



PORTAGE LICENSING TRUST

President's Report

2015-2016

I am delighted to report to our community that yet again, The Trusts has enjoyed growth right across our businesses and that is as a direct result of your ongoing, and steadily increasing support, as customers of our retail stores and consumers in our bars and restaurants.

The fact that our community is doing more business with us than ever before, and this is sustained even after four years of steady improvements, shows that you approve of all the great changes we have been making that have taken our businesses to the very forefront of the retail liquor and hospitality industries in New Zealand. And not just New Zealand. The Trusts operations are world-class.

Those changes can be seen by the public in our retail and hospitality operations. But equally important is what can't be seen by the public: the greater efficiency of the back office systems, the constant measurement of how we're doing, the investment in staff and the analysis of our own business, analysis of the market place and the analysis of where our next opportunities lie.

To have a business where every part operates at the top of its game means that they must have the right tools and systems, such as the newly implemented digital strategy which is being in partnership with Vodafone.

Cloud-based phone and computer systems will put us at the sharp edge of technology, while future proofing our "back office" to an extent, by the inclusion of regularly upgraded software. The new systems comprise mobile voice and data, connectivity across sites, improved security, modern call centre software and improved Wi-Fi services for customers in retail stores and hospitality venues. All of which will improve the customer experience and enable us to work smarter and more efficiently now, and into the future.

Improvements such as this are the result of the relentless analysis and planning undertaken by the extremely competent CEO, Simon Wickham, and the superb staff he has gathered to the business operations. I doubt there is a better, more values-based or more initiative-driven team in the liquor and hospitality in this country. They possibly rate among the best in any field of endeavour.

Attention to detail and innovation has resulted in 10% growth of our market share in the last year alone. On the retail side, The Portage Trust enjoyed 6.3% growth in sales from \$34 million to \$36.2 million. And return on sales from \$3.0 to \$3.3 million.

Overall, in all aspects of our business, in the last year, there has been growth in sales, in profits and in retained earnings. And this in flat market where others have struggled.

It is very pleasing to observe that this growth has been brought about more by winning a greater number of customers, than by aggressively pursuing more sales to the existing customer base.

The West Liquor and Village Wines and Spirits retail operations have revolutionised public attitudes to doing business with us. We compete on the basis of world-class service, market-leading premises, excellent product range and competitive pricing. These retail strategies have worked well and more customers are choosing to shop with us, and doing so because they enjoy the experience. And they support our social responsibility vision and our policies of "Giving Back".

On the hospitality side, sales increased from \$5.2 million to \$5.5 million and we have yet to bring about the same level of transformation in the hospitality operations that we have seen in retail over the last four years.

To see this level of growth before transformation is very exciting. We have not yet transformed all our bars and restaurants into modern hospitality venues that can compete with the best anywhere; we expect another significant lift in sales, profit and reputation following transformation that is under way. That is still to come in the 2016/2017 year and if the results from The Flagship (formerly The Marina), are continued in the other premises, we will have an even healthier balance sheet to look forward to.

Equally exciting is the introduction of a whole new business arm: The Trusts Investments. Seizing the future in our business is not easy. Increasingly responsible drinking and challenging economic times have resulted in very little growth. This, and the constraints of social responsibility that we choose uphold, mean that our staff and the WATS Board have had to show very real initiative in identifying investment as a socially responsible new profit centre that is publicly justifiable, within our range of allowed activities and does not irresponsibly stimulate the liquor market.

I congratulate Simon and the executive team in bringing this new dimension into being. I also congratulate Brian Corban and the WATS Board for creating the environment where the staff are encouraged to be innovative. I believe it also reflects well on the Elected Members of the Portage Trust, and our colleagues in the Waitakere Trust, that they have had vision, trust and courage to support the businesses as they explore new futures.

These are the things that have enabled us to increase the amount we are Giving Back by about 900 percent in the last four or five years, from about \$100,000 in 2011, to around \$1 million this year.

This "Giving Back" is the dimension that sets us apart from other businesses in liquor and hospitality in Auckland and many other parts of New Zealand. That \$1 million that might otherwise go into the pockets of private shareholders goes to West Auckland, to support about 200 organisations and activities such as The Trusts Arena, The Trusts Portage Ceramic Awards, the Sky City Northern Mystics, Spooks 'n' Sparks, The Don Oliver Youth Sport Foundation and many more.

Of that we can be very proud. This helps makes a real difference to the quality of life in West Auckland.

We must never overlook the value of social responsibility. In the modern world, many businesses talk about social responsibility. Few, if any, have it at the very heart and soul of their values and ethics as we do here at The Trusts. I believe that it is our greatest strength. and that it can be truly said we are not just transforming The Trusts; we are transforming the community that we serve.

We exist to provide social responsibility in the retailing of liquor. We do this well and the public appreciate that we do. We set the bar high. We will not operate "sleazy dives", we will not sell cut-price liquor, we will not open "a liquor store on every corner"; we will not sell to minors, we will not sell "legal highs", we will not sell high-alcohol RTDs. We will not sell-out our values; your values.

We have also grown away from a public perception that we and The Trusts Community Foundation (TTCF) are one and the same thing. That is a good thing in the sense that it means that we get the credit as the Trusts for what we do to be good for our community, and TTCF gets the credit for what it does. We are separate but we share many values and a desire to be good neighbours. And of course, the Elected Members of the Portage Trust are able to make recommendations on the grants applications sent to TTCF.

It is gratifying to see how these grants make things possible in the Portage area. The jewel in the crown eventually will be the fantastic Whau Coastal Walkway that will link New Lynn to the mouth of the Whau at Te Atatu. Parts of this are already built and the feasibility study for the remainder has now been completed. I acknowledge the Whau Coastal Walkway Trust Auckland Parks and Auckland Transport, but the bottom line is that this would not have got off the drawing board without the seed capital provided by TTCF. That is immense in the life of West Auckland.

So between The Trusts as a liquor and hospitality trading business, and TTCF which operates gaming machines in some of our premises, a very large amount of funding is returned to the people of West Auckland and is quite literally transformational.

It gives me great satisfaction to write this report, to congratulate our staff and the WATS Board and also the Elected Members of the Portage Trust who have had the courage and vision to support the continued transformation of our business. I also thank our colleagues in the Waitakere Trust for their similar commitment.

I wish everyone good fortune in the elections and the year to come.

A handwritten signature in black ink, appearing to read 'Ross Clow', written over a horizontal line.

Ross Clow
President
20 July 2015