

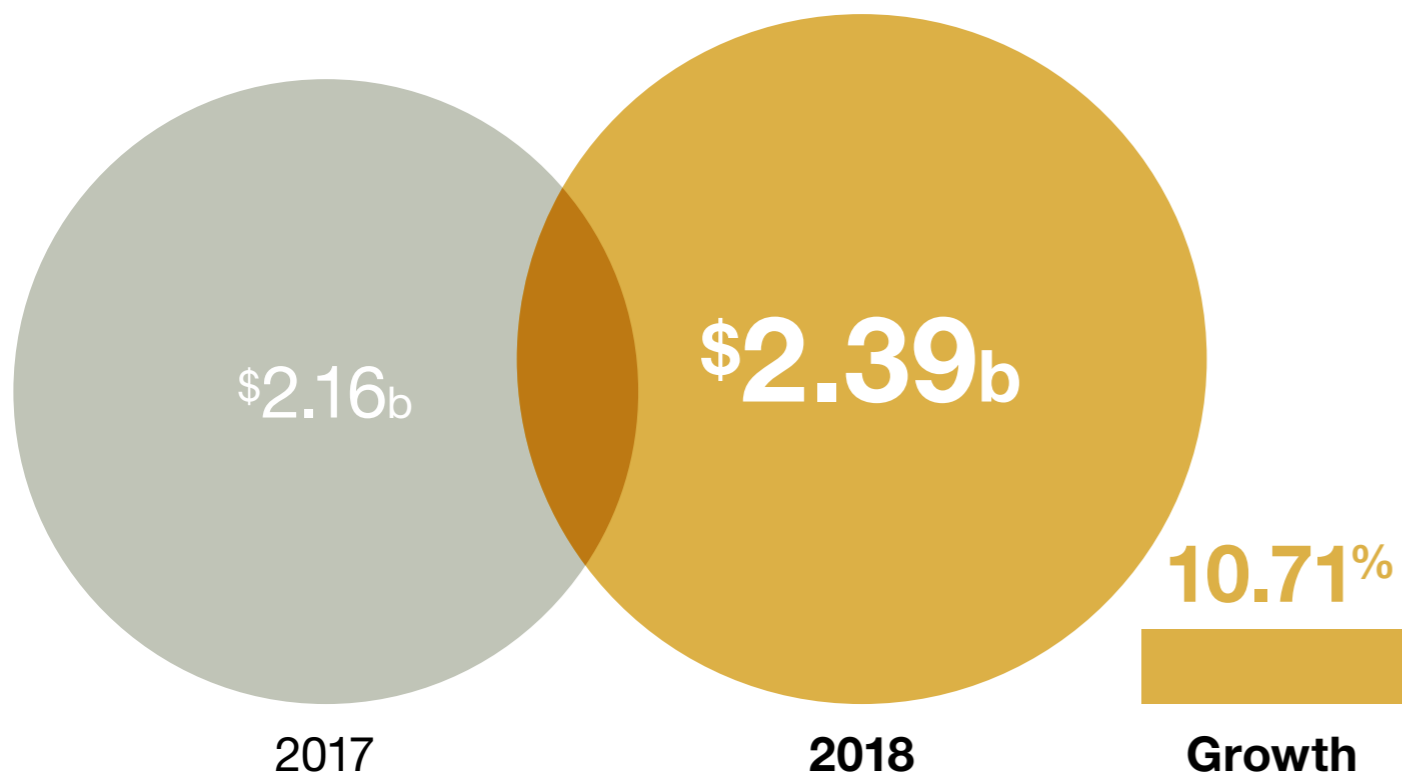
# ANNUAL REPORT 2018



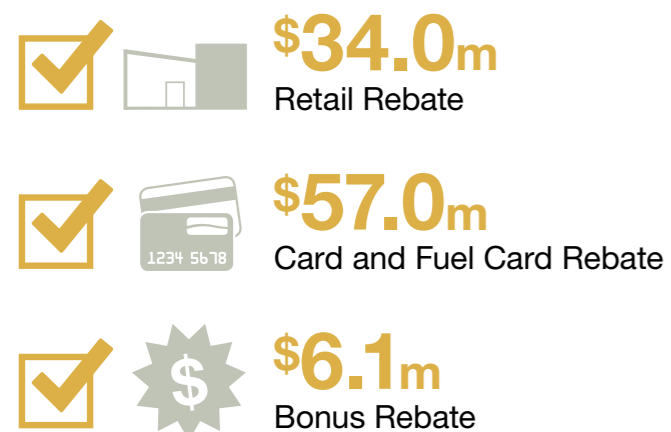
  
**Farmlands**  
co-operative

# FINANCIAL HIGHLIGHTS

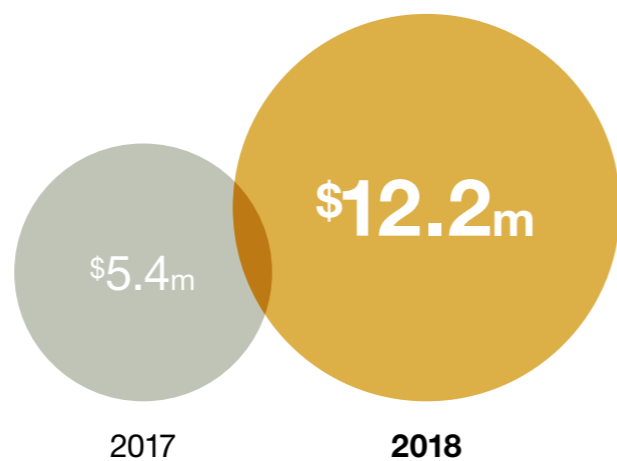
## Revenue



## 2018 Rebates



## Profit



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### Your Feedback is Important

Our ambition is to deliver an Annual Report that provides shareholders with the information they need to keep up to date with the progress of their co-operative. We'd love to hear your feedback on any improvements we could make.

Please visit [www.farmlands.co.nz/annualreport](http://www.farmlands.co.nz/annualreport) to let us know your views.



## WIN A FARMLANDS CUP EXPERIENCE

Since 2016, the Pulse Energy Highlanders and BNZ Crusaders have battled it out for the Farmlands Cup.

The pre-season Super Rugby game was created to bring our national game back to rural communities, where so many legends of the game started out. Our co-operative is about community and since the first game, with Southern Field Days as the backdrop, close to 20,000 rural New Zealanders have had the chance to see their heroes up close.

Having previously been held in Waimumu and Darfield, the 2019 edition of the Farmlands Cup will be played at the Southbridge Rugby Club – home club of Crusaders and All Blacks legend, Dan Carter.

As the BNZ Crusaders are the two-time defending Super Rugby champions and the Pulse Energy Highlanders are the reigning Farmlands Cup holders, there is plenty to play for in Southbridge. We want to give one lucky shareholder the chance to experience the Farmlands Cup in-person – all you have to do is attend the Annual General Meeting in Hokitika on 23<sup>rd</sup> November.

Shareholders are invited to join the Directors and Executive of the Society for refreshments at the conclusion of the Annual General Meeting. Shareholders who attend will be entered into a prize draw for a Farmlands Cup experience.

The Farmlands Cup experience includes:

- Flights to Christchurch (if required)
- 1 night's accommodation
- 4 Farmlands Cup tickets
- Pre-match hospitality and dinner

**RSVP at [www.farmlands.co.nz/agm](http://www.farmlands.co.nz/agm) by Friday 16<sup>th</sup> November.**

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the fifty-fifth Annual General Meeting of shareholders of Farmlands Co-operative Society Limited will be held at 11.30am on Friday 23<sup>rd</sup> November 2018, at the Westland Boys' Brigade Hall, 1 Hau Hau Road, Hokitika.

## Business

1. To receive and adopt the Annual Report for the year ended 30 June 2018.  
Resolution: *That the Annual Report for the year ended 30 June 2018 be adopted.*
2. To appoint the auditors.  
Resolution: *That the auditors, PricewaterhouseCoopers, continue in office.*
3. To consider, and if thought fit, pass the following special resolution to approve amendments to the Rules.  
Special resolution: *That the Rules of the Society be amended in accordance with Rule 4, with the proposed amendments set out in the schedule of changes.*

Explanatory notes:

Rule 4 requires a special resolution of Shareholders to be passed to approve any amendment to the Rules. A special resolution means approval by a majority of 75% of the votes of those Shareholders entitled to vote and voting on the question.

Your Board of Directors has reviewed the skill-sets, composition and size of the Board and, in the interests of promoting effective and efficient decision making while ensuring adequate representation of both North Island and South Island Shareholders, the Board recommends that the Rules are amended to:

- (a) increase the number of Independent Directors from 2 Independent Directors to 3 Independent Directors; and
- (b) reduce the number of Shareholder Directors from 8 Shareholder Directors to 6 Shareholder Directors (to be split evenly between the North Island and the South Island).

Shareholder Directors will continue to comprise the majority of Directors, and the requirement for the Chairman to be a Shareholder Director will remain unchanged.

A number of other amendments to the Rules have been proposed to remove references to the 2013 merger (which are no longer applicable) and to update the Rules to reflect current business practice.

We recommend that Shareholders read the schedule of changes to the Rules, together with the comments from the Farmlands Chairman, to ensure they are comfortable with the proposed changes. Both the schedule of changes and the commentary from the Chairman were sent to Shareholders in the November issue of *The Farmlander* magazine. A copy of the Rules (with proposed changes showing in mark-up) is available on request to the Society's Secretary Catherine Walker, by phoning 021 999 302 or by email to [catherine.walker@farmlands.co.nz](mailto:catherine.walker@farmlands.co.nz).

4. To transact any other business which may be properly considered at the Annual General Meeting.

**By order of the Board**  
C E Walker, Secretary  
Christchurch, New Zealand  
26<sup>th</sup> October 2018

# CHAIRMAN AND CHIEF EXECUTIVE'S REPORT

**This has been another good year for Farmlands.**

**After returning to profitability last year, the co-operative more than doubled its profit performance over the 2018 reporting period. While the financial result is pleasing, more importantly this year we have made significant progress in positioning our co-operative for better times ahead.**

Under the 'good to great' – or 'Braveheart' – initiative launched in 2017, we initiated a full range of measures to secure the future of Farmlands for the next generation and beyond. This is an ongoing effort involving our staff, management and shareholders.

Implementing wide-ranging changes can be challenging but we need to make hard decisions – based on rigorous analysis and testing – if we are to provide effective support to our shareholders, who yourselves operate in a tough and volatile sector.

We have in place a number of growth strategies to modernise the Farmlands business operating model, including the ambitious Braveheart transformation and numerous other programmes across the co-operative. These changes are consistent with the original vision of Farmlands' founding shareholders, who set the stage for a dynamic and flourishing co-operative some 55 years ago.

Staying true to the foundation of our co-operative principles in the 21st century requires a strong commitment to continuous improvement, which is a recurring theme in this Annual Report.

That commitment has been evident over the latest financial year in the hard work of

Farmlands staff and in the ongoing loyalty and support from our 68,000 shareholders nationwide. We know we are only part-way on the journey to re-invigorate the Farmlands Co-operative Spirit in a modern world – we also know that goal can only be achieved by putting our shareholders' future success at the centre of everything we do.

Since embarking on our transition voyage more than 2 years ago, Farmlands has made great strides in the right direction. In 2017 we reported a \$5.4 million net profit before tax and rebate – representing a massive turnaround from the \$9 million loss of the previous year.

Over the latest financial year we have more than doubled our net profit to \$12.2 million on revenue of \$2.4 billion (up \$231 million, or more than 10 percent, year-on-year). This strong financial result has enabled us to fulfil our intention – as indicated at the 2017 AGM – to reintroduce a year-end rebate for shareholders.

In total, we will be returning \$6.1 million to shareholders – split 50:50 between cash and extra shares – under the bonus scheme. During the year shareholders have also benefited from monthly rebates to the tune of \$91 million.

**This year we will be returning \$6.1 million to shareholders, on top of the \$91 million of benefit delivered throughout the year.**

**Staying true to the foundation of our co-operative principles in the 21st century requires a strong commitment to continuous improvement, which is a recurring theme in this Annual Report.**

Meanwhile, Farmlands retains a strong balance sheet with shareholder equity and members' interests at \$128.9 million and an equity ratio of 27.9 percent. Net debt ended the year at \$81 million, up \$15 million on 2017 but in line with projected spending linked to the Braveheart transformation programme.

Overall, we are in a strong position with increased profit, a solid balance sheet and the confidence to pay a Bonus Rebate on the back of sustained financial improvement.

The upward trend in revenue and profitability is a testament to the swift response and actions taken in the past 2 years across Farmlands' operations. Working together as a team and with suppliers we have provided a better service to shareholders, showcasing the great benefits of our co-operative.

### Governance

During the year the Farmlands Board welcomed three new Directors after a healthy election process featuring strong shareholder engagement. Each of the three new Board appointments – Warren Parker, Murray Donald and Independent Director Julie Bohnenn – bring fresh ideas and diverse capabilities to the table.

The trio of new Directors have impressive skill-sets that will help drive our commitment to putting shareholders' best interests at the centre of every decision we make. Importantly, too, these three high-calibre Board members are well-equipped to continue the good work of the now-retired, long-standing Farmlands Directors Don McFarlane, Tony O'Boyle and Craig Boyce.

We are confident of finding more high-quality Directors this year as Joe Ferraby and David Jensen retire from the Board. Peter Wilson, one of our Independent Directors, will also retire at this year's AGM.

Farmlands is also investing in training programmes that create governance pathways for our own Board and across the rural sector. Last year, for instance, we launched the Board Observer programme to develop a pool of governance talent able to take on future governance roles in our co-operative, with Braden Hungerford appointed to the inaugural 12-month position.

We would like to thank Braden for his contribution to the Board and look forward to working with his successor, Robert Kempthorne, who joins us as Observer for the year ahead.

Furthermore, in an award-winning move, Farmlands has worked with another co-operative – Silver Fern Farms – to seed the next generation of directors in our industry. Under the *To The Core* programme, 23 shareholders gathered in Christchurch for a 3-day event designed to introduce participants into the world of governance.

The joint initiative between the two co-operatives was highly successful, picking up the 'Co-operative Business NZ Co-operation Amongst Co-operatives' award for 2018.

Shareholders will have a chance to see the refreshed governance team at the AGM, set down for 23<sup>rd</sup> November in Hokitika.

Notably, the 2018 AGM will include a special resolution to reflect changes to the Board structure. The changes followed a review that examined the skill-sets of our Directors and the Board composition. We have communicated the proposed changes to all shareholders through a recent edition of *The Farmlander* magazine.

Shareholders should also be aware of some significant changes to how the co-operative reports its results following revisions to the International Finance Reporting Standards (IFRS), which will be phased in over the next 3 years.

For example, the new IFRS rules have affected how we report the key financial indicators of revenue, doubtful debts and the valuation of investments. More detail on these changes is provided in the financial performance section of this Report.

### Business

With the full backing of the Board, Farmlands has entered the second stage of its strategic renovation plan, that will see the co-operative enhance both its operations and offers while investing heavily in the people who provide the service and the advice.

As the financial results above highlight, the investment in change is already helping Farmlands move along the path from 'good



Peter Reidie – Chief Executive Officer



to great' – but the success of the transition is not simply measured in dollar amounts. In particular, the 2018 performance shows the many ways Farmlands is succeeding with the 'Whole of Business' offering.

The 'Whole of Business' strategy builds on the founding spirit of the co-operative, to ensure we continue on our growth trajectory. In essence, the 'Whole of Business' approach aims to deliver a broader range of services and products to shareholders by developing a better understanding of their needs.

It is a win-win situation. The more our shareholders choose to trade with us, the greater our ability to create advantage for both them and the co-operative they own. As a co-operative, we are a family of shareholders, staff and suppliers. We work hard to make sure all our shareholders feel valued – after all, they are the reason our business exists in the first place.

In order to deliver that shareholder value we need to have a happy, healthy, productive and motivated workforce. A renewed focus on measuring and improving the health, safety and welfare of all our people has been implemented. This is reflected in the strong results across a number of key metrics in this year's Report, including:

- An increase in safety interactions over the year from 792 to 3,583 – clearly demonstrating this elevated importance and awareness across the organisation;
- A decrease in Medical Treatment Injuries; and,
- Lost Time Injuries falling by more than half compared with last year.

The co-operative also dramatically boosted investment in personal development and training programmes over the year, covering the key areas of Technology, Health and Safety and Technical Expertise, as well as

Knowledge and Leadership. Some of those training highlights include:

- Putting nearly 400 people through health, safety and wellbeing courses;
- Supporting 170 staff via the 'Future Fit' Programme; and,
- Training 1,800 Farmlanders in specific Braveheart initiatives.

Similarly, our leadership programmes have helped develop the skills of senior staff both at the executive and middle management levels. For example, the 'Leading Farmlands Together' programme has seen 83 frontline managers undergo training this year, while the 'Senior Leadership Programme' saw all of our Sales and Area Managers participate over the same period.

In addition we have delivered technical training in such areas as grain and seed, horticulture, viticulture, animal monitoring and fuel/energy.

Farmlands is also committed to rewarding our people across a diverse range of measures. Last year, for instance, our remuneration review focused on increases at the lower end of the wage scale. To further encourage service excellence, earlier this year we rolled out our internal recognition programme – Shout Out – to allow shareholders to recognise service and effort over and above from our staff.

It has been an extremely positive experience to hear directly from shareholders about how our staff succeed in enhancing their Farmlands customer experience.

Our dedication to offering 'above and beyond' service to shareholders was recognised this year by a prestigious external organisation. Farmlands picked up the KPMG Global Customer Experience Excellence Award for New Zealand.

The KPMG award is based on 'The Six Pillars of Customer Experience Excellence', namely:

- Personalisation;
- Resolution;
- Integrity;
- Time and Effort;
- Expectations; and,
- Empathy.

Winning this award is a huge testament to the calibre, passion, technical knowledge, experience and empathy of Farmlands people. It also reflects the willingness of our staff to take that 'extra step' for our customer, who is our shareholder, on the way from good to great.

However, we are not resting on our awards. Farmlands is also running an ongoing shareholder engagement research programme to better understand shareholder expectations and where we need to improve. To date, more than 3,000 shareholders have opted-in as long-term survey participants, of whom about half have been with the co-operative for more than 10 years.

Research results so far have been pleasing: 93 percent of those surveyed said Farmlands was doing a good job.

But that also means 7 percent of shareholders think we could be doing things better. We look forward to collecting more data on how we can improve our service. We know it's difficult to get everything right, every time but by keeping a close eye on shareholder feedback, Farmlands will be able to react quickly to resolve any problems as they arise – and in order to make our good service great.

In the coming year, Farmlands will seek to strengthen your co-operative by reinforcing its founding principles. Shareholders that utilise the true buying power of their co-operative will be rewarded for their loyalty.

As flagged in our Report last year, Farmlands is backing its commitment to improving shareholder service with a major change upgrade under the Braveheart Programme. During the latest reporting period, we continued to roll-out the Braveheart technology as planned, providing tools that will future-proof the co-operative while delivering genuine value to shareholders now. In the coming 12 months, shareholders will see further technological improvements as a lot of behind-the-scenes work on systems and processes comes to fruition. We acknowledge these programmes can be challenging but Braveheart is progressing on track for delivery.

For example, over the year FarmIQ has seen significant development, with new and exciting packages now available for shareholders, including SafeFarm.

SafeFarm creates a single site for farmers to record core data such as hazards, emergency equipment locations and risk mitigations, as well as reporting incidents (and how to learn from them). This smart use of data and technology should result in much safer farm environments across the sector, not just within our own organisation.

We have made this innovative new technology available to every shareholder free of charge in a move that may well mark the start of the digital farming journey for some.

One of our strategic imperatives, market leading agricultural knowledge and expertise, will provide proven value to shareholders in the years to come as challenges and opportunities for our shareholders evolve. Environmental implications, climate change and logistical constraints all challenge our shareholders' ability to achieve production, sustainability and profitability goals. We are positioning our co-operative to be increasingly proactive solutions and advice, with products and services to our shareholders, for a sector with a growing focus on value-add production, sustainability and technology.

Last year our Annual Report showed that Farmlands was back on its own journey to financial and operational success. The 2018 results published here reaffirm that we are still travelling in the right direction.

However, a commitment to constant improvement and a genuine desire to ensure that we are an integral part of the success of each and every shareholder demands that we continue to re-invent the co-operative spirit.

We must invest in technology, people, expertise and knowledge to nurture and protect the enduring relationships we hold with you, our shareholders – many of which now span generations.

After an award-winning and profitable year we are more determined than ever to accelerate Farmlands to being a 'great' co-operative – one that continues to be worthy of your investment and your loyalty.

On behalf of all of us at Farmlands, we thank you for your continued support.



**Our dedication to offering 'above and beyond' service to shareholders was recognised when Farmlands picked up the KPMG Global Customer Experience Excellence Award for New Zealand.**



# CHAIRMAN'S ACKNOWLEDGEMENTS

**Farlands is evolving rapidly to keep pace with our fast-changing sector. And that evolution, inevitably, extends to our Boardroom.**

In 2017 we farewelled Directors Don McFarlane and Tony O'Boyle along with Independent Director Craig Boyce, as all three long-serving members retired from the Board.

I want to once again acknowledge the outstanding service they provided Farlands and wish them well for the future.

Fortunately, the co-operative has secured three quality new Directors to fill those Board vacancies: Warren Parker, Julie Bohnenn and Murray Donald.

I congratulate all three on their appointments. Congratulations, too, go out to Nikki Davies-Colley, who was re-elected to the Farlands Board last year.

Over the months ahead we will have to refresh the Board again following the planned exits of two more long-time Directors: David Jensen and Joe Ferraby.

Joe has played a role in Farlands governance dating back to the early 1980s in the South Island and later at a national level. He was involved in four of the mergers that saw Farlands develop into the nationwide co-operative it is today.

Like Joe, David was part of the inaugural Farlands Co-operative Board in 2013. His horticultural knowledge and business acumen have been highly-valued around the Board table.

Finally, the Board will lose another long-standing member this year with the retirement of Independent Director, Peter Wilson.

Peter, who spent 10 years on the Board, was a guiding hand in the merger between CRT and Farlands. His extensive business and pan-industry experience has proved invaluable to the co-operative.

Thank you all for your dedication to the co-operative – you will be missed.

But while the Board will miss the experience and talent of all retiring Directors, we have put in place succession plans to ensure Farlands has access to a deeper pool of governance expertise.

As part of that plan, last year we appointed Braden Hungerford as the inaugural Farlands Board Observer. Braden did a terrific job in the 12-month role and we look forward to seeing him step up to full governance positions in the future.

Meanwhile, we have selected Robert Kempthorne as new Board Observer for the next 12-month period. The role allows Robert to attend all Board meetings and activities with full speaking rights.

Robert is unable to vote on co-operative matters but he will receive full mentoring and support from experienced members of the Board.



Keith Stockman – Stocky



Robert Kempthorne – Board Observer



Joe Ferraby – Retiring Director



David Jensen – Retiring Director



Peter Wilson – Retiring Director

I would like to welcome Catherine Walker, who takes over from the retired Stephen Higgs as our new Company Secretary and thank her for her contribution so far.

At a staff level, we have bid farewell to some members of the Farlands Leadership Team. Neal Shaw left Farlands earlier this year from his role of GM – Sales. I thank Neal for his contribution to Farlands.

Tony van der Hoorn, in his 5 years with Farlands, held roles of Chief Financial Officer, Acting Chief Executive Officer and Director of Group Development. Tony's contribution to Farlands was great and we wish him well in his return to the UK.

We also bid farewell to Colm Hamrogue, who has been with our co-operative since 2012 and been with us since before the merger. Colm was Chief Operating Officer of CRT and Farlands, before moving on to the newly created role of Director of Strategy and Communications. I thank Colm for his energy, enthusiasm and good humour over the last 7 years of service.

While there have been departures, we have moved swiftly to secure high-calibre candidates to steer our co-operative during its next stage of growth. Kevin Cooney has joined the team as Chief Financial Officer and has made an immediate impact – I welcome Kevin to Farlands.

I would like to thank the hard-working team of Farlands staff nationwide that continue to provide the high level of service our shareholders deserve. Sadly, the team lost one of their mentors this year, when Western Area Manager Keith Stockman passed away.

The Western area covers from Taranaki through to Horowhenua-Kapiti and Keith, or Stocky as he was more popularly known, was instrumental in setting up and growing our co-operative in Taranaki. We lost a true Farlander and we will be honouring Stocky with a new award that recognises in-store excellence by a member of the Farlands team.

In the midst of constant change – both at the Board and operations levels – Farlands can look back on another positive year that has built on the success over the previous 12-month period.

I would like to extend my thanks to all Farlands shareholders, whose loyalty to their co-operative allows us to continue to adapt, grow and succeed.



# TOGETHER STRONGER™

Together is the foundation of the co-operative spirit and is our organising idea to guide and inspire all Farmlanders. Together with our people, we will develop our skills to answer the future needs of shareholders. Together with our suppliers we will continue to deliver genuine value. Together with each other we will strive to be better, to be safer and to grow. Together stronger means together success.

## OUR PURPOSE AND VALUES

To re-invent the Farmlands Co-operative Spirit, ensuring our shareholders' future success is at the centre of everything we do.



We are united as one organisation surrounding and serving each other and the shareholder.

The greater good of the group over the individual every time.

Consult, consider and communicate widely and well.



Make a positive difference.

Focus on goals, results and accountability.

Build a reputation for being a team player who is a passionate and reliable Farmlander.



Think and act like an owner.

Own your customer, own your decisions, own your actions and own the outcomes.

Own putting it right and making it happen.



Seek to disrupt.

Challenge the old thinking and champion the new.

Create simple solutions that solve complex problems.



Say what you believe and do what you say.

Make the tough calls, admit your mistakes, take smart risks and celebrate success.

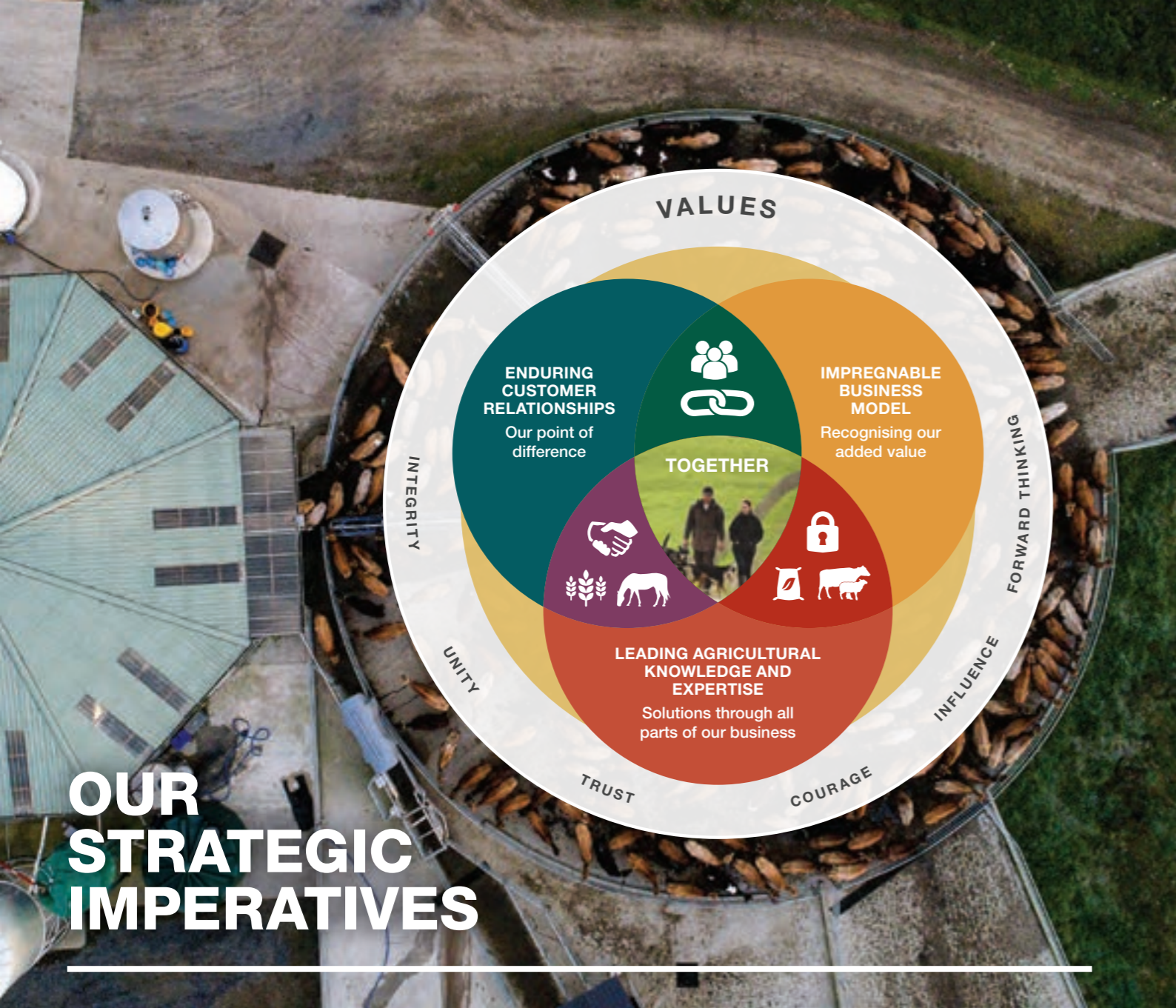
Treat everyone with respect, trust each others' actions and confidently work as one.



Be candid, upfront and accountable.

Talk directly to people rather than behind their backs.

Never be afraid to ask for help.



# OUR STRATEGIC IMPERATIVES

At the outset of the 2017 financial year we set ourselves two overarching goals for the 12-month period ahead: a return to profit and to align the many components of the Farmlands business to a new, cohesive, strategic direction.

Three Strategic Imperatives have been identified that will guide and inform this journey. They are ultimately the end outcome and measure of the work we are undertaking to achieve our 2020 goal.

The first is to build upon and reinforce our **Enduring Customer Relationships**. We will do this by understanding current and future needs, becoming a solutions led business delivering knowledge and expertise that drives shareholder success.

The second is to see Farmlands evolve and develop an **Impregnable Business Model**. A model that minimises shareholder risk and maximises return on all areas of our business, both existing and future focused.

Finally, we will deliver **Leading Agricultural Knowledge and Expertise**. This will see us work as one, offering all of farm thinking and solutions that brings the breadth and depth of our entire offer to the table for shareholders. Future focused thinking will help our shareholders make the big decisions that will keep them ahead of the curve.

Underpinning and driving these three Strategic Imperatives are six organisation wide strategies that will see us re-invent the Farmlands Co-operative Spirit, by ensuring shareholder success is at the centre of everything we do.

# OUR STRATEGIES

## 1 Ensuring our people come first

Our people are our most valuable asset and first and foremost we keep them safe. We will complement this by having the best possible technical-minded staff to support shareholder purchase decisions and needs. By leading from the front with actions not words, we will inspire and influence staff behaviour to deliver our brand promise and values consistently in ways that ensure the co-operative is increasing the value of shareholders' farms. We will continue to be focused on the greater good of all our shareholders' local communities.

## 2 Deepen our offer to all shareholders

By better understanding the needs of our shareholders today we can anticipate their future demands. The emphasis is on deepening our offer rather than adding breadth. We will help shareholders get the maximum value from their co-operative by buying across all categories. The more shareholders spend with us, the more we give back to them. That's the beauty of the co-operative model.

## 3 Deliver the right product, in the right place, at the right time, for the right price

Tighter environmental limits, such as more efficient use of resources and lower greenhouse gas emissions, will be met with new and improved products that enable compliance. A better understanding of shareholders' current and future needs ensures that Farmlands can engage, advise, transact and fulfil with the right product, in the right place, at the right time, for the right price every time.

## 4 Successfully implement Braveheart

The successful implementation of the Braveheart Programme is central to enabling operational excellence. We are merging multiple legacy systems into a single, integrated, 'state of the art' national operating system. It supports future co-operative growth, agility and shareholder service and responsiveness. It is the single most important investment we are making on behalf of you, our shareholders.

## 5 Identify opportunities to grow New Zealand agriculture

Farmlands is uniquely placed to be at the forefront of changing the way New Zealand farms. We will develop our knowledge and expertise and harness our network of shareholders, staff, suppliers and partners to identify, create and exploit new highly profitable segments, audiences and markets for shareholders.

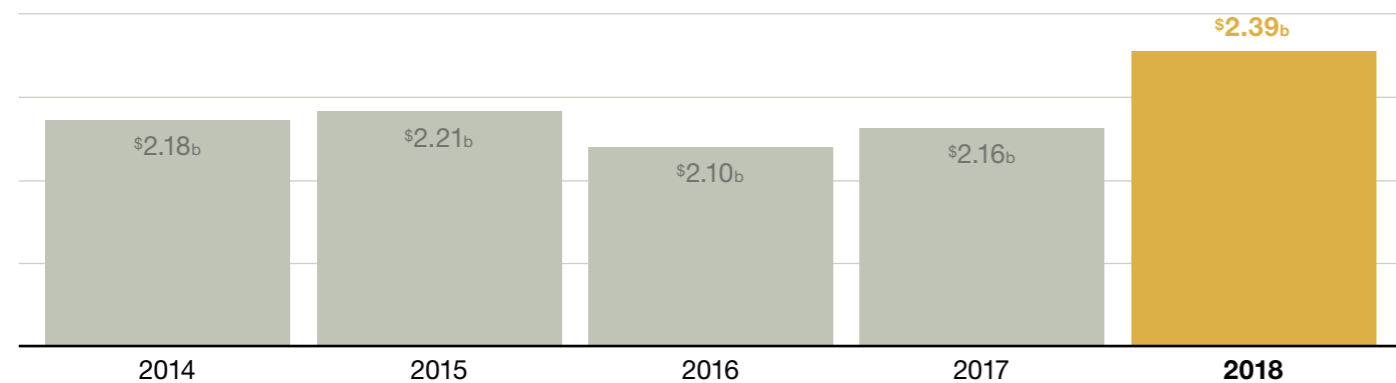
## 6 Ensuring success by protecting our shareholders' funds

We will deliver re-invention and growth strategies without putting our balance sheet at risk. Operational excellence and sound capital management will drive profitability, allowing for self-funded sustainable re-investment for future growth. The end result will deliver our very reason for being – reduced cost on shareholder inputs and an increased annual dividend, allowing them to grow and succeed.

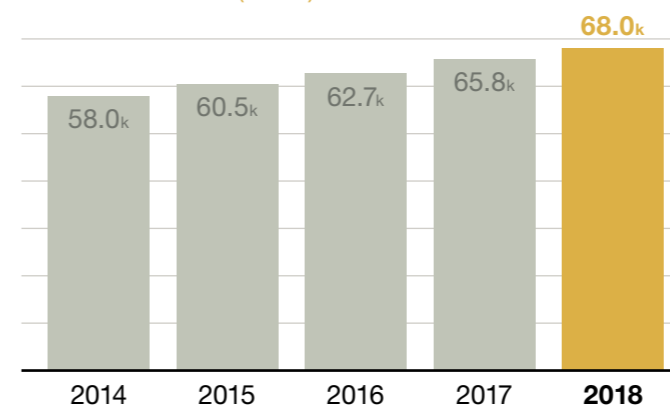


# FINANCIAL HIGHLIGHTS

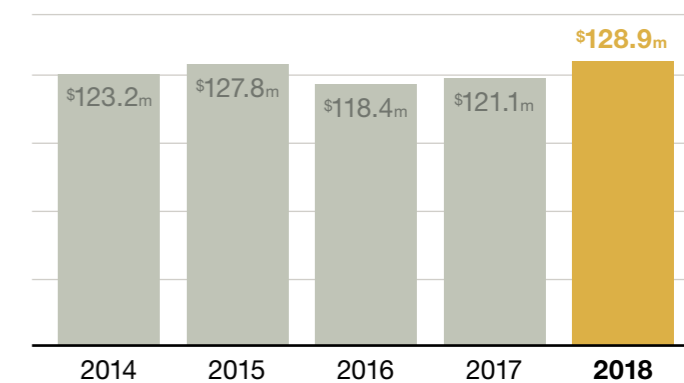
Revenue (\$b)



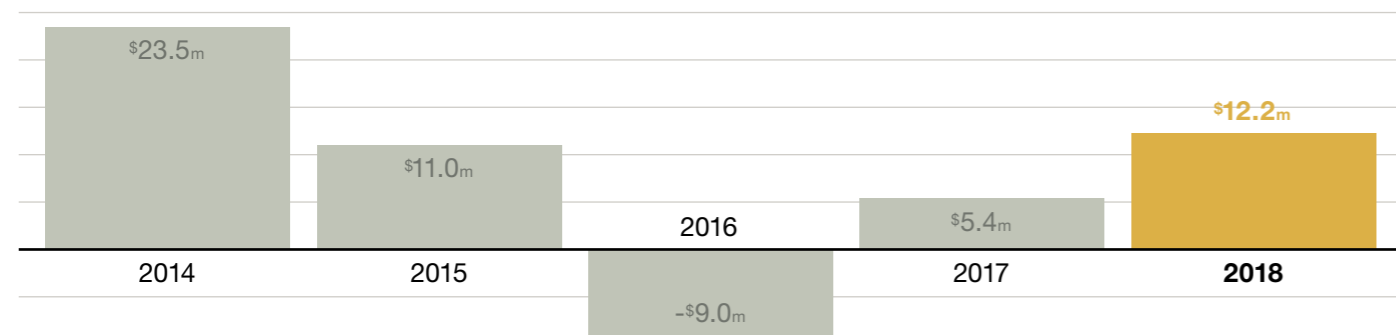
Shareholders (000's)



Equity and Members' Interests (\$m)



Profit before Tax and Rebates (\$m)



## REMUNERATION

Director Remuneration

Director

Value

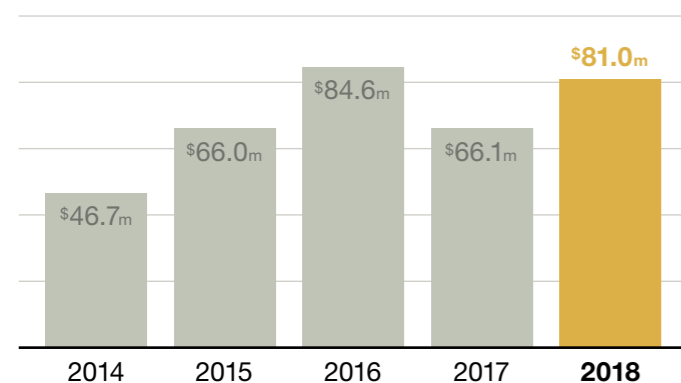
Staff Remuneration

Remuneration and value of benefits

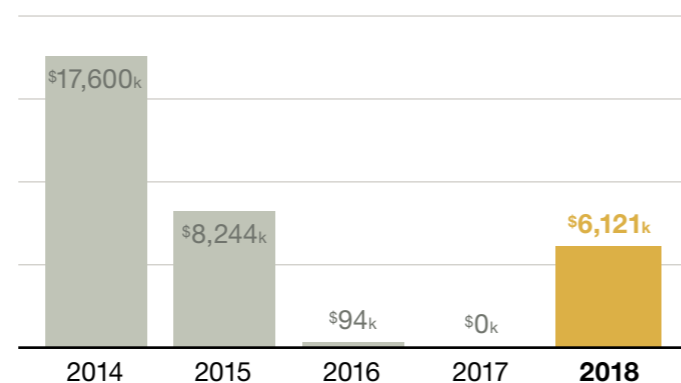
Number of employees

L J C Johnstone (Chairman)	\$131,895	\$100,000 – \$150,000	139
N P Davies-Colley, Whangarei (Chair of the People and Performance Committee)	\$65,279	\$150,000 – \$200,000	27
C J Dennison, Oamaru	\$61,975	\$200,000 – \$300,000	15
M W A Donald, Invercargill (appointed 7 November 2017)	\$41,150	\$300,000 – \$400,000	5
D S Ferraby, Seddon	\$61,975	\$400,000 and over	7
R J Hewett, Lawrence	\$61,975		
D P Jensen, Tauranga	\$61,975		
D G McFarlane, Geraldine (retired 7 November 2017)	\$20,825		
A M O'Boyle, Masterton (retired 7 November 2017)	\$20,825		
W J Parker, Rotorua (appointed 7 November 2017)	\$41,407		
P Wilson, Otaki, Independent (Chair of the Audit and Risk Management Committee)	\$67,583		
J A Bohnenn, Rangiora, Independent (appointed 1 August 2017)	\$52,150		
	<b>\$689,014</b>		

Net Borrowings (\$m)



Bonus Rebate (\$000's)



# FINANCIAL STATEMENTS

## Summary Statement of Comprehensive Income Year Ended 30th June 2018

HOW THE DOLLARS WERE MADE AND SPENT	2018 \$000	2017 \$000
Revenue	2,392,027	2,160,536
Cost of Goods Sold	(2,124,724)	(1,906,520)
Gross Profit	267,303	254,016
Plus Other Income	2,313	1,884
Interest paid to the bank	(1,805)	(1,991)
Less paid/due to suppliers for goods and costs to run the Society	(163,784)	(164,553)
Monthly rebates to shareholders	(91,087)	(83,989)
Share of losses in Associate	(699)	-
<b>PROFIT FROM OPERATING ACTIVITIES</b>	<b>12,241</b>	<b>5,367</b>
Less distribution to shareholders		
Bonus Rebate owing to shareholders	(6,120)	-
Profit after distribution to members	6,121	5,367
Less income tax expense	(1,510)	(2,404)
<b>PROFIT LEFT IN OUR SOCIETY</b>	<b>4,611</b>	<b>2,963</b>
Other comprehensive income, net of tax	48	221
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>4,659</b>	<b>3,184</b>

## Summary Statement of Financial Position As at 30th June 2018

THE VALUE OF OUR SOCIETY	2018	2017
Current assets:	\$000	\$000
Stock held at retail branches, grain and seed, stock feed	97,154	93,021
Money owed to us by customers and income tax refundable	225,984	214,193
	323,138	307,214
<b>Non-current assets:</b>		
Land, buildings, vehicles, fixtures and plant	71,423	72,388
Investments	2,543	38
Computer software and goodwill	59,561	31,253
Money owed to us by our customers	353	572
Income tax receivable in future years	1,804	2,157
	135,684	106,408
<b>Total assets – the things we own</b>	<b>458,822</b>	<b>413,622</b>
Current liabilities – take away what we owe:		
Money we owe to the bank (net of cash held)	81,031	66,110
Money we owe to our suppliers and employees	221,663	203,514
Money we owe Inland Revenue for GST and income tax	23,723	22,391
Money we owe for Bonus Rebate payable in cash	3,060	-
	329,477	292,015
Non-current liabilities:		
Money we owe our employees	483	469
Total Liabilities other than share capital repayable on demand	329,960	292,484
<b>This leaves the total members' interests of our Society at</b>	<b>128,862</b>	<b>121,138</b>

## Summary Statement Changes in Equity and Members' Interests Year Ended 30th June 2018

	2018 \$000	2017 \$000
Equity at the beginning of the year	4,226	1,263
Profit left in our Society	4,611	2,963
Equity at the end of the year	8,837	4,226
Share capital repayable on demand at beginning of the year	116,918	117,091
Net contribution from owners	5	(400)
Other comprehensive income	42	221
Bonus Rebate applied to share capital	3,060	-
<b>Members' interests at the end of the year</b>	<b>128,862</b>	<b>121,138</b>

## Summary Statement of Cash Flows Year Ended 30th June 2018

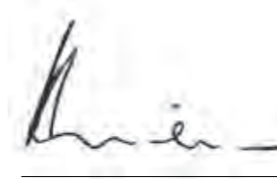
	2018 \$000	2017 \$000
Net cash flows from operating activities	26,135	46,479
Net cash flows (to) investing activities	(41,061)	(27,574)
Net cash flows (to) financing activities	5	(400)
<b>Net increase (decrease) in cash held</b>	<b>(14,921)</b>	<b>18,505</b>

The specific disclosures included in this summary financial report have been extracted from the full financial report which was authorised for issue on 26th October 2018. The full financial statements have been prepared in accordance with full NZ GAAP as a profit-oriented entity and the Group has made an explicit and unreserved statement of compliance with IFRS's in the full financial report. The full financial statements have been audited and an unmodified audit opinion has been issued. These summary financial statements comply with FRS 43. Figures are in New Zealand dollars, which is the Group's presentational currency. All financial information has been rounded to the nearest thousand. The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial report of the Group.

If you require a full set of accounts, please write to: The Secretary, Farmlands Co-operative Society Limited, PO Box 271, Christchurch 8140, giving your name, address and shareholder number and we will forward a copy to you. Alternatively full financials for your co-operative can be obtained from the Farmlands website. The Board of Directors of Farmlands Co-operative Society Limited authorised this summary of the financial statements on 31st October 2018.



**Lachie Johnstone**  
Chairman of the Board



**Peter Wilson**  
Chairman of the Audit and Risk  
Management Committee



# AUDITOR'S REPORT – PWC

## Report of the independent auditor on the summary financial statements



To the members of Farmlands Co-operative Society Limited

The consolidated summary financial statements comprise:

- the summary statement of financial position as at 30 June 2018;
- the summary statement of comprehensive income for the year then ended;
- the summary statement of changes in equity and members' interests for the year then ended;
- the summary statement of cash flows for the year then ended; and
- certain notes to the financial statements

### Our opinion

The summary financial statements are derived from the audited consolidated financial statements of Farmlands Co-operative Society Limited (the Society), including its subsidiaries (the Group) for the year ended 30 June 2018.

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

### Consolidated Summary financial statements

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

### The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 26 October 2018.

### Responsibilities of the Directors for the consolidated summary financial statements

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

### Auditor's responsibility

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

We are independent of the Society. Our firm carries out other services for the Group in the areas of trust audit services, treasury advisory services, financial analysis services, accounting consultancy services and taxation advisory services. The provision of these other services has not impaired our independence as auditor of the Group.

### Who we report to

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

Chartered Accountants  
31 October 2018  
Christchurch

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

# IFRS CHANGES TO FINANCIAL STATEMENTS

## Different numbers, same results: how new reporting standards will flow through Farmlands' accounts.

As of next year, Farmlands shareholders will notice a marked difference in how we report some of our financial results.

The changes reflect updated International Financial Reporting Standards (IFRS). Tier 1 and Tier 2 profit orientated companies ultimately must adopt to comply with the latest accounting best practice.

Notably, for the 2018/19 financial year Farmlands will report using two new standards – named IFRS 15 and IFRS 9. While the latter standard (which affects how financial instruments are treated) will have minimal impact on our accounts, IFRS 15 does involve a substantial revision of some reporting lines.

In essence, the IFRS 15 requires us to restate how we report revenue from the Farmlands Card business and how we treat shareholder rebates and the Choices Rewards programme for accounting purposes.

The re-statement of those items does create some superficially dramatic changes to a couple of financial reporting figures, tagged as 'revenue' and 'gross profit' in our accounts.

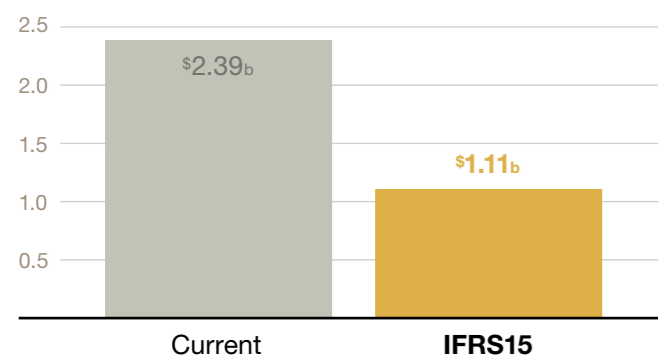
For example, if stated using the IFRS 15 rules our revenue in this year's accounts of \$2.4 billion would appear as \$1.1 billion. Likewise, gross profit would change from \$267 million to \$173 million.

However, from a Farmlands shareholder perspective nothing really changes. Materially, our top-line turnover – which reflects the Farmlands buying power that flows through to shareholder discounts. Our bottom-line profits will remain the same under IFRS 15. Additionally, there is no impact on our cash flows.

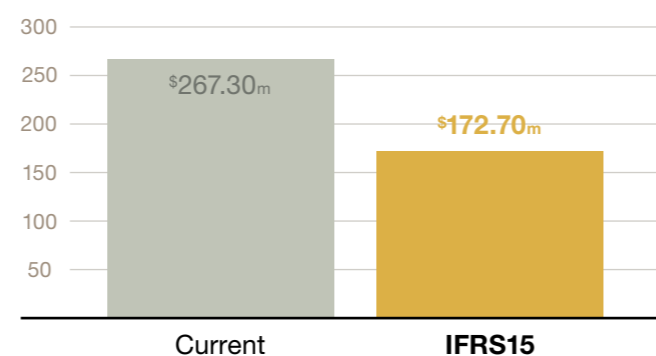
Like the rest of the co-operative, our books are moving with the times. Next year we hope to present some more positive financial results that show Farmlands is continuing our journey from good to great.

## FY18 Current vs IFRS15 – What this looks like:

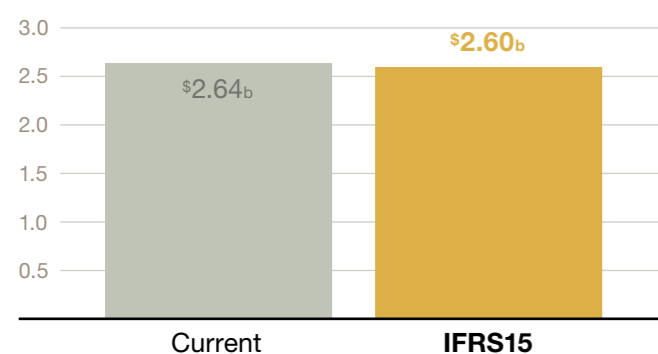
### Revenue (\$b)



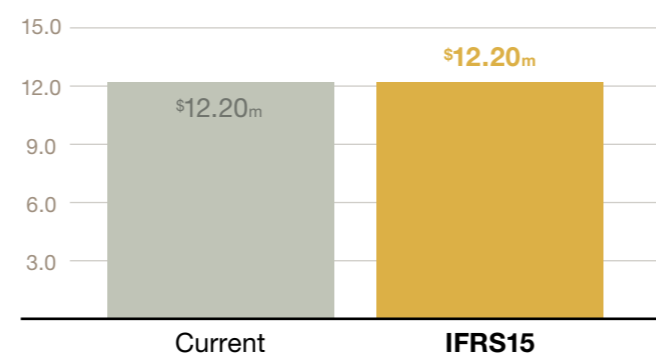
### Gross Profit (\$m)



### Turnover (\$b)



### Net Profit before Tax and Rebates (\$m)



# GOVERNANCE AND THE BOARD OF DIRECTORS

## Farmlands has eight Shareholder Directors, elected by shareholders and two Independent Directors appointed by the Board. Shareholder Directors retire by rotation after three years.

### Overview

The eight Shareholder Directors are located equally between the North and South Islands, four in each, as required by the rules.

The Independent Directors are also based one in each island.

### Board Responsibilities

The Board has responsibility for the affairs and activities of the co-operative, while the day to day operations and administration are delegated to the Chief Executive.

The Farmlands Board follows best governance practice and the four pillars of governance, as advocated by the New Zealand Institute of Directors, establish the basis for that best practice.

The four pillars are:

- Determination of purpose
- An effective governance culture
- Holding to account
- Effective compliance

More specifically, the responsibilities include directing and supervising management in the following areas:

- Ensuring that the co-operative's goals are clearly established and strategies put in place to achieve them
- Establishing there are policies to improve performance
- Monitoring the performance of management
- Overseeing and monitoring the co-operative's financial position
- Ensuring that the co-operative adheres to appropriate values, ethics and corporate behaviour
- Ensuring that there are risk management and compliance policies in place

### Board Committees

The Farmlands Board operates two multi-director committees:

- Audit and Risk Management – Peter Wilson (Chair), Julie Bohnenn, Murray Donald, David Jensen and Joe Ferraby
- People and Performance – Nikki Davies-Colley (Chair), Chris Dennison, Rob Hewett, Lachie Johnstone and Warren Parker

The Audit and Risk Management Committee assists the Board in matters relating to auditing, financial reporting and risk.

The People and Performance Committee provides guidance to the Board and the Executive team on the development of Farmlands' people and governance strategies. The Committee's functions include recommending to the Board the Chief Executive's and his direct reports' annual goals, performance evaluation and remuneration and recommending remuneration of Directors to shareholders.

### Board Meetings

Farmlands Board meetings are generally held monthly, with extra meetings held if required.

Management reports from across the business are provided to Directors prior to the monthly meetings. Senior management from the co-operative are introduced to answer specific queries on those reports and to provide insight into relevant issues.

# DIRECTOR PROFILES

The Farmlands Board of Directors come with a wide range of knowledge and experience from farming and business backgrounds.



**Lachie Johnstone  
(Chair)**

Lachie is the Chairman of the Board of Directors. He has a commerce background having completed a B.Com from the University of Auckland and worked as an accountant before taking on a variety of different roles in the commercial and rural sector.

Lachie is a member of the Board's Remuneration subcommittee. He is a Director of Waimaha Farms Ltd, which farms in the western Waikato, predominantly finishing bulls and is a Director and majority shareholder of the food logistics company Wholesale Frozen Foods Limited. Lachie is currently Chairman and a member of the Audit and Risk, Health, Safety and Environment; and Remuneration Committees of CentrePort Ltd. He is Chairman of CentrePort Properties Ltd and a Director of C. Alma Baker Trust (NZ) Ltd, while holding the Deputy Chair of the Board of Governors (and Chair of the Finance and Audit Committee) at Kings College.



**Julie Bohnenn  
(Independent Director)**

Julie joined the Farmlands Board in 2017. Since April 2002, Julie has been Managing Director of her own consultancy business and is also the current Chair of financial advisory and wealth management services group, Cambridge Partners Limited. Julie is an Independent Director for J Ballantyne and Co Limited and is Chair of their Audit and Risk Committee. As an executive, Julie's experience includes more than 20 years with House of Travel, with her last role there being as Chief Financial Officer. Julie is passionate about rural New Zealand, residing on a lifestyle block in rural North Canterbury. Her father was also a notable contributor to the Canterbury A&P Association for many years.



**Nikki Davies-Colley**

Nikki works as a professional Director. She and her husband Peter have been farming and involved in the forestry industry in Northland for more than 35 years and have been Farmlands shareholders since 2004, when the co-operative moved into Northland. Nikki is Chairman of Northpower Ltd, a Kellogg Scholar and holds a Masters in Business Administration. Nikki is also Chairman of Pāmu Academy and is on the WorkSafe NZ Board. She is a past Director of Landcorp Farming Ltd and a number of privately owned entities.

A Chartered Fellow of the NZ Institute of Directors, Nikki is experienced in strategic analysis, project management, motivation and ensuring that agreed strategies are carried through to implementation. She is particularly interested in the people strategies of the companies she is involved with and Chairs Farmlands' People and Performance Committee.



**Chris Dennison**

Chris Dennison has extensive experience as a Director, including as former Deputy Chairman of Ravensdown Fertiliser and former Chairman of the Lower Waitaki Irrigation Company. He and his wife Kay run a 400 hectare arable farm, with an adjacent dairy farm milking 800 cows and producing 360,000kg of milksolids. Chris has a Bachelor of Commerce (Agriculture) from Lincoln University and is a graduate of the Rabobank Executive Development Programme.



**Murray Donald**

A Kellogg Scholar, Murray has more than 20 years of experience as a Director of several organisations throughout the agricultural sector in New Zealand and much of this has been with co-operatives. Murray is a Chartered Fellow of the Institute of Directors, Councillor and member of the Audit and Risk Committee for the Southern Institute of Technology and is also a Trustee and Chairman of the Audit and Risk Committee for the Agri-Women's Development Trust. He is the current Chairman of Mount Linton Station Ltd, a 95,000 stock unit property in Western Southland and is a former Director of both Farmers Mutual Group (FMG) and Alliance Group. Over the past 25 years, Murray and his wife Carolynn developed and expanded their Southland lamb and beef farming operation from 220ha to the current 455ha.



**Joe Ferraby**

A Kellogg Scholar, Joe and his wife Carolyn live on their 690ha irrigated sheep and beef property in the Awatere Valley in Marlborough. Joe is also a Trustee and Director of a large neighbouring property and a Director of a large corporate farming business with properties in New Zealand and Australia. He chairs Terra Vitae Vineyards, a publicly owned viticulture company owning 400ha of vineyards in Marlborough and Hawke's Bay. He is Chairman of a large family owned construction company and its subsidiaries, based in Blenheim. His past governance roles have included PPCS, Silver Fern Farms, the Silver Fern Farms North Island Shareholders Council, Destination Marlborough Trust, Marlborough Lines and Nelson Electricity. He is a Chartered Fellow Member of the Institute of Directors.



**Rob Hewett**

Rob is a 7th generation farmer, who has farmed in the Clutha District since 2002, running a sheep and beef operation with large forestry interests. Rob is a graduate of Lincoln with a B.Com Ag and an M.Com (Hons) in Marketing. He is passionate about the agricultural sector as it strives to meet the ongoing challenges of adapting on-farm practice to better meet consumer, economic and environmental sustainability requirements in a constantly challenging climatic and business environment. Rob has been Chairman of Silver Fern Farms since December 2013 and has been a member of their Board since 2008. Rob is also a Director of T&G Global Ltd, a NZX-listed company. Rob is a former Board member of FarmIQ.



**David Jensen**

David lives at Pyes Pa, Tauranga. He has a 750 cow dairy farm, 24ha of gold and green kiwifruit and 3ha of avocados. David is a Director of Livestock Improvement Corporation Limited and Eastpack Limited. David is Chairman of Expressway, El Dorado and Napoli General Partnerships. He was previously a Director of Satara Co-op, Figured and Chair of the Eastpack Growers Forum and Satara Kiwifruit Supply Ltd. He has also been Chair of AvoFresh. He has been a NZ Dairy Board dairy farm consultant and manager of the Dairy Excellence Awards.



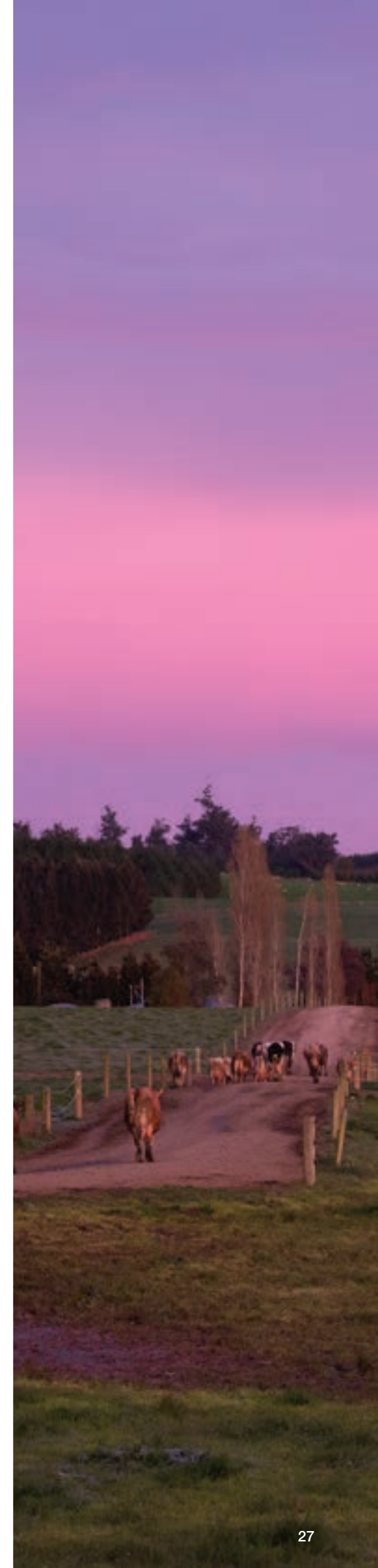
**Peter Wilson MNZM (Independent Director)**

Peter lives in Otaki and is a chartered accountant and professional company Director, serving on the boards of several national companies. Peter is a past Chairman of Westpac New Zealand Limited and past Director of Westpac Banking Corporation of Australia. He is Deputy Chairman of Meridian Energy Limited and Chair of Arvida Group Limited. He previously worked in public practice in Hawke's Bay and held numerous directorships of Hawke's Bay companies, was Chairman of Healthcare Hawke's Bay and the Port of Napier Limited. Peter also chaired the former Hawke's Bay Farmers' Meat Company during industry restructuring in the late 1980s.



**Warren Parker**

Warren has a 20 year career as a senior executive, including positions as Chief Executive Officer of Scion (the New Zealand Forest Research Institute), Chief Operating Officer of AgResearch and Chief Executive Officer of Landcare Research. Warren has a PhD in Animal Science and was previously a Professor of Agribusiness and Resource Management at Massey University, where he spent 18 years in various roles, including supervising the 9,000 stock unit Riverside Farm in the Wairarapa. Warren is also a Director of Quayside Holdings, Predator Free 2050 and Genomics Aotearoa and Chairs the Forestry Ministerial Advisory Group. Warren and his wife own lifestyle blocks on the outskirts of Hamilton and Rotorua.



# TOGETHER SAFER™

Our people come first. Health and Safety at Farmlands is all about caring about each other, which includes our 68,000 shareholders nationwide.

## Highlights

- Near miss reporting: 259% increase on last year.
- Recorded safety interactions: 352% increase on last year.
- Lost Time Injuries: 56% decrease on last year.
- Medical Treatment Injuries: 8% decrease on last year.



## Health and Safety

Farmlands achieved significant improvements in both lead (proactive) and lag (reactive) Health and Safety reporting during 2017/18. When it comes to Health and Safety, an increase in Near Miss reporting and recorded Safety Interactions is a positive – it demonstrates that our team are proactively focusing on safety and putting their wellbeing first. Our co-operative embraces a positive safety culture and improved reporting showcases a commitment to ensuring the safety of staff, shareholders and visitors.

## People

In the past year the Health and Safety team, under the new leadership of GM - Safety and Wellbeing, Katrina Berry, have proactively invested in promoting the importance of wellbeing and developing resilience. As an organisation we are focused on building a foundation where mental health can be discussed openly and honestly and we are committed to supporting our people leaders to have open and honest conversations about all aspects of wellbeing.

## From good to great

The safety and wellbeing of not only Farmlanders but the communities we work in is of the greatest importance to us. Our co-operative is proactive in not only supporting the physical health of our rural communities (the introduction of reduced-cost influenza vaccination programme at many of our branches) but also mental health (we renewed our license to deliver GoodYarn workshops to our staff).

## Next 12 months

Farmlands will continue our focus on the development of wellbeing and resilience programmes to benefit staff, shareholders and their communities. We will be utilising technology (via FarmIQ and SafeVisit) to support shareholders to manage Health and Safety activities on their properties, in a proactive attempt to reduce the number of deaths and serious injuries occurring on farms in New Zealand.

# ENSURING OUR PEOPLE COME FIRST

Farmlands' People strategy focuses on three key areas – culture, leadership and capability. Our commitment to developing our people is helping to future-proof your co-operative, so we can achieve our strategic imperatives and deliver on our good to great promise.

## Health and Safety

Farmlands has welcomed a new General Manager – Safety and Wellbeing, Katrina Berry. The People and Safety team had no Health and Safety incidents to report.

## People

We have opened the Shout Out employee recognition programme, previously for Farmlanders to acknowledge their peers, to shareholders for the first time. Making Shout Out an external award gives everyone the chance to highlight what makes our co-operative so special – our people.

At our National and Regional Conferences, our long-serving Farmlanders have been recognised and we have celebrated, via a range of awards, the talent, performance and dedication of our team.

Each quarter, Farmlands releases The Gathering – a staff pulse survey that provides our people with a direct line to our co-operative's decision makers. From each edition of The Gathering, Farmlands' business units, support services and regions each come up with two key actions to show staff we can make visible change, thanks to their input. Over the year we have seen an 45% increase in staff participation, telling us where we are doing well and where we need to focus improvements to provide a greater employee experience.

## From good to great

To provide our shareholders with market leading knowledge and expertise, we need to provide our team with the tools and skills to succeed and service our shareholders. We have a range of training programmes designed to elevate the abilities of Farmlanders across the organisation. These include:

- Future Fit (an award-nominated digital literacy course)
- Future Field Expert programme
- Braveheart training (delivered both in-person and via online training modules)
- Leading Farmlands Together (designed to build the capability of our senior and frontline leaders)
- Participation in the Kellogg Rural Leadership Programme

## Business Performance

Farmlands' win for Talent Development and Management at the NZ HR Awards was recognition for our commitment to fostering the ambitions and abilities of those that know our shareholders and co-operative best.

## Next 12 months

In the future, our co-operative will also be able to call upon Farmlands College, a specialised training platform specifically designed to improve the product and technical capability of Farmlands staff.

We will soon be introducing Farmlanders Belong, which shows all of our people the benefits of working for Farmlands. These include health and wellbeing, development, reward and recognition opportunities.



# MEET THE LEADERSHIP TEAM

The Farmlands Leadership Team bring a wealth of industry knowledge and commercial expertise. Their role is to ensure your co-operative delivers on its purpose, organising idea, strategic imperatives, strategies and values.

- Peter Reidie**  
Chief Executive Officer
- Phil Bracefield**  
Director – Braveheart Programme
- Ruth Knewstubb**  
Director – People and Safety
- Colm Hamrogue**  
Director – Strategy and Communications



- Tony van der Hoorn**  
Director – Group Development (former)
- Jaimie McNabb**  
General Manager – Card



- Andrew Horsbrugh**  
Director – Agri Products and Services
- Matt McGrath**  
Acting Director – Technology



- Mark McHardy**  
General Manager – Fuel
- Jess Strange**  
Director – Marketing



- Mal Scrymgeour**  
General Manager – Operations
- Kevin Cooney**  
Chief Financial Officer



# SALES

Farmlands has invested significantly in staff training and education to ensure our team has the right skill-set to service the changing needs of our shareholders.

## Highlights

- Further investment in market-leading training to grow Sales team capability.
- All Sales staff successfully complete Defensive Driving training.
- Providing point of difference in market through needs and solutions-based service.
- Number of shareholders utilising four or more parts of their co-operative increases by 18%.



### Health and Safety

Our mobile Sales team spends large parts of their day on the road visiting shareholders on-site, so Farmlands has taken proactive measures to safeguard our people. We manage risks through a number of strategies, including driver training programmes and our 'Lone Worker Policy', which details Health and Safety protocols for those working alone in remote areas.

Our staff must also meet Health and Safety key performance indicators (KPIs), ensuring risk management is embedded in everything we do.

### People

Farmlands has invested significantly in staff training and education to ensure our team has the right skill-set to service the changing needs of our shareholders. For example, 'Future Fit' upskills staff in the use of modern digital technology and processes. The 'Future Field Experts' programme creates a pipeline of highly-trained, 'field-ready' staff – leading to both clearly mapped career paths for employees and assurance to shareholders that suitable expertise will always be on-hand. We have also invested in growing our Sales leaders' capabilities and skill-sets.

### From good to great

The Sales team supports the Farmlands business units in delivering our portfolio of offers to shareholders, covering Fuel, Farmlands Card, Real Estate, our Retail network, Finance, Horticulture and Grain and Seed.

Shareholders can have multiple interactions with the Sales team, such as in-store, in the field or through our Contact Centre. Every shareholder is different, which is why Farmlands offers variety with the service we provide.

The Braveheart Programme now seamlessly connects all these touchpoints, making it easy for shareholders to select their preferred way to deal with Farmlands. Once complete, different members of staff will be armed with the knowledge of a local Technical Field Officer or Technical Advisor, providing an unrivalled customer experience.

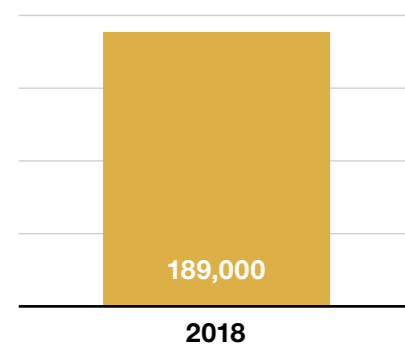
### Business Performance

Sales grew by 11%, with increased market share in Fertiliser and strong growth through our branch network, supported by the Field team. The Contact Centre handled more than 235,000 inbound calls and emails from shareholders during the year, while also managing outbound campaigns and redemption of Choices Rewards Points for shareholders.

### Next 12 months

Looking ahead, the Sales team will enhance its 'Whole of Business' offer to shareholders. While the team is known as Sales, it is more about 'Solutions' – identifying and providing the right opportunities for shareholders, across the entire range of Farmlands services. This approach is complemented by our store network, Contact Centre and our entire co-operative, re-inventing what Farmlands can do for our shareholders.

## Technical advice hours delivered



# OPERATIONS

Staff development has been and will remain a focus as we continue to upskill and train our staff to enhance our shareholders' retail experience.



## Highlights

- 17.6% improvement in underlying profit.
- 34 branches have our new layout.
- Lost Time Injuries reduced by 72%.
- Investment in leadership training.

### Health and Safety

Farmlands is firmly committed to creating safer working environments across our co-operative with better training, reporting, remediation and prevention of Health and Safety issues. The Operations business unit has enthusiastically supported the safety initiatives, which is reflected in our reporting statistics.

Overall, Health and Safety reporting has increased significantly as staff proactively identify potential dangers. Pleasingly, we have seen a huge drop in Lost Time Injuries reported over the year – down almost 72% year-on-year. The number of Safety Interactions increased by 450% vs the prior year, demonstrating not only increased reporting but a cultural change.

We initiated a raft of preventative Health and Safety measures, such as putting more than 170 drivers through Defensive Driver courses, while also ramping up First Aid training. Today, we have at least two trained First Aiders per site.

### People

Staff development is critical to the success of our business. For example, this year we provided more than 100 of our staff with training via 'Future Fit' – designed to improve computer skills of team members – and all 82 of our Business Managers attended the 'Frontline Leaders Programme', which boosted the leadership skills.

Our senior management team also completed the Action Learning Programme.

### From good to great

We continued to make great progress in building goodwill amongst communities and shareholders thanks to our strong support of Field Days around the country. Waimumu and Mystery Creek both had record attendances and sales.

During the year we also ran highly successful promotions in numerous categories, with particularly positive results in the fencing and pet food campaigns.

### Business Performance

Farmlands stores reported a 17.6% lift in underlying profit compared to the prior year on the back of five key achievements:

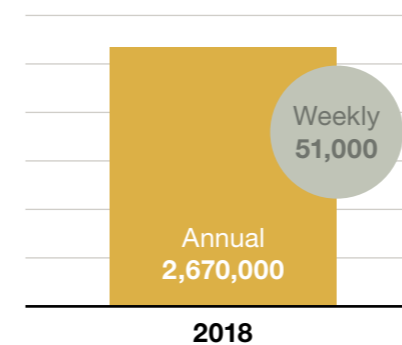
- Year-on-year sales growth.
- A focus on margins and smarter buying.
- Better inventory management, which was a further \$1.04 million lower than the previous year.
- A change in category mix.
- Careful cost control and overhead management.

In addition, we upgraded a further 22 branches to the new store layout during the past Financial Year. Thirty-four branches now have the new layout.

### Next 12 months

Over the next 12 months we aim to further upskill our people, continue to improve Health and Safety performance and deliver superior retail performance, including competitive prices for our shareholders. Continued training and development of our people remains a clear focus as we seek to further enhance our shareholders' retail experience.

## Retail Transactions





Card



Fuel



Real Estate

# Good to Great



Grain and Seed



Nutrition



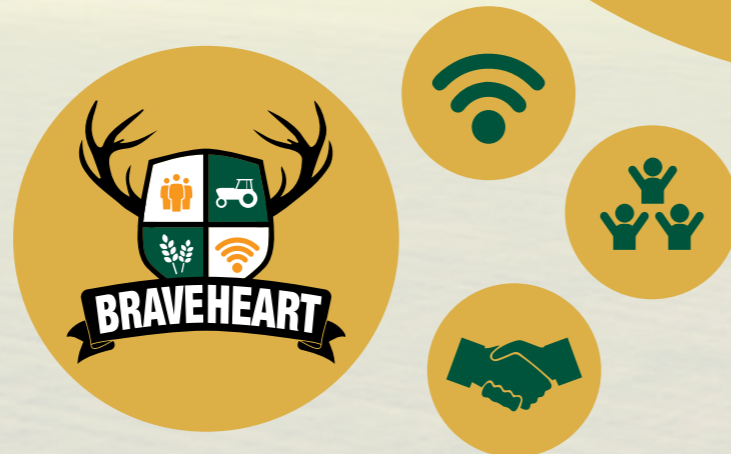
Horticulture

“The more you spend with us, the more we give back to you. That’s the beauty of the co-operative model”

– Peter Reidie, Farmlands Chief Executive

“The stronger our co-operative is, the stronger our shareholders are”

– Lachie Johnstone, Farmlands Chairman



### Braveheart

The entire thrust of Braveheart is designed to bring efficiencies to all the daily tasks we do across the Farmlands network. By providing our staff with an enriched view of shareholder information, the co-operative has a better understanding of what solutions shareholders require, plus a more timely and targeted supply of services.

This puts Farmlands Co-operative and its shareholders in a market leading position to ensure we are helping all of our shareholders make the leap into a great future.

### Braveheart – The next 12 months

Some of the biggest benefits of the Braveheart Programme will be realised in Deployment 5, due in 2019. These includes changes to Farmlands’ Financial framework structure, Inventory and Advanced Warehouse Management, Procurement and Rebate Management, Back Office Sales and POS, Pricing, Loyalty and Rewards; and Demand Planning and Manufacturing.

Our new point-of-sales system will give frontline staff all the right information at their fingertips, so they can provide more timely and individualised service.

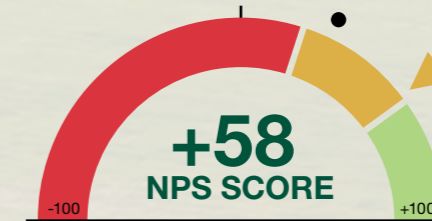


**FREE**  
for Farmlands shareholders

### FarmIQ

The SafeFarms Pack – the FarmIQ software that is free to Farmlands shareholders – means New Zealand farmers can work with their co-operative to try and improve our national safety record.

Farmlands staff, whether in the store or in the field, can collaborate with shareholders in the FarmIQ software, giving our team a more intimate knowledge of your requirements, which in turns leads to recommendations that are more timely and more effective.

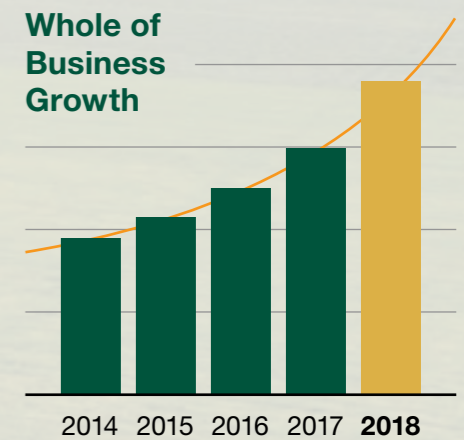


Industry Average: +29

### Net Promoter Score (NPS)

The best performance marker Farmlands can possibly have is the words of our shareholders, which is why we launched our ‘always on’ customer engagement survey. Launched in March, the ‘always on’ survey allows shareholders to provide their feedback to Farmlands whenever it suits them.

We judge our performance on our ‘Net Promoter Score’, which is the likelihood of our customers recommending Farmlands to their friends and family. With a possible score of between -100 and +100, Farmlands sits at +58. The national retail average is +29. It’s a good start.



### Whole of Business

The Farmlands Whole of Business strategy is already starting to bear fruit after launching in 2017. The aim of our Whole of Business approach is to better co-ordinate the entire Farmlands range of products and services with individual shareholder requirements.

Shareholders benefit from both accessing more of their business needs from a single point and earning maximum value from their co-operative.

## To re-invent the Farmlands Co-operative Spirit, putting our shareholders’ future success at the centre of everything we do

# CARD

Farmlands Card continues to work tirelessly to bring shareholders increased benefits through Card Partners and great offers.

## Highlights

- Welcoming Z Energy as Farmlands Card fuel partner.
- Revenue up 12%.
- Toyota partnership growth, including introduction of Lexus range.
- Capital Equipment programme makes significant contribution to shareholders.



### Health and Safety

We have had no Health and Safety incidents this year.

### People

The Card team is a small but committed group who work tirelessly to ensure Farmlands shareholders can save money and time by connecting with our extensive network of Card Partners.

### From good to great

Our shareholders welcomed the introduction of Z Energy as a Farmlands Card fuel partner, enjoying the wider network and 'pay-at-pump' convenience. We will complete the Z Energy roll-out before Christmas as the truck stop services go-live.

Meanwhile, the Toyota partnership expanded over the year to include its high-end Lexus brand, which combines luxury with world-class safety standards. Toyota and Farmlands are piloting driver days in Marlborough to showcase the vehicle range and provide insights into the safe use of the modern ute.

New partners such as New Holland, Can-Am, Sea Containers, Triton Hearing and Bunnings Trade made significant contributions to the Farmlands Capital Equipment programme, which launched in 2017.

During the year we also updated our agreement with Spark to reflect shareholders' changing communication needs. Under the revised deal, we replaced the rebate with a series of offers that give our diverse range of shareholders much greater choice.

Shareholders can still pay their Spark account via Farmlands Card, receiving Choices Rewards Points and the benefit of one consolidated statement.

### Business Performance

Farmlands Card Partners provide outstanding service to shareholders, which we highlight every year through our awards.

Congratulations to the winners of this year's Card Partner Awards:

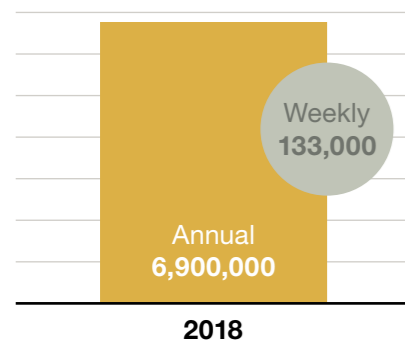
- Emerging Card Partner of the Year: 1st New Holland, 2nd Z Energy.
- Card Partner of the Year: 1st Toyota, 2nd Meridian.
- Shareholders' Choice Card Partner of the Year: 1st Noel Leeming, 2nd Smiths City, 3rd Z Energy.

### Next 12 months

Farmlands Card has three key targets in the year ahead:

- Make it easier to use Farmlands Card where and when shareholders want.
- Connect more shareholders to existing partners for their business and personal needs.
- Grow the range of capital equipment offers for shareholders.

## Card Transactions



# FUEL

Our goal is not to be merely a leading rural fuel provider: we intend to be the leading energy provider to rural and regional New Zealand.

## Highlights

- Business shift from Fuel to Energy.
- Increasing volumes through on-site delivery and Fuel Card options.
- Growth of Gulf Lubricants (across all categories) and Kingspan tank sales.
- Farmlands named Gulf Oil International Distributor of the Year at annual global conference in Dubai.



### Health and Safety

Fuel had no Health and Safety incidents this year. Our Fuel Safety Committee regularly meets and engages with stakeholders to ensure we remain a market leader in the safe delivery of fuel onto site.

### People

All Fuel Territory Managers completed their scheduled training, which was one of our annual strategic goals.

### From good to great

Our national Fueldays Roadshow engaged with shareholders, increased the profile of our nationwide fuel offer and increased foot traffic through the 22 participating Farmlands stores. The Fueldays events generated significant interest and resulted in more shareholders taking up fuel offers through their co-operative.

### Business Performance

Farmlands Fuel increased fuel volumes via its on-site delivery option and Fuel Card offering, which is available through all Challenge, Caltex and Farmlands branded facilities.

Logistical efficiency in our fleet of 45 tankers improved delivery reliability while reducing costs. The average age of our tanker fleet has reduced to under 3 years over the past 12 months.

The Challenge service station network, now selling Farmlands-owned Gulf lubricants, continues to be rewarding for both customers and shareholders. In a significant year for Gulf lubricants we saw increased market share and pleasing volume growth across all categories.

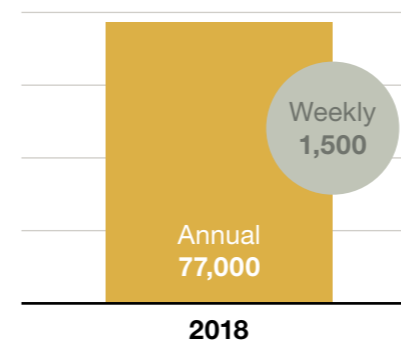
Our partnership with Kingspan has strengthened, with the firm investing in a dedicated resource to assist in promoting its range of products. More shareholders and customers understand the importance of being up-to-date with compliance requirements. We plan to work directly with shareholders to minimise any compliance impacts on their operations.

### Next 12 months

The future of Farmlands Fuel is bright. However, our arm of the co-operative is about more than 'fuel' – it is about 'energy'. Currently, we are investigating whether shareholders could benefit from access to alternative renewable energy sources through our network.

Our goal is not to be merely a leading rural fuel provider: we intend to be the leading energy provider to rural and regional New Zealand.

## Fuel Deliveries



# AGRI PRODUCTS AND SERVICES

Agri Products and Services covers the on-farm offers that sit outside of the store network and includes Grain and Seed, Nutrition, Horticulture, Dairy, Real Estate, Emerging Technology and a heavy involvement in our Braveheart Programme.



## Highlights

- FarmIQ investment and SafeFarm development.
- Nutrition result and business development.
- Development of staff, from GMs to technical expert level.
- Health and Safety Excellence Award achievements.

### Health and Safety

Farmlands' Grain and Seed and Nutrition sites collected the top three Farmlands Health and Safety Excellence Awards at our February National Conference. The Awards highlight the importance we place on staff welfare, which continues to evolve. During the last annual period we made significant plant upgrades to improve safety standards, with further enhancements slated for the 2019 financial year.

### People

The team is dedicated to supplying our shareholders with the products and services they need both today and tomorrow.

This year we strengthened our ability to deliver technical advice, sustainable practices and new technologies to help shareholders keep ahead in a rapidly-changing farm environment. Notably, we hired new technical specialists with expertise in technology, horticulture, agronomy and nutrition, while upskilling staff across the team with leadership development and international training opportunities. Over the 12-month period we delivered more than 110 technical training sessions to our frontline teams.

### From good to great

Our investment in FarmIQ over the year has moved our co-operative closer to the goal of being the market leaders in agricultural knowledge and expertise.

FarmIQ is a best-of-breed tool that allows shareholders to capture all farm data in one place, helping with new consumer and compliance reporting requirements as well as broader business decision-making. Via

the FarmIQ partnership, we now offer a free Health and Safety system to all shareholders that significantly lowers risks for our staff, Farmlanders and all farm visitors.

### Business Performance

Agri Products and Services reported mixed results this year but finished as a group on budget.

The Nutrition team worked extremely hard for our shareholders in an effort that produced a fantastic above-budget result. Unfortunately, staff changes, market fluctuations and difficult weather conditions hampered outcomes across other business units.

Despite the setbacks, all business units finished the year with enhanced expertise, some great new staff and a deeper 'Whole of Business' focus.

Highlights include the successful Emerging Technology farm sensor trial, which provides paddock-level data in real time. We also completed the Connecting Farms pilot with Ballance, Spark and NIWA – a programme that sheds light on how the Internet of Things (IOT) will benefit farming. Our Dairy business followed the innovation trend, adding a Cow Collar to the product mix. The Cow Collar promises significant efficiencies by giving farmers actionable, real-time information on the health and wellbeing of each animal hooked up to the device.

### Next 12 months

Over the next financial year, we will continue to deliver the best products and services of the day while seeking out ways we can help future-proof our shareholders in a fast-changing environment.

# REAL ESTATE

We have a clear vision of what is required to hit our targets for 2018/2019 and a passionate team who will take our business from 'good' to 'great'.



## Highlights

- Alignment with 'Whole of Business' for our shareholders.
- Appointment of a new General Manager.
- 100% Health and Safety Record.
- Appointment of a new Head of Property Management.

### Health and Safety

We have had no Health and Safety incidents this year while achieving a 100% completion rate of team driver training.

Our staff complete a risk identification form with every listing and sale.

### People

Farmlands Real Estate embarked on a period of rebuilding and transformation over the past year. During the past six months we completed the strategy, structure, processes and cultural alignment of the Real Estate business unit with the Whole of Business strategy. The revitalised structure will set Farmlands up for success over the coming years.

### From good to great

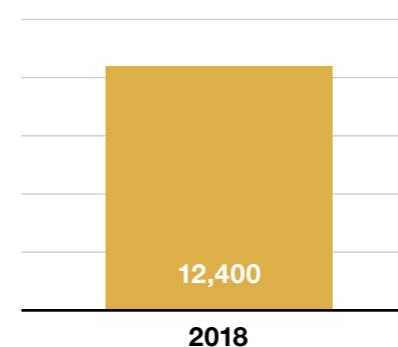
The Farmlands Real Estate service offers important benefits to shareholders: it provides a 'full cycle' of service from your co-operative over the entire life of a farm.

We are currently building a more resilient business by strengthening our Property Management portfolio, which will help us cover fixed costs in times of low listing and sales volumes.

### Business Performance

The real estate market has been down in all areas we operate in over the past financial year. According to Real Estate Institute of NZ (REINZ) statistics, new listings dropped in 15 of the 17 regions across the country.

## Land Area Sold Hectares



Despite keeping agent numbers steady we had the lowest number of listings in 14 years, reflecting the shortage of properties on the market.

### Next 12 months

Over the next 12 months we will continue to grow a nationwide presence offering residential, lifestyle, rural and property management services to all our shareholders.

Currently, we provide real estate services in 30 Farmlands stores – our goal is to expand into another 20 stores, to ensure we cover all of provincial New Zealand.

The West Coast of the North and South Islands are high on our priority list. We will look at extending our shareholder benefits so that they receive the best real estate commission rates and property management fees in the industry.

Overall, we now have a business that is aligned with the Farmlands 'Whole of Business' values and culture. We have a clear vision of what is required to hit our targets for 2018/2019 and a passionate team who will take our business from 'good' to 'great'.

# GRAIN AND SEED

Farmers were in good heart over the past year, buoyed by above-average commodity prices across the sheep, beef, venison, dairy and arable sectors.

## Highlights

- **Dunedin Seed wins Health and Safety Excellence Award, Rolleston Seed Store second equal.**
- **Newly commissioned Seed Stores in Invercargill and Rolleston.**
- **Nationwide coverage with Agronomy offering.**
- **International supplier-funded research tour to increase our knowledge for shareholders.**



However, some challenging weather – ranging from flooding to very hot, dry conditions – affected seed sowings, forage and arable crop yields.

### Health and Safety

The Dunedin Seed Store capped off a tremendous year for Grain and Seed by taking out the Farmlands Health and Safety Excellence Award. Rolleston Seed Store tied for second equal.

### People

Grain and Seed welcomed high-calibre experts to the Agronomy and Grain Trading teams over the year. After appointing two new specialists in the North Island, Farmlands now has nationwide coverage for its Agronomy service.

All of our new hires bring great industry experience to these specialist roles, which are generally very difficult to fill.

Our Agronomists held more than 100 staff-training sessions over the past year, covering seed, chemical, fertiliser and nutrient management. The Agronomy training is also putting an emphasis on helping farmers adopt a more systemised approach by producing three-to-five year plans.

### From good to great

Farmer awareness and use of fodder beet, maize and AR37 endophyte variety ryegrass seeds rose over the year following successful promotions.

The Cleancrop brassica options of swede, rape, leafy and bulb turnip again increased in area, helped along this year with the commercial release of Firefly kale.

### Business Performance

There were slightly lower volumes of grain traded in the last year, with grain buyers either increasing imports or changing to alternative feed options – such as blends and PKE – as domestic grain prices increased.

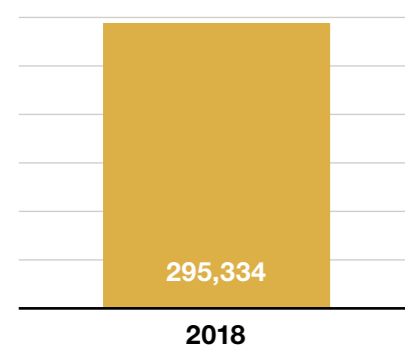
The mixture of extreme weather conditions experienced around the country flowed into challenging on-farm ground conditions that in turn buffeted Retail Seed sales.

### Next 12 months

The grain market is again looking positive for arable growers with forward contract prices at above-average levels. We anticipate a good spring sowing season for Retail Seed as farmers look to capitalise on high farmgate commodity prices with increased feed production for their livestock.

Our technical staff are keeping abreast of the various changes that will affect farmers' decision-making in the future with a focus on several areas, including nutrient management, irrigation use and payback and best-practice forage cropping. We are also keeping a close watch on new crop varieties, 'precision-farming' techniques, as well as developments in plant and lab-based proteins.

## Land Area Planted Hectares



# NUTRITION

We look forward to helping our shareholders maximise their results through leading animal nutrition.

## Highlights

- **Record levels of dairy blends, including growing portions of non-palm kernel alternatives.**
- **Good growth in equine feed sales.**
- **Milling operations expanded to handle surge in demand.**
- **NRM brand revamp, with support from nationwide teams.**



### Health and Safety

Farmlands Nutrition continues to drive forward initiatives at our manufacturing sites, including guarding, traffic management, plant upgrades and industrial clean-downs. During the year we launched a programme to better-manage explosive atmospheres at high-risk sites.

Pleasingly, the Winton Feed Mill was runner-up for the Health and Safety Excellence Award at the Farmlands National Conference.

### People

To broaden knowledge and expertise across field teams a nationwide intensive dairy nutrition course was rolled out. The 5-day programme targets dairy-focused Technical Field Officers who can add value to shareholders by providing them with up-to-date animal nutrition advice.

During the year the Nutrition management team participated in the Farmlands Leadership Development Programme.

### From good to great

Our key Nutrition Specialists have been in high demand for their expert advice in improving herd productivity and condition, following a recovery in the dairy sector and the easing of drought conditions in regions such as Taranaki and Southland.

Farmlands Nutrition has assisted a number of shareholders with PKE alternatives while upgrading our Waharoa (Waikato) blending

plant to extend our capability. We further enhanced our range of co-operative-owned bagged feeds – NRM, McMillan and Reliance – with guides, videos, 20kg bags (from 25kg, to make them easier and safer to handle) and specialist equine feeds.

### Business Performance

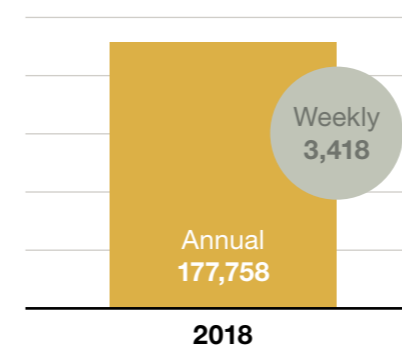
Nutrition's full-year results have finished 145% ahead of budget and 236% up on the previous annual period. All segments (dairy, calf, sheep, equine) saw increased revenue over the year.

After navigating through some tough years during the dairy downturn, these strong results are certainly welcome. The business is now more diversified across agri sectors and sales channels, with positive bagged sales in our NRM and McMillan brands both in the co-operative and externally.

### Next 12 months

The Nutrition team will build on this year's upbeat result with a continued focus on delivering best advice and quality products to shareholders. We will also carefully manage staff and operational resources to ensure a timely response to feed commodity volatility and the expected general uplift in production volumes. We look forward to helping our shareholders maximise their results through leading animal nutrition.

## Nutrition Deliveries



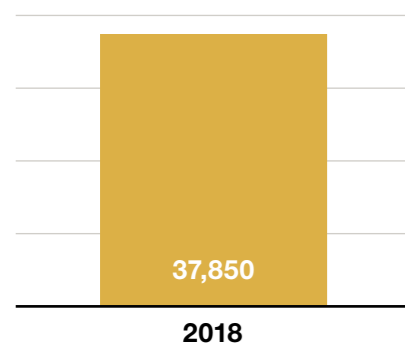
# HORTICULTURE

The team's strong sense of purpose and optimism gives us confidence we will meet the needs of our horticultural shareholders in the year ahead.

## Highlights

- A strengthened field team bolstered by highly skilled professionals.
- Strong growth in supporting our kiwifruit growing shareholders in Bay of Plenty.
- Exceptional support from winemakers, resulted in outstanding sales growth.
- Significant expansion of our national beekeeping supplies business, including more of the popular sugar syrup refill stations at our branches.

## Technical Advisor Field Hours



### Health and Safety

The Horticulture team had no Health and Safety incidents this year.

### People

Horticulture recruited strongly over the past 12 months, building a high-quality team that is best placed to add value and technical expertise to our shareholders.

For instance, our Hawke's Bay team has been bolstered by key individuals from the local horticultural industry in a move that demonstrates the true value of technical expertise: improving growers' orchard gate returns. As a result, we expanded our orchard footprint in Hawke's Bay.

The Gisborne team – now working closely with Hawke's Bay colleagues – is also solid with Horticulture making further appointments across Canterbury and Pukekohe. In Central Otago, we added expertise in the viticulture, pipfruit and stonefruit sectors.

### From good to great

Farmlands Horticulture is committed to not only providing market-leading expertise but to also deepening our offer to all shareholders. Our aim is to identify where we can add value to shareholders' operations and provide a unique point of difference in the market.

### Business Performance

The Horticulture business had a somewhat turbulent year following staff losses to a competitor seeking to establish three new hubs in key horticultural regions. Nonetheless,

through the continued support and custom of shareholders, along with the backing of other Farmlands staff and the Board of Directors, we ended the year with a very strong Horticulture team.

The growth in the kiwifruit sector provided a significant lift in business activity in Bay of Plenty, where our team is stable and strong. We also experienced encouraging sales growth in winery inputs and beekeeping supplies – both categories are now key components of our Horticulture business with further significant growth planned in the coming year.

These achievements, coupled with a more efficient team, allowed us to maintain the profitability in the business, which both the Horticulture team and the shareholders who supported them should be extremely proud of.

### Next 12 months

Although we have competitive challenges to face, the team's strong sense of purpose and optimism gives us confidence we will meet the needs of our horticultural shareholders in the year ahead. We are planning continued strong growth in our Hawke's Bay business, our national viticulture and winery supplies portfolio and our leading national beekeeping supplies business.

# DAIRY

Shareholders can expect our team to provide them with increased knowledge as we continue to provide training and development to staff.

## Highlights

- Introduced leading animal monitoring technology to the market.
- Commenced modular animal nutrition training for Dairy staff.
- Responded to biosecurity concerns by implementing shareholder farm visit protocols for our staff and vehicles.
- Improved staff understanding and response via fortnightly internal "dairy sector" newsletter.



### Health and Safety

The Dairy business unit reported no Health and Safety incidents this year.

### People

Increasing the capability of our people to provide quality advice and service to shareholders is a high priority. In Q3 we launched a nationwide Dairy Nutrition multi-session training programme for all Nutrition Specialists and Dairy Technical Field Officers, to provide staff with a solid understanding of cow and calf nutrition.

### From good to great

Farmlands has partnered with longtime supplier Allflex to provide innovative animal monitoring solutions. We now offer shareholders the Allflex SenseTime™ cow monitoring system, which provides farmers with actionable information on the reproductive, health, nutritional and wellbeing status of individual cows and groups. Dairy farmers can make data-driven decisions for maximised productivity and improved farm management efficiency.

SenseTime™ is the first of several innovative tools we will bring to the market.

### Business Performance

The Farmlands Dairy business continued to regain market share over the latest annual period. Along with a rise in consumable supplies sales, increased expenditure on farm improvements and previously-deferred maintenance saw the business grow compared to the 2016/17 year. We also saw strong interest in our new animal monitoring systems, with several installations.

### Next 12 months

Over the next 12 months we will further develop the sector knowledge of staff. Shareholders can expect our team to provide them with a greater understanding of dairying production systems, order-fulfillment efficiencies and business support tools, while offering innovative farm and herd management solutions that improve farmer efficiency and profitability.



## **TOGETHER WITH OUR PEOPLE**

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Farmlands is committed to ensuring our people come first. To provide our shareholders with the best possible service, Farmlands is investing in its people to provide them with the best opportunities to grow, learn, develop and succeed.



**TOGETHER  
WITH OUR  
PEOPLE**

**“For Farmlands to continue as the co-operative our shareholders need us to be, identifying the right people to serve you is critical to our ongoing success.”**

**On the right track**

In July, Farmlands shareholders voted their co-operative the New Zealand winner of the KPMG Customer Experience Excellence (CEE) Award. The win placed Farmlands alongside global brands such as Emirates, Apple Store and Singapore Airlines.

Farmlands scored higher than the industry average across every one of KPMG’s six pillars of customer experience – Personalisation (+11.2%), Time and Effort (+10.8%), Expectations (+12.5%), Integrity (15.3%), Resolution (+9.8%) and Empathy (+16.0%).

Most importantly, as Farmlands customers are also our shareholders, this was an award for our people, from our people. It is validation for a conscious investment in increased training and professional development, putting more into our organisation to take it from good to great.

Farmlands is delighted to receive this award at the start of the journey – one which puts a focus on shareholders at the centre of everything we do. While we can always do better, it’s good to know we are on the right track.

**A recipe for success**

In February, Farmlands received the Award for Talent Development and Management at the 2018 NZ HR Awards. The award recognises Farmlands’ commitment to identifying talent from within our own organisation and supporting our people to develop in areas important to growing the co-operative. The award commended our unique approach in identifying what success looks like in critical roles, to ensure we have the right capabilities to deliver our strategic imperatives, while tailoring our development activities to maximise return on investment.



**Acknowledging our winners**

Each year, Farmlands celebrates our people, who provide an exceptional level of service to our shareholders and each other.

Congratulations to the winners from this year’s Awards:

- Card Account Manager of the Year: **Sophie Loe.**
- Farmlands Fuel’s Top Performing Salesperson for 2017 for Gulf Oil: **Carey Ellison.**
- Territory Manager of the Year Award: **Andrew Gowers.**
- Real Estate’s Top Salesperson of the Year: **Team Waimate.**
- Overall Top Real Estate Branch of the Year: **Oamaru.**
- TA of the Year – Whole of Business: **Gary Geurts.**
- TFO of the Year – Whole of Business: **Paul Cooper.**
- Developing TFO/TA of the Year – Whole of Business: **Shane Mullany.**
- Branch of the Year: **Hokitika.**
- Health and Safety Excellence Award: **Dunedin Seed.**
- Contact Centre Employee of the Year Award: **Christie McDonald.**
- Support Person of the Year: **Lynda Speirs.**
- Farmer of the Year: **Sue Smail.**
- CEO Leader of the Year: **Dolly Halley.**



## TOGETHER WITH OUR SHAREHOLDERS

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Our 68,000 shareholders around New Zealand are the reason our co-operative exists. Here are some of the great examples of success from a few Farmlands shareholders around the country, across different sectors in the market.



# ANDREA REID

Andrea Reid believes women are now playing a bigger part in the agriculture industry and have access to a more even playing field.

The mother of three had to re-evaluate her farming operation after her husband, Hamish, passed away from Hodgkin's Lymphoma in 2017. Andrea hired a farm advisor, to look into how the young family could continue to run the farm with the help of a manager.

The 211ha property now runs dairy support and sheep grazing while growing processed peas and specialty seeds such as carrot, radish, bunching onions and Chinese mustard. There is fodder beet for cows for the winter and lucerne for cut and carry food supplements. Irrigating the land has opened more opportunities – Andrea and Hamish added a pivot and lateral irrigator run by a bore, while access to the Central Plains Water Scheme has opened another 45ha to irrigation in 2018.

"The good thing about the grazing is you have a steady cash flow," Andrea says. "Specialty seeds have done really well and the peas have been a long-term cropping rotation that suits us – they're a good intensive crop over a short period of time."

Andrea says she is surprised what has been accomplished on the property in one year. It's been a team approach working with great people in the industry.

"We're trying to make it manageable without too many labour inputs – it's about farming smarter," she says. "I'm looking at diversification that will benefit the environment, animals and people."

"Women are striving for excellence in agriculture. Being on this farm is security for my family. It's home – it's where the children feel comfortable and they love the lifestyle."



# RHONDA AND STEVEN BAMFORD

Hillfoot Farms, in Warepa in South Otago, is a dairy and sheep unit (940 cows, 2,300 sheep) spread across 827ha.

Owners Rhonda and Steven Bamford had been inquisitive about cow collars for a few years, however it was the latest Allflex collar that saw them commit to the technology.

"I do the calf rearing from July and don't get another day off until Christmas Day, because I do the heat detection as well. It can be very tiring," Rhonda says.

"By putting collars on the cows and monitoring from the house rather than the dairy shed, it can offer a lot more consistency as well as enable us to spread the workload across all staff."

While admitting adjusting to the collars has been 'a real baptism of fire', having activated them just before calving, Rhonda has found electronic monitoring complements the day-to-day physical work on the farm.

"I've been coming to grips with the animal health side but mating was the key driver," she says. "I did a stint last Sunday just checking to see that cows that were on the heat report that day were accurate. Today, I was able to sit and check off all the pre-mating heats, rather than spend 3 hours in the dairy shed watching the cows go around. Because I did that day monitoring in the shed, I trust what I see now (from electronic monitoring) is correct."

While Rhonda admits it will take a while to fully understand the benefits available through cow collars, it is technology that will give Hillfoot Farms the advances it is searching for.

"Our workload and our drive is to continually do better with what we've got. We are a high input, high output business and investing in the collars can only enhance our farming operation."





# DUNCAN AND ANNABEL SMITH

**“We saw an opportunity to take control of part of the supply chain.”**

Spread across 600ha (115ha irrigated) on either side of Central Hawke’s Bay’s Tukituki River, Patangata Station is more than just a sheep and beef property with irrigated cash cropping. It is a large part in Duncan and Annabel Smith’s supply chain model.

Duncan and Annabel also own Waipawa Butchery, where they send up to 500 Angus heifers a year to complete their paddock to plate journey. The Angus heifers are joined by 2,000 Sufutex ewe lambs, with an additional 7,000 lambs processed outside their supply chain.

The decision for the “DIY” supply chain came earlier in 2017, when Annabel learned the butchery would soon be for sale. After discussions with Duncan, the contract was signed just a few days after the butchery went on the market.

“We saw an opportunity to take control of part of the supply chain,” Duncan says. “It’s had significant growth – we had a Country Calendar episode, which didn’t hurt – but the paddock to plate story and consistency of quality and quantity is important to our customers.”

Duncan and Annabel now send their produce direct to prominent restaurants and consumers throughout the North Island.

“We’re hard and fast on our rules – breed, gender, weight-specific animals and ageing. If we stick to our rules, we should have the same product going on the shelves and restaurants every week.”



# BALLE BROTHERS

**When the youngest of the seven Balle brothers left school in the late 1970s, the third generation growers decided to start their own business. Now the fourth generation has joined in – and they’re still growing.**

Balle Bros. are probably best known for their potatoes but they also grow a variety of crops, complemented by a 2,700 cow dairy operation, a transport arm and an export branch for fresh produce.

Maurice Balle says the family attachment stretches far beyond the seven siblings that started Balle Bros. His uncles and their children still feel connected to the industry through the Balle Bros. name.

“We’ve been in business since the 1980s but we’ve been at it all our lives. Our family has been in the industry since just after World War I. The seven brothers have origins in Bombay – and latterly Pukekohe – but we now have operations from Northland to Rakaia in Canterbury.”

Maurice has seen plenty of things change over the years at Balle Bros. and technology and industry changes mean the business has had to constantly adapt.

“Not a lot of people would appreciate it but during the late ‘70s and early ‘80s there was a transition from the auction system as we knew it to direct supply and delivery to the supermarkets,” he says. “That was probably a major transition in our business. We moved to supplying the supermarket trade year-round and in that sense, the company is market driven rather than production driven.”

Balle Bros. aim to keep things simple. From land custodianship through to the packhouse and transport, they take an interest in their produce every step of the way.





## TOGETHER WITH OUR PARTNERS

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The diversity and technical expertise of our partners allows Farmlands to provide our shareholders with the products and advice their business needs to flourish. Our partners help us to harness the buying power of 68,000 shareholders nationwide, ensuring we deliver the right product, at the right time, in the right place, for the right price to our shareholders.



# FARMIQ

FarmIQ is New Zealand's most comprehensive farm management software platform.

Servicing more than 2,000 farms across New Zealand and with more than 70 million animal events already recorded, it is New Zealand's leading farm management software.

The FarmIQ platform is neutral and open and is connected to a wide-range of data sources, including all of the major meat and dairy processors. It is used by a wide range of customers and agribusinesses to support farm assurance, compliance and productivity programmes.

Based in Wellington, FarmIQ employs 35 people and is owned by Farmlands, Pāmu, Silver Fern Farms and Veterinary Enterprises.

FarmIQ teamed up with Farmlands to launch SafeFarm, a complete Health and Safety software system designed with New Zealand farmers in mind. SafeFarm is built on FarmIQ's software platform, utilising much of the mapping, recording, reporting and analytical capabilities inherent in FarmIQ.

The SafeFarm software package is available free of charge to Farmlands shareholders. Users of the application can seamlessly upgrade and trial FarmIQ's range of farm management subscriptions from within SafeFarm.

FarmIQ Chief Executive, Darryn Pegram says Farmlands' decision to build SafeFarm on the FarmIQ software platform is recognition that farmers want all their information in one place – and increasingly, that is FarmIQ.

"For FarmIQ, the opportunity to engage with Farmlands' shareholders and take them on a digital farm recording journey is very exciting.

"Health and Safety is a great place for shareholders to start recording. We expect it will lead to broader farm recording, from fertiliser applications to animal health treatments."



# GALLAGHER

Gallagher have a reputation for delivering innovative products that make farm life easier and more profitable.

Gallagher continues to deliver ground breaking and inspirational technology to Farmlands shareholders, which has been the hallmark of the brand since its inception 80 years ago.

As the conduit between the shareholder and Gallagher, the enduring partnership ensures Farmlands customers can access game changing products such as the Insulated Line Post. The post is a fully insulated, UV protected polyethylene post with a fibreglass core that is installed with a hand rammer, saving valuable time and money whilst providing a strong yet flexible permanent fencing solution.

As farmers' thirst to use technology to solve everyday farming problems increases, the continued relationship becomes increasingly important to both parties – for Gallagher to have an established, reliable channel to market and for Farmlands to offer shareholders world leading on-farm solutions.

The output of new product innovation is set to continue into 2019 with several new products being released within the electric fencing, weighing and electronic identification and water monitoring categories.





# DONAGHYS PUREFLUSH

A new generation dairy acid sanitiser formulated using highly concentrated active ingredients found naturally occurring in milk.

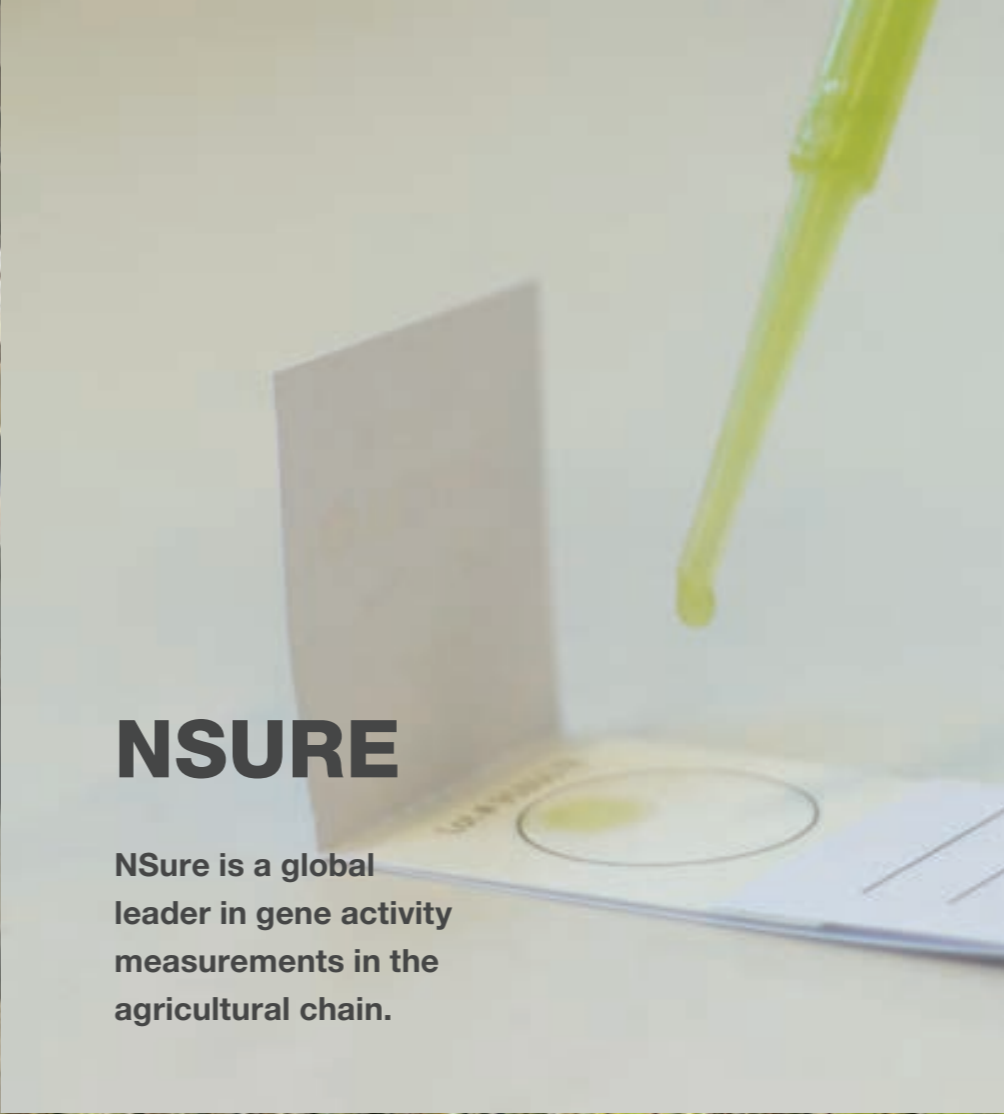
Farmlands shareholder Shaun Olsen has been using Donaghys new generation dairy acid "PureFlush" as part of his wash programme since it was first launched.

The Opiki farmer was keen to try the new technology as "we like to embrace value added products and the environment is important to us".

The acid was developed in response to residues from dairy shed cleaners being found in milk. Donaghys have a patent pending on their innovative product, which only uses ingredients that are naturally found in milk, so common residues from traditional products cannot occur when using PureFlush.

Another great strength of PureFlush is that it can be used in all dairy sheds and with any water type. For Shaun this was important and he has found that "the mixed organic mix was great for mineral removal from the plant in our water type".

Farmlands have been supporting Donaghys PureFlush and making use of its buying power to bring shareholders great value from the latest innovative quality products.



# NSURE

NSure is a global leader in gene activity measurements in the agricultural chain.



All living organisms, including all agricultural crops, contain genes that control nearly all biological processes. By measuring gene activity, NSure can detect developmental changes or treatment effects at the earliest possible moment.

NSure's expert, highly motivated employees can evaluate whether their technology can contribute to the optimisation of production chains. In their state-of-the-art laboratory in Wageningen, The Netherlands, they apply innovative technology to measure the invisible molecular changes in crops. Together with their customers, they turn this knowledge into a range of practical applications that make a valuable contribution to further improvement of the agro chain.

NSure technology helps Farmlands shareholders in New Zealand and other customers around the globe to make well-founded decisions that lead to higher productivity, increased efficiency and better quality, as well as decreased harvest and storage losses and a better understanding of the biological mechanisms inside the plant. NSure's measurements can be used as a reliable tool for determining the optimal timing of application and for optimising the formulation or dosage of agents.

The BreakNSure test enables growers to accurately monitor the physiological status of female vines in an orchard. The test provides a status determination of vines, days before the anticipated application moment of budbreak treatment. The test is specifically developed for the New Zealand market and only intended for analysis of Hayward and G3 kiwifruit buds.

With the result, you will be able to optimise the application timing of your budbreak enhancer. Using the BreakNSure test will lead to an optimal budbreak treatment, which increases the percentage of budbreak, optimises king flowers and tightens your flowering window.



# CHALLENGE

The independent Challenge service station network has been wholly supplied by Farmlands Fuel since 2010 – a relationship built on like-minded ambitions and values.

Like Farmlands, the Challenge network are locals working for locals. Every service station is part of their community, living their slogan of “100% Kiwi-As”. Each station reflects the diversity of the area, encompassing what their community needs – whether trailer hire, an auto garage or a car wash.

The partnership continues to grow each and every year, with Challenge offering Farmlands shareholders 12 cents off per litre of fuel when filling up using the Farmlands Card. The Challenge network now also stocks the Gulf range of lubricants, wholly owned in New Zealand by Farmlands. That means any fuel and Gulf lubricant purchase at Challenge service stations benefits Farmlands shareholders, as owners of their co-operative.

As proof of the mutual benefits available between both businesses, Challenge have extended their fuel supply agreement with Farmlands through to 2025. It is vindication not only for a successful partnership but also for the strength of our local communities.



# ASB

Earlier this year, Farmlands and ASB began working together as a strategic partnership.

Different to the more traditional approach of simply banking the co-operative, the partnership helps Farmlands and ASB work together to develop other streams of value for each other, as we both deal with change in our markets.

ASB showed the best understanding of both the Farmlands journey and the strategic challenges we face for delivering value to our shareholders given industry change and disruption. ASB took the time to fully understand Farmlands as a business and as a co-operative, because understanding the requirements of the business allows ASB to focus on delivering to the diverse requirements of shareholders.

Importantly, our partnership is based on similar, regional and community-based values – and now the benefits of this are being made available to our 68,000 shareholders. They can meet with their local ASB team to discuss their financial and banking requirements and allow ASB to tailor solutions specific to those shareholders’ personal, family and business needs.

This partnership, with a respected expert in banking committed to both our business and the rural sector, allows Farmlands to give shareholders more value from their co-operative.



TAUMARUNUI



## TOGETHER WITH OUR COMMUNITY

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We are a network of teams that are a part of our local communities. Farmlands is part of rural life in New Zealand and we are proud to work alongside the people, community groups and businesses that make these areas so special.



# COMMUNITY

Through our 82 stores nationwide, we provide more to our shareholders than just services and supplies. We contribute to our communities, as do our staff, who know the area and the people.

As a co-operative, we are owned by the communities we live in.

Whether it is National Fielddays or the Wanaka Show, we pride ourselves on attending the same community events as you. When our families have farmed the land for generations, we celebrate them through the Century Farm and Station Awards. When our shareholders need to stay healthy over winter, we organise flu vaccinations at local Farmlands stores.

In-store events and days in the community are designed to help our shareholders get off the farm to relax, unwind and learn. With the support of our partners, we are fortunate to be able to provide a range of off-farm activities, BBQs and educational evenings.

From Ladies Nights to HeART of the Community, fundraising for Blue September through to A&P Shows, Farmlands is proud to be part of rural New Zealand.







As part of our commitment to sustainability this Annual Report is printed on recycled paper.