: the CNL requires certain documents be given to persons intending or applying for membership of a co-operative – see sections 68 & 122 of the CNL.

* 1. **Rights and liabilities attaching to membership and shareholding**

Instruction: Relevant information would normally include:

* details of entrance fees, charges, annual subscriptions
* requirements of members to trade with or otherwise engage in dealings with the

*proposed co-operative*

* details of compulsory loans or other payments that are or may be required
* returns to members – set out whether the co-operative intends to give returns to members in the form of dividends or rebates.
* the circumstances in which fines may be imposed on members
* liability (if any) for the debts of the co-operative and the position of members on winding up or other administration in insolvency
* the minimum number of shares for which a member must subscribe and maximum number of shares that may be held
* the amount(s) required to be paid to the proposed co-operative with respect to shares
* the rights and liabilities attached to the ownership of shares in the proposed co- operative
* rights and restrictions on transfer of shares
	1. **Voting rights of members**

Instruction: Set out the voting rights of members. The voting rights of joint memberships and the restrictions on voting by minors should be set out if these memberships are permitted .

See sections 114 & 228 of the CNL.

* 1. **Ceasing membership and forfeiture of shares**

Instruction: Set out circumstances in which membership ceases and where shares may be forfeited. (See sections 117 & 118 of the CNL for the circumstances in which membership ceases).

1. **Primary activity and active membership**
	1. **Primary activities**

Instruction: An activity is a primary activity of the co-operative if the activity by itself or taken with another activity, amounts to the basic purpose for which the co-operative exists **and** if that activity makes a significant contribution to the business of the co-operative (ie. if the activity contributes at least 10% of the co-operative’s turnover, income, expenses or surplus) to the business of the co-operative.

proposed

* 1. **Active membership**

*Instruction: Set out the requirements in order to be an active member and the consequences of*

*inactivity.*

1. **Operation of the co-operative**
	1. **Carrying on primary and other activities**

Instruction: Set out:

* details of the products/services the co-operative will provide for members.
* the resources that are needed to carry out the co-operative’s proposed activities such as office or factory space, furniture, equipment, plant, vehicles etc.
* the role of the members in the operation of the co-operative, including supplying produce, use of common services, working for the co-operative etc.
	1. **Details of any pre-registration contracts that have been or will be entered into before registration of the co-operative**

Instruction: Provide details of any pre-registration contractual obligations (if any), guarantees and indemnities, contingent liabilities, unresolved or pending law suits which the co-operative will assume once formed.

* 1. **Detail any contracts members will have to enter into with the co-operative**

Instruction: Provide details of any agreements such as supply agreements, leasing or licence arrangements that the co-operative may be required to enter or members may be required to enter.

* 1. **Contracts with promoters or other parties**

Instruction: Provide details of any pre-registration contractual obligations (if any), guarantees and indemnities, contingent liabilities, unresolved or pending law suits which the co-operative will assume once formed.

* 1. **Details of any interest of directors or members in any contract or proposed contract**

*Instruction: If any of the promoters or any of the proposed directors or members have a direct or indirect interest in any contract or proposed contract with the co-operative, (other than an interest in a contract referred to in section 211 of the CNL) the following details must be set out in this part or attached by way of annexure:*

1. *the nature of the contract*
2. *the name of the parties to this contract*
3. *(A) the interest, remuneration, reward or commission which any promoter or*

*director or member will be entitled to receive; or*

*(B) where the promoter or proposed director or member is a director, officer, shareholder or member of a body corporate or organisation, which is a party to the contract; the interest, remuneration, reward or commission which the body corporate or organisation will receive*

1. *the name of each promoter or proposed director or member referred to in (iii) above, and in the case of (iii)(B), the position or office held. If yes, details must be set out in an annexure.*
2. **Management of the co-operative**
	1. **Board of directors**

Instruction: Set out:

* the number of directors of the co-operative
* qualifications of the directors and officers, and
* remuneration of the directors (note restrictions in section 203 of the CNL).
	1. **Election of directors**

Instruction: Set out:

* the term of office of the directors
* the rotation of directors, and
* any restriction in the rules on the number of consecutive terms.
	1. **Directors and officers**

#### The names and experience of the Co-operatives Directors

*Instruction: Set out details of the full name and address of those who have agreed in writing to become directors or other office holders in the proposed co-operative.*

* 1. **Day to day management**

*Instruction: State the name of the person(s) who will be responsible for day-to-day management of the co-operative and brief details of his/her experience. Specify whether management is voluntary or paid.*

1. **Financial information [Note: numbering will be affected depending on this statement being a formation disclosure statement or a post formation disclosure document].**
	1. **Start up funds**

[*Note: This section is only required if this document is a formation statement*]

*Instruction: Set out:*

* *details of start up funding capital required for the co-operative at the time of formation; the number of persons who have indicated in writing their intention to join the co- operative and the fees, subscriptions and total share capital to be subscribed by those persons*
* *details of the projected income and expenditure of the proposed co-operative for its first year of operation*
* *pro forma balance sheet*
* *details of grants or loans obtained or to be obtained to fund initial operations/set up costs*
* *the estimated cost of formation.*

*A statement by a person may only be included if the person consents to the form and context in which it is included and the disclosure statement states that the person has given this consent; and the person has not withdrawn this consent before the disclosure statement is approved.*

* 1. **Formation expenses**

[*Note: This section is only required if this document is a formation statement*]

*Instruction: Set out the:*

* *estimated costs of formation (including a description of those expenses); and*
* *details of any expenses incurred prior to the formation meeting which are to be recouped once the co-operative is formed.*
	1. **Profit and loss [Alternative section to ‘start up funds’]**

*Instruction: Set out a profit and loss statement for the most recent year that the Co-operative has been carrying on a business.*

**7.2 Balance sheet [Alternative section to ‘formation expenses’]**

*Instruction: Set out a balance sheet.*

* 1. **Returns to members**

*Instruction: Set out if the co-operative intends to give returns to members in the form of dividends or rebates. Note that s 357 of the CNL requires that only a limited dividend can be issued to members. Regulation 3.19 of the Co-operatives National Regulations defines this as 10% more than the maximum rate of the nominal value of interest payable on a Commonwealth Bank 5 year term deposit of $100,000 offered during the relevant financial year.*

*Instruction: Set out details of the person(s) who will be responsible for general accounting and financial functions of the co-operative. In addition, set out details of the proposed auditor (if any).*

*State if the financial statements will be audited, reviewed or if no audit or review will be undertaken.*

* 1. **Accounting and auditing**
1. **Risks**

*Instruction: Set out any risks to ability of the Co-operative to carry on business.*

1. **List of annexures**

*Instruction: List all annexures to the disclosure statement (we have attached examples of formation projected income and cash flow statements as examples).*

PROJECTED INCOME AND EXPENDITURE STATEMENT

FOR THE PERIOD TO (ie. the first year of operation)

Year one 20

SALES

Less: cost of goods sold

GROSS PROFIT

Add: other income

TOTAL INCOME

Less: fixed costs

operational costs

OPERATING PROFIT/LOSS

Less: income tax attributable to operating profit

OPERATING PROFIT/LOSS AFTER TAX

Less: proposed rebates/dividends RETAINED PROFITS

CLOSING BANK BALANCE

Materials

Wages and salaries Transport and travel Rent

Insurance

Repairs and maintenance Administration expenses Audit

Formation expenses Interest on borrowings Capital expenditure

Tax (net GST, PAYG, other taxes) Sundries

TOTAL CASH PAYMENTS

CASH OUT

TOTAL CASH RECEIPTS

OPENING BANK BALANCE

Issue of shares to members Grants and subsidies Subscriptions and donations Commercial revenue

Loans raised

CASH IN

(ie. the first year of operation)

ESTIMATES FOR YEAR 20

TO

FOR THE PERIOD

CASH FLOW BUDGET