

Working together to
MEET THE CHALLENGE



2018 ANNUAL REPORT



100% OWNED BY

ATS

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THE YEAR AT A GLANCE

SHAREHOLDERS

2,700	2,716	2,757
2016	2017	2018

SHAREHOLDER EQUITY

\$15,408,000

NPAT

\$270,000

BONUS REBATE PAID

\$500,000

ON THE COVER:
John Duncan, J Duncan Farming Ltd



GROUP TURNOVER

\$210,920,000

2017

\$234,597,000

2018

EBITDA

\$799,000

2017

\$1,377,000

2018

A strong result for the co-operative delivered on the back of strong commodity prices. A year in which all business units delivered increased earnings due to revenue growth and careful management of expenses, which has ultimately led to a bonus rebate of \$500,000 being declared.

GENDER DIVERSITY*

Diversity in all its guises is of paramount importance to Ruralco, a snap shot of our gender diversity is outlined below.

PERCENTAGE OF FEMALES IN THE WORKPLACE 2017 VS 2018

BOARD OF DIRECTORS

43% 43%

2017 2018

EXECUTIVE TEAM

20% 33%

2017 2018

PEOPLE MANAGERS

53% 40%

2017 2018

ALL STAFF

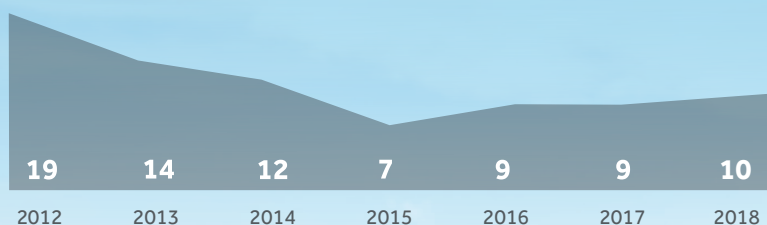
61% 60%

2017 2018

*At balance date

HEALTH & SAFETY

TOTAL ANNUAL INJURY/ACCIDENTS PER CALENDAR YEAR



We're leading the way with
**INNOVATION &
DRIVE**



ANDREW CURRIE &
GAEWYNNE HOOD
CANTERBURY QUINOA



ALISTER BODY
(CHAIRMAN)



ROBERT SHARKIE
(GROUP CEO)

CHAIRMAN & GROUP CEO REVIEW

THE 2018 FINANCIAL YEAR HAS PROVEN TO BE ONE IN WHICH RURALCO REINFORCED ITS POSITION AS AN AGILE, CUSTOMER FOCUSED, AND NATIONALLY EXPANDING RURAL CO-OPERATIVE IN THE COMPETITIVE RURAL SERVICES SECTOR.

This year Ruralco achieved earnings before interest, tax, depreciation and amortisation (EBITDA) of \$1.4 million, the most significant posted for several years, and one that means we as a Board can pay our Shareholders a bonus rebate for the first time in six years.

This figure represents a very positive year for the co-operative, a year in which we have grown our market share not only within Mid Canterbury but also nationally.

The gain has come through careful discipline and investment in technology leading to efficiencies being applied to co-operative cost structures, while also seeing revenue growth nurtured across all business units. This has been achieved not only at a local level through our rural trading outlets, but also nationally as Ruralco's business has expanded and thrived throughout the country. Group turnover for the year was \$234.6 million, delivering a gross profit of \$10.5 million and earnings before interest and tax of \$1.4 million.

Group equity at the end of the 2018 financial year was \$15.4 million.

This year at a Board level, the Board of Directors have set aside considerably more time to work on looking forward, rather than taking a retrospective report-based look backwards at previous performance.

It is only through taking time to concentrate on what the future may look like that Ruralco has been able to clearly develop its full customer offering, expanding our business beyond its geographical base of Canterbury and into the rest of New Zealand.

A case in point is the success of the Ruralco Card business which is a reflection of the efforts Ruralco has made to focus more strongly on the co-operative's future strategy and direction.

The Board is also working more closely with Ruralco senior management on strategy formulation. Whilst respecting the split between governance and management, the Board has recognised the significant level of expertise within both groups and believes more collaboration is the way to unlock the potential.

This year also marked the appointment of another independent Director, Brent Wheeler, an economist with extensive business and board experience who has played a valuable role in broadening the Board's view beyond the immediate agri-business environment. His input adds to the presence of our other independent Director, Sue Lindsay, and both add a valued broad perspective to Board business.

The renewed strategic focus by Ruralco means the co-operative has been able to look harder at how Shareholders will engage in the future when it comes to activity like farm input purchases.

We have launched our new digital platform, in recognition that its importance is going to grow significantly as more Shareholders move towards online purchasing and research on farm inputs, particularly outside of Canterbury. Our new digital platform also offers the ability for our customers to download their invoices and statements without having to wait for the hard copy to arrive in the post. Invoices are uploaded to the website in real time meaning as soon as we process the invoice, it is available to be downloaded.

The new platform provides a far smoother, user friendly interface between Shareholders and their co-operative, and integrates well with the co-operative's card services.

The improved website will continue building on the business efficiencies already being achieved by management while also leading to on farm efficiencies by offering a full e-commerce platform and real time billing to our customers.

Digital will play a key role in the co-operative's future expansion, not only in terms of opening up services to new card holding Shareholders, but also deepening the level of services we are capable of offering online.

We have also taken the opportunity to further align the ATS/ Ruralco branding by removing the legacy association of ATS, and have integrated all parts of the co-operative under the Ruralco brand.

As a farm service co-operative entwined in rural New Zealand, Ruralco continues to play a key role in supporting our Shareholders, their families and farming communities. We are focused on driving towards a sustainable and stronger future for farming.

Communities expect businesses to carry a social conscience within their operational environment, and Ruralco is proudly ahead of the curve in this respect. We are highly aware of the link between our business and the shareholding community that supports it.

Health and Safety remains a continued focus for Ruralco and its group of companies. Director Tony Coltman is currently the committed 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. Regular meetings undertaken by Ruralco staff are attended by other members of the Board to keep them well versed.

We have continued our membership of the Business Leaders Health & Safety Forum so we can learn and share experiences with other businesses whilst keeping the Board of Directors and senior management team proactively involved in all aspects of Health and Safety as it constantly evolves through regulation and engagement.

Ruralco recognises their staff are their primary asset and they are at the forefront of every aspect of its 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.

We would like to take this opportunity after such a successful year to recognise the hard work of all Ruralco staff in contributing to this outcome, and we look forward to an exciting 2018/19 year as the rural sector continues to maintain its confidence and optimism.



A Body
CHAIRMAN



Robert Sharkie
GROUP CHIEF EXECUTIVE / COMPANY SECRETARY

Innovating for future
**SUSTAINABILITY &
GROWTH**

ADAM GAGE &
HAMISH GALLAGHER
RANGIATEA



Working
together to stay
**AHEAD OF
THE PACK**



BEN & LEAH MEE
MEES BEES NZ



ABOVE LEFT TO RIGHT:
ALISTER BODY,
JESSIE CHAN-DORMAN,
TONY COLTMAN,
BRENT WHEELER

LEFT TO RIGHT:
MARK SAUNDERS,
GABRIELLE THOMPSON,
SUE LINDSAY

DIRECTORS' REPORT

YOUR DIRECTORS HAVE PLEASURE IN SUBMITTING THEIR 55TH ANNUAL REPORT, TOGETHER WITH THE CHAIRMAN AND CHIEF EXECUTIVE'S REPORT AND FINANCIAL STATEMENTS FOR THE SOCIETY FOR THE YEAR ENDED 30 JUNE 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Ashburton Trading Society during the period ending 30 June 2018 was to conduct the Shareholders' group buying activity in the areas of Fuel; Fertiliser; Seed; Electricity; Retail; Ruralco, 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 five directors who have been elected by the Shareholders and two independent Directors whom have been appointed by the Board. The Directors in office at 30 June 2018 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	Chairman
Jessie Chan-Dorman	
Tony Colman	Chair Health and Safety Committee
Sue Lindsay	Independent Director
Mark Saunders	
Gabrielle Thompson	Chair Audit and Risk Committee
Brent Wheeler	Independent Director

The Directors' meeting obligations were fulfilled for the year ending 30 June 2018;

Messrs. Alister Body and Ian Mackenzie were due to retire by rotation in November 2017, Mr. Alister Body was duly re-elected to the board. Mr. Mackenzie retired as director, Mr. Brent Wheeler was appointed as Independent Director in February 2018.

DIRECTORS' REMUNERATION

A Body	\$48,350
J Chan-Dorman	\$26,850
T Colman	\$27,850
S Lindsay	\$25,850

I Mackenzie	\$10,200	Part Year
M Saunders	\$26,850	
G Thompson	\$27,850	
B Wheeler	\$10,200	Part Year

Total	\$204,000	
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The total remuneration for the Board for the 17/18 year was \$194,000. The remainder of the balance to \$204,000 consists of backpay relating to the 16/17 FY of \$5,000, and general expenses relating to Directors performing their duties of \$4,000.

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 New Zealand Ltd and ATS Fuel 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 2017 AGM, PricewaterhouseCoopers were appointed ATS auditors.

A Body
CHAIRMAN

SUMMARY FINANCIAL STATEMENTS

SUMMARY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	GROUP 30 JUNE 2018 (\$000)	GROUP 30 JUNE 2017 (\$000)
TOTAL TURNOVER	234,597	210,920
Revenue—Sales	198,258	178,868
Cost of Sales	(187,780)	(169,529)
GROSS PROFIT	10,478	9,339
Interest Income	6	4
Other Operating Expenses	(3,639)	(3,465)
Salaries and Wages	(5,059)	(4,612)
Statutory Audit Fees	(57)	(62)
Directors' Fees	(204)	(165)
Depreciation	(310)	(251)
Amortisation of Intangibles	(133)	(146)
Rentals and Operating Leases	(148)	(240)
Finance Cost - Interest	(77)	(69)
OPERATING SURPLUS BEFORE REBATE	857	333
Less Rebates to Members	(500)	-
NET SURPLUS BEFORE TAXATION	357	333
Tax Credit/(Expense)	(87)	(96)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	270	237

SUMMARY STATEMENT OF CHANGES IN EQUITY AND MEMBERS' INTERESTS FOR THE YEAR ENDED 30 JUNE 2018

	GROUP 30 JUNE 2018 (\$000)	GROUP 30 JUNE 2017 (\$000)
BALANCE AT START OF THE YEAR	15,127	14,890
Total Comprehensive Income for the period, net of Tax	270	237
	15,397	15,127
Contributions from Owners:		
Movement in Ordinary Shares Issued	20	8
Movement in Deferred Shares	(9)	(8)
BALANCE AT END OF THE YEAR	15,408	15,127

SUMMARY BALANCE SHEET

AS AT 30 JUNE 2018

	GROUP 30 JUNE 2018 (\$000)	GROUP 30 JUNE 2017 (\$000)
Current Assets	23,103	22,236
Non Current Assets	9,067	8,911
TOTAL ASSETS	32,170	31,147
Current Liabilities	16,044	14,696
Non Current Liabilities	718	1,324
TOTAL LIABILITIES	16,762	16,020
TOTAL EQUITY AND MEMBERS' INTERESTS	15,408	15,127

SUMMARY STATEMENT OF CONSOLIDATED CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	GROUP 30 JUNE 2018 (\$000)	GROUP 30 JUNE 2017 (\$000)
Net Flow from Operating	(240)	1,005
Net Flow from Investing Activities	(582)	(1,184)
Net Flow from Financing Activities	(189)	390
NET INCREASE / (DECREASE) IN CASH HELD	(1,011)	211
ADD OPENING CASH BROUGHT FORWARD	1,678	1,467
ENDING CASH CARRIED FORWARD	667	1,678

COPIES OF THE FULL ACCOUNTS ARE AVAILABLE TO ALL CURRENT SHAREHOLDERS BY EMAILING RURALCO@RURALCO.CO.NZ OR IN PERSON FROM THE RURALCO HEAD OFFICE, 98 BURNETT STREET, ASHBURTON

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 Street, 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 20 September 2018.

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 20 September 2018. 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 98 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 2018.

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;
- 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 co-operative 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



G Thompson
DIRECTOR

Date
20 SEPTEMBER 2018



Supporting
communities,
partnering

FARMING GENERATIONS

DAVID MARSHALL
BENATRADE ANGUS
STUD

Report of the independent auditor on the summary financial statements

To the members of Ashburton Trading Society Limited

The summary financial statements comprise:

- the summary balance sheet as at 30 June 2018;
- the summary statement of comprehensive income for the year then ended;
- the summary statement of changes in equity and members' interests for the year then ended;
- the summary statement 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 2018.

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 21 September 2018.

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*.

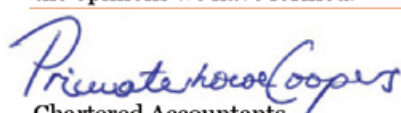
Auditor's responsibility

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 area of registry audit. The provision of this other service has not impaired our independence as auditor of the Group.

Who we report to

This report is made solely to the Company's members, 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 members, as a body, for our audit work, for this report or for the opinions we have formed.


Chartered Accountants
10 October 2018

Christchurch

PricewaterhouseCoopers,
PwC Centre, Level 4, 60 Cashel Street, Christchurch Central, PO Box 13 244, 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 55TH ANNUAL GENERAL MEETING OF SHAREHOLDERS OF THE ASHBURTON TRADING SOCIETY LIMITED WILL BE HELD ON TUESDAY 20TH NOVEMBER IN THE BRADFORD ROOM AT THE ASHBURTON TRUST EVENT CENTRE, 211A WILLS STREET, ASHBURTON AT 7.00PM.

BUSINESS

1. To approve the Minutes of the 54th Annual General Meeting held on Tuesday 7th November 2017;
2. To receive and adopt the Chairman and Group Chief Executive's Review and summary Financial Statements for the year ended 30 June 2018;
3. To elect Directors—Mr Mark Saunders and Mrs Gabrielle Thompson retire by rotation in accordance with Rule 6(c).
Mrs Gabrielle Thompson is available for re-election.
Mr Mark Saunders 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