

## **Surry Hills Neighbourhood Centre Co-operative Limited**

### **Disclosure Statement to Members Pursuant to Section 194(3) and Section 316(2) of the Co-operatives Act 1992 (“The Act”)**

#### **1) THE PROPOSAL**

1.1 The Proposal by the Surry Hills Neighbourhood Centre Co-operative Limited to its members is that the Co-operative will:

- a) convert to a co-operative without share capital; AND
- b) transfer its incorporation from registration under the Co-operatives Act 1992 to an Incorporated Association under the Associations Incorporations Act 1984.

The actual terms of the special resolutions are set out on the attached postal ballot paper.

#### **2) DISCLAIMER**

On, 6 November 2006, the Registrar of Co-operatives (“the Registrar”) approved this Disclosure Statement pursuant to Section 194(3) of the Co-operatives Act 1992 (NSW) (“The Act”). Such approval relates only to the Disclosure Statement and should not be interpreted as a comment on the merits of the proposal.

The Registrar accepts no responsibility for the contents of this Disclosure Statement.

This Disclosure Statement is valid for a period of 6 months from the date of the approval.

#### **3) BRIEF DESCRIPTION OF LEGISLATIVE PROCEDURE**

Section 316 of the Act provides for the transfer of incorporation to association.

As the shareholding of members in the Co-operative is unequal, the Co-operative was required to obtain the approval of the Co-operatives Council in order for the Co-operative to convert to a non-share co-operative. The delegate of the Co-operatives Council granted the required approval on 28 November 2005.

#### **4) PROCEDURES TO BE FOLLOWED**

The procedure is as follows:

The Act requires that the members of the Co-operative vote on the Proposal to transfer to an Association by special resolution by way of a special postal ballot. To assist the members to reach a decision on the Proposal, a Disclosure Statement containing relevant information must be forwarded to the members. The information contained within this document is to assist members with their decision and has been approved by the Registrar for this purpose.

This disclosure statement must be sent to all members of the Co-operative at least 21 days prior to the closing of the postal vote. This disclosure statement includes a copy of the proposed rules of the Incorporated Association

The resolution in the special postal ballot will be passed if a three quarters (3/4) majority of members casting formal votes, vote in favour of the special resolution.

## **5) MEMBERS ELIGIBLE TO VOTE**

**Only active members are eligible to vote in the General meeting (although all members listed on the members register are to be informed of the proposal).**

Rule 13A of the Co-operative's Rules provides that in order to establish active membership a member shall:

1. Hold at least one fully paid share in the Co-operative;
2. (A) Reside or work in Surry Hills OR  
(B) Be an organisation member that provides beneficial services to the Surry Hills community;
3. Participate in an activity organised by the Co-operative at least once every two years.

If any member is unsure of his or her status as an active member should contact the Centre Coordinator on 9310 2888 between the hours of 9am and 5pm, Monday to Friday.

## **6) MEMBERS ELIGIBLE TO RECEIVE THE SPECIAL MEETING NOTICE MATERIAL**

All members, whether active or inactive at the time of the General meeting, are entitled to receive the special meeting notice material. This is required by the Act and ensures that all members of the Co-operative are made aware of the intention to transfer from a non-trading Co-operative to an incorporated association.

## **7) HISTORY OF THE CO-OPERATIVE**

The Surry Hills Neighbourhood Centre was officially registered as a Co-operative in 1987. It is a non-profit, non-government community based information and resource centre that provides services to the Surry Hills community. Its brief history grew out of the resident action movement and Green Bans action of the early 1970s, to save Surry Hills as a lively and well serviced residential area.

The role of the centre is a combination of some direct services, information, networking, new and innovative programs and advocacy for residents.

The centre has, since its inception, provided a range of programs for children, activities for people from culturally and linguistically different backgrounds and been an advocate for those in need. The Centre has played a significant role in providing support to the increasing numbers of public tenants from ten local properties. Staff have addressed the special needs groups such as single parents, those with HIV+ , mental health and alcoholism issues, and also the increase in crime and violence in this inner city area together with its a lack of services.

The Centre has the support of local government, the NSW Department of Community Services and federal Family and Community Services. It successfully raises funds to complement government funding.

## **8) FINANCIAL POSITION OF THE CO-OPERATIVE**

### **8.1 Audited financial Accounts for Year Ended 30/06/2006.**

A copy of the last audited annual report (to the period ended 30 June 2006) is available for inspection at the registered office of the Co-operative, and a copy will be provided to members on request at no cost.

### **8.2 Comparative Audited Balance Sheet**

The following is a summary of audited key balance sheet items of the Co-operative for the years ended 01/07/2001 to 30/06/2006.

During 2005/6 our annual Festival returned a profit of \$70,678 as opposed to \$2,012 during 2004/05. This obviously resulted in a significant increase in our cash position and a significant increase in our temporary GST liability.

<b>Assets</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current Assets:	53,955	83,794	79,676	149,379
Noncurrent Assets:	6,010	3,651	7,826	8,411
Total Assets:	59,965	87,445	87,502	157,790
<b>Liabilities</b>				
Current Liabilities:	61,648	42,258	57,408	81,623
Non Current Liabilities:				
Total Liabilities:	42,258	61,648	57,408	81,623
Net assets (Total assets-total liability)	17,707	25,797	30,094	76,167
<b>Equity</b>				
Issued Capital:	390	390	390	390
Reserves:				
Retained Profits/(Losses):	17,317	25,407	29,704	75,777
Total Shareholder Equity:	17,707	25,797	30,094	76,167
Number of members:	294	306	306	306
Turnover Profit/Loss:	6,258	8,090	4,174	46,072

### 8.3 Material or Significant Changes since 30 June 2006

There has been a significant increase in our net assets position as at 30 June 2006 compared to 30 June 2005. This was as a result of our highly profitable 2006 Festival.

## **9. EFFECTS OF THE PROPOSAL**

On registration of the special resolution and documentation to transfer incorporation, the Co-operative will convert to a co-operative without shares and then transfer to an incorporated association. .

### **9.1 On agreement by members:**

The Co-operative will convert to an Incorporated Association by adoption of the set of rules attached.

### **9.2 Background to Conversion Proposal:**

The Surry Hills Neighbourhood Co-operative was required, by the Department of Fair Trading, to make changes to update its rules and ensure it was compliant with the law.

### **9.3 Effect on the Operations of the Surry Hills Neighbourhood Centre**

#### *General Effects*

- All persons who are members of the Co-operative at the date of transfer of incorporation to an association will become members of the new association.
- The co-operative will cease to be regulated by the Co-operatives Act 1992 and will be incorporated under the Associations Incorporation Act 1984.
- The Co-operative's rules will no longer apply and the rules of the association will apply.
- The new association will be considered to be the same entity as the body corporate constituted by the Co-operative. This means the assets, rights and liabilities of the Co-operative will become the assets, rights and liabilities of the new association.

The transfer will not affect the manner in which the organisation will operate or deliver its services and will not have any effect on funding arrangements.

#### *Effect on Voting Rights*

Members will have one vote per member at a general meeting, provided that, in the case of an equality of votes at a general meeting, the chairperson of the meeting will be entitled to exercise a second or casting vote. However, there is no requirement that members satisfy an active membership test in order to be permitted to vote.

#### *Effect on Shares*

On registration of the special resolutions, the share capital of members will become part of the general reserves of the Co-operative. Members will not be entitled to have their share capital returned.

#### *Fees Charges and Subscriptions*

The Co-operative does not currently require that members pay an annual subscription, however, members will be required to pay an amount of \$1.00 per annum. A member who fails to pay the annual subscription within 6 months of the due date will cease to be a member of the association. New members will also have to pay a joining fee.

#### *Liability of Members upon winding up of the Association*

The liability of a member of the association to contribute towards the payment of the debts and liabilities of the association or the costs, charges and expenses of the winding up of the association is limited to the amount, if any, unpaid by the member in respect of membership of the association.

#### **9.4 List advantages of the conversion proposal:**

In changing to an Incorporated Association, the aim of the Surry Hills Neighbourhood Co-operative is primarily about changing its rules as a way of meeting criteria for Public Benevolent Institution (PBI) status, to maximise the opportunity for receiving grants and donations. Becoming an Incorporated Association is one, but not the only means, of being granted PBI status by the Australian Taxation Office (ATO).

The regulatory requirements for an Incorporated Association are less stringent than those for a Cooperative. Accordingly there are advantages from an administrative perspective with and the associated time and costs involved in administering a Cooperative, without losing any of the protection currently afforded by the requirement for yearly audits which will be ongoing under the Incorporated Association structure.

#### **9.5 List disadvantages of the conversion proposal:**

After the changes, should members fail to pay the annual subscription of \$1 within the time specified by Rule 5 they will cease to be members of the organisation. This is in contrast to the current rules, Rule 16 sets out the circumstances where a member ceases to be a member of the Co-operative. Most members remain members of the Co-operative until they resign or until their membership is cancelled as a result of being inactive for a period of three years. Whilst this may provide a minor disadvantage to some members, in the long run it will allow the Centre to maintain more regular and reliable contact with its members.

There are costs associated with the transfer of incorporation, that are several hundred dollars, and this also may be considered a disadvantage, although in the long term, the time and cost savings ease of more streamlined administration should counter this initial outlay.

### **10. TAX EFFECT**

The Centre does not pay tax as it is a non-profit organisation, so there is no tax effect. This advice has been provided by the book-keeper of the Co-operative, John Ferguson.

### **11. ALTERNATIVES TO CONVERSION**

The main alternative to converting to an Incorporated Association considered was to remain as a co-operative. However, the Committee considers that the Co-operative structure does not accurately reflect the nature of the Surry Hills Neighbourhood Centre any longer.

As outlined in Item 9.4, an Incorporated Association structure was also preferable to a Co-operative structure because the latter has more stringent regulatory requirements and hence is likely to result in increased administration time and associated costs.

**12. RECOMMENDATION**

The Committee is unanimously in favour of the decision.

**13. OTHER STATUTORY INFORMATION**

Section 194 of the Act requires the following additional information to be disclosed:

13.1 No compensation, commission, reward or other benefit, has been or shall be received by Directors or relatives in relation to the proposal to transfer to an incorporated association.

13.2 The Directors are not aware of any further information that is within their knowledge and that has not previously been disclosed to the members, where the information is material to the making of a decision by a member whether or not to agree to the making of the offer.

There is no other information prescribed for disclosure in this matter.

13.3 There is no compensation, consideration, reward, commission or other benefit that has been or will be paid or given:

- a) To any officer of the Co-operative;
- b) To any relative of an officer of the Co-operative;
- c) To any entity (whether incorporated or not) of which an officer of the Co-operative, or relative of an officer of the Co-operative, is a shareholder, member, officer, partner or beneficiary, in relation to this Proposal and the promotion of the Proposal.

**The Registrar of Co-operatives has directed that all information contained in this Disclosure Statement be furnished to all members of the Surry Hills Neighbourhood Centre Co-operative.**

**This Statement is signed in accordance with a resolution of the Committee of the Surry Hills Neighbourhood Centre**

**DATED ..... OF .....2006**

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**(Insert name)  
Director**

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**(Insert name)  
Director**