

# Co-operatives National Law (NSW)

## CO-OPERATIVE FORMATION

# DISCLOSURE STATEMENT

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FOR THE FORMATION OF A  
DISTRIBUTING CO-OPERATIVE

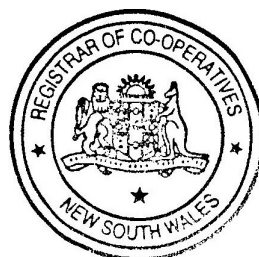
NAME OF PROPOSED CO-OPERATIVE:

\_\_\_\_\_ **The Turning Page Co-operative Ltd** \_\_\_\_\_

DATE OF APPROVAL:

22	/	10	/	2020
DD		MM		YY

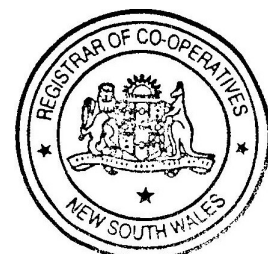
**THIS DISCLOSURE STATEMENT IS VALID FOR A PERIOD  
OF 6 MONTHS FROM DATE OF APPROVAL  
FOR ISSUE WITHIN THE STATE OF NEW SOUTH WALES**



# **DISCLOSURE STATEMENT**

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# DISCLOSURE STATEMENT

## 1. Introduction

### Explanation of this statement

#### 1.1 Name

**The Turning Page Co-operative Ltd**  
(a distributing Co-operative)

#### 1.2 Registered office

Shop 1, 125 Macquarie Road Springwood NSW 2777

## 2. Background and demand for services

### 2.1 Background to forming the co-operative

The Turning Page Bookshop has been a key part of the community of Springwood and the lower Blue Mountains for over 36 years. The current owners of the bookshop wish to retire and hand over stewardship of the bookshop to the community to ensure its ongoing operations and viability as a cultural hub for the neighbourhood.

### 2.2 Objects

The objects of the Co-operative are:

- a) to maintain a literary hub which fosters advanced levels of literacy - not only in the local community but also across Australia
- b) to promote local authors and foster local literary talent (especially emerging)

### 2.3 Preconditions

1. More than 3,500 shares at a value of \$100 must be issued and payment received for them - if this condition is not met shares must be cancelled and the funds returned to members.
2. More than 100 members of the Co-operative must be registered - if this condition is not met memberships must be cancelled.

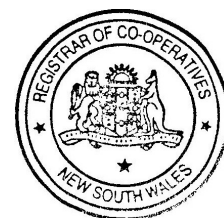
### 2.4 Demand for services/business plan/feasibility study

The Turning Page Bookshop has been operating profitably for more than 36 years, providing books and related materials to the Springwood and lower Blue Mountains communities. Community members have expressed a strong desire that the bookshop should continue to operate into the future, preferably as a community-owned venture to serve as a literary hub for the region.

## 3. Membership

### 3.1 Who can be a member

Any natural person aged 18 years and over may be a member of the Co-operative.



### **3.2 Application for membership and shares**

All applicants for membership will complete an application form providing their full name and physical address, email address, phone number(s), date of birth and the number of shares they wish to purchase.

The Board of the Co-operative will give each person applying to become a member of the co-operative:

- a) a consolidated copy of the rules of the co-operative; the disclosure statement and
- b) a copy of all special resolutions, if any, that would apply to the prospective member passed by the members of the co-operative, except special resolutions providing for an amendment of the rules of the co-operative; and
- c) a copy of the most recent financial information reported to members of the co-operative.

### **3.3 Rights and liabilities attaching to membership and shareholding**

- a) There are to be no entrance fees or annual subscriptions.
- b) Each member must purchase at least one share from the Co-operative for \$100.
- c) No member may hold more than 20% of the number of shares issued by the Co-operative.
- d) Members are expected to purchase books to the value of at least \$100 per annum.
- e) The ownership of shares does not confer any rights or obligations on members beyond those conferred by the Rules of the Co-operative.
- f) Shares may not be sold to anyone who is not an active member of the Co-operative.
- g) Shares may be transferred between members subject to the approval of the Board.
- h) The Co-operative may pay share dividends to members at the absolute discretion of the Board.
- i) Fines may be imposed on members in line with the provisions of the Co-operatives National Law (NSW) (CNL) at the absolute discretion of the Board.

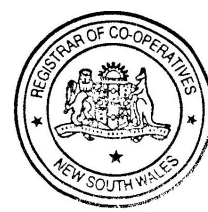
### **3.4 Voting rights of members**

The right to vote at General Meetings attaches to membership and not shareholding (i.e. 1 vote per member, regardless of number of shares held).

### **3.5 Ceasing membership and forfeiture of shares**

(1) A person ceases to be a member of the Co-operative in each of the following circumstances and as otherwise provided by the CNL;

- a) if the member's membership is cancelled under the rules of the Co-operative;
- b) if the member is expelled or resigns under the rules of the Co-operative;
- c) if the individual member becomes bankrupt;
- d) on the death of the member;
- e) if the contract of membership is rescinded on the ground of misrepresentation or mistake;
- f) the member's total shareholding is transferred to another person under the rules of the Co-operative and the name of the transferee is entered in the register of members in respect of the shareholding;
- g) the member's total shareholding is forfeited under the CNL or the rules of the Co-operative;
- h) the member's total shareholding is sold by the Co-operative under a power conferred by the rules of the Co-operative, and the name of the purchaser is entered in the register of members in respect of the shareholding; or
- i) the member's total shareholding is purchased by the Co-operative under the CNL;



- j) the amount paid up on the member's shares is repaid to the member under the rules of the Co-operative.
- (2) On the death of a member, the member's estate remains liable as the member until the member's personal representative or some other person is registered in the member's place.

#### **4. Primary activity and active membership**

##### **4.1 Primary activities**

- a) to pursue the stable and ongoing operation of The Turning Page Bookshop so as to ensure its longevity
- b) to develop the existing business in new directions and respond to the changing dynamics of the book industry
- c) to provide a literary and cultural hub for the lower Blue Mountains community

##### **4.2 Active membership**

In order to be an active member a member must purchase goods from The Turning Page Bookshop to the value of at least \$100 per financial year. At the end of a Financial Year members who have not been active in that year will be able to pay a fine of \$50 to the Co-operative and failing this will have their membership revoked and will forfeit their share(s) as provided for in the CNL.

#### **5. Operation of the co-operative**

##### **5.1 Carrying on primary and other activities**

- a) The Co-operative will purchase the business of The Turning Page Bookshop from the current owners and transfer all existing supplier agreements and leases and other commercial agreements to the Co-operative. The price is to be negotiated between \$188,000 (as indicated by an independent valuation) and \$330,000 (as listed for sale by the current owners).
- b) The Co-operative will continue to operate The Turning Page Bookshop from the existing premises under the existing lease, which expires on 21 July 2022, with an option to renew for a further three years. The Co-operative will initially be employing the existing staff. The Committee has a verbal agreement that Annie Sharkey will remain associated with the Bookshop for an extended transition period (for up to 2 years), in a paid management role.
- c) Members will not be required to work in the bookshop on any basis other than that they may be employed by the Co-operative to do so.
- d) Members may volunteer their services to support The Turning Page Bookshop at events and such like at their absolute discretion and as requested by the Board.

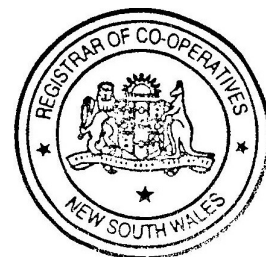
##### **5.2 Details of any pre-registration contracts that have been or will be entered into before registration of the co-operative**

The Co-operative will not enter into any contracts before its registration.

##### **5.3 Detail any contracts members will have to enter into with the co-operative**

Members will not be required to enter into any contracts with the Co-operative.

##### **5.4 Contracts with promoters or other parties**



All agreements between the current owners and suppliers will be transferred to the co-op on the same terms and conditions. There are no other pre-registration contractual obligations, guarantees and indemnities, contingent liabilities, unresolved or pending lawsuits which the co-operative will assume once formed.

### **5.5 Details of any interest of proposed directors or members in any contract or proposed contract**

Not applicable

## **6. Management of the co-operative**

### **6.1 Board of directors**

There will be 5 Directors of the Co-operative.

Directors must be active members of the Co-operative.

A Chairperson, a Secretary and Treasurer will be selected from the 5 Directors.

Directors should have enthusiasm for the objects of the Co-operative and demonstrated levels of skills and expertise which will be of value to the Board.

The Board should seek to represent a diverse range of experience, background and perspective.

Directors shall not be remunerated except for the recovery of costs incurred in carrying out their obligations as directors.

### **6.2 Election of directors**

Directors will be elected at the Annual General meeting in line with the provisions of the CNL.

A Director's term will be for one year from their election.

A Director may not serve for more than 6 continuous years.

### **6.3 First directors and officers**

#### **Virginia Fortunat**

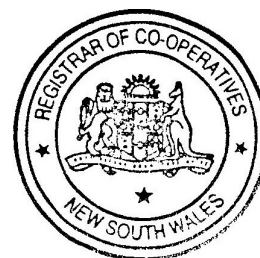
Virginia Fortunat is an Education Leader who has extensive experience in literacy, particularly in Primary Education. A community leader Virginia has been involved in local organisations including Producer and Director for Blue Mountains Musical Society.

Virginia Fortunat  
5 Baxter Ave  
Springwood NSW 2777

#### **Sarah Mason**

Born and raised in the lower mountains. Over 15 years experience in admin and data entry roles. Currently working towards a BA in Librarianship and Corporate Records Management.

Sarah Mason  
14 Attunga Road  
Blaxland NSW 2774



### **Margo Adelson**

Concerts Organiser, Fine Music Radio producer, pianist, choral director, viola da gambist and teacher. Resident in Blue Mountains for almost 40 years.

Margo Adelson  
4 Spring St  
Springwood NSW 2777

### **Ron Fuller**

Retired journalist. Company Director for Media Skills – media training company.

Ron Fuller  
36 Emma Parade  
Winmalee NSW 2777

### **Katie McRobert**

Katie McRobert, General Manager of the Australian Farm Institute, is an editorial, communications and project management specialist. While undertaking an MBA at Griffith University specialising in Sustainable Business, she developed a strong interest in systems thinking and behavioural economics. Katie has previously worked as a global Content and Community Manager for Rabobank and as the National Editor for FarmOnline.

Katie McRobert  
78 Meeks Cres  
Faulconbridge 2776

## **6.4 Day to day management**

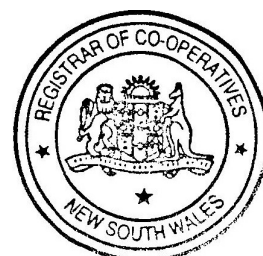
Annie Sharkey will be employed in a senior management role with The Turning Page Co-operative for an extended transition period (for up to 2 years), in a paid management role. As current co-owner of the business, Annie has over 12 years' experience managing an independent bookshop and has excellent relationships with customers and staff, as well as invaluable knowledge about the business needs. This role has involved the overall management of staff (including training, roster responsibility and staff development), ordering of inventory (including new stock, reordering and stock returns), financial responsibility (from payment of suppliers to payroll responsibilities), merchandising and the development, refinement and documentation of internal processes. While Ms Sharkey had initially planned to retire upon sale of the business, she has expressed a strong desire to remain closely associated with the Turning Page as it becomes a community cooperative and has given verbal assurances to the committee of her intention to stay employed in a leadership role.

## **7. Financial information**

### **7.1 Start-up funds**

Funds are required for the following expense areas

- Registration of Co-operative: \$1000



- Advertising and Marketing: \$7500
- Purchase of business: \$188,000 (stock, \$160,000; goodwill, \$25,000; plant & equipment, \$2300)

## **7.2 Formation expense**

Formation expenses consist of the fees to lodge paperwork, advertising for shareholders and legal advice. These expenses are estimated at no more than \$4500, which has been raised through crowdfunding. Any expenses incurred prior to the formation meeting or in the initial stages of formation are to be met by community fundraising (which has provided the Committee with \$5000 to date).

## **7.3 Returns to members**

The Co-operative may pay dividends to members, based on their shareholdings, from retained earnings at the absolute discretion of the Board.

## **7.4 Accounting and auditing**

Financial statements will be reviewed annually – no audit will be required.

Financial Sub Committee - Katie McRobert & Ron Fuller

## **8. Risks**

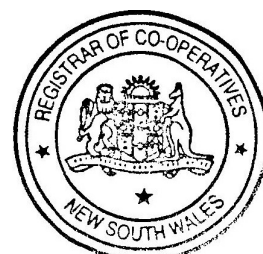
- The Co-operative may fail to raise the initial capital required to purchase and run the business. In this case, the Co-operative will return funds to shareholders and disband.
- The business may suffer an untenable constriction in income due to unforeseen factors (for example a dramatic contraction of the bookselling industry due to economic downturn). In this case, the Co-operative will disband before wind-up costs exceed cash to hand.
- The Co-operative will initially be somewhat dependent on the expertise of the intended manager (and current owner) in running the business. To mitigate this key person risk, alternate managers will be canvassed before purchase of the business to ensure a smooth transition in case the intended manager is unable to execute the role (see 5.1 and 6.4).
- An increase in rent could place undue pressure on operating margins. In this case, the Co-operative will identify alternative business locations within the community to ensure operations can be maintained. It should be noted that the business holds an existing lease until July 2022 with an option to extend this lease at market rates for a further three years (see 5.1).

## **9. List of annexures**

Indicative Financial performance for Financial Year 2020-2021

## **10. Further investigation**

N/A





## DISCLAIMER OF LIABILITY

This disclosure statement has been approved by the Registrar of Co-operatives for the purpose of section 25(4) of the Co-operatives National Law (NSW) (the CNL). This approval is not to be taken in any way as an indication that the disclosure statement sets out all information that may be relevant to the proposal.

Approval does not relate in any way to the merits or otherwise of the co-operative's proposed activities. No responsibility as to the contents of the disclosure statement and attachments and annexures that form part of this document and the associated Rules which collectively make up the formation documentation, is to be taken by the Registrar, NSW Fair Trading or by any of its servants or agents.

The responsibility for ensuring that the CNL has been complied with in the preparation of the disclosure statement lies with those issuing the statement. Persons making false or misleading statements in a disclosure statement may be liable for criminal penalties and expose themselves to civil liability to anyone who suffers loss as a consequence.

## CERTIFICATION

We the undersigned, certify that this is a copy of the disclosure statement which was presented to the formation meeting on \_\_\_\_/\_\_\_\_/\_\_\_\_ for the purpose of forming a co-operative to be known as:

\_\_The Turning Page Co-operative Limited\_\_ Name of co-operative

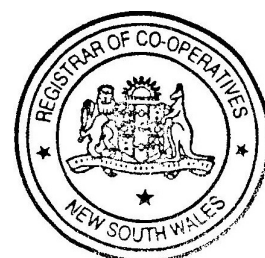
\_\_\_\_\_ Signature

Chairperson of formation meeting

\_\_\_\_\_ Signature

Secretary of formation meeting

*Note: This certification is signed at the Formation meeting which is held after the draft formation documentation which includes the Rules and the Disclosure Statement that have been approved by Registry Services and returned to the sponsors of the proposed co-operative.*



## Profit & Loss Statement (Projected)

### Turning Page Co-op

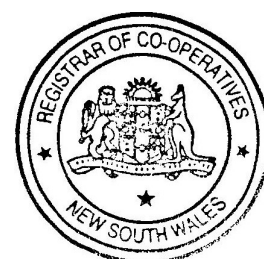
FOR THE FIRST 12 MONTHS OF OPERATION

#### Revenue

Sales	805,000
Less cost of goods sold	(525,000)
<b>Gross profit</b>	<b>280,000</b>

#### Expenses

Advertising	7,500
Dues & subscriptions	8,000
Insurance	5,000
Miscellaneous expenses	4,100
Postage	3,600
Printing	4,000
Professional fees	2,500
Rent	60,000
Repairs	300
Telephone & utilities	11,500
Travel	2,000
Wages & superannuation	130,000
<b>Total expenses</b>	<b>238,500</b>
<b>EBITDA</b>	<b>41,500</b>
Income tax expense	10,790
<b>Net profit after tax</b>	<b>30,710</b>



## Cash Flow Statement (Projected)

### Turning Page Co-op

FOR THE FIRST 12 MONTHS OF OPERATION

#### Cash from operating activities

Receipts from customers	885,500
Less purchase of stock	(577,500)
Less wages	(130,000)
Less rent	(66,000)
Less payments to suppliers	(53,350)
Less net GST	(17,150)
Less income tax	(10,790)
<b>Net cash from operating activities</b>	<b>30,710</b>

#### Cash from investing activities

Co-op formation expenses	(3,500)
Purchase of business	(188,000)
Transfer duty on purchase	(2,635)
<b>Net cash from investing activities</b>	<b>(194,135)</b>

#### Cash from financing activities

Proceeds from fundraising	3,500
Proceeds from issue of shares	250,000
<b>Net cash from financing activities</b>	<b>253,500</b>

<b>Net increase (decrease) in cash</b>	<b>90,075</b>
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Cash at beginning of period	0
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<b>Cash at end of period</b>	<b>90,075</b>
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