

ANNUAL REPORT 2024



CONTENTS

2 CHAIR &
CEO REVIEW

4 GOVERNANCE

6 EXECUTIVE TEAM

7 THE YEAR
AT A GLANCE

9 DIRECTORS'
REPORT

10 CONSOLIDATED
FINANCIAL STATEMENTS

38 NOTICE OF ANNUAL
GENERAL MEETING



OUR STORY

In 1963 a group of farmers formed the co-operative Ashburton Trading Society (ATS) that would become Ruralco.

They wanted competitive pricing for their businesses and a sustainable future for tomorrow, and today we're still obsessed with that vision.

We live in the rural communities we serve. We have straight up conversations with the farmers, contractors, service and support businesses who work together in our local communities. We listen until we understand the needs of the people who make a living from agriculture. Then we do what we can to make life a little easier.

We do our best on prices. We find answers. We tell the truth. We share experience and knowledge. We connect people. We celebrate our heroes and the people that make Ruralco what it is today.

We care about tomorrow. With the deep roots of our co-operative structure, we give rural businesses the opportunity to source better deals and know that their contributions deliver real value for our local community, helping to support a prosperous future for our farming sector.



CHAIR & CEO REVIEW

ON THE BACK OF ANOTHER CHALLENGING YEAR WITHIN THE AGRICULTURAL SECTOR, RURALCO HAS TAKEN A PROACTIVE APPROACH TO RESET THE CO-OPERATIVE FOR FUTURE GROWTH.

There is no doubt our farming community continues to face financial challenges with high farm input costs and the cyclic nature of commodity markets impacting budgets and margins. Ruralco is not excluded from these challenges and is not immune to the impacts of the economic climate which is affecting our farmers and shareholders.

We knew at the start of this financial year it would be another tough year, and while we have managed to remove \$2 million in operating expenses (annualised), and achieve a significant turnaround in adjusted EBITDA (excludes one off items to clean up fixed assets, debtors and creditors), this wasn't enough to achieve a cash operating profit for this season.

A significant part of this year's outcome is a critical assessment of Ruralco's future direction including the cashflow the card system would generate. This has resulted in an impairment loss for the co-operative of \$4.71 million, a major contributor to the Group Net Loss after tax of \$7.0 million.

Impairment is the reduction in the value of a company intangible (non-physical) asset and is based on reviewing the projected profit that asset will generate for a company over a period of time. We reviewed the anticipated profit of our Ruralco card management system. Initially, this card system was anticipated to form part of the co-operative's nationwide growth strategy, but Ruralco's change in strategic direction means such profit will no longer be realised.

While impairment is a non-cash accounting entry it contributes to our Net Loss for 2024.

One of the changes you will see this year is there is much more financial detail showing the full result of your co-operative in line with FMA (Financial Markets Authority) guidance. We are pleased to be sharing this with you, so you have a full insight into the co-operative's financial position.

Other contributors to our Group Net Loss are a heightened provision for expected credit losses (ECL's or potential bad debts); growth in interest expenses; and non-cash accounting adjustments which include a clean-up of fixed assets, debtors and creditors ledgers.

It has been pleasing to see the \$1.3 million (year on year) adjusted EBITDA turnaround and this is particularly significant because this improvement shows the viability of our co-operative.

Our conservative forecast for the 2025 financial year is aimed at having us break-even for both net profit and EBITDA through our continued efforts to keep our business lean, by continuing to manage our expenses and our focus on debt reduction.

Ruralco has suffered from a lack of investment over many years and this year has taken a number of difficult and courageous decisions aimed at resetting the business for future success. These include resetting cost controls in the business by eliminating waste and continually assessing cost structures wherever possible. Our focus on minimising costs has been relentless and will continue to be at the forefront of decision making as we move forward.



Over the last 12 months we have consolidated our Ashburton team into one premises following the sale of our former head office, and by carefully assessing our organisational structure, we have reduced head count by more than 15 per cent. This has occurred at all levels of the business, including our Executive Team, which has been reduced from six to three. The change in Executive includes both a new CEO and a new CFO. Ruralco has successfully completed its Ruralco card migration to our new Ruralco Credit Card which was introduced to meet legislative requirements. Changes to the CCCFA (Credit Contracts and Consumer Finance Act) meant we had to act to make changes as our old card system simply did not comply. It was a necessary step to future proof the business.

The original business case outlined a way forward that addressed the non-compliance issues and provided a long-term solution.

Throughout the project, the Board questioned cost escalations and they sought and received assurances and justifications throughout, including independent advice and legal reviews. Despite this, the cost of the project more than doubled, and still did not deliver in full what was originally

planned. All of this expense had to be borrowed as there were no reserves built up to fund future needs such as this.

The value of the card system was based on the anticipated profit under a nationwide growth strategy. This strategy was not viable under recent economic conditions and going forward, did not have full Board support, leading to a change in strategic direction to instead be locally focused. This means the projected profit (based on national growth) will no longer be realised, and the Card System has to be impaired to show its current forecast value.

In hindsight, the business case could have been clearer, with a better outlining of risks and mitigations, better independent expertise and oversight of the project, along with better cost control.

In the 2024 financial year Ruralco has successfully brought the project to a workable conclusion and while everyone has been migrated to the new credit card, work to fully complete the new system is ongoing and is being managed within operational budgets.

Ruralco's strategy re-set to move away from nationwide growth, and instead focus on our core audience and region has been well received. We are a farm supplies co-operative, run for our Shareholders, based in Mid Canterbury focused on the Canterbury region.

It has been a difficult year for Ruralco requiring some tough decisions to be made and implemented and we would like to thank and recognise the efforts of the Directors, Board advisors and the Executive team.

Looking ahead, we remain committed to our core values of supporting our farmers by supplying products and services to increase on-farm productivity. We will ensure price competitiveness by passing on maximum benefits to our Shareholders.

Ruralco is very fortunate to have such a loyal and parochial support base. We recognise our co-operative's size and local focus gives us opportunities that many other companies do not have, and it allows us to be very connected and responsive to our Shareholders.

In return, Ruralco continues to seek your ongoing support. The reality is that our balance sheet has been eroded and now more than ever your co-operative needs your support to ensure our long-term viability. Ruralco is unique in its provincial nature and longevity. It was created to support the local farming community and that remains its focus looking ahead.

As your local co-operative, Ruralco demonstrates its loyalty and works to strengthen its community connections by supporting its local farmers, services, and suppliers wherever possible. Reciprocated loyalty is vital to all our continued successes and helps us all stay strong.

Ruralco works hard to create touchpoints with our farmers, and our Instore Days is a particularly important part of that process. This year's Instore Days was especially significant, firstly as we celebrated our 30th Instore Days anniversary, and also as we had the Prime Minister Christopher Luxon in attendance.

Other initiatives introduced this year include farmer focus reference groups, an exclusive Shareholder event with ex-All Blacks manager Darren Shand, along with continued support and sponsorship of community events, including our new monthly Spend for Schools programme where locals can win \$500 for a primary school of their choice by using their Ruralco Credit Card.

Since the last AGM we have farewelled Director Kate Acland, who was elected to the Board of Directors in 2018. During her Ruralco tenure, she has been elected as Chair of both Beef+Lamb New Zealand and the New Zealand Meat Board and we would like to thank her for her contribution and commitment to our Board of Directors over what has been a very busy time for Kate.

Ruralco would also like to acknowledge the passing of one of our longest serving staff members, Michael Broadfoot, who worked in the Ashburton store for 25 years before retiring in 2012.

We are looking forward to seeing you at our 61st Annual General Meeting and would like to take this opportunity to thank you for your ongoing support during the 2024 financial year and we are looking forward to working with you in 2025.

Our commitment to our local farming community remains strong and remains the cornerstone of all that we do. We are here to make farming easier for you.

Sir David Carter
CHAIR

Tony Aitken
CHIEF EXECUTIVE OFFICER/COMPANY SECRETARY



GOVERNANCE

BOARD OF DIRECTORS



SIR DAVID CARTER
DIRECTOR, CHAIR

Though city born and bred, David's passion was always to be a farmer. Armed with a B.Agr.Sc from Lincoln, he started farming at West Melton in 1972. David established New Zealand's first commercial embryo transplant company to

help introduce the new "exotic" cattle breeds to Australia and New Zealand. Politics was his other passion. David was elected to Parliament in 1994, and on the pathway to achieve his ambition—Minister of Agriculture. This was interrupted when Parliament elected him to be Speaker, a privileged position that he held for five years. On 31 December 2020, David was awarded a Knighthood recognising his 26 years of public service. As a sole trading farming enterprise, he has purchased, developed, farmed and sold a number of farm properties over a 48-year farming career. David currently farms a 10,000 stock unit sheep and beef breeding and fattening operation, spread over 3 properties on Banks Peninsula and North Canterbury.



DAVID BARRON
DIRECTOR

Hailing from a family farm in Rakaia, David brings a unique blend of IT, management and governance expertise in corporate entities, local government, and SMEs, showcasing his ability to bridge the gap between business and ICT strategies.

This, coupled with David's enterprising and entrepreneurial spirit and values, has allowed him to successfully manage business operations, always seeking opportunities for growth and advancement.

David is passionate about harnessing the power of technology to create value and positive outcomes for businesses, and about empowering people. In addition to his role as Director of Nectar, he is involved in the finance and governance aspects of a dairy farm and is the founder of e2e Limited, which focuses on helping organisations optimise processes and software applications to improve business efficiency and profitability.

David is excited about the opportunity to complement current Board expertise with his skills and experience.



KATE BEAUMONT-SMITH
DIRECTOR

Kate has a genuine passion for governance within the agricultural sector and she has proven governance experience from a community to a national level. As a qualified lawyer Kate has a strong focus on detail, as well the ability to see the wider picture. Having worked with businesses from rural

Wales to Mid Canterbury, this developed her understanding of the broader implications of decisions on businesses as well as individual ones. These skills Kate considers vital at this time of political and economic uncertainty for the agricultural sector.

Kate and her husband have been Contract Milking in Mid Canterbury for the past 5 seasons. This has ensured she has developed good knowledge of the needs of the industry and the local farming community.

Kate's desire to give back has been driven by her daughter having Turner Syndrome, which led to her becoming not only a treasurer on the national board but also creating a governance structure, writing a new constitution, policies, and procedures along with implementing financial systems. Her grounding in agriculture, backed with her governance and legal experiences makes her an excellent fit for the Ruralco board. Kate is passionate that Ruralco should be a company that is run by farmers for farmers.



RHEA BOOKER
DIRECTOR, CHAIR OF THE
AUDIT & RISK COMMITTEE

Rhea Booker is a Chartered Accountant and runs Rural Business Accountants Limited, an Ashburton based Chartered Accountancy firm, with her business partner, Aaron. Rhea graduated from the

University of Waikato with a Bachelor of Management Studies.

Rhea's experience has largely been in corporate accounting and has extended across agriculture, agricultural support, manufacturing, construction, and engineering industries. Rhea is passionate about business and creating practical solutions that a team can run with so they can thrive. She is excited to be a part of the Ruralco board where she can take her experience of reporting to the board and implementing change, to governing a prosperous co-operative.

Rhea and James have two young children and in their spare time are heading outdoors. up mountains, into waves, or down on the farm.



TONY COLTMAN
DIRECTOR

Tony has over 30 years' experience in corporate leadership and advisory roles, both in New Zealand and abroad. He was elected to the Board in 2016 and was the Chairman of the Health & Safety Committee from 2016 to 2021. He

graduated from Lincoln University with a BCom in Agriculture and a Diploma in Farm Management (with Distinction) and completed the Fonterra Governance Development Programme in 2016 and is a member of the NZ Institute of Directors. Tony is Manager & Director of a 3400-cow equity partnership near Dunsandel. In 2021 Tony was elected to the Central Plains Water Ltd board. Tony has a passion for rural business and is dedicated to the sustainability of dairy farming, where his efforts were awarded when he received the Regional Supreme Award in the Ballance Farm Environment Awards. He is an active leader in the highly successful Forages for Reduced Nitrogen Leaching Programme along with other environmental initiatives. Tony and his wife, Dana, have four children and when time allows, he enjoys adventure bike riding.



KATE ACLAND
DIRECTOR / RESIGNED
EFFECTIVE APRIL 2024

Kate Acland and her husband David own and operate Mt Somers Station, a large and highly diversified farming operation running sheep, cattle, deer, dairy and a stand-alone honey operation in the Mid

Canterbury foothills. Kate joined the Board in 2018. Prior to moving to Mid Canterbury in 2010, Kate established a winery and 26ha vineyard operation in Marlborough and significant export markets. Kate and David also own the Mt Somers and Staveley Stores and have several other small locally based businesses. In addition to governance experience in her own businesses, Kate currently holds several outside governance roles; sitting on the Board of the Wool Research Organisation of NZ and as Chair of Beef + Lamb NZ. Kate and David have three children and in their spare time enjoy skiing and getting into the hills.

BOARD ADVISORS



TONY MORTENSEN
BOARD ADVISOR

Tony brings over 15 years of senior leadership experience across a wide range of sectors, but most recently within the building and construction industry. He started his career as an accountant with KPMG and later moved into

financial management roles before taking on director and general management positions. Tony holds a Bachelor of Commerce with Honors, a 1st class Master of Commerce (in accounting) and is a Qualified Statutory Accountant, holding a full CPA designation. He has served on several boards over the past ten years, holding such positions as President, Chair and Chair of the Finance, Audit and Risk Committee.

Tony now specialises in providing advice to senior executives and boards, with a key focus on identifying and developing growth opportunities.



STEPHEN TUBBS
BOARD ADVISOR

Stephen is a Chartered Accountant and a Fellow of Chartered Accountants Australia New Zealand. He holds a BSc and B Com from the University of Canterbury and is a Member of The Institute of Directors. As a former Senior Partner in the

Christchurch office of BDO he has spent most of his career specialising in business restructuring and development. Stephen has significant experience working with key funding organisations and understands the critical working of the banking and finance sector.

He also has extensive governance experience and was integral in the overall leadership of the BDO New Zealand National Management Board between 2003 and 2016. His work with the BDO offices across the country helped build the reputation and practices that exist today. After leaving BDO Stephen focus is now on providing consulting and governance services to a selective group of clients, supporting their strategic, financial and operational needs. When he is not working, Stephen likes to spend time with his family and playing a wide range of sports as well as exercising a very enthusiastic dog.

EXECUTIVE TEAM



TONY AITKEN
CHIEF EXECUTIVE OFFICER

Tony brings a strong background of leadership in people development and delivering business results. A career change saw him specialise in HR for a period of time and he completed his degree whilst working

fulltime, graduating in 2015 with a Bachelor of Business Studies from Massey University. He especially enjoys leading teams and helping organisations grow and was part of Synlait's journey as it grew from 140 staff to over 1000 across 8 years. In 2019 he was named as a finalist for the HRINZ HR Specialist of the year award.

Tony has a talent for imagining the possibilities of the future and taking people on the journey to get there. Tony brings a strengths-based approach to Ruralco, believing that people innately want to do well, and sees his role is to create the culture that enables that, ensuring continuing business success for the co-operative. Tony really enjoys the sense of community in Mid Canterbury and is keen to ensure that Ruralco remains firmly focused on benefiting the community it is part of. Tony was GM People & Culture at Ruralco prior to becoming CEO in September 2023.



JONO PAVEY
GROUP MANAGER FARM SUPPLIES

Jono began his agricultural industry experience straight out of school before completing a degree at Lincoln University. From university it was back into the Rural Supplies industry with various store roles from

Greymouth to Taupo before taking on national product management positions. This was followed by six years as a Commercial Manager for a multi-national agricultural chemical company. An opportunity for Jono to move back to the Rural Supplies industry with ATS/Ruralco came about in late 2010 through operations and procurement positions.

Jono is an advocate for operational excellence and has a sharp commercial acumen. His leadership responsibilities encompass the entire Sales operation including all retail stores, on farm, seed, merchant, and procurement. Additionally, he manages the Pro-Active business and the relationship with Ballance. Jono is dedicated to leading high performance across his team, demonstrating technical aptitude and using coaching and empowerment techniques to bring his entire team on the journey.



MIKE BELL
CHIEF FINANCIAL OFFICER

Mike Bell brings over two decades of diverse financial and leadership experience to his role as Chief Financial Officer at Ruralco. Starting his career as a Chartered Accountant with Grant Thornton in Christchurch, Mike then took on key

finance leadership roles overseas across various sectors, including telecommunications and recruitment. During this time, Mike expanded his skillset, gaining hands-on experience in IT projects such as SAP implementations and data analytics. Since returning to New Zealand in 2009, Mike has held senior financial roles in the heavy machinery and car rental industries, further diversifying his commercial knowledge.

At Ruralco, Mike combines his passion for data-driven decision-making with a strategic financial outlook, aiming to strengthen the co-operative's financial resilience and optimise its operational efficiency. His belief in the power of data to enrich business insights, decision making, and business growth is central to his approach.

Mike is also committed to leveraging technology and financial insights to help the co-operative navigate complex industry challenges, ensuring that its financial health supports its long-term goals.

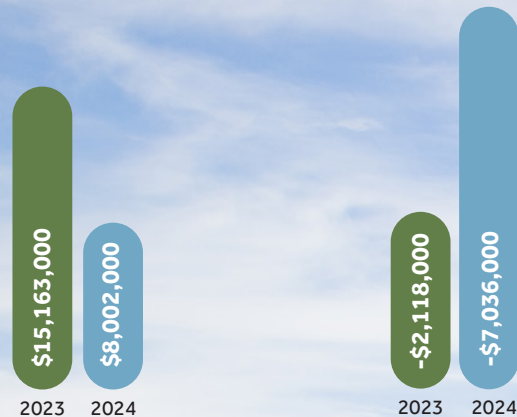
THE YEAR AT A GLANCE



GROUP TURNOVER

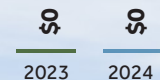


EBITDA

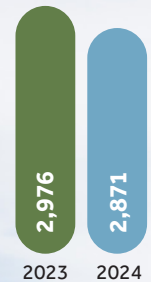


SHAREHOLDERS EQUITY

NPAT



BONUS REBATE PAID



SHAREHOLDERS



HEALTH & SAFETY
TOTAL ANNUAL INJURY/ACCIDENTS



THE GROUP TURNOVER WAS \$288 MILLION COMPARED WITH \$293 MILLION IN 2023.

This figure represents the gross dollar value of the transactions through Ruralco and differs from the Total Revenue figure shown in the consolidated financial statements and noted below, as for some of these transactions Ruralco acts as an agent to the underlying provider. See Note 1 for further explanation.

This year's Group Total Revenue was back three percent to \$49.88 million compared with \$54.66 million last year.

Gross Profit was \$11.22 million compared to last year's \$11.98 million, which is a reduction of six percent and highlights the heightened competition in the industry and the general downturn.

The Group Net Loss (NPAT) was \$7.0 million (after tax) for the 2024 financial year compared to last year's loss of \$2.12 million. Contributing factors include the following:

1. A \$4.71 million impairment of intangible assets which is a non-cash accounting adjustment. This is discussed further in the Chair & Group CEO Review.
2. A heightened provision for expected credit losses (ECL's or potential bad debts) of \$805k. The provision this year is much larger than prior years with the Ruralco Credit Card offering a revolving credit facility, and with lack of credit history, Ruralco was required to adopt national market ratios for provisioning. This is also a non-cash accounting adjustment.
3. An increase in interest expense to \$1.30 million, offset by interest income of \$549k leaving a net interest expense of \$754k. Ruralco's interest expense was \$702k in 2023 and \$114k in 2022. Approximately half of this interest expense is core debt interest expense backed by Ruralco's assets, and the other half is interest associated with providing a revolving credit facility which has been utilised by Shareholders and Cardholders.

SUMMARY

| | |
|--------------------------------------|---------|
| 1. Impairment (non-cash) | \$4.71M |
| 2. Expected Credit losses (non-cash) | \$805k |
| 3. Net Interest expense | \$731k |

Group Equity at the end of the 2024 financial year was \$8.0 million compared to last year's \$15.1 million. This equity reduction is affected by the \$4.71 million impairment of assets and goodwill (previously generated on the purchase of Ruralco from the Joint Venture with Ravensdown in 2015).

Adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortisation) which illustrates how much money a company makes before non-operational expenses, shows a loss of \$85k compared to a loss of \$1.39 million in the previous year, a turnaround of approximately \$1.3 million (year on year).

No rebate will be paid this year.



DIRECTORS' REPORT

YOUR DIRECTORS HAVE SUBMITTED THEIR 61ST ANNUAL REPORT, TOGETHER WITH THE CHAIR AND CHIEF EXECUTIVE OFFICER'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE SOCIETY FOR THE YEAR ENDED 30 JUNE 2024.

PRINCIPAL ACTIVITIES

The principal activities of the Ashburton Trading Society during the year ended 30 June 2024 was to conduct the Shareholders' group buying activity in the areas of Fuel; Fertiliser; Seed; Electricity; Retail; Card; Pro-Active NZ Ltd; and ATS Fuel Ltd.

As disclosed by the attached consolidated Financial Statements Summary 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.

BOARD OF DIRECTORS

The Board of Directors currently comprises of five Directors who have been elected by the Shareholders .

The Directors in office at 30 June 2024 and their special responsibilities include:

| | |
|----------------------------|------------------------------|
| Sir David Carter | Chair ATS |
| David Barron | |
| Kate Beaumont-Smith | |
| Rhea Booker | Chair Audit & Risk Committee |
| Tony Coltman | |

BOARD ADVISORS

The Board have engaged two Board advisors to provide consulting services to the board rather than appointing Independent Directors. These are:

Tony Mortensen
Stephen Tubbs

The Directors' meeting obligations were fulfilled for the year ended 30 June 2024.

DIRECTORS REMUNERATION

| | DIRECTOR FEES | OTHER SERVICE | |
|---------------------|---------------|---------------|----------------|
| Sir David Carter | \$73,417 | - | |
| David Barron | \$20,323 | - | (Partial year) |
| Kate Beaumont-Smith | \$20,323 | - | (Partial year) |
| Rhea Booker | \$37,919 | \$18,032 | |
| Tony Coltman | \$37,216 | - | |
| Kate Acland | \$27,915 | - | (Partial year) |
| Andrew Barlass | \$4,443 | - | (Partial year) |
| Susan Lindsay | \$16,893 | - | (Partial year) |
| Helen Van Orton | \$4,009 | - | (Partial year) |

The Director Fees are a combination of \$303,690 approved fees for standard director duties (2023 \$303,690) and additional fees for both authorised governance and authorised advisory work undertaken.

BOARD ADVISOR REMUNERATION

| | DIRECTOR FEES | OTHER SERVICE | |
|-------------|---------------|---------------|----------------|
| T Mortensen | \$20,940 | - | (Partial year) |
| S Tubbs | \$16,364 | - | (Partial year) |

DIRECTORS' INSURANCE

Ashburton Trading Society Ltd has an Insurance Policy for Directors' and Officers' liability, 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 Ruralco NZ Ltd, Pro-Active N.Z. 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

Grant Thornton were appointed as auditors for the 2024 Financial Year.



Sir David Carter
CHAIR



SIR DAVID CARTER



DAVID BARRON



KATE BEAUMONT-SMITH



RHEA BOOKER



TONY COLTMAN

ASHBURTON TRADING SOCIETY LIMITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

| | | | |
|-----------|--|-----------|--|
| 11 | STATEMENT OF ACCOUNTING POLICIES | 20 | STATEMENT OF CONSOLIDATED CASH FLOWS |
| 16 | CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | 22 | NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS |
| 17 | CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND MEMBERS' INTERESTS | 36 | INDEPENDENT AUDITOR'S REPORT |
| 18 | CONSOLIDATED STATEMENT OF FINANCIAL POSITION | | |

Statement of Accounting Policies for the year ended 30 June 2024

REPORTING ENTITY

The consolidated financial statements of the Ashburton Trading Society Limited comprise the Ashburton Trading Society Limited, its subsidiaries Pro-Active NZ Limited; ATS Fuel Limited and Ruralco NZ Limited.

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

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.

These consolidated financial statements were authorised for issue by the Board of Directors on 31 October 2024.

STATUTORY BASE

The consolidated financial statements have been prepared in accordance with the requirements of the Industrial and Provident Societies Act 1908 and the Financial Market Conducts Act 2013. ATS is a reporting entity under the Financial Markets Conduct Act 2013 ('FMC Act') and has taken advantage of the small co-operatives company exemption. As the Group reports under the FMC Act, parent company numbers are not required to be presented in the consolidated financial statements.

BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP') and comply with the New Zealand equivalents to the International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities.

These consolidated financial statements also comply with International Financial Reporting Standards ('IFRS').

The consolidated financial statements are presented in New Zealand currency, which is the Society's functional currency. All financial information presented has been rounded to the nearest thousand dollars.

The consolidated financial statements have been prepared on the historic cost basis. Cost is based on the fair value of consideration given in exchange for assets.

Material accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The material accounting policies set out below have been applied in preparing the consolidated financial statements for the year ended 30 June 2024 and the comparative information presented in the consolidated financial statements for the year ended 30 June 2023. Policies have been consistently applied to all periods presented, unless otherwise stated.

PRINCIPALS OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Ashburton Trading Society Limited as at 30 June 2024 and the results of all subsidiaries for the year then ended. Ashburton Trading Society Limited and its subsidiaries together are referred to in these consolidated financial statements as the Group or the consolidated entity. Subsidiaries are all those entities over which the Group has the power to direct the relevant activities and has the right to variable returns, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity.

Subsidiaries, which form part of the Group, are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Statement of Comprehensive Income.

Intercompany transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

EXERCISE OF JUDGEMENT AND ESTIMATIONS

The preparation of consolidated financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group makes estimates and judgements in relation to:

- Estimating Credit Loss Provisioning (accounting policy (e)) where judgements and estimates are involved in determining the cash flows expected to be received.
- Impairment of goodwill (accounting policy (d) and Note 14)) where judgements and estimates are involved in the determination of the discount and growth rates to be used in the value-in-use calculation.
- Inventory net realisable value (accounting policy (f)) where judgements and estimates are involved in the determining the net realisable value of inventory items.
- Recognition of revenue (accounting policy (o)) in accordance with NZ IFRS 15 where judgements and estimates are involved in determining when the recognition criteria for revenue have been met.
- Agent vs principal assessment (accounting policy (o)) where the nature of the relationship for the sale of goods and services is determined based on elements of control.
- Other Intangible assets (accounting policy (b) and Note 14) where judgements and estimates are involved in determining the capitalisation of the Software-as-a-Service related costs, determining the amortisation period for intangible assets with a definite useful life and the impairment of these assets.
- Deferred income tax assets are recognised to the extent there are sufficient estimated future taxable profits against which the tax losses can be utilised.

MATERIAL ACCOUNTING POLICIES

The following material accounting policies have been adopted in the preparation and presentation of these consolidated financial statements. These policies have been consistently applied to all periods presented, unless otherwise stated.

a) Property, plant and equipment

- Owned assets

Items of property, plant and equipment are stated at historic cost less accumulated depreciation (see below) and impairment losses (refer accounting policy (g)).

The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overhead costs.

Where individual parts of an item of property, plant and equipment have different useful lives, these are accounted for and depreciated as separate assets.

- Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably.

All other costs are recognised in the Consolidated Statement of Comprehensive Income as the expense is incurred.

- Depreciation

Depreciation is charged to the Consolidated Statement of Comprehensive Income over the estimated useful lives of each part of an item of property plant and equipment. Land is not depreciated.

The current rates of depreciation are in general:

| | | |
|--------------------|-------------------|------------|
| Land and Buildings | Diminishing Value | 1% to 67% |
| | Straight Line | 1% to 12% |
| Equipment | Diminishing Value | 8% to 67% |
| Motor Vehicles | Diminishing Value | 13% to 30% |

b) Intangibles

Computer software and licenses are intangible assets and are stated at cost less accumulated amortisation and impairment losses. Cost is the amount paid for the software and licenses. Amortisation is charged to the Consolidated Statement of Comprehensive Income using diminishing value over their estimated useful lives for software, and using a straight-line basis over a ten year estimated useful life for licenses and SaaS (Software as a Service) development. All intangible assets other than goodwill held have a finite life.

The current rates of amortisation are in general:

| | | |
|----------------------------|-------------------|-----|
| Computer Software | Diminishing Value | 50% |
| Patents & SaaS Development | Straight Line | 10% |

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised using a straight-line basis over a ten year estimated useful life. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

c) Borrowing costs

Borrowing costs directly attributable to the construction or acquisition of non-current assets which take a substantial period of time will form part of the cost of those assets. Other borrowing costs are recognised as an expense in the period they are incurred.

d) Goodwill

Goodwill is from the acquisitions of subsidiaries. Goodwill is not amortised but it is tested for impairment annually, and is carried at cost less accumulated impairment losses.

e) Trade receivables

Trade receivables are recognised initially at fair value plus incremental transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses ('ECLs').

The Group's considers trade receivables are all short term in nature, short term being defined as being due within 12 months of balance date.

In recognising credit losses, the Group considers a broader range of information, including past events, current conditions, forecast economic conditions, and security held that affect the expected collectability of the future cash flows of financial assets. During the year the Group completed the transition to the new card system. The new card system has a credit facility which did not exist in the previous card. In addition to the broad range of information available to the Group and in the absence of our own historical data, the Group considered industry data to underpin its calculation of credit losses. Impairment losses are calculated on individual loans and loans assessed collectively.

Trade receivables are written off when there is no reasonable expectation of recovering the contractual cash flows.

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business. Cost is determined on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and current and short-term deposit accounts maintained by the Group with external banking institutions. Bank facilities that are repayable on demand and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Consolidated Cash Flows.

h) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories (refer accounting policy (e)) and goodwill (refer accounting policy b) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

If the recoverable amount of an asset, or cash generating unit, is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount, and an impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset previously. A reversal of impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

i) Taxation

The income tax expense charged to the Consolidated Statement of Comprehensive Income includes both the current period's provision and the income tax effect of:

- Taxable temporary differences, except those arising from initial recognition of goodwill; and
- Deductible temporary differences to the extent it is probable they will be utilised.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Tax effect accounting is applied on a comprehensive basis to all timing differences using the liability method. A deferred tax asset is only recognised to the extent that it is probable there will be future profit to utilise the temporary differences.

j) Financial Instruments

The Group classifies its financial assets in the following categories: subsequently measured at amortised cost, fair value through other comprehensive income or fair value through the Consolidated Statement of Comprehensive Income and classifies its financial liabilities in the following categories: subsequently measured at amortised cost or at fair value through Consolidated Statement of Comprehensive Income.

Financial instruments are generally recognised at fair value in the Consolidated Statement of Financial Position and include cash balances, bank overdrafts, receivables, payables, lease liabilities and term borrowings. The recognition methods adopted are disclosed in the individual policy statements associated with each item.

k) Trade Payables

Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are recognised initially at fair value plus incremental transaction costs and subsequently measured at amortised cost using the effective interest method.

l) Provisions

A provision is recognised on the face of the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method.

n) Employee benefits

Liabilities for wages and salaries, annual leave and long service leave are recorded as current liabilities when it is probable that settlement will be required within 12 months. The liability is measured at the nominal rates using the remuneration rate expected to apply at the time of settlement.

For long-service leave the liability is equal to the present value of the estimated future cash outflows as a result of employee services provided at reporting date.

o) Revenue

• Retail Sales

The Group recognises revenue at a point in time when control of the products is transferred to the buyer, mainly upon delivery or when the products are picked up by the customer. The transaction price is adjusted for any variable elements, such as discounts. Refer to Note 1 for further details on revenue recognition.

• Commissions and levies - Card Revenue

The Group recognises revenue at a point in time when it acts as an agent and completes the facilitation of sale of goods and services between the principal suppliers and the end customer. Revenue is recognised when the control over the goods transfer from the supplier to the customer. The transaction price recognised is the net margin of the transaction left with the Group.

• Other revenue

Other revenue is revenue other than that derived from the sale of goods and services which arises in the normal course of the Group's business activities, and includes:

Rental & Finance income

Rental income is recognised on a straight-line basis over the term of the contract.

Interest revenue is recognised on a time proportionate basis taking into account the effective yield on the financial asset.

Advertising income

Advertising income is recognised in the month which the publication is made.

p) Leases

The Group leases various vehicles and photocopiers. Rental contracts vary depending on the type of asset being leased. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Leases are recognised as a Right-of-Use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Comprehensive Income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The Right-of-Use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

| Lease Type | Range of Lease Term | Right of Renewal | Remaining Period |
|--------------|---------------------|------------------|------------------|
| Vehicles | 3–5 years | No | Avg of 1.4 years |
| Photocopiers | 4 Years | No | 3 years |

q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST, except for receivables and payables, which are reported inclusive of GST.

Commitments and contingencies are disclosed net of GST recoverable from or payable to the Inland Revenue.

r) Dividends

Provision is made for the amount of any dividend declared on or before period-end but not distributed at reporting date. Dividend distribution to the society members is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Directors and notified to the Society's members.

s) Share Capital

Ordinary and deferred shares are classified as equity at the value they are issued to shareholders.

t) Bonus and Deferred Rebates

Bonus and deferred rebates are recognised as an expense at the time the entitlement to the rebate is approved by the Directors. Shareholders are entitled to a share in the rebates according to their support. The rebates are distributed by way of deferred shares and/or cash at the sole discretion of the Directors.

CHANGES TO ACCOUNTING POLICIES

All accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

STANDARDS INTERPRETATIONS AND AMENDMENTS TO BE PUBLISHED

During May 2024, IASB issued NZ IFRS 18 which will replace NZ IAS 1 'Presentation of Financial Statements' for reporting period on or after 1 January 2027, with early adoption permitted.

NZ IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified roles of the primary financial statements and the notes. Further, the classification of interest and dividends within the statement of cash flows will change for some entities. Management is currently assessing the impact of NZ IFRS 18 on presentation and disclosures in the Group's Financial Statements.

A number of other accounting standards and interpretations have been issued and will be applicable in future periods. Whilst these remain subject to ongoing assessment, no significant impacts have been identified to date.

These pronouncements have not been applied in the preparation of these Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024

| | NOTES | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|--|----------|---------------------------------|---------------------------------|
| REVENUE | 1 | 49,877 | 54,660 |
| Cost of Sales | | (38,661) | (42,678) |
| GROSS PROFIT | | 11,216 | 11,982 |
| Other Income | | 970 | 1,094 |
| Other Operating Expense | 2 | (6,212) | (6,614) |
| Salaries and Wages | 3 | (6,492) | (7,549) |
| Directors' Fees | | (242) | (298) |
| Depreciation - Property, Plant and Equipment | 12 | (220) | (242) |
| Depreciation - Right-of-Use Asset | 18 | (237) | (235) |
| Amortisation of Intangibles | 15 | (638) | (372) |
| Impairment of Intangibles | 14, 15 | (4,711) | - |
| Finance Cost - Interest | | (1,303) | (702) |
| OPERATING (LOSS)/SURPLUS BEFORE REBATE | | (7,869) | (2,936) |
| Less Rebates to Members | | - | - |
| NET (LOSS)/SURPLUS BEFORE TAXATION | | (7,869) | (2,936) |
| Tax Credit/(Expense) | 4 | 833 | 818 |
| NET (LOSS)/SURPLUS AFTER TAXATION | | (7,036) | (2,118) |
| Other Comprehensive Income | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | | (7,036) | (2,118) |

THIS STATEMENT MUST BE READ IN CONJUNCTION WITH THE STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND MEMBERS' INTERESTS
 FOR THE YEAR ENDED 30 JUNE 2024

| | NOTES | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|---|-------|---------------------------------|---------------------------------|
| BALANCE AT START OF THE YEAR | | 15,163 | 17,306 |
| Total Comprehensive Income for the period, net of Tax | 8 | (7,036) | (2,118) |
| | | 8,127 | 15,188 |
| <hr/> | | | |
| Contributions from Owners: | | | |
| Movement in Ordinary Shares | 7 | (61) | 1 |
| Movement in Deferred Shares | 7 | (64) | (26) |
| | | <hr/> | <hr/> |
| BALANCE AT END OF THE YEAR | | 8,002 | 15,163 |

THIS STATEMENT MUST BE READ IN CONJUNCTION WITH THE STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

| | NOTES | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|--------------------------------------|--------|---------------------------------|---------------------------------|
| EQUITY AND MEMBERS' INTERESTS | | | |
| Share Capital | 7 | 1,427 | 1,488 |
| Deferred Shares | 7 | 1,864 | 1,928 |
| Retained Earnings | 8 | 4,711 | 11,747 |
| | | 8,002 | 15,163 |
| CURRENT LIABILITIES | | | |
| Cash and Cash Equivalents | 13, 19 | 2,854 | - |
| Trade and Other Payables | 9 | 14,533 | 16,179 |
| Employee Entitlements | | 285 | 785 |
| Lease Liability | 18 | 159 | 199 |
| Bank Loan | 19 | 9,004 | 5,902 |
| | | 26,835 | 23,065 |
| NON CURRENT LIABILITIES | | | |
| Lease Liability | 18 | 132 | 145 |
| Bank Loan | 19 | 2,788 | 4,448 |
| | | 2,920 | 4,593 |
| TOTAL EQUITY AND LIABILITIES | | 37,757 | 42,821 |

THIS STATEMENT MUST BE READ IN CONJUNCTION WITH THE STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

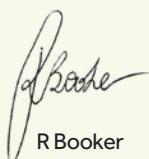
CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONT.

| | | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|----------------------------|--------|---------------------------------|---------------------------------|
| | NOTES | | |
| NON CURRENT ASSETS | | | |
| Property Plant & Equipment | 12 | 4,137 | 5,154 |
| Goodwill | 14 | - | 2,583 |
| Other Intangible Assets | 14, 15 | 3,885 | 6,201 |
| Right of Use Asset | 18 | 286 | 326 |
| Deferred Tax Asset | 4 | 1,905 | 1,072 |
| | | 10,213 | 15,336 |
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | 13 | 134 | 338 |
| Inventory - Finished Goods | 16 | 6,104 | 7,335 |
| Income Tax Receivable | 4 | - | 66 |
| Trade & Other Receivables | 17 | 21,306 | 19,746 |
| | | 27,544 | 27,485 |
| TOTAL ASSETS | | 37,757 | 42,821 |

For and on behalf of the Board



Sir D Carter
CHAIR



R Booker
DIRECTOR

Date

31 OCTOBER 2024

THIS STATEMENT MUST BE READ IN CONJUNCTION WITH THE STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CONSOLIDATED CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2024

| <i>NOTES</i> | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|--|--|--|
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Cash was provided from: | | |
| Receipts from Customers | 287,662 | 297,208 |
| GST | - | 97 |
| | 287,662 | 297,305 |
| Cash was disbursed to: | | |
| Payments to Suppliers & Employees | 290,970 | 299,163 |
| Interest Paid | 1,303 | 702 |
| Income Tax Paid/(Received) | (66) | 191 |
| | 292,207 | 300,056 |
| NET CASH FLOW USED IN OPERATING ACTIVITIES: | 6 (4,545) | (2,750) |
| Cash Flow From Investing Activities: | | |
| Cash was provided from: | | |
| Proceeds from Sale of Property Plant & Equipment | 648 | 14 |
| Cash was applied to: | | |
| Purchase of Property Plant & Equipment | 39 | 122 |
| Purchase of Intangibles | 243 | 3,107 |
| | 282 | 3,229 |
| CASH FLOW FROM /(APPLIED TO) INVESTING ACTIVITIES | 366 | (3,215) |

THIS STATEMENT MUST BE READ IN CONJUNCTION WITH THE STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CONSOLIDATED CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2024

| | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|--|---------------------------------|---------------------------------|
| CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Cash was provided from: | | |
| Issues of Shares | 22 | 30 |
| Proceeds from Bank Loans | 3,102 | 10,350 |
| | 3,124 | 10,380 |
| Cash was applied to: | | |
| Principal elements of lease payments | 197 | 279 |
| Shares Repaid | 146 | 55 |
| Loan Repaid | 1,660 | 3,950 |
| | 2,003 | 4,284 |
| NET CASH FLOW FROM FINANCING ACTIVITIES | 1,121 | 6,096 |
| Net (Decrease) / Increase in Cash and Cash Equivalents | (3,058) | 131 |
| Add Opening Cash and Cash Equivalents Brought Forward | 338 | 207 |
| Ending Cash and Cash Equivalents Carried Forward | (2,720) | 338 |
| CASH COMPRISES BANK ACCOUNTS AND CASH | (2,720) | 338 |
| | 14 | |

THIS STATEMENT MUST BE READ IN CONJUNCTION WITH THE STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Revenue

The Group's revenue from contracts with customers are generated from:

| NOTES | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|------------------------------|---------------------------------|---------------------------------|
| Retail sales | 44,971 | 49,530 |
| Card revenue | 2,683 | 3,053 |
| Other Commissions and levies | 2,223 | 2,077 |
| TOTAL | 49,877 | 54,660 |

Where the Group is considered to have primary obligation to fulfil the customer order, the Group has recognised revenue gross as principal to the transactions. These are classified as Retail sales revenue. For all sales where the Group is only considered to be an agent, the Group has recognised the net margin of the transaction as commissions and levies.

2. Operating Expenses

| NOTES | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|--|---------------------------------|---------------------------------|
| Operating expenses include the following specific costs: | | |
| Bad Debt Write-Off | 1,079 | - |
| ECL Provision | 280 | - |
| Loss/(Gain) on Sale of Assets | 179 | (14) |
| Legal Fees | 68 | 51 |
| Fees paid to the auditor: | | |
| Consolidated Financial Statement audit | 137 | 78 |
| Registry audit | 1 | 2 |
| Non audit fees | - | 14 |

3. Salaries and Wages

| NOTES | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|----------------------------------|---------------------------------|---------------------------------|
| Wages and Salaries | 5,862 | 7,214 |
| Kiwisaver Employer Contributions | 130 | 206 |
| Changes to Provisions | 500 | 129 |
| TOTAL EXPENSE | 6,492 | 7,549 |

4. Taxation

| NOTES | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|--|---------------------------------|---------------------------------|
| (A) TAX EXPENSE | | |
| Consolidated Statement of Comprehensive Income | | |
| Current Income Tax | - | (2) |
| Deferred Tax Expense – | | |
| Unused Tax Losses | (879) | (667) |
| Temporary Differences | 46) | (149) |
| INCOME TAX (CREDIT)/EXPENSE | (833) | (818) |

(B) RECONCILIATION OF EFFECTIVE TAX RATE

| <i>NOTES</i> | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|--|--|--|
| Net (Loss)/Surplus before Tax | (7,869) | (2,936) |
| Prima Facie Tax at 28% | (2,203) | (822) |
| Tax On Non-Deductible Expenses | 724 | 4 |
| Increase in Deferred Tax on Buildings | 646 | - |
| | (833) | (818) |
| Effective Tax Rate | 10.58% | 27.85% |
| Income Tax (Credit)/Expense Reported In: Consolidated Statement of Comprehensive INCOME | (833) | (818) |

(C) DEFERRED INCOME TAX

All deferred tax balances are expected to be recovered or settle after 12 months. Recognised deferred tax assets and liabilities are attributable to the following:

| <i>NOTES</i> | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|---|--|--|
| DEFERRED TAX ASSET | | |
| Opening Balance at start of the Year | 1,072 | 271 |
| Prior Period Adjustment | - | (15) |
| Current Year Movement | 833 | 816 |
| CLOSING BALANCE AT END OF THE YEAR | 1,905 | 1,072 |
| Comprising tax effect of: | | |
| Employee Benefits | 64 | 79 |
| Fixed Assets | (546) | 104 |
| Losses | 1,541 | 662 |
| Intangibles | 595 | - |
| Other | 251 | 227 |
| | 1,905 | 1,072 |

Deferred tax asset has been recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be used. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

The Group has recognised deferred tax asset on unused tax losses amounting to \$1,541k (2023: \$667k).

(D) CURRENT TAX ASSETS AND LIABILITIES

The current tax asset/(liability) represents the amount of income tax refundable or payable in respect of the current and prior periods.

5. Imputation Credit Account

| NOTES | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|---|---------------------------------|---------------------------------|
| OPENING BALANCE AT START OF THE YEAR | 5,234 | 5,300 |
| RWT Credits on Interest Income | - | - |
| Tax Payable/(Receivable) | - | (66) |
| CLOSING BALANCE AT END OF THE YEAR | 5,234 | 5,234 |

6. Reconciliation of Operating Surplus with Cash Flow From Operating Activities

| NOTES | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|--|---------------------------------|---------------------------------|
| Net (Deficit)/Surplus after Taxation | (7,036) | (2,118) |
| ADJUST FOR NON-CASH ITEMS | | |
| Depreciation | 458 | 477 |
| Amortisation of Intangibles | 638 | 372 |
| Impairment | 4,711 | - |
| Loss/(Gain) on Sale of Assets | 179 | (14) |
| Lease Interest Costs | - | 60 |
| (INCREASE)/DECREASE IN ASSETS | | |
| Trade & Other Receivables | (1,560) | 3,532 |
| Inventory | 1,231 | 1,158 |
| Taxation Receivable | 66 | 0 |
| Deferred Tax Movement | (833) | (800) |
| INCREASE/(DECREASE) IN LIABILITIES | | |
| Trade Payables | (1,904) | (5,434) |
| Taxation Payable | - | (209) |
| GST Payable/(Receivable) | 5 | 97 |
| Other Payables | (500) | 129 |
| NET CASH FLOWS USED IN OPERATING ACTIVITIES | (4,545) | (2,750) |

| RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES | SHORT-TERM BORROWINGS (\$000) | LONG-TERM BORROWINGS (\$000) | TOTAL (\$000) |
|--|-------------------------------------|------------------------------------|------------------|
| Cashflows | | | |
| Repayment | (3,950) | | (3,950) |
| Proceeds | 5,902 | 4,448 | 10,350 |
| BALANCE AT 30 JUNE 2023 | 5,902 | 4,448 | 10,350 |
| Cashflows | | | |
| Repayment | (1,005) | (655) | (1,660) |
| Reclassification | 1,005 | (1,005) | - |
| Proceeds | 3,102 | - | 3,102 |
| BALANCE AT 30 JUNE 2024 | 9,004 | 2,788 | 11,792 |

7. Share Capital

| | NO OF SHARES 2024 (000) | NO OF SHARES 2023 (000) |
|-------------------|----------------------------------|----------------------------------|
| AUTHORISED | | |
| Ordinary Shares | 2,000 | 2,000 |
| Deferred Shares | 4,000 | 4,000 |
| | 6,000 | 6,000 |
| UNALLOTTED | | |
| Ordinary Shares | 573 | 513 |
| Deferred Shares | 2,136 | 2,072 |
| | 2,709 | 2,585 |
| ALLOTTED | | |
| Ordinary Shares | 1,427 | 1,488 |
| Deferred Shares | 1,864 | 1,928 |
| | 3,291 | 3,416 |

Ordinary Shares

In accordance with the Rules of Ashburton Trading Society Limited (the Rules), each member of the Society is required to hold such number of shares in the Society as fixed by the Board (currently 500 ordinary shares). Ordinary shares are issued and redeemed at the nominal value of \$1 for each share. All ordinary shares rank equally with one vote for each financial member of the Society. Ordinary shares are entitled to a pro rata share of any surplus on wind-up of the Society.

Deferred Shares

Deferred shares are issued in accordance with the Rules at the discretion of the Board as part of the settlement for annual rebates to members. Deferred shares are issued and redeemed at the nominal value of \$1 for each share. Deferred shares do not carry an entitlement to vote but qualify for dividends at the discretion of the Board and a pro rata share of any surplus on wind-up of the Society. Deferred shares are repaid to members at the discretion of the Board.

Withdrawal of Members

A member may withdraw from the Society by providing notice in writing of their intention to withdraw once the Board has consented to their withdrawal. The Rules state that the Board has absolute discretion to either accept or decline the withdrawal of a member. Accordingly, repayment of ordinary and deferred shares is at the discretion of the Society, not the member. For this reason, ordinary and deferred shares have been classified as equity.

| NOTES | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|--|---------------------------------|---------------------------------|
| MOVEMENT IN CAPITAL | | |
| Share Capital at start of the Year | 1,488 | 1,487 |
| New Members at \$1 per share | 22 | 30 |
| Less Redemptions During the Year | (83) | (29) |
| | 1,427 | 1,488 |
| SHARE CAPITAL ISSUED AND PAID UP AT END OF YEAR | | |
| Deferred Shares Brought Forward | 1,928 | 1,954 |
| Less Paid Out Withdrawals | (64) | (26) |
| Deferred Shares Balance | 1,864 | 1,928 |
| TOTAL CAPITAL AT END OF THE YEAR | 3,291 | 3,416 |

8. Movement in Retained Earnings

| NOTES | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|---|---------------------------------|---------------------------------|
| Retained Earnings at start of the Year | 11,747 | 13,865 |
| Net (Deficit)/Surplus for the Year | (7,036) | (2,118) |
| RETAINED EARNINGS AT END OF THE YEAR | 4,711 | 11,747 |

9. Trade Payables

| NOTES | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|-----------------------------|---------------------------------|---------------------------------|
| Trade Creditors | 13,991 | 15,414 |
| Accruals | 542 | 765 |
| TOTAL TRADE PAYABLES | 14,533 | 16,179 |

10. Financial Instruments

The risks arising from the Group's Financial Instruments are interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for each of these risks and these are summarised below.

Market Risk – Interest Rate Risk

The Group is exposed to interest rate risk related to funds deposited with and borrowings from external parties. This risk is managed by the Group maintaining an appropriate mix between fixed short-term and floating on call interest rate deposits.

Interest Rate Sensitivity

This analysis has been determined based on the exposure to interest rates for bank deposits at the reporting date with the changes stipulated taking place at the beginning of the financial period and being held constant throughout the period for deposits with floating rates. Had interest rates been either 0.5% higher or lower, and all other variables been held constant, the Group's profit and equity would have increased (or decreased) by approximately \$69k (2023 \$41k).

Credit Risk Management

Credit risk is the risk that a counterparty to a transaction with the Group will fail to discharge its obligations and make payment, causing the Group to incur a financial loss.

Credit risk is managed by review of credit checks for all new membership applications and regular monitoring of account

balances for compliance with the Society's credit policy. Accounts in the name of co-operative members make up the majority of trade receivables. The Group is not exposed to any concentrations of credit risk although the Group deals principally in the farming industry sector. The largest balance debtor owing at end of the period is \$647k (2023: \$456k). The Group considers an account to be in default when a debtor fails to make a contractual payment in the absence of a written agreement to the contrary. This is when the account is past due by more than 90 days. Receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a payment plan with the Group. Where recoveries are made on loans or receivables that have been written off, these are recognised in profit or loss.

Maximum exposures to credit risk at reporting date are:

| NOTES | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|---------------------------|---------------------------------|---------------------------------|
| Cash and Cash Equivalents | 134 | 338 |
| Trade Receivables | 21,107 | 19,420 |
| | 21,241 | 19,758 |

Funds deposited with Bank of New Zealand Limited total \$134k (2023: \$335k).

Impairment of Trade Receivables

In recognising credit losses, the Group considers a broader range of information, including past events, current conditions, forecast economic conditions, and security held that affect the expected collectability of the future cash flows of financial assets. During the year the Group completed the transition to the new card system. The new card system has a credit facility which did not exist in the previous card. In addition to the broad range of information available to the Group and in the absence of our own historical data, the Group considered industry data to underpin its calculation of credit losses. Impairment losses are calculated on individual loans and loans assessed collectively.

A distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have a low credit risk ("Stage 1"); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date, and are individually assessed. Losses for impaired loans are recognised immediately when there is objective evidence that impairment of a loan or portfolio of loans has occurred.

Individually assessed loans (Stage 3)

At each reporting date, the Group assesses individually significant loans where there is objective evidence that the loan is impaired. The loans are assessed on a case by case basis. In determining individual impairment allowances on these loans, many factors are considered, including the following:

- Current security values
- Solvency of the borrower and guarantor
- Payment history on the account
- Interest rate being charged on the loan agreement

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loans current carrying amount.

Any gain or loss is reflected in profit or loss within the Consolidated Statement of Comprehensive Income. The carrying amount of impaired loans on the Consolidated Balance Sheet is reduced through use of an allowance account.

Collectively assessed loan (Stage 1 and Stage 2)

Loans that have been individually assessed but no objective evidence of impairment existed, and loans that are not considered individually significant, are pooled into similar credit risk groups. These groups are then assessed for impairment based on historical loss experience of assets with similar risk characteristics, with the historical loss experience for each credit group adjusted for the impact of current observable data and current and future economic conditions. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

For 'Stage 1' financial assets, 12-month expected credit losses are recognised. For Stage 2 financial assets, lifetime expected credit losses are recognised, discounted at the effective interest rate.

Loan write offs

Loans are normally written off in full when there is no realistic prospect of recovery of the amounts in a timely manner. If the Group receives payment on a loan that has been written off, it is recorded as bad debt recovered and appears as 'Other Revenue' in the Consolidated Statement of Comprehensive Income.

Key judgement:

The loss allowances for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's existing market conditions and industry data, as well as forward-looking estimates at the end of each reporting period. It is expected that all trade receivables will be collected within 12 months of the reporting date. All accounts past their due date have been subject to individual assessment.

Liquidity Risk

The Group's objective is always to maintain a balance between continuity and flexibility of funding through maintaining an appropriate mix between fixed short-term and floating "on call" interest rate deposits.

The Group manages its liquidity to ensure it is able to meet its obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Directors, who have provided management with a framework for the Society's medium and long term financial management. The Group also uses bank loan facilities to assist with managing operating cash flows.

CONTRACTUAL MATURITY ANALYSIS

| | LESS THAN 1 YEAR <i>(\$000)</i> | GREATER THAN 1 YEAR <i>(\$000)</i> | TOTAL <i>(\$000)</i> |
|--------------------------------------|---------------------------------------|--|-------------------------|
| ASSETS AT AMORTISED COST | | | |
| AT 30 JUNE 2024 | | | |
| Bank Deposits | 134 | - | 134 |
| Trade Receivables | 21,107 | - | 21,107 |
| | 21,241 | - | 21,241 |
| AT 30 JUNE 2023 | | | |
| Bank Deposits | 338 | - | 338 |
| Trade Receivables | 19,420 | - | 19,420 |
| | 19,758 | - | 19,758 |
| LIABILITIES AT AMORTISED COST | | | |
| AT 30 JUNE 2024 | | | |
| Bank and other Borrowings | 11,858 | 2,788 | 14,646 |
| Lease Liability | 159 | 132 | 291 |
| Trade Payables | 14,533 | - | 14,533 |
| | 26,550 | 2,920 | 29,470 |
| AT 30 JUNE 2023 | | | |
| Bank and other Borrowings | 5,902 | 4,448 | 10,350 |
| Lease Liability | 199 | 145 | 344 |
| Trade Payables | 765 | - | 765 |
| | 6,866 | 4,593 | 11,459 |

11. Investment in Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described on page 2.

| | GROUP 2024 | GROUP 2023 |
|-----------------------|---------------|---------------|
| Pro-Active NZ Limited | 100% | 100% |
| ATS Fuel Limited | 100% | 100% |
| Ruralco NZ Limited | 100% | 100% |

12. Property, Plant & Equipment

| | LAND & BUILDINGS (\$000) | EQUIPMENT (\$000) | VEHICLES (\$000) | TOTAL (\$000) |
|-------------------------------------|-----------------------------|----------------------|---------------------|------------------|
| YEAR ENDED 30 JUNE 2023 | | | | |
| Carrying Amount 1 July 2022 | 4,990 | 216 | 82 | 5,288 |
| Acquisitions | 22 | 96 | 4 | 122 |
| Disposals | - | - | (14) | (14) |
| Depreciation Expense | (143) | (82) | (17) | (242) |
| CARRYING AMOUNT 30 JUNE 2023 | 4,869 | 230 | 55 | 5,154 |
| AS AT 30 JUNE 2023 | | | | |
| Cost | 7,882 | 1,665 | 337 | 9,884 |
| Accumulated Depreciation | (3,013) | (1,435) | (282) | (4,730) |
| CARRYING AMOUNT 30 JUNE 2023 | 4,869 | 230 | 55 | 5,154 |
| YEAR ENDED 30 JUNE 2024 | | | | |
| Carrying Amount 1 July 2023 | 4,869 | 230 | 55 | 5,154 |
| Acquisitions | - | - | 35 | 35 |
| Disposals | (787) | (35) | (10) | (832) |
| Depreciation Expense | (117) | (92) | (11) | (220) |
| CARRYING AMOUNT 30 JUNE 2024 | 3,965 | 103 | 69 | 4,137 |
| AS AT 30 JUNE 2024 | | | | |
| Cost | 6,837 | 1,251 | 280 | 8,368 |
| Accumulated Depreciation | (2,872) | (1,148) | (211) | (4,231) |
| CARRYING AMOUNT 30 JUNE 2024 | 3,965 | 103 | 69 | 4,137 |

Term Loans from the Bank of New Zealand are secured by Registered Mortgage over properties situated at 97-117 Burnett Street, Ashburton and 68-74 Elizabeth Avenue Rakaia plus a Registered Debenture over the assets and undertakings of the company.

13. Cash & Cash Equivalents

| | NOTES | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|---|-------|---------------------------------|---------------------------------|
| Funds in Bank | | 134 | 338 |
| Bank Overdraft | | (2,854) | - |
| Total Cash Balance as reported in the Statement of Consolidated Cash Flow | | (2,720) | 338 |

14. Goodwill

| NOTES | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|---------------------------------------|---------------------------------|---------------------------------|
| Gross carrying amount: | | |
| Balance 1 July | 2,583 | 2,583 |
| Acquired through business combination | - | - |
| Balance 30 June | 2,583 | 2,583 |
| Accumulated impairment: | | |
| Balance 1 July | - | - |
| Impairment loss recognised | (2,583) | - |
| Balance 30 June | (2,583) | - |
| CARRYING AMOUNT 30 JUNE | - | 2,583 |

The Group carries goodwill relating to the acquisition of Ruralco NZ Limited. Ruralco NZ Limited is treated as one cash generating unit ('CGU') for the purposes of goodwill.

Key Judgement

The assessment that there was an impairment in the Ruralco NZ Limited CGU at reporting date. The valuation of the CGU is based on a discounted cashflow of management forecasts of future financial performance and therefore there is inherent estimation uncertainty.

Impairment assessment

Goodwill is assessed for impairment annually. Additionally, if there are indicators of impairment all other assets are also assessed for impairment. The recoverable amount is determined based on a value-in-use calculation, covering a five-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using a growth rate determined by management. The present value of the expected cash flows is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and the specific risks relating to the cash flow being discounted. Intangible assets not yet ready for use of \$NIL (2023: \$192k) is included within this impairment assessment as it forms part of the Ruralco NZ Limited CGU.

Following a review of the business strategic direction an impairment charge to goodwill and intangible assets was required to be recognised in the consolidated financial statements as at 30 June 2024 \$4,711k. (2023: no impairment).

| NOTES | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|----------------------|---------------------------------|---------------------------------|
| Recoverable amount | 3,885 | 11,693 |
| Carrying amount | 8,596 | 10,216 |
| Headroom | (4,711) | 1,477 |
| Rates applied: | | |
| EBITDA growth rate | 4.00% | 4.00% |
| Expense growth rate | 3.00% | 3.00% |
| Revenue growth rate | 4.00% | 4.00% |
| Discount rate | 12.50% | 12.50% |
| Terminal growth rate | 2.65% | 2.35% |

The estimated recoverable amount of the Ruralco NZ Ltd CGU is estimated to be below the carrying amount of the CGU at 30 June 2024 by approximately \$4,711k (2023: exceeded by \$1,477k).

Below is a sensitivity analysis showing the impact changes to the key variables has on value.

The following table shows the amount by which these two key assumptions would need to change by individually for the estimated recoverable amount to be equal to the carrying amount.

| | GROUP 30 JUN 2024 | GROUP 30 JUN 2023 |
|--|----------------------|----------------------|
| EBITDA growth rate - reduce by / (increase by) | -3.95% | 11.20% |
| Discount rate - reduce by / (increase by) | 5.50% | -1.59% |

15. Other Intangible Assets

| | SOFTWARE & LICENSES (\$000) | WORK IN PROGRESS (\$000) | TOTAL (\$000) |
|-------------------------------------|-----------------------------------|--------------------------------|------------------|
| NET BOOK AMOUNT 30 JUNE 2022 | 104 | 3,362 | 3,466 |
| Additions | - | 3,107 | 3,107 |
| Capitalisation of WIP | 6,278 | (6,278) | - |
| Amortisation Charge | (372) | - | (372) |
| NET BOOK AMOUNT 30 JUNE 2023 | 6,010 | 191 | 6,201 |
| Additions | - | 451 | 451 |
| Capitalisation of WIP | 642 | (642) | - |
| Impairment Charge | (2,129) | - | (2,129) |
| Amortisation Charge | (638) | - | (638) |
| NET BOOK AMOUNT 30 JUNE 2024 | 3,885 | - | 3,885 |

Work in progress intangible assets form a part of the Ruralco NZ Ltd cash generating unit and is assessed for impairment in the goodwill impairment assessment performed over Ruralco NZ Ltd in note 14.

16. Inventories

| | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|--------------------------------------|---------------------------------|---------------------------------|
| Finished Goods Retail and Seed/Grain | 6,064 | 7,298 |
| Fuel | 40 | 37 |
| | 6,104 | 7,335 |

Inventories comprise products sold through retail branches, grain/seed and fuel. All inventories are pledged as security for the Group's bank borrowings.

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$78k (2023: \$42k). At reporting date the provision for inventory obsolescence is \$78k (2023: \$42k). During the year the amount of inventory write-downs recognised as an expense during the period was \$28k (2023: \$85k).

17. Trade and Other Receivables

| | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|---|---------------------------------|---------------------------------|
| NOTES | | |
| Trade Receivables | 21,912 | 19,946 |
| Expected Credit Losses | (805) | (525) |
| Prepayments | 199 | 325 |
| | 21,306 | 19,746 |
| As of 30 June 2024, trade receivables of \$1,701k (2023 \$1,280k) were past due 30 days but not impaired. | | |
| Past Due But Not Impaired | | |
| 1 Month | 691 | 76 |
| 2–3 Months | 462 | 90 |
| Greater Than 3 Months | 548 | 1,114 |
| | 1,701 | 1,280 |
| Trade Receivables allowance | | |
| Opening allowance | 525 | 99 |
| Additional allowance | 280 | 426 |
| CLOSING ALLOWANCE | 805 | 525 |

18. Right of Use Asset

| | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|--|---------------------------------|---------------------------------|
| COST | | |
| Right-of-Use Asset at beginning of year | 326 | 406 |
| Additions | 197 | 155 |
| Disposals | - | - |
| | 523 | 561 |
| Accumulated Depreciation | | |
| Depreciation | 237 | 235 |
| | 237 | 235 |
| NET RIGHT-OF-USE ASSETS BALANCE | 286 | 326 |
| RIGHT-OF-USE ASSETS NET BOOK VALUE | | |
| Photocopiers | 38 | 26 |
| Motor Vehicles | 248 | 300 |
| | 286 | 326 |
| DEPRECIATION | | |
| Photocopiers | 1 | 29 |
| Motor Vehicles | 236 | 206 |
| | 237 | 235 |
| TOTAL CASH OUTFLOW RELATING TO LEASES | 236 | 279 |
| LEASE LIABILITY | | |
| Lease liability at beginning of the year | 343 | 418 |
| Additions | 197 | 144 |
| Lease Repayments | (287) | (279) |
| Interest Charged | 38 | 60 |
| | 291 | 343 |
| SPLIT BY: | | |
| Current Liability | 159 | 199 |
| Non-Current Liability | 132 | 145 |
| | 291 | 344 |

19. Bank Borrowing

The Group has access to a Multi-Option Committed Cash Advance Facility (CCAF) up to an amount of \$8,000k (2023: \$8,000k). The interest rate applicable to this facility is the prevailing bank CCAF rate at the time of drawdown. There was \$8,000k drawn down against this facility as at 30 June 2024 (2023 \$5,000k). The Group has entered into a joint, all obligations (interlocking) guarantee in respect of the overdraft facility with Ruralco. The Group also has an overdraft facility of \$5,500k (2023: \$500k). The interest rate applicable to this facility is the prevailing Market Connect Overdraft Base Rate plus a margin of 1.25%. There was \$2,722k drawn down on this facility at 30 June 2024 (2023: \$Nil).

There are two financial covenants

- 1) Adjusted shareholders' funds are to be maintained at a minimum of 30% of adjusted total assets.
- 2) Total inventory and trade receivables are to be maintained at a minimum of two times working capital debt.

As at 30 June 2024 there are no breaches to bank covenants.

In May 2023 Ruralco entered a long term facility agreement with Bank of New Zealand (BNZ) for \$5,500k to be amortised over a 5 year term. This was primarily to fund the capital expenditure on a system that the Ruralco Card operates on. At this time the banking covenants were amended to allow the inclusion of land and buildings at their revalued amount per valuations obtained from McLeod Valuation & Consulting dated 21st February 2023. Security and Interest for this facility consists of a Registered Debenture over the assets and undertakings of the company and a specific interest in Accounts Receivable.

| NOTES | GROUP 30 JUN 2024 (\$000) | GROUP 30 JUN 2023 (\$000) |
|----------------------------------|---------------------------------|---------------------------------|
| CURRENT | | |
| Overdraft | 2,854 | - |
| Committed Cash Advance Facility | 8,000 | 5,000 |
| 5 year Loan | 1,004 | 902 |
| Total Current Bank Borrowing | 11,858 | 5,902 |
| NON CURRENT | | |
| 5 year Loan | 2,788 | 4,448 |
| Total Non Current Bank Borrowing | 2,788 | 4,448 |
| TOTAL BANK BORROWING | 14,646 | 10,350 |

20. Key Personnel & Directors

Short-term remuneration to key management personnel and directors during the period totalled \$1,382k (2023: \$1,751k).

Remuneration for other services provided by directors during the year totalled \$18k (2023: Nil).

All directors and staff of the Society can hold an ATS trading account and transact with ATS. The gross value of transactions made by the directors and staff for the period was \$1,253k (2023: \$1,084k).

The trade receivable balance from Directors as at 30 June 2024 was \$13k (2023: \$62k).

21. Capital Management

The objective of the group when managing capital is to safeguard the group's ability to continue as a going concern so it can continue to reduce member farm input costs and to maintain a strong capital base to support the development of the group. This is achieved through a mix of member funds and bank facilities.

Bank facilities attach covenants to maintain shareholder funds at a minimum of 30.0% of adjusted total assets at balance date, bank working capital facilities are to be covered by a minimum debtor and stock ratio of 2.0 at all times, to be measured annually at balance date, and annual financial accounts are to be provided within 180 days of balance date.

There have been no breaches to financial covenants during the financial year 2024, (2023: two). As at 30 June 2024 there are no breaches to bank covenants.

22. Contingent Liabilities

There are no other contingent liabilities at reporting date (2023: Nil).

23. Commitments for Expenditure

There is planned capital expenditure entered into as at balance date of \$39k for the purchase of a new Ford Puma (2023: Nil).

24. Going Concern

At 30 June 2024, the Group recorded a before-tax loss for the year of (\$7.9m) including operating cash flows decrease of (\$4.5m). The before-tax loss included non-cash items of \$5.6m, the operating cash flows reflected the change in the Trade Receivables portfolio as the card product changed from a charge card to a credit card from the last balance date, which is now an interest-bearing income stream.

The Group's CCAF and overdraft facility with BNZ has expired since balance date and temporary facilities are in place until 15 November 2024 whilst a longer term facility is negotiated.

The Group has experienced lower than planned profitability for the first quarter of the new Financial Year. The Group has revised the forecasts for the rest of the 2025 financial year, and the financial years 2026-2028 and proceeded with a number of cost reduction activities which includes the disestablishment of roles to ensure it is profitable for the 2025 financial year and future years.

The Group has a number of key strategic initiatives it is working through to restore profitability and capital to the Group, which are included in the new Forecasts.

If the Group was to experience any of:

- Inability to secure long term funding facility
- Inability execute on planned strategic initiatives
- Further deterioration in Financial Performance, from what is planned

A material uncertainty does exist about the Groups ability to continue as a going concern.

The Directors carefully considered the ability of the Group to continue to operate as a going concern for at least the next 12 months from the date of the financial statement. It is the conclusion of the directors that the Group will continue to operate as a going concern and the financial statements have been prepared on that basis.

25. Events Subsequent to Balance Date

The Group has experienced lower than planned profitability for the first quarter of the new Financial Year. The Group has revised the forecasts for the rest of the 2025 financial year, and the financial years 2026-2028 and proceeded with a number of cost reduction activities which includes the disestablishment of roles to ensure it is profitable for the 2025 financial year and future years.

Independent Auditor's Report

Grant Thornton New Zealand Audit Limited
L4, Grant Thornton House
152 Fanshawe Street
PO Box 1961
Auckland 1140
T +64 (0)9 308 2570
www.grantthornton.co.nz

To the Members of Ashburton Trading Society Limited

Report on the Audit of the consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ashburton Trading Society Limited (Society) and its subsidiaries (Group) on pages 11 to 35 which comprise the consolidated statement of financial position as at 30 June 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and members' interests and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Ashburton Trading Society Limited as at 30 June 2024 and of its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. The firm also provided other assurance services in relation to the share registry to the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationships with, or interest in, the Group.

Material uncertainty related to going concern

We draw attention to Note 24 of the consolidated financial statements, which indicates that the Group incurred a loss of \$7.9 million, including negative operating cash flow of \$4.5m million for the year ended 30 June 2024. The Group has financing agreements which have expired and are reliant on these facilities being successfully renegotiated. These events and conditions, along with other matters as set forth in Note 24, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Grant Thornton New Zealand Audit Limited is a related entity of Grant Thornton New Zealand Limited. 'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide services to their clients and/or refers to one or more member firms as the context requires. Grant Thornton New Zealand Limited is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of and do not obligate one another and are not liable for one another's acts or omissions. In the New Zealand context only, the use of the term 'Grant Thornton' may refer to Grant Thornton New Zealand Limited and its New Zealand related entities.

Information Other than the consolidated Financial Statements and Auditor's Report thereon

The Directors are responsible for the other information. The other information included in the annual report comprises the areas entitled: Chair & CEO Review, Governance, Executive Team, The Year At A Glance, Directors' Report and Notice of Annual General Meeting. The year at a glance, Chair & Group CEO Review, Directors' Report and Notice of Annual General Meeting but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement therein, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated Financial Statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/>

Restriction on use of our report

This report is made solely to the Society's members, as a body. Our audit work has been undertaken so that we might state to the Society's members, as a body 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 Society and its members, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Limited

Yasin Mohammed

Yasin Mohammed

Partner

Auckland

31 October 2024

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 61ST ANNUAL GENERAL MEETING OF SHAREHOLDERS OF THE ASHBURTON TRADING SOCIETY LIMITED WILL BE HELD AT THE HOTEL ASHBURTON, 35 RACECOURSE ROAD, ASHBURTON ON WEDNESDAY 27TH NOVEMBER 2024 AT 5.30PM.

BUSINESS

1. To approve the Minutes of the 60th Annual General Meeting held on Wednesday 22nd November 2023.
2. To receive the Society's annual financial statements and an accompanying report from the Board for the year ended 30 June 2024.
3. To receive the report of the Independent Board Remuneration Committee and to approve their recommendation.
4. 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.



Sir David Carter
CHAIR





Ruralco
Ruralco
0800 787 256
0800 5215 6206 0773



Ruralco

Welcome to Ruralco | OBSESSED WITH AGRICULTURE



REGISTERED OFFICE
97 Burnett Street
Ashburton 7700

AUDITORS
Grant Thornton New Zealand Audit Limited
134 Oxford Terrace
Christchurch

SOLICITORS
Tavendale and Partners
Tancred Street, Ashburton

BANKERS
Bank of New Zealand
East Street, Ashburton

0800 787 256
RURALCO.CO.NZ