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Shareholder Newsletter 2022 in review

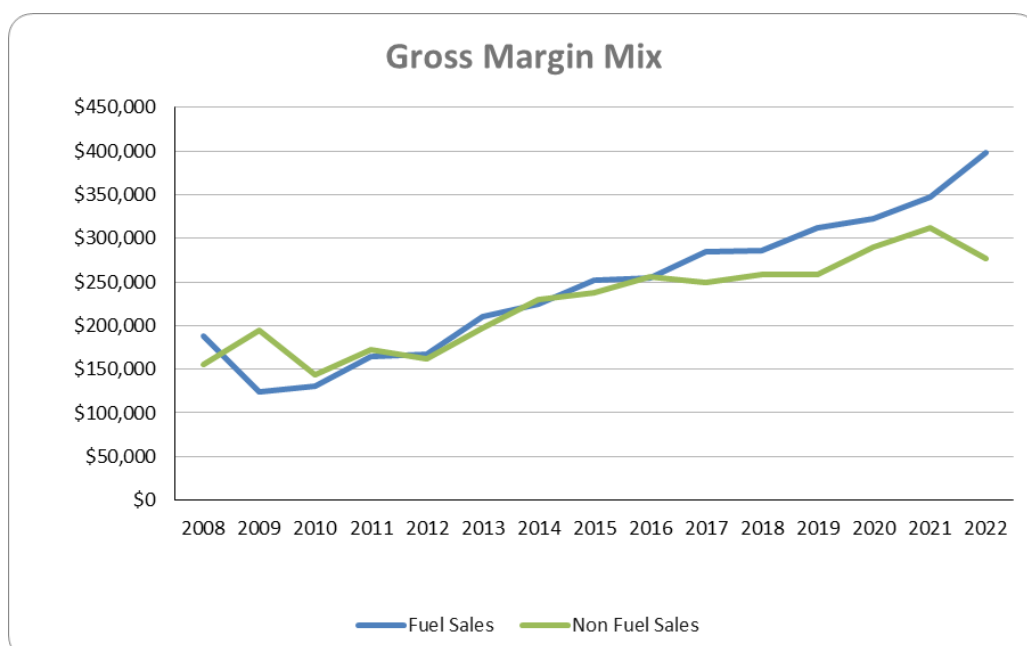
YCDCO held its AGM on 25th January, 2023 at the Cricket Club Rooms at the Yackandandah Sports Park to over 25 members. At the AGM, the Board was very pleased to once again announce a dividend of \$8/share to shareholders. The Board would like to thank shareholders and the Yackandandah community for their continuing support. Shareholders in attendance were able to take the opportunity to speak directly with YCDCO Board members.

Following is some information on the past year of business operations for those that missed our AGM. YCDCO continues to provide considerable economic benefit to the broader Yack community with another exceptionally satisfactory year of trading.

Sales

Fuel Revenue rose 39% during 2022. This increase is a function of the steep increases in fuel price in the 2021/22 financial year. The litres sold was only slightly more than the previous year, however we finally broke the 3 million litre fuel sales for the financial year having been very close to it or the past two years! Revenue from non-fuel products declined slightly (-1%), however the levels of hardware and farm produce sales were not expected to continue at the rates observed during Covid lockdown periods once restrictions eased. Farm produce sales also slowed due to the very wet conditions in the Spring.

The Board thanked Site Manager, Dave Lerch and his team for their continued good work and service. Profit before tax was \$173,545 to June 30 2022, this compares to \$262,239 from the previous year. Detailed audited financial statements for the year can be found in our Annual Report published on the website.



Site Upgrade

This has been completed now for the time being, whilst we look at YCDCo's long term future. We have new bowzers, 24/7 fuel available, new flooring and shelving in the store and a complete revamp of our website and corporate image. We feel like a new company – very appropriate in our 20th anniversary year. The feedback by customers on the station refresh has been very positive – everything old is new again! Many thanks to Dave Lerch, our Manager, and the Board directors involved who gave much of their time managing the upgrades and refresh. We always welcome suggestions from shareholders and the community on how we can improve services. Comments and suggestions can be directed to the Site Manager, Dave Lerch directly, or to the board via our email address ycdco@yackandandah.com

Your current board members

Directors of YCDCo as of 25th January, 2023 are as follows: Ian Fitzpatrick (Chair), Max Horvath, Rex Little, Phillip Newman, Ali Pockley (Company Secretary) and Ian Nightingale. We are always keen to attract new Board members particularly younger enthusiastic ones who are keen to give back to the great community of Yackandandah. There is a section on the website about this <https://www.ycdco.com.au/board-of-directors> Thanks to Michael Bell and Barry Maginness who retired recently for their sterling work over the years on the YCDCo Board, they will be much missed.

Communications

Yackity Yak, your local newspaper, continues to be an important avenue for building community connectedness throughout Yackandandah and the surrounding district. At the AGM I thanked our editor Ali Pockley for the great work in getting this out bimonthly. The production of Yackity Yak is underwritten by YCDCo and is funded wholly by advertising revenue which has risen consistently, particularly over the past three years. 1,600 copies of the paper are produced every two months and provided free of charge to residential properties in and around Yack, and also through local outlets. Back editions of Yackity Yak can be viewed on-line in full colour at - <https://www.ycdco.com.au/yackityyak-news>

New Fuel Supply Partnership

We have now been using TASC0 for just over a year, and are delighted with our partnership with them. TASC0 provided the after-hours terminal free of charge and offer customers a branded TASC0 Ampol fuel card which comes with a discount per litre, and the added convenience of being able to be used in many other service stations up and down the freeway. This means customers with leased or company vehicles which typically include major chain fuel cards like Ampol can use these now at our store with potential to increase sales. Fuel Card applications are available in store.

Shares

We are in the envious position of having more applicants for shares than current shares available for sale. This means shareholders can transfer or sell shares if needed in a timely manner. The current share value has grown to a new high of \$306/share compared with \$293 in the 2020/21 financial year. Requests for purchase or sales of shares can be made on-line on our website - <https://www.ycdco.com.au/become-a-shareholder>

Supporting the Local Employment

YCDCo continues to be one of the larger companies in Yackandandah employing between 14-17 employees including the Site Manager. This also includes casual employment of local young people providing invaluable work experience and income. There are also three part-time business support roles - accountant, editor and Company Secretary, and up to eight volunteer Directors of the Board. Applications for casual work can be made at any time.

<https://www.ycdco.com.au/employment> will give you information on the process. YCDCo is proud of the history of providing work particularly to younger members of our great Yackandandah community.

Suggested Amendment to the YCDCo Constitution

The Board have received a letter from two shareholders which is appended to the back of this report. The letter which comes from two of the foundation directors seeks consideration of the proposed resolutions which are motivated by their recognition that loopholes in the wording of the original Constitution need to be addressed to ensure the intent for equal distribution to community is enshrined.

We are seeking shareholders' comments on this amendment before this comes to the next Annual General Meeting in November 2023, so please take time to read this letter. Any comments from shareholders are welcomed. Please post to The Company Secretary, YCDCo, PO Box 188, Yackandandah VIC 3749 or email to ycdco@yackandandah.com. All comments will be considered by the Board.

Service to the Community

The YCDCo Board continue to connect with other organisations in the Yack community. This year we met with Yackandandah Community Centre, Totally Renewable Yackandandah, Indigo Power, Yackandandah Cemetery Trust, Indigo Shire Council and others. We also participated in visits from a national group of young AgriFutures Scholarship winners considered to be future community leaders to inspire them with our rural town story, and YCDCo was invited to participate in a visit to Yack by an international "Not for Profit / Sustainability" group again to share in the positive storytelling of what is possible in communities to make them more sustainable. Community representatives from other towns and cities continue to reach out to us to learn more about the YCDCO model.

Your company provides funding to support a variety of initiatives by local community groups. These included:

FY2022 Total commitment - \$34,680

Yack Football & Netball Club	\$440
Yack Tennis Club - Lighting upgrade to LED	\$8,000
Yack Riding Club - Kitchen facility construction	\$4,765
Yack Cemetery Trust - Electric maintenance gear (mowers, etc)	\$8,000
Yack Golf Club - office admin equipment	\$1,930
Yack Primary School - Dry creek adventure area	\$4,545
Yack Cricket Club - Uniform replacements due to new code	\$3,000
Yack Scouts - replacement trailer (stolen equipment)	\$4,000

We are delighted with the ongoing support of the community which is the fundamental reason we are in a position to support so many worthy community projects.

For those shareholders that may not be aware, 2022/2023 celebrates our 20 year anniversary since inception of YCDCO back in 2002 as an unlisted public company, commencing operation in 2003. The Board are currently considering ways to celebrate this wonderful milestone in our journey so far as a community. This will be well advertised in the usual places – Yackity Yak and the Yack Community Facebook Page, plus posters around town.

A competition for all YCDCo users will be run later this year as per details in this newsletter. Make sure you enter! Good prizes to be won...

I would personally like to thank all past and present employees and the previous volunteer board directors over the years that gave their time freely to the running and success of the YCDCO venture.

Warm regards,

IAN FITZPATRICK
Chairman of the Board



I am a shareholder with Yackandandah Community Development Company and wish to have my dividends paid by direct debit.

NAME.....

ADDRESS:.....

EMAIL ADDRESS:.....

BANK NAME..... BSB

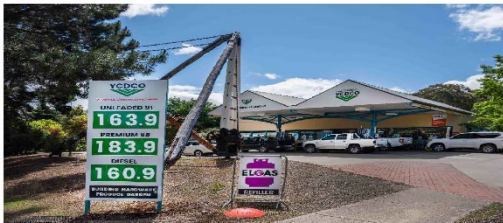
ACCOUNT NAME:

ACCOUNT NUMBER

SIGNATURE

Your Local Community Owned and Operated
***FUEL * HARDWARE * PRODUCE & FARM SUPPLIES ***

The Management and Staff of YCDCo would like to thank all shareholders for their continuing support, and all look forward to another good year serving the Yackandandah and District community.



As a thank you to all our customers, we will be running a competition for six weeks commencing Monday, 3rd April until Saturday, 13th May, 2023

(the competition will exclude staff and families and Board members and families)

We will be offering a weekly voucher for \$50 to be spent in-store to the lucky person!

No strings attached. Just make a minimum purchase of \$25 and go into the draw.

The competition will end on Saturday, 13th May, 2023 at close of business and the lucky winners will be notified by telephone weekly.

You are receiving this newsletter and dividend by post because we don't have your banking details for direct debit. Please use the form above to update all your information.

Cheques are slowly being phased out so don't miss out on your dividend!

Please return this completed form by post to YCDCo, PO Box 188, YACKANDANDAH VIC 3749, drop it in at the servo by hand, or scan it and send via email to

ycdco.admin@yackandandah.com

20 December 2022

Ian Fitzpatrick
Chair
YCDCo. Ltd

Dear Ian

YCDCO COMMUNITY COMMITMENT – YACKANDANDAH COMMUNITY FOUNDATION

Further to our recent discussions with you, Phil Newman and others regarding YCDCo and how the ‘50% community commitment’ of the company works, this joint letter outlines our views in this respect. This is probably a matter that is best addressed through general discussion on the floor at the up-coming AGM on 25 January. However, neither of us are able to be present at the AGM and we feel it is of such importance to the future of YCDCo that we need to lay out our views on this. As two of the seven founding shareholders of YCDCo. and many years as chair and company secretary respectively, we have a strong historical link to the company and its origins. We feel it is important to share our views on this.

So, we request that this matter – YCDCo community commitment structure – be placed on the agenda to be addressed at the AGM.

Firstly, we’d like to congratulate the current board and staff on the achievements of YCDCo., especially over past 5-10 years which have seen such gains and a consolidation of its financial position and performance. This places it in a good position to plot its future over the next 20 years and more- hopefully, it will be ‘onwards and upwards’.

In expressing these views, we understand that other shareholders may hold different views to this and we totally respect and understand that.

1.0 Context and History

As I have mentioned to you in many discussions recently, YCDCo is held up widely in Australia as an example of a ‘social enterprise’ and much is made of the novel 50/50 profit split between shareholders and the community. This has always a core part of the rationale for setting up the company. Essentially, we see it as the cornerstone of who/what we are.

In other words, we are not just motivated by profit maximisation – we are focused on community and community development – as the company names suggests.

We have both spoken extensively in public forums over the past 20 years about this as setting YCDCo apart from other companies. So, we feel it is important to stay true to that founding ethos and to continue to adhere to it.

2.0 How it Currently Works

The 50% community commitment obligation is currently handled directly/internally by the company itself through a grants programs. There are guidelines, policies, etc. and organisations come to YCDCo with grant applications and/or project ideas/proposals to be worked up and funded.

Through the life of the company (we recall this in our time as directors too!!) it is often hard to generate enough interest or identify suitable projects, with clear community benefit, to cover the company’s full 50% community commitment obligation. So, historically, the company has used an ‘averaging’ approach for this. So, some years it would be less than

50%, and other years more. This all made good sense and avoids money being just pushed out the door for the sake of it.

But it's also true that, over the past few years (especially with covid impacts), the amount of community contribution has fallen significantly behind the 50% threshold. It appears that, from our analysis of the financial statements of the company, the company notionally 'owes' \$80,623 to the community (10 years from 2010 to 30 June 2021 with averaging).

Another aspect of this is the way the company constitution defines the 50% profit share mechanism.

Under YCDCo's constitution, it is required to contribute 50% of all distributed profits to projects and causes that will be "*.. for the social, economic and cultural benefit of the community of Yackandandah and surrounding areas...*". This part is clear in terms of its intent. Appropriately, this clause stays neutral on the types of things that funds can be used for and doesn't try to define how that benefit can be substantiated.

However, the wording in part of clause 27 is very clumsy and unclear. There's a strong case for it to be simplified. In terms of how/why this is the case, we can only look in the mirror! Because it was us (together with the other directors of the day) that hatched the whole thing out. So 'mea culpa' on that one.

3.0 The Alternative Approach – a 'Community Foundation' for Yackandandah

But the constitutional clause aside, there is still a more fundamental question of how best we can execute the community commitment process. One alternative model is to set up a separate Yackandandah Community Foundation. It would be the recipient of the YCDCo community commitment funds (wholly or partially) and the use/distribution of these (and/or banking some of them) for community benefit.

History is relevant here. When we were first setting up YCDCo in 2002, we recall discussion of the ideal separate foundation model. At the time, a number of people suggested that this would be the best way to set it up and we agreed.

That is, with YCDCo running the business side of things and being the financial 'engine room' (and having a board with skills that reflects this) and the 50% of profits going across to a completely separate community foundation (also with a board that reflects that). The foundation could obtain ATO deductible gift recipient (DGR) status so that donations to it are tax deductible (including YCDCo and private donations).

Some cross-board representation was also identified as being a good idea in this scenario too and it still is.

The benefits of the foundation model are:

- It creates the potential for better financial leverage for YCDCo community funds from other government /philanthropic sources (this not currently possible for YCDCo directly itself as it is a 'for-profit' tax paying entity).
- It creates a clear not-for-profit entity in the community that has a clear project funding and facilitation focus (as opposed to actually 'doing').
- It creates the potential for local residents to bequest part of their estate to 'the community' in their wills (there have been several people express interest in this and frustration that no such entity currently exists).
- A foundation board would be more focused on community development functions/activities than the current (service station-focused) board is able to be.
- A community foundation's sole job would be to work year-round to identify needs, collaborate with other community organisations to conceptualise and build community programs and projects. This is a more proactive model than the current 'grants round' model where community organisations are invited to apply for grants.

- It creates the potential to build bigger, more leveraged long-term ‘legacy-style’ projects (in addition to the smaller grant application type of projects).
- It is more tax effective.

In this regard, it is noted that there are already several such community organisations available locally (with DGR status) including Yackandandah Health, TRY and the Community Centre. The difference between a foundation and the other existing local NFP DGR entities is that a foundation would be the only entity that is a funding ‘accumulator/leverager’ and is ‘end-use neutral’. If (and the extent to which) a foundation could itself become an actual project/program ‘doer’ is a matter that needs more thought.

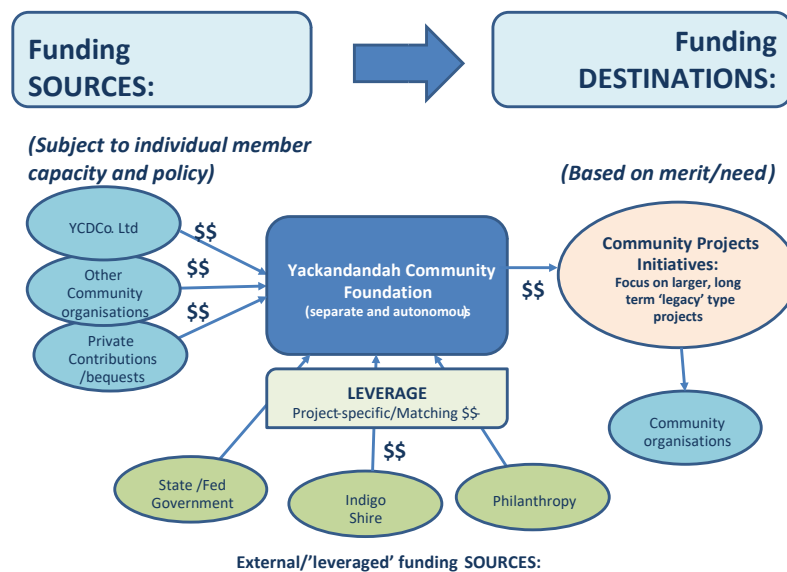
This rationale for a separate foundation was then and remains sound: the reason we didn’t do it at the start (2002) was we said “Actually, we’ve got a fair bit on our plate right now just trying to break even, so how about we just leave the foundation bit to another day?”

So, here we are, 20 years on. Maybe now is the time.

4.0 ‘Community Foundation’

A community foundation is an independent, locally run not-for-profit organisation working in a distinct geographic area which over time builds up a collection of funds from donors in the community. It provides services to the community, makes grants and undertakes community leadership and partnership activities to address a wide variety of needs.

A model for this is shown below:



Under this model. With YCDCo. as the primary Foundation benefactor, it is important that this funding contribution not be tied to specific projects. Rather, it should be given on the basis of support for the work of the foundation and contribution to the corpus. In this way YCDCo can stay at arm’s length from the work of the foundation, but be seen to be a primary supporter of its purposes.

Equally, it is possible that some of the community commitment funds be retained by YCDCo and distributed directly to community organisations (or ‘topped up’ into the foundation contribution) as it sees fit. Further, to create certainty for a future foundation, the YCDCo financial contribution needs to be for a longer timeframe than one year only.

There are various options for how this can be done (a new separate entity and the so-called ‘piggy-back’ option as a sub-fund of an existing larger foundation) and these all need to be worked through.

5.0 'Community Foundation' – Proposed AGM Resolution

We propose that the directors submit the following motion to the YCDCo AGM on 25 January 2023:

1. That the board and staff of YCDCo be thanked and congratulated on their achievements in establishing the company on a firm and sustainable financial footing over the past 10 years.
2. That the members and directors of YCDCo confirm that the intent of the company constitution is that, over the long term, distributions to shareholders by the company (dividends) must be less than or equal to any distributions made by the company to the community (community commitment).
3. That advice be sought as to how best to reflect and secure this intent in the company constitution with any resultant proposed changes to be considered by members at the next AGM.
4. That YCDCo. immediately commence the process of facilitating the establishment of a Yackandandah Community Foundation separate to and wholly autonomous from YCDCo. (NB: this is neutral on whether the structure chosen is as a new separate Yackandandah entity or a 'piggy-back'/sub-fund model under another existing foundation entity).
5. That a structure, governance model and operational guidelines be developed/drafted for the foundation. It is proposed that the constitution of the foundation stipulate that one foundation director position be a current director of YCDCo. Ltd.
6. That, subject to the structure, constitution and goals of such foundation being supportive of and consistent with YCDCo's community development/commitment goals, YCDCo agree in principle to providing financial support to the foundation on an ongoing basis for an initial term of at least 5 years.
7. That, subject to the above, the level of financial contribution be set initially at a level reflecting 80% of YCDCo's assessed community commitment obligation, with the balance (20%) being left to the annual discretion of the YCDCo. board.
8. That YCDCo commit to, in addition to meeting future community commitment obligations through the mechanisms outlined above, retrospective financial redress of any community commitment deficit that is found to exist up until the point of execution of this new arrangement.
9. That legal advice be obtained regarding the most appropriate legal and entity structure from professionals with knowledge and experience in the establishment of non-for-profit community foundations.

We thank you for the opportunity to express these ideas and thoughts. We honestly think, with YCDCO's 20th anniversary, this is a big opportunity to make it work better and set it up for the long term.

We also think it will create a strong story/narrative and a bit of hype to support and reinstate the essential underlying community focus of the company and that this will underpin even better trading outcomes.

Hope you and the other directors and families all have a happy Christmas and we look forward to talking again in the New Year.

Sincerely yours,



Mark McKenzie-McHarg



Cameron McKern