



## Information Memorandum

AN **INVITATION TO INVEST** IN THE YACKANDANDAH COMMUNITY DEVELOPMENT COMPANY PTY. LTD. FOR THE PURPOSES OF ESTABLISHING A SERVICE STATION FOR THE TOWN.

*...investing in  
Yackandandah's future ....*

**JULY 2002**

**NOTE: THIS DOCUMENT IS PROVIDED ON A 'COMMERCIAL-IN-CONFIDENCE' BASIS**

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## 1.0

... *introduction***1.1 Purpose of this Document**

The purpose of this document is to set out in detail a proposal to establish a new retail fuel service station in Yackandandah. It sets out the scope of the proposed project, detailed financial forecasts for the proposal and provides the basis of a private invitation to invest in the project for the recipient only.

**1.2 Limitations, Confidentiality and Disclaimer**

This Information Memorandum is provided to selected individuals /organisations only on a **strictly confidential** basis. It is for the use and reference of the recipient only. It is not to be provided, copied, transmitted or otherwise conveyed to anyone other than the recipient other than:

- with the written consent of the Board of the Yackandandah Community Development Company Pty. Ltd. (YCDCo.); or
- to a financial adviser for the purposes of providing bona fide financial advice specifically in relation to the proposal contained herein.

The information contained in this Information Memorandum has been prepared by YDDCo. in good faith based on its own detailed research and analysis. The statements, forecasts and financial projections contained herein are based on various assumptions which are regarded by YCDCo as both reasonable and conservative. These assumptions may not ultimately prove accurate or correct.

YCDCo. cannot therefore in any way warrant, guarantee or underwrite the forecasts or investment outcomes contained in this Memorandum. The projections and financial forecasts contained in this Memorandum should be treated by the recipient as illustrative only and not in any way as a guarantee of future results, outcomes and returns.

## 2.0

*... the  
Yackandandah Community  
Development Co.*

## 2.1

**YCDCo. - Background, Purpose and Goals**

The YCDCo. did not exist prior to the emergence of the petrol station situation in March 2002. When we heard that the petrol station was about to close, a groups of locals got together and decided to do something positive about it. We formed a company called the **Yackandandah Community Development Company (YCDCo.)**.

YCDCo. was initially formed with a goal to secure the future supply of fuel in Yackandandah. It is regarded as such a basic service function that it is crucial to retain. Initially, this involved taking over the operation of the existing petrol at 12 High Street but we are now thinking longer term.

Having formed, we decided that the petrol station issue might be the 'thin end of the wedge' and that other similar issues may emerge in future which call for a concerted community-based effort/response (e.g. the hospital?). We therefore decided to establish the company on a semi-commercial/semi-community basis. The idea is that the commercial focus will ensure that we are not seen as a charity, are basically self-sustaining, are locally controlled, are not beholden to politics and are not reliant on grants, subsidies or donations.

In a way, our Vision for YCDCo. is to become a strong 'voice' for the Yackandandah community (business and residents) in the absence of having our own Council or Chamber of Commerce. Arguably, had such an organisation as YCDCo. been in existence when the banks pulled out in the 1990s, we may still have a bank in Yackandandah today.

Therefore, our goals are as follows:

1. to operate YCDCo. on a **commercially sustainable** basis and generate profits;
2. to extend the ownership base of YCDCo. so that it has a **broad-based community ownership** structure; and
3. to return **50% of any profits** the company generates (e.g. after operating expenses) back to the community causes and projects in some way. (This foundation community commitment of YCDCo. is enshrined in the company's Constitution); and
4. to return the remaining 50% of any profits to YCDCo. shareholders.

## 2.2 Present Ownership Structure

The 7 present directors/shareholders of YCDCo. are David Norman, Mark McKenzie-McHarg, Glenn Clark, Andrew Earl, Cameron McKern, Phillip Newman and David Larkin. Each current director has an equal equity share in the company at present.

We each contributed \$1,000 to establish YCDCo. and take over the 12 High Street site. These funds are now nearly used up due to operating losses at the present site.

Initially, we deliberately contained the size of our group to 7 because we needed to make quick decisions to keep fuel flowing in the short term. In the early stages, we didn't want to deal with the complications which a large number of shareholders would inevitably have involved even though we were aware of substantial level of community goodwill and preparedness to contribute. It was hard enough with just seven and that provided enough capital initially (e.g. the money needed to get started).

In the longer term, we think that it will be clearly beneficial to the organisation (and the community) if there is broader-based community ownership in the YCDCo. We also need a broader ownership structure to raise enough money to build a new service station.

## 2.3 Proposed Future Ownership Structure

Essentially, what this Information Memorandum is all about is to achieve the following 2 things:

1. to broaden the ownership structure (ie through a share issue) of YCDCo. In 6 months time, we would like YCDCo. to be owned by about 200 to 300 local people and families (other than the present 7 owners);
2. by doing this (e.g. issuing new shares), we aim to raise the necessary capital (e.g. money) to finance the construction of a new service station in Railway Avenue (subject to planning approvals etc.).

This information Memorandum is therefore an invitation to buy shares in YCDCo. The final number of shareholders will ultimately depend on the level of interest we receive from this Memorandum (as will the whole project viability).

Key features of the proposed structure are:

- the current 7 directors will remain in office and manage the company until 30 June 2004;
- after that, the term of office for YCDCo. directors will be 2 years (the procedures for nomination, election of directors etc. are still to be determined);
- YCDCo. will hold an annual meeting of shareholders which will provide the key forum for input and questioning by shareholders;

- directors will be ultimately answerable for their performance to the annual meeting of shareholders; and
- shares in YCDCo. will be transferable and saleable but under the specific conditions set out in the YCDCo. Constitution. [The Constitution sets out in detail a process whereby shares must first be offered (at a price) to other shareholders within the Company. Then, it is only where the offer to sell shares is not taken up by other existing shareholders, can they be sold to a person who is not an existing shareholder].

## 2.4

### Our '50% Community Commitment'

The '50% Community Commitment' has been enshrined in the YCDCo. Constitution and is really what the company's ethos is all about.

**The community commitment essentially says that whilst we want to be commercial enough to be self-sustaining, our primary focus is ultimately on community building for Yackandandah rather than profit-making.**

**Profit is good if we can use it to make Yackandandah a better place.**

The '50% Community Commitment' applies to company profit (before tax). The details of exactly how it will work have not been finalised. However, the following are provided as general guidelines:

- funds will be applied for purposes/projects which offer a clear benefit to the community of Yackandandah (and surrounding localities);
- funds distributions will be made by the YCDCo. Board, a sub-committee of the Board or a separate Board of Trustees to be appointed especially for that purpose (this is yet to be finalised);
- it may be determined not to allocate any funds in a specific year, to reserve funds for future distribution or to reinvest the funds in the company itself for future business generation purposes. However, only 50% of profits will be available for distribution to shareholders as a dividend payment in any year;
- funds may be a once-off contribution towards a specific community project, purchase of items of specific equipment for community use or organisations;
- it is not expected that these funds will be distributed by way of untied cash grants to clubs and other community groups; and
- it may be for payment of people/staff employed in relation to specific community service, activities, causes or projects.

These guidelines will need to be developed in more detail.

## 3.0

# ... the Yackandandah Fuel situation

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### 3.1 The Core Problem We Face

When we took over operation of the present petrol station at 12 High Street, we thought (somewhat naively perhaps) that the solution would be easy. All we would have to do is install EFT card-swipe bowsers to reduce the salary costs, let the customers get used to the idea of not having driveway service and that's the answer.

Unfortunately, its just not that simple!

The core problems we face are three-fold:

- firstly, the retail fuel market is such that there is no money in selling petrol unless you refine it, or you have a strong **complimentary business** supplementing the fuel (see section 3.3 for details). This truth is well documented;
- we can't sell fuel at a competitive price in Yackandandah unless we buy it in large volumes direct from the refineries (e.g. more than 35,000 litres at a time). The tanks at 12 High Street hold 10,000 litres and are very old;
- in Yackandandah, we have a high number of people who work in Albury-Wodonga where it's more convenient and cheaper to buy fuel. Petrol consumers are very price-sensitive.

### 3.2 The Present Site - Issues and Constraints

One of first things we did was check out the 12 High Street site carefully and all its infrastructure. The key site issues and constraints are as follows:

- firstly, the fuel tanks have very low capacity and it is impossible to buy wholesale fuel (at competitive rates) in low volume. We presently sell fuel on consignment on behalf of the local Caltex distributor and receive 4 cents/litre. That amounts to a retail mark-up of **less than 5%** which is unheard of in any other retail business;
- the tanks, equipment and other infrastructure at the site are all ageing;

- the site has kerbside bowsers, and whilst these are a 'quaint' aspects of the streetscape, they are only allowed to be there because they always have been (e.g. non-complying sites can continue on but as soon as you try to change them, you need to comply with the health and safety regulations).

Legally, we cannot upgrade the bowsers on the site without bringing the whole site into compliance with the Victorian Worksafe regulations and that is simply quite impossible given its location and age;

- access is a problem, as anyone queuing there for petrol will know. You can only fit one car at a time at the bowsers and the current small delivery truck has problems with access. Larger delivery trucks (35,000 litres plus) would find it impossible;
- the site presents potential health and safety risks for the community in general (e.g. smokers on the street walking past the bowsers);
- the space on the site is limited in that we can't really develop any complimentary business to supplement fuel sales.

**The outcome is, in our view, there is no possibility for us to run a viable fuel business from the 12 High Street in the long term.**

### 3.3

#### The Realities of the Retail Fuel Industry

The vagaries of the retail fuel sector are well documented. They usually get publicity in the days around Easter and other public holidays. Since becoming involved in this issue we have undertaken extensive research into the retail fuel market and analysed potential margins.

It is generally understood that gross retail margins range from 3 cents/litre to 4 cents/litre around the Albury-Wodonga region where fuel is provided to retailers by distributors on a consignment basis. Where bulk fuel is sold to retail outlets on a cash basis, the margins are in the order of 8 cents/litre. Whilst this is better than the consignment margin, it is still equal to a retail mark-up of **only 10%** (or often less).

By any standard (for a core product line) this is a very tight margin and difficult to sustain without another complimentary product line. Of course, this is not an issue for retail outlets which are owned by the big oil companies where the profit is in the supply of product.

But as a general rule, fuel retailers only survive by selling large volumes and making healthy margins on complimentary product lines like food, drinks etc. Hence we have seen the advent of large convenience stores attached to service stations in recent years.

The outcomes of our research are summarised below:

- if we had tanks of at least 50,000 litres in Yackandandah, we could buy wholesale fuel at 'terminal gate prices' from independent distributors on a competitive basis;
- the transport cost for fuel is about 2.75 cents per litre from the major refineries in Melbourne to Yackandandah;
- the potential gross margin we could make under this proposal would be about 8 - 9 cents/litre.

In summary, our opinion is that for anyone with pure commercial returns as their motive, the retail fuel business is not an attractive option. However, YCDCo's goals are broader than commercial return alone.

### 3.4 The Options

The options we face to address these issues are:

1. Do nothing, and we all buy our fuel in Wodonga. The long-term implications of this are:
  - it would create inconvenience for everyone in the town;
  - it would be detrimental and have a flow-on effect to other businesses in the town (e.g. so called '**retail leakage**' would damage other local businesses);
  - it would greatly disadvantage the older people in the community;
  - it would create potential community safety hazards with the CFA and SES emergency vehicles not having access to fuel locally during emergency situations; and
  - numerous other inconveniences and disadvantages to the community in general.

**OR:**

2. Build a new service station capable of meeting community needs, and supplying fuel at competitive rates. This option is detailed in section 4.0.

## 4.0

# ... the preferred option: build a new service station

### 4.1

#### Summary of Our Proposal

The specific proposal which is the subject of this Information Memorandum is to develop a new service station in Railway Avenue Yackandandah (planning permit pending) at the front section of the Indigo Shire Works Depot site. A detailed site plan for the proposed development is contained in Appendix A. The proposed service station will be developed to the standard necessary to enable the following to be achieved:

- the **aggregation of existing fuel volumes** presently used by people and businesses around the local community. This **includes Indigo Way Services, Nelmac Pty. Ltd. And Yackandandah Engineering Pty. Ltd.** This will require some specialist diesel bowser equipment and access which is suitable for heavy vehicles;
- the ability to receive larger bulk fuel deliveries from independent distributors (e.g. 35,000 litres minimum delivery) which will provide access to more competitive wholesale prices; and
- the resultant ability to sell fuel at retail prices which are directly competitive with the Albury-Wodonga retail market.

We are confident that the combination of these 3 measures will create a commercially sustainable retail service station for Yackandandah.

The service station will include:

- properly constructed concrete apron and surrounds, with sealed access roads and landscaped surrounds;
- a fully fitted station building with the future capacity for addition of storage areas, wash bay, vacuum bay etc.
- all necessary up-to-date safety features for a service station including drainage infrastructure, triple interceptor traps etc.;
- up-to-date high capacity fuels tanks (e.g. at least 50,000 litres) to enable the wholesale purchase of fuel at competitive prices from suppliers;
- up-to-date electronic bowsers (probably second-hand);

- full electronic and communications cabling (with capacity to install EFT capable bowsers in future); and
- a high-flow diesel bowser with electronic PIN access by authorised business users. This will enable us to supply fuel to buses, trucks, emergency vehicles and heavy equipment.

## 4.2 Aggregated Fuel Volumes

The aggregation of fuel used locally is a key aspect of our proposal. We already have 'in principle' undertakings from Nelmac Pty. Ltd., Yackandandah Engineering Pty. Ltd. and Indigo Way Services to procure their fuel needs from the new service station as long as we can provide it on a competitive basis.

In addition to aggregating volumes from around the town, the fact that we can sell fuel at more competitive retail price compared to Albury-Wodonga will lead to increased sales.

The following table shows our estimates of the aggregated fuel volumes upon which our proposal is based:

| <b>FUEL USER/SOURCE:</b>  | <b>ULP</b><br>(lit. p.a.) | <b>Diesel</b><br>(lit. p.a.) | <b>TOTAL</b><br>(lit. p.a.) |
|---|---------------------------|------------------------------|-----------------------------|
| Current sales (litres)  | 624,000                   | 156,000                      | <b>780,000</b>              |
| Adjusted sales (10% increase based on price competitiveness with Alb-Wod) | 686,400                   | 171,600                      | <b>858,000</b>              |
| Indigo Way Services   | 0                         | 182,000                      | <b>182,000</b>              |
| Nelmac Pty. Ltd.  | 0                         | 120,000                      | <b>120,000</b>              |
| Yackandandah Engineering Pty. Ltd.  | 0                         | 12,000                       | <b>12,000</b>               |
| <b>TOTAL AGGEGATED FUEL USE:</b>  | <b>686,400</b>            | <b>485,600</b>               | <b>1,172,000</b>            |

We are confident that the above fuel volume scenario is not only realistic but arguably conservative, remembering that we will be offering fuel on price-competitive basis. These are the aggregated volumes upon which our financial forecasts are based.

## 4.3 Proposed Operating Structure

Another important feature of our proposal is a key to the project location at the front of the Council-owned IWS depot in Railway Avenue.

IWS has a need to create a new position for a store-person at the depot to maintain an overview of the depot site during core operating hours.

This person will be required to monitor traffic coming and going from the depot, maintain control over IWS stores and to oversee deliveries to and issues from the depot site.

In our discussions with IWS, we have identified an opportunity to combine the role of a **storeperson** with the role of the **service station operator**. IWS has undertaken to contribute 50% of the employment costs for this position.

Obviously, this makes the proposal very dependent on the Railway Avenue site.

The core hours of the service station operator/storeperson will be supplemented by part-time and casual staff (as is presently done at the High Street site) to provide a **quality, full driveway service**. Our research shows that many current customers (especially older people) regard this as crucial.

We propose to fill a roster to cover the following opening hours:

| TIME:                    | OPENING HOURS:       |
|--------------------------|----------------------|
| Weekdays- Core hours     | 7.00 am. to 4.00 pm. |
| Weekdays- Shoulder hours | 4.00 pm. to 6.00 pm. |
| Saturday                 | 9.00 am. to 4.00 pm. |
| Sunday                   | 9.30 am. to 4.00 pm. |

**This proposal results in a new full-time job created in the Yackandandah township.**

#### 4.4

#### **Complimentary Businesses/Products**

As identified in section 3.3, the retail fuel sector generally only makes money out of complimentary businesses and product lines which is the reason so many small service stations are shutting down.

Our proposal, as presented to date, has been based purely on a fuel supply basis and not including any complimentary businesses or product lines.

However, we firmly believe that, in the long-term, a key to the survival of this venture will be to research, develop and operate one or several forms of complimentary business in addition to fuel. This will be necessary to:

- defray (e.g. spread) fixed operating costs; and
- generate more income to supplement that generated from fuel sales.

In the process of developing this proposal, we have chosen not to develop in detail proposals for any specific complimentary businesses or product lines at this stage.

The reasons for this are threefold.

**Firstly**, we believe that initially we needed to establish a sound rationale for a service station based on fuel sales alone in order to proceed with this as a broad-based community project. Then, once the fuel side is up and running, we can refocus on researching and developing other complimentary businesses/product lines. We decided that if we couldn't present a sound and financially viable business case for fuel alone, then we wouldn't proceed at all.

**Secondly**, establishing complimentary businesses is a potentially sensitive issue. For example, there is no point in propping up the petrol station by going into direct competition with another business in town if it makes that business unviable. **We do not want to undermine existing Yackandandah retail businesses.** Having said that, we believe that there is potential room for product lines which are 'impulse buys' which can be introduced to compliment fuel sales.

**Thirdly**, the research aspects for establishing a new business are extremely time consuming and demanding. We are a voluntary group and the fuel aspects were enough to start with.

As an indication, we have identified the following potential complimentary businesses/product lines:

- bulk fuel distribution (e.g. to farms);
- general snacks/soft drinks/confectionary/cigarettes/newspapers/ice etc. (e.g. impulse buys);
- oils, lubricants and mechanical parts etc. (potential to sell these on either cash/consignment basis);
- mechanics workshop in existing Council depot workshop (specialist for maintenance of diesel plant and equipment);
- recreational equipment hire (e.g. summer opportunity with excellent location across from Issacs Park); and
- car wash/vacuum bay /(site will have capacity included in design).

We propose to research these once we have the new service station up and running.

#### 4.5 Site Assessment and Technical Specification

The site selected for the proposed service station was chosen after looking at numerous alternative sites (including beside the IGA Supermarket, in front of the Caravan Park and the current site). Criteria applied included:

- price and land availability;
- size and accessibility for larger vehicles;
- ability for delivery trucks to be accommodated wholly within the site whilst making deliveries (planning scheme requirement);
- visibility from main roads, traffic access;

- community health and safety (e.g. water ways and drains etc.)
- probable construction costs/technical issues (e.g. location of services etc.); and
- opportunities for complimentary activities (e.g. dual IWS storeperson role).

The Railway Avenue site was chosen because it offers the following benefits:

- linkage to IWS depot (this creates the potential to share operating costs with IWS, aggregate fuel supply and potential to establish a specialist heavy plant and equipment maintenance business in the existing disused IWS workshops);
- good visibility from Issacs Avenue (which carries 2,200 vehicles per day);
- sufficient size to meet all access and planning scheme specifications;
- location opposite Issacs Park creates opportunity to create range of tourism-based complimentary businesses; and
- nominal rental to be charged by Indigo Shire and long-term lease options offered by the Council.

Appendix B provides a detailed technical specification of the proposed service station and associated facilities. The new facility will have the capacity to meet the needs of the Yackandandah residential and business community for the next 30 years.

## 4.6

### **Project Feasibility Assessment**

We have undertaken an exhaustive feasibility assessment of this proposal. As members of the Yackandandah community ourselves, we decided at an early stage that we were not prepared to present any proposal to the community (e.g. in which the community would share the financial burden and risk) which we were not confident in ourselves. In doing this, we state that, whilst we cannot guarantee the financial viability of the proposal, we consider the assumptions upon which it is based to be reasonable, conservative and prudent.

We also acknowledge that, as a pure commercial investment proposition, our proposal does not offer the most attractive returns. However, if you consider this proposal from a long-term community benefit viewpoint, we are confident it is both worthwhile and financially sound.

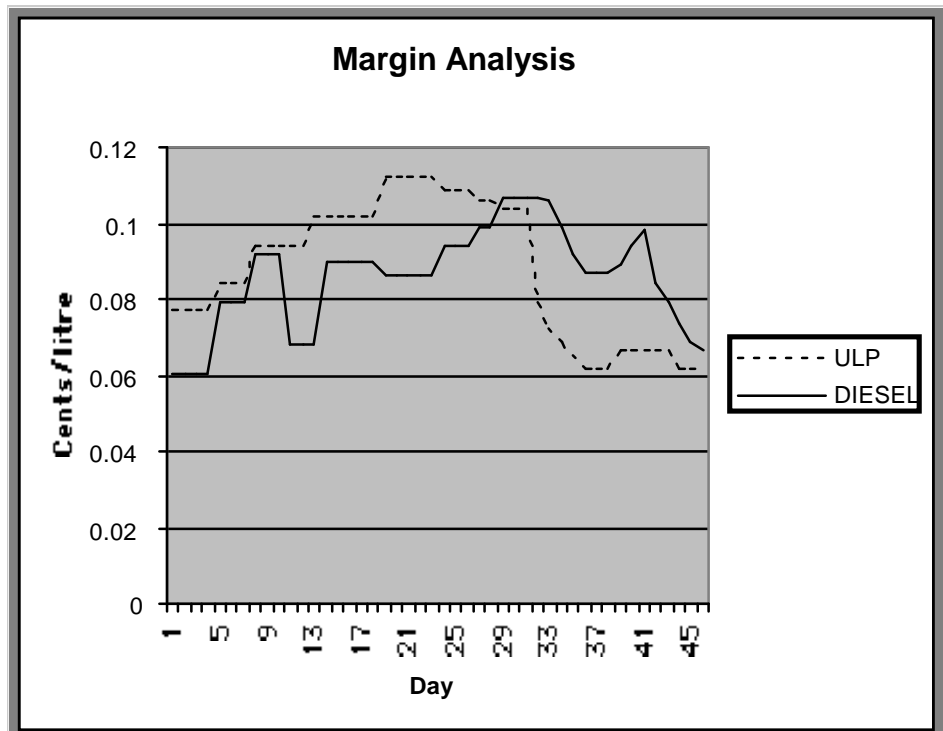
Our feasibility analysis involved 3 aspects:

- detailed review of potential sites, developing the project concept, design and preliminary cost estimates;
- negotiations with the Indigo Shire, IWS and other local businesses;
- operating the existing site at 12 High Street (this gives us an accurate insight to what it really costs to operate a petrol station properly);

- discussions with various service station equipment suppliers; and
- discussions, price benchmarking and potential retail margin analysis.

The detailed financial forecasts are contained in Appendix C.

Over recent months, we have conducted an analysis which benchmarked the average Albury-Wodonga fuel price with the best independent wholesale price plus transport costs. The following graph shows the potential retail fuel margins (for ULP and diesel) which would have been achievable during the period.



The analysis shows that potential gross margins for the analysis period were as follows:

|                | ULP             | Diesel          |
|----------------|-----------------|-----------------|
| Range High     | \$0.1120        | \$0.1120        |
| Range Low      | \$0.0620        | \$0.0650        |
| <b>Average</b> | <b>\$0.0899</b> | <b>\$0.0932</b> |
| Median         | \$0.0940        | \$0.0930        |

The average margin was used as the basis for the feasibility analysis for the project.

## 4.7 Financial Forecasts - Returns on Your Investment

The following table provides a summary of the financial forecasts (costs, income, profit) for this project and the forecast returns on your investment. Detailed forecasts are contained in Appendix D.

Three scenarios are presented as follows:

### SCENARIO 1: Base Case

#### – ALL DEBT Funded with 10% Volume Growth:

- Base case scenario for a project including fuel retailing only.
- All capital for construction and establishment raised through **borrowing** (e.g. debt).
- Assumed margins as detailed above, with a **0%** price variance from the Albury-Wodonga market, and with **10%** volume growth resulting from improved accessibility and price competitiveness.

### SCENARIO 1: Realistic Case

#### – ALL EQUITY Funded with 10% Volume Growth:

- Realistic case scenario for a project including fuel retailing only.
- All capital for construction and establishment raised through **issue of shares** to the community (e.g. equity).
- Assumed margins as detailed above, with a **0%** price variance from the Albury-Wodonga market, and with **10%** volume growth resulting from improved accessibility and price competitiveness.

### SCENARIO 1: Optimistic Case

#### - ALL EQUITY Funded with 20% Volume Growth:

- Optimistic case scenario for a project including fuel retailing only.
- All capital for construction and establishment raised through **issue of shares** to the community (e.g. equity).
- Assumed margins as detailed above, with a **0%** price variance from the Albury-Wodonga market, and with **20%** volume growth resulting from improved accessibility and price competitiveness.

| ASSUMPTIONS:   | Scen. 1          | Scen. 2          | Scen. 3          |
|--|------------------|------------------|------------------|
| % capital cost funded by <b>Equity</b> :   | 0%               | 100%             | 100%             |
| % capital cost funded by <b>Debt</b> :   | 100%             | 0%               | 0%               |
| Price relationship to Alb -Wodonga:  | 0%               | 0%               | 0%               |
| Volume Growth Assumed:   | 10%              | 10%              | 20%              |
| FINANCIAL SUMMARY:   | \$ P.A.          | \$ P.A.          | \$ P.A.          |
| Gross Sales (fuel, oils, lubes, other)   | \$1,100,079      | \$1,100,079      | \$1,200,086      |
| Purchases (fuel, oils, lubes, other)   | \$996,178        | \$996,178        | \$1,086,739      |
| <b>Sub-Total:</b>  | <b>\$103,901</b> | <b>\$103,901</b> | <b>\$113,347</b> |
| <b>Less:</b> ¥ Operating Costs   | \$71,927         | \$71,927         | \$71,927         |
| ¥ Capital/financing costs  | \$31,202         | \$0              | \$0              |
| <b>Total:</b>  | <b>\$103,129</b> | <b>\$71,927</b>  | <b>\$71,927</b>  |
| <b>Forecast Operating Result:</b>  | <b>\$772</b>     | <b>\$31,974</b>  | <b>\$41,419</b>  |
| Forecast Earnings (per \$100 share):   | \$0.30           | \$12.44          | \$16.12          |
| Potential Dividend (\$ per \$100 share):   | \$0.15           | \$6.22           | \$8.06           |
| % Dividend Yield/Return (potential):   | 0.15%            | 6.22%            | 8.06%            |
| * Excludes impact of tax, depreciation etc.  |                  |                  |                  |
| ** After making 50% community contribution, excludes tax, depreciation, earning retention etc. |                  |                  |                  |

An analysis of these three scenarios clearly demonstrates the following:

- The fuel business alone is marginal and, if funded by totally by debt, is **not a feasible proposition**; and
- If funded through community equity (ie shares issued in response to this Memorandum), it becomes **a reasonable and feasible proposition**.

Scenario 2 presents what we regard to be a conservative forecast for the business and we think it is reasonable for the purposes of investment decisions. It takes no account of the potential for marginal gains from complimentary product lines or businesses alluded to above which we believe will be pursued in due course. These will be treated a 'icing on the cake'.

**Based on these assumptions, the forecast returns on an investment in YCDCo. are reasonable when compared to other options for your money and the community benefits it will generate.**

(NB: We have taken no account of the impact of depreciation and tax in these forecasts).

## 4.8

### Project Timelines

The success and proposed timelines for this project are dependent on 2 key issues:

- the outcome of the application for the Planning Permit for the IWS depot site; and
- the ability to raise sufficient funds for the project through this equity raising (e.g. in response to this invitation).

Subject to these 2 qualifications, we propose the following timelines (these are set out in more detailed flow chart format in Appendix XX).

| <b>Stage:</b>  | <b>Date:</b>        |
|--|---------------------|
| • Planning Permit received                                   | Aug 2002            |
| • Public meeting to discuss issues                           | Mid Aug 2002        |
| • Information Memorandum issued                              | Mid Aug 2002        |
| • Expressions on Interest to Invest in YDDCo.                | Aug- Sept 2002      |
| • Expressions on Interest <b>CLOSE</b> .                     | <b>15 Sept 2002</b> |
| • YCDCo. Issue considerers Investment EOIs and Issues shares | Late Sept 2002      |
| • Share Issues notified                                      | 30 Sept 2002        |
| • Payment of shares made                                     | 31 Oct 2002         |

## 5.0

# ... investing in Yackandandah's future

### 5.1 Benefits of Becoming a YCDCo. Shareholder

The key benefits of becoming a shareholder in the Yackandandah Community Development Company are:

- whilst it is by no means guaranteed, **on a purely financial basis**, the investment has the capacity to offer you a reasonable return on your money through annual dividends to shareholders;
- you will be helping in a **direct way** to keep a fuel station open in Yackandandah in the long term;
- by keeping a fuel station open, you will be **indirectly** supporting other local businesses by preventing so called 'retail leakage' of commercial trade (e.g. business and money) out of Yackandandah and into Albury-Wodonga. This will preserve the integrity on the Yackandandah local economy in the long term;
- you will be helping to provide an essential service to the town (e.g. fuel) for the emergency vehicles (CFA and SES);
- you will be helping older and disadvantaged residents of Yackandandah by maintaining the convenience of a local fuel supply in Yackandandah;
- you will be contributing to a project which creates at least 1.5 full-time jobs in Yackandandah;
- you will be contributing to a company which has the future of Yackandandah at its heart and is **committed to contributing 50% of any profits generated to community causes and projects**;
- you will be contributing to a project which will result in fuel becoming available in Yackandandah for the first time on a price-competitive basis with Albury-Wodonga; and
- by being a shareholder you will get access to a loyalty /fuel discount scheme.

## 5.2 Shareholder Participation

Another benefit of becoming a shareholder in the Yackandandah Community Development Company is that you will have the opportunity to take a role in company affairs. As stated earlier, once the initial establishment phase is complete, annual general meetings will be held and the foundation directors will be up for re-election. In this way, the directors remain ultimately accountable to the shareholders at large for their performance and the decisions they make.

You will get to vote on key company issues and directions, elect the directors and may even stand for election as a director.

It should be noted that the current directors will remain in office until 30 June 2004, at which time they will be up for re-election. This to ensure stability and consistency of planning and decision-making through the establishment period of YCDCo. and the service station project.

Our goal is to establish YCDCo. as an open, accountable and transparent community-based organisation which operates independently of Indigo Shire Council.

## 5.3 Issue of New Shares

The Board of YCDCo. will decide on the issue of new shares in the company based (and the quantities thereof) depending on the level of interest expressed by invitees in response to this Information Memorandum. The broad parameters are:

- our goal is to raise \$250,000 through the issue of 2,500 fully paid ordinary shares with a nominal value of \$100 each;
- our goal is establish as broad an ownership base of the company as possible and do not want any individual or organisation to establish effective control of YCDCo. through this issue;
- we envisage a minimum issue of 5 shares (e.g. \$500). A maximum issue/holding will be determined by the YCDCo. Board once expressions of interest have been received; and
- full payment for shares issued will required from new shareholders within 30 days of being advised on the issue of shares to you (unless special arrangements are agreed with the Company Secretary);

Soon after the new shares have been issued, a general meeting of shareholders will be held to explain various operating parameters and procedures and deal with other necessary business to progress this share issue and the service station project.

## 5.4 Lodgement of Expressions of Interest

Expressions of Interest in response to this Information Memorandum may be lodged in the attached form with the Company Secretary, P.O. Box 25, Yackandandah, 3749 or in person at the rear of Yackandandah Post Office.

**Total confidentiality is guaranteed.**

Thank you for your support.

*Signed for and on behalf of Yackandandah Community Development Company Pty. Ltd.*

David Norman

Mark McKenzie-McHarg

Glenn Clark

Andrew Earl

Cameron McKern

Phillip Newman

David Larkin.