

2017

ANNUAL REPORT

THE HOOGEVEEN FAMILY
SHAREHOLDERS SINCE 1999

ATS

ASHBURTON TRADING SOCIETY



THE YEAR AT A GLANCE

GROUP TURNOVER



NORMALISED EBITDA



A positive result for the co-operative delivered in a climate of growing positivity for shareholders. Strong revenues combined with careful management of expenses has generated robust cashflows, enabling ongoing capital investment which will benefit the co-operative in the long term.

SHAREHOLDERS

2,700	2,716
2016	2017

SHAREHOLDER EQUITY

\$15,127,000

NPAT

\$237,000

NET CASH FLOW FROM OPERATING ACTIVITIES

\$1,005,000

WE LIVE IN THE RURAL COMMUNITIES WE SERVE

GENDER DIVERSITY

Diversity is of paramount importance to ATS and Ruralco. Below is a snapshot of our workforce at balance date.

PERCENTAGE OF FEMALES IN THE WORKPLACE 2016 VS 2017

BOARD OF DIRECTORS

42% **42%**
2016 2017

EXECUTIVE TEAM

25% **20%**
2016 2017

PEOPLE MANAGERS

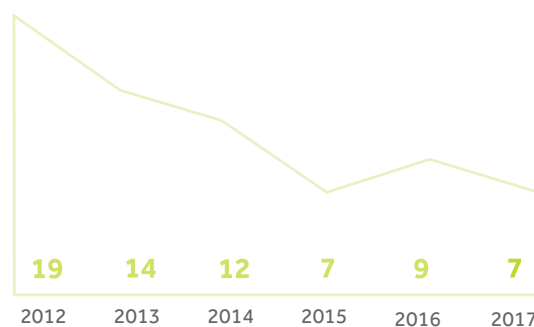
53% **53%**
2016 2017

ALL STAFF

64% **61%**
2016 2017

HEALTH & SAFETY

TOTAL ANNUAL INJURY/ACCIDENTS
PER CALENDAR YEAR



WE CONNECT WITH PEOPLE



THE HARMER FAMILY
SHAREHOLDERS SINCE 1982

CHAIRMAN & GROUP CEO REVIEW

THE 2017 FINANCIAL YEAR PROVED TO BE A YEAR IN WHICH THE CO-OPERATIVE SAW SOME OF THE MOST SIGNIFICANT CHANGES SINCE ITS INCEPTION IN 1963. THE BEGINNING OF THE FINANCIAL YEAR SAW A CHANGE IN GROUP CEO AND SOME CHANGES TO THE LEADERSHIP STRUCTURE OF THE ORGANISATION.



ALISTER BODY
(CHAIRMAN)



ROBERT SHARKIE
(GROUP CEO)

The 2016 AGM saw Chair Phil McKendry retire following 18 years on the Board of Directors with Alister Body being elected as Chair at the December board meeting. There was also a change of Deputy Chair with Jessie Chan Dorman taking up this position. The business continued to evolve during the financial year with the repositioning of the brand to Ruralco. Even though the business now trades under the Ruralco banner all companies remain 100% owned by the ATS co-operative.

The success of the repositioning and the financial results presented within this report are a reflection on the team who have worked tirelessly through all of the organisational and operational changes. The co-operative is positioning itself well for the future to meet the needs of shareholders and cardholders, and to serve the rural community in which it operates.

RESULTS

The business has performed well in a difficult market although confidence is on the rise following some good news across most farming sectors.

At balance date the ATS Group has trading divisions of retail, energy, fertiliser, fuel, and seed, plus wholly owned investments in Ruralco NZ Ltd, Pro-Active NZ Ltd, and ATS Fuel Ltd.

Group turnover for the year was \$211M with a gross profit of \$9.5M for the period. Normalised EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) was \$1.16M for the period. Normalised EBITDA does not take into account any one off extraordinary items to give a clearer picture of

operating performance. One-off items which were expensed during the year were design and consultancy fees related to extending the Burnett Street site. These costs were capitalised in FY16 but once a decision was made not to progress with this build, these costs had to be expensed during the year through the profit and loss account. In addition to this the group also incurred one-off costs in relation to repositioning the brand to Ruralco. These costs have been fully expensed in the 2017 financial year.

Net profit after tax for the group was \$237k for the period up \$534k on last year's result.

Group equity at the end of the 2017 financial year was \$15.1M (2016 = \$14.9M)

We had budgeted a small profit on the back of the farming climate we were in, but the business has performed well during the year and has delivered a positive result for the period. A number of projects were completed during the year including earthquake strengthening throughout the Burnett Street store, a full refurbishment of the gift & homeware area in the Ashburton store, and the successful brand repositioning to Ruralco.

The group generated just over \$1m in operating cashflows for the period while holding only a small amount of term debt. This puts us in a good position going forward in what appears to be continued volatility in farm produce returns and market conditions.

When reviewing this past year's financial performance, we encourage you to appreciate that all business units are reliant on each other to create a positive outcome. They are interdependent and could not function effectively on their own, as we strive to provide services that encompass the total farming spectrum no matter what farm type you participate in.

BRAND REPOSITIONING

The repositioning of the Ruralco brand to be our customer facing, nationally recognised brand of the co-operative has been received well in the market place and by our supportive shareholders. We were mindful through this process that this business is yours, our shareholders. This would not have been possible without alignment and engagement from shareholders, staff, and suppliers alike.

By repositioning to one brand in the marketplace we have attained efficiencies within the business as well as removing the confusion around having two brands.

The South Island Field Days were the first major "outing" entirely under the Ruralco brand where we received very positive comments and engaged with a large number of potential and current clients from both within Mid Canterbury as well as outside the district.

BUILDINGS

Significant earthquake strengthening was carried out at the Burnett Street site in May 2017 bringing a fresher look to the store and ensuring the co-operative is now fully compliant with all priority works identified by EQC.

The recent purchase of an additional site on Burnett Street will bring all Ashburton based staff within close proximity to each other and provide a more seamless approach to the day to day management of the business with operations being more closely linked. It is envisaged that staff will be located at the new site by mid-October 2017, with the current lease on the Kermode Street site expiring in December 2017.

HEALTH & SAFETY

Health and Safety remains a continued focus for ATS and its group of companies. Director Tony Coltman was appointed Chair of the Health and Safety Committee and works closely with the co-operative's Compliance Manager, Peter Jacob to ensure Health and Safety remains a priority for directors, management and staff.

We have recently been accepted as members of the Business Leaders Health & Safety Forum, enabling the Board of Directors and senior management team to be proactively involved in all aspects of Health & Safety for our staff and customers.

WELLNESS

ATS recognises that its staff are its primary asset and are at the forefront of every aspect of our operation. Their wellness is imperative to the success of the co-operative and various initiatives have been implemented during the financial year to ensure our staff remain fit, healthy and happy at work.

BOARD PERFORMANCE

The Board remains committed and engaged, holding management to account, supporting new initiatives, on-going improvement and innovation in the business.

In line with this, the Board have initiated a full review of governance and strategy which will make sure we are operating at best practice and making the most of the skills around the board table and the talents of our management team.

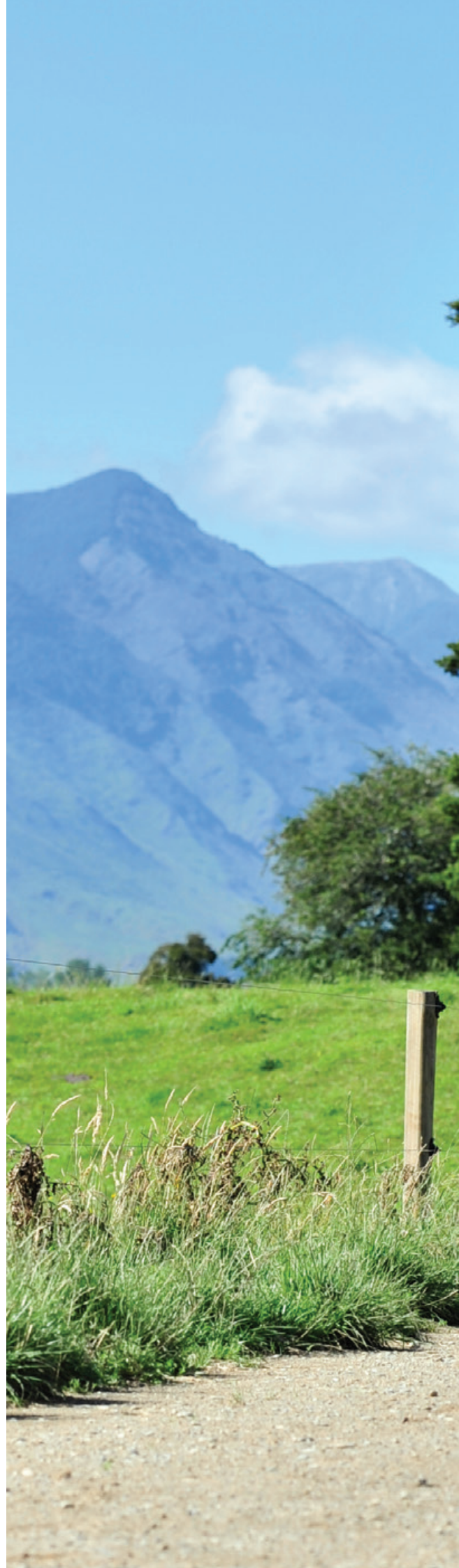
At the coming AGM in November, Ian Mackenzie will retire after 12 years on the Board, and 6 as Deputy Chair. Ian has served the co-operative ably over his tenure as a director and we wish him well in his future endeavours.

We look forward to an exciting 2017/18 as our sector appears to be gaining confidence and momentum. We thank you for your continued support and encourage you all to be part of the success of your co-op in the future.



Alan C. Body
CHAIRMAN

Robert Sharkie
GROUP CHIEF EXECUTIVE/COMPANY SECRETARY



WE CARE ABOUT TOMORROW

THE SOWMAN FAMILY
SHAREHOLDERS SINCE 1976



WE'RE PROUD OF OUR HERITAGE AND POTENTIAL



THE READ FAMILY
SHAREHOLDERS SINCE 1986

DIRECTORS' REVIEW



ALISTER BODY



JESSIE CHAN-DORMAN



TONY COLTMAN



IAN MACKENZIE



MARK SAUNDERS



GABRIELLE THOMPSON



SUE LINDSAY

YOUR DIRECTORS HAVE PLEASURE IN SUBMITTING THEIR 54TH ANNUAL REPORT, TOGETHER WITH THE CHAIRMAN AND CHIEF EXECUTIVE'S REPORT AND FINANCIAL STATEMENTS FOR THE SOCIETY FOR THE YEAR ENDED 30 JUNE 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Ashburton Trading Society during the period ending 30 June 2017 was to conduct the Shareholders' group buying activity in the areas of Fuel, Fertiliser, Seed, Energy, Retail, Ruralco NZ Ltd, Pro-Active NZ Ltd and ATS Fuel Ltd.

As disclosed by the attached Financial Statements your Directors consider the affairs of the Society to be satisfactory.

ROLE OF THE BOARD

The role of the Board of Directors is to provide the proper governance, direction and control of the Society's activities. Directors have the prime responsibility of setting the strategic direction of the Society.

DIRECTORS

The Board of Directors currently comprises of six directors who have been elected by the shareholders and one independent director whom has been appointed by the board. The Directors in office at 30 June 2017 and their special responsibilities include:

All members of the Board of Directors form part of the Health and Safety, and Audit and Risk Sub-Committees.

Alister Body	Chair ATS
Jessie Chan-Dorman	Deputy Chair ATS
Tony Coltman	Chair Health and Safety Committee
Sue Lindsay	Independent Director
Ian Mackenzie	Chair ATS Fuel Ltd
Mark Saunders	Chair Pro-Active NZ Ltd
Gabrielle Thompson	Chair Audit and Risk Committee

The Directors' meeting obligations were fulfilled for the year ending 30 June 2017.

Mr McKendry and Mrs Chan-Dorman were due to retire by rotation in November 2016, Mrs Chan-Dorman was duly re-elected to the board. Mr McKendry retired as Chair and Mr Coltman was duly elected to the Board of Directors.

DIRECTORS' REMUNERATION

P McKendry	\$16,600	Part Year
A Body	\$32,800	
J Chan-Dorman	\$21,900	
T Coltman	\$11,900	Part Year
I Mackenzie	\$23,200	
M Saunders	\$19,200	
G Thompson	\$20,200	
S Lindsay	\$19,200	
Total	\$165,000	

DIRECTORS' INSURANCE

Ashburton Trading Society Ltd has a policy of Directors' and Officers' liability insurance, which ensures Directors and Officers will incur no monetary loss as a result of actions undertaken by them provided they operate within the law. This policy includes actions carried out by the Directors in their capacity as Directors of Pro-Active NZ Ltd, ATS Fuel Ltd and Ruralco NZ Ltd.

DIRECTORS' BENEFITS

No Director of the Society has, since the end of the previous financial period, received or become entitled to receive a benefit (other than a benefit included in the total emoluments received or due and receivable by Directors shown in this report) other than normal rebates received by them as shareholders as a result of trading with the Society in the same manner as all other shareholders.

PROCEDURE TO IDENTIFY AND MANAGE RISK

The Directors acknowledge that they are ultimately responsible for the management of risk to the Society. Risk Management forms part of the Board meetings.

USE OF INFORMATION

There were no notices from Directors of the company requesting to use company information received in their capacity as Directors which would not otherwise have been available to them.

AUDITORS

Following a recommendation at the 2016 AGM, PricewaterhouseCoopers were appointed ATS auditors.

A Body
CHAIRMAN

SUMMARY FINANCIAL STATEMENTS

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	GROUP 30 JUNE 2017 (\$000)	GROUP 30 JUNE 2016 (\$000)	PARENT 30 JUNE 2017 (\$000)	PARENT 30 JUNE 2016 (\$000)
Total Turnover	211,057	209,782	83,896	92,060
Revenue—Sales	179,005	174,669	73,066	78,088
Cost of Sales	(169,529)	(165,851)	(66,856)	(72,273)
Gross Profit	9,476	8,818	6,210	5,815
Interest Income	4	15	3	8
Dividend Received	-	-	570	200
Other Operating Expenses	(3,602)	(3,276)	(2,545)	(2,224)
Salaries and Wages	(4,612)	(4,846)	(3,833)	(4,043)
Statutory Audit Fees	(62)	(64)	(42)	(48)
Directors' Fees	(165)	(152)	(165)	(165)
Depreciation	(251)	(299)	(233)	(266)
Amortisation of Intangibles	(146)	(232)	(49)	(42)
Rentals and Operating Leases	(240)	(267)	(162)	(183)
Finance Cost - Interest	(69)	(84)	(28)	(19)
Net (Deficit) before Taxation	333	(387)	(274)	(964)
Provision for Taxation				
Tax Credit/(Expense)	(96)	90	235	211
Total Comprehensive (Loss)/ Income for the period, net of Tax	237	(297)	(39)	(753)

SUMMARY STATEMENTS OF CHANGES IN EQUITY AND MEMBERS' INTERESTS

For the year ended 30 June 2017

	GROUP 30 JUNE 2017 (\$000)	GROUP 30 JUNE 2016 (\$000)	PARENT 30 JUNE 2017 (\$000)	PARENT 30 JUNE 2016 (\$000)
Balance at Start of the Year	14,890	15,200	11,664	12,430
Total Comprehensive Income for the period, net of Tax	237	(297)	(39)	(753)
	15,127	14,903	11,625	11,677
Contributions from Owners:				
Movement in Ordinary Shares Issued	8	(1)	8	(1)
Movement in Deferred Shares	(8)	(12)	(8)	(12)
Balance at End of the Year	15,127	14,890	11,625	11,664

SUMMARY STATEMENTS OF FINANCIAL POSITION

As at 30 June 2017

	GROUP 30 JUNE 2017 (\$000)	GROUP 30 JUNE 2016 (\$000)	PARENT 30 JUNE 2017 (\$000)	PARENT 30 JUNE 2016 (\$000)
Current Assets	22,236	21,778	11,791	12,051
Non Current Assets	9,108	8,620	6,715	6,105
Total Assets	31,344	30,398	18,506	18,156
Current Liabilities	14,696	14,687	5,360	5,671
Non Current Liabilities	1,521	821	1,521	821
Total Liabilities	16,217	15,508	6,881	6,492
Total Equity and Members' Interests	15,127	14,890	11,625	11,664

SUMMARY STATEMENTS OF CASH FLOWS

For the year ended 30 June 2017

	GROUP 30 JUNE 2017 (\$000)	GROUP 30 JUNE 2016 (\$000)	PARENT 30 JUNE 2017 (\$000)	PARENT 30 JUNE 2016 (\$000)
Net Flow from Operating	1,005	871	(355)	182
Net Flow from Investing Activities	(1,184)	(242)	(612)	(27)
Net Flow from Financing Activities	390	(283)	700	(13)
Net Increase / (Decrease) in Cash Held	211	346	(267)	142
Add Opening Cash Brought Forward	1,467	1,121	634	492
Ending Cash Carried Forward	1,678	1,467	367	634

Copies of the full accounts are available to all current Shareholders by emailing ruralco@ruralco.co.nz or in person from the Ashburton store.

REPORTING ENTITY

The Ashburton Trading Society Limited is a Society incorporated in New Zealand under the Industrial and Provident Societies Act 1908. The registered office is 97 Burnett St, Ashburton.

Ashburton Trading Society Limited is a reporting entity under the rules of Ashburton Trading Society Limited.

Ashburton Trading Society Limited (ATS) is a farming co-operative, based in Mid Canterbury, formed in 1963. ATS facilitates trade between its members and approved suppliers. ATS also has three farm merchandise stores located in Ashburton, Methven and Rakaia.

The group consists of Ashburton Trading Society Limited, Pro-Active NZ Limited, ATS Fuel Limited and Ruralco NZ Limited.

These financial statements were authorised for issue by the Board of Directors on 11 September 2017.

The financial statements have been prepared in accordance with the requirements of the Industrial and Provident Societies Act 1908 and the Financial Reporting Act 2013. The Society and Group are non-exempt entities under the Financial Reporting Act 2013.

NOTES TO SUMMARY FINANCIAL STATEMENTS

The specific disclosures included in this summary financial report have been extracted from the full financial report which was authorised for issue on 11 September 2017. The full financial statements have been prepared in accordance with full NZ GAAP as a profit oriented entity and the Group has made an explicit and unreserved statement of compliance with IFRS's in the full report. The full financial statements have been audited and an unqualified audit opinion has been issued. These summary financial statements comply with FRS 43. Figures are in New Zealand dollars.

The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial report of the Group.

A copy of the full annual accounts for Ashburton Trading Society Limited can be collected from 97 Burnett St, Ashburton during business hours.

The Summary Statements presented are those for Ashburton Trading Society Limited (ATS) and its subsidiaries for the twelve months to 30 June 2017.

REVENUE RECOGNITION

The Group's gross turnover represents the total value generated from the sale of goods and services (excluding GST) by the Group as Agent and as Principal, plus revenue from other sources. The purpose and objective of the Group is to offer members discounts or rebates on goods and services through the collective buying power associated with membership.

The Group continually monitors the nature of its relationships with suppliers in order to ensure that revenue is recognised in accordance with the substance of the transactions and the contractual arrangements. As part of reviewing the contractual

arrangements the Directors have determined that certain transactions are undertaken as agent and have therefore recognised the commission revenue on these transactions only.

NZ IAS 18 "Revenue" provides guidance on recognition of revenue as either Agent or Principal. An entity is acting as a Principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Features that indicate that an entity is acting as a Principal include:

- The entity has primary responsibility for providing the goods or services to the customer or for fulfilling the order by being responsible for the acceptability of the products or services ordered or purchased by the customer;
- The entity has inventory risk before or after the customer order, during shipping or on return;
- The entity has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services; and
- The entity bears the customer's credit risk for the amount receivable from the customer.

An entity is acting as an Agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. One feature indicating that an entity is acting as an Agent is that the amount the entity earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer. For revenue derived as agent, the revenue recognised is the commission earned on those transactions.

With the exception of some goods and services, the Group is exposed to inventory risk, has latitude in establishing prices, either directly or indirectly, and bears customer credit risk. In addition to the considerations of NZ IAS 18 above, the directors believe the nature of ATS as a cooperative and the business objective which is to provide members with discounts not available to other non-members through the collective bargaining undertaken by ATS on behalf of members further supports the revenue recognition as principal for contracts where such terms have been negotiated. On this basis the Directors have recognised those revenues as Principal.



A Body
CHAIRMAN



J Chan-Dorman
DEPUTY CHAIR

Date

11 SEPTEMBER 2017



THE SMITH FAMILY
SHAREHOLDERS SINCE 1982

**WE'RE IN THIS
INDUSTRY
TOGETHER**

Report of the independent auditor on the summary financial statements

To the shareholders of Ashburton Trading Society Limited

The summary financial statements comprise:

- the summary statements of financial position as at 30 June 2017;
- the summary statements of comprehensive income for the year then ended;
- the summary statements of changes in equity and members' interests for the year then ended;
- the summary statements of cash flows for the year then ended; and
- related notes to the summary financial statements .

Our opinion

The summary financial statements are derived from the audited financial statements of Ashburton Trading Society Limited ('the Company'), and the consolidated Group which includes the Company and its subsidiaries for the year ended 30 June 2017.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with FRS-43: *Summary Financial Statements* issued by the New Zealand Accounting Standards Board.

Summary financial statements

The summary financial statements do not contain all the disclosures required by New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 11 September 2017.

Responsibilities of the Directors for the summary financial statements

The Directors are responsible, on behalf of the Company, for the preparation of the summary financial statements in accordance with FRS-43: *Summary Financial Statements*.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Our firm carries out other services for the Group in the areas of Registry audits. The provision of these other services has not impaired our independence as auditor of the Group.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.



Chartered Accountants
3 October 2017

Christchurch

PricewaterhouseCoopers,
PwC Centre, Level 4, 60 Cashel Street, Christchurch Central, PO Box 13244, Christchurch 8141, New Zealand
T: +64 3 374 3000, F: +64 3 374 3001, pwc.co.nz

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 54TH ANNUAL GENERAL MEETING OF SHAREHOLDERS OF THE ASHBURTON TRADING SOCIETY LIMITED WILL BE HELD AT THE HOTEL ASHBURTON, RACECOURSE ROAD, ASHBURTON 7700 ON TUESDAY 7TH NOVEMBER 2017 AT 7PM.

BUSINESS

1. To approve the Minutes of the 53rd Annual General Meeting held on Monday 14th November 2016;
2. To receive and adopt the Chairman and Group Chief Executive's Review and summary Financial Statements for the year ended 30 June 2017;
3. To elect a new Director—Mr Alister Body and Mr Ian Mackenzie retire by rotation in accordance with Rule 6(c). Mr Body is available for re-election. Mr Mackenzie does not seek re-election;
4. To appoint the Auditors;
5. To receive the report of the Independent Board Remuneration Sub Committee and to approve their recommendation;
6. To transact any other business that may be properly brought before the meeting.

PROXIES

Under the present rules of the Society, there is provision for voting by proxy.



Robert Sharkie
GROUP CHIEF EXECUTIVE/COMPANY SECRETARY



AUDITORS

PricewaterhouseCoopers
60 Cashel Street
Christchurch

SOLICITORS

Tavendale and Partners
Tancred Street, Ashburton

BANKERS

Bank of New Zealand
East Street, Ashburton

REGISTERED OFFICE

97 Burnett Street
Ashburton 7700

www.ats.co.nz