Fresh food begins
its journey from
tree to table
The Box marks the journey of tracked produce through procurement, distribution and retail outlet to consumer purchase.

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AWARDS WON BY FOODSTUFFS 2014/2015:

Directors and Corporate Executives Team

FROM LEFT TO RIGHT:
Malcolm Wratt General Manager Finance | Phil Wright General Manager Information Technology | Kevin Ryan New World Alexandra |
Roger Davidson General Manager Property & Retail Development | John Niles Four Square Owaka | Robin Brown New World Rangiora
(Chairman) | Stephen Boock PAK’nSAVE Northlands | Alan Malcolmson General Manager Retail Operations
FROM LEFT TO RIGHT:

Stephen Anderson  Chief Executive Officer  |  Marcel Gray  PAK’nSAVE Wainoni  |  Kim DeGarnham  General Manager, Employee & Support Services, Company Secretary  |  Philip Lemon  General Manager, Merchandise  |  Roy Bridgman  New World Rolleston, (Deputy Chairman)  |  Chris McDonald  PAK’nSAVE Dunedin  |  Russell McKenzie  New World St Martins  |  John Mullins  General Manager Supply Chain
About Us

Foodstuffs South Island Limited (FSSI) is a South Island, 100% New Zealand owned co-operative, formed in 1988 from the merger of two long-established grocery co-operatives Foodstuffs (Christchurch) Limited and Foodstuffs (Otago/Southland) Limited. Foodstuffs South Island Limited, whose membership consists of independent grocers who own and operate their own businesses and work together for their mutual benefit and the benefit of the Co-operative, trades only in the South Island of New Zealand.

FSSI has a sister co-operative, Foodstuffs North Island Limited (FSNI) which was formed in September 2013 from the merger of Foodstuffs (Auckland) Limited and Foodstuffs (Wellington) Co-operative Society Limited, which trades only in the North Island of New Zealand.

The two co-operatives are independent of each other and have their own boards and executive structures.

The two co-operatives jointly own Foodstuffs (NZ) Limited, a small non-trading entity, which represents the two co-operatives’ interests on issues of national or grocery specific importance, holds the intellectual property of our iconic brands along with operating a national marketing team. The two co-operatives also jointly own several other companies in order to act nationally where it makes sense to achieve economies of scale and for the purchase of house branded product.

Currently, Foodstuffs South Island Limited has a membership of 560. These Members recognise that shareholding in the Co-operative confers on its members the right to enjoy the benefits of the Co-operative and their shares are not held as a form of investment in equity shares. As such, our Members are caretakers of the Co-operative and its assets. They have a responsibility to preserve and protect the Co-operative and its assets to enable future generations to trade just as those that have gone before them have done.

The Co-operative is principally funded using Retained Patronage Shares. These shares are issued to our Members in direct ratio to their last year’s trading with the Co-operative and paid for by deferring the physical payout of the year-end rebate of profits until each tranche of shares is redeemed.

Our membership generally falls in two categories: independent grocers trading as Members of one of our banner groups:

• PAK’nSAVE
• New World
• Four Square
• Raeward Fresh
• On the Spot
• Henry’s Beer, Wine and Spirits

or Members who trade independently of these groups in the convenience grocery or foodservice industries.

In recognition of the different purchasing requirements of the Oil Channel and Foodservice industry, these customers trade with our wholly-owned subsidiary, Trents Wholesale Limited. This subsidiary was specifically created to service this sector of the South Island and supports a strong customer base. Customers are also able to purchase not only dry groceries but a variety of fresh products direct through the four Trents Cash’nCarry sites.

Many Members lease their supermarket or shop premises from the Co-operative which, in turn, is the registered proprietor or holds the head lease of the property concerned. The Co-operative has a strong philosophy of owning our supermarket premises which enables it to continually upgrade supermarkets to meet the evolving needs of the consumer.

The Co-operative offers a substantial degree of assistance to its members as well as its core activity as a wholesale merchant. These ancillary activities include services such as: the marketing of their business, information technology, industry-related training and education, food safety programmes, business services, assistance with obtaining bank funding, assistance with loss prevention, At-Call deposit facilities for trading Members, former Members and related parties.
The 27th Annual General Meeting of Shareholders of Foodstuffs South Island Limited will be held on Tuesday, 21 July 2015 at the Christchurch Office of the Company, 167 Main North Road, Papanui at 5.00pm.

Ordinary Business


2. To receive the results of the postal ballot conducted for two directors.

3. To fix the remuneration of Directors for the ensuing year.

4. To record the appointment of KPMG as Auditors and authorise the Board of Directors to fix the remuneration of the Auditors for the year to 29 February 2016.

5. To transact any other business whether by ordinary or special resolution that may be properly transacted at the Annual General Meeting.

‘A’ and ‘D’ Shareholders have the right and are entitled to attend and vote at the meeting. These members may appoint a proxy to attend and vote on their behalf. A form of proxy may be obtained from the Secretary. The completed proxy form must be deposited at the registered office of the Company not later than 48 hours before the time of the meeting. A proxy holder need not necessarily be an ‘A’ or ‘D’ Shareholder of the Company.

Dated this 16th day of June 2015.
By order of the Board

K N DeGarnham
Company Secretary
We are focused on ensuring that we continue to improve the shopping experience for our customers. Let us work together and make the next year like no other.
Chairmans Review

On behalf of the Board of Directors of Foodstuffs South Island Ltd (FSSI), I am pleased to present to you the 27th Annual Report detailing our activities, highlights, challenges and financial performance for the year ended 28 February 2015.

Despite indications of an economic upturn in New Zealand, the retail sector is likely to stay demanding for the foreseeable future. The New Zealand consumer price index is below 1% even though the underlying drivers of inflation in the wider economy remain relatively strong. Worldwide it appears our major trading partners are heading into an extended period of low inflation and for some, subdued economic growth.

It is testament to the strength and depth of our Members that we have performed well against this backdrop and managed to achieve a solid trading year with good sales growth. This growth was underpinned by the successful launch of our New World Clubcard, running a strong Little Shop II promotion and our crowning achievement, opening our new Hornby DC.

Succeeding and growing market share requires great customer insight and is evidence of a strong endorsement by our customers of our brands, the service that we offer and our modern stores. This sound performance occurred amidst fierce competition within our retail sector with our major competitor opening two new stores while we closed one.

Foodstuffs is in the enviable position that our banner groups cover the whole spectrum of the New Zealand retail sector. Each banner group has its own offering and are aimed at satisfying its target audience. Our PAK’nSAVE brand’s low price positioning is firmly entrenched and continues to deliver everyday savings to consumers. Testimony of this successful positioning is that PAK’nSAVE has, once again, taken the title of New Zealand’s cheapest supermarket in the Consumer Magazine survey. A coup to Foodstuffs South Island is that our New Worlds held their own against our rivals and came in at number two. This is proof that our New Worlds not only meet consumer’s speciality food requirement but offer this full service at sharp prices.

We are persistently looking at developing new and more effective ways of communicating with our customers and rewarding their loyalty. In 2014 we installed free Wi-Fi in all our New World and PAK’nSAVE stores; creating new opportunities to reach our customers. To top that off, we successfully launched the much anticipated New World Clubcard. This strengthens our business and enables us to market to our customers’ specific needs. We are pleased that the number of customers using the card regularly is steadily increasing.

It is satisfying to report on a year which featured not only strong results but also good progress made on achieving our strategic objectives and the various programmes that drive our growth. As the retail sector competition intensifies, we continue to focus on:

• driving new business opportunities,
• strict cost control,
• procuring and driving additional operating and supply chain efficiencies,
• having effective and proven health and safety programmes in place, and
• incorporating new and imbedding proven sustainability programmes.

Sustainability has always been a key principle in our business and our priority over the last year has been to entrench sustainability within our business. On top of our current programmes; we implemented a new waste management plan for our PAK’nSAVE and New World stores which promises to reduce the amount of refuse by literally hundreds of tonnes per week. We not only perform an integral part in adhering to sustainable practices but also play a valuable role in the economic progress and social development of the South Island.
Our heart is in supporting our local communities and building stronger societies. For us, supporting our local community is good for our business and we believe we play a positive economic and social role in the South Island. Our customers look to us to help them through difficult and challenging times and our Members and Company are actively involved in various support initiatives namely Community Trust and Food for Thought, to name a few. We strive to help build a better future for our customers, their families and communities.

We are proud to be a 100% New Zealand owned and operated Company and we are committed to enhancing our offer and services every day to ensure that we remain New Zealand’s leading food and grocery retailer.

Group Sales and Profitability

Once again the Co-operative has posted solid revenue growth, with sales growing by $104M or 3.9% for the year. Sales to all our main banner groups were up, as strong promotional programs, backed up by excellent in-store execution (particularly evident during the launch of the New World Clubcard) meant all groups saw growth this year. The rural members also benefited as holiday makers stayed longer to take advantage of the fine weather experienced over the summer months.

Gross Profit grew by 4.4%, reflecting sales growth and an increase in the amount of product distributed to members through Foodstuffs Distribution Centres. The Gross Margin percentage increased to 11.20% (up from 11.15% in the previous year).

The extra volumes going through the Distribution Centres did mean higher costs especially in the areas of supply chain wages and cartage costs. The Co-operative also recognised an additional $11.1M in Other Income arising from insurance capital replacement claims. $10.3M of this relates to the replacement of earthquake damaged buildings in Christchurch (last year’s financial statements also included a one-off amount in Other Income – the $10.1M gain on the sale of Bell Tea shares)

The net result of these various changes was an increase in Operating Profit by $2.0M or 0.8%.

Distribution to Members

Distributions to Members from this year’s profits will total $245.4m (this includes $3.2m of imputation credits and $1.2m of dividends which are classified as interest in the financial accounts).

Distributions for 2014/15 are similar in total to the distributions made last year.

The Board has decided not to distribute the $10.3M gain from the earthquake damaged properties as this is a ‘non-cash’ accounting profit only. There is a further $0.6M which was received this year as a result of the sale of properties associated with Bell Tea – these funds will be added to the $10.1M currently held in reserves from last year’s sale of Bell Tea and Coffee Company shares, meaning there is now $10.7M held in this special reserve within the Balance Sheet.

2014/15 Distributions

• We have continued our practice of paying monthly rebates, based on bulk, repack and, this year, pallet purchases and distributing these, together with supplier driven rebates, directly to Members during the year. In total $170.3m has been distributed to Members in this manner (the new pallet rebate was $0.9M of this total).

    The Loyalty Rebate will be distributed through the issuance of fifty million Retained Patronage Shares, with a fully paid up specified value of $1.00 per share (value $50.0m).

    • There will be a further two specific Cash Rebates paid totalling $4.5m.

    • The Produce Rebate will be based on ex-warehouse produce purchases and will be paid at a rate of 3% on qualifying sales (value $3.5m).

    • An IT Leasing Rebate will be paid out of profits made on the IT Leasing Scheme and distributed pro-rata based on Members’ IT leasing charges (value $1.0m).

    • Included in the financial accounts this year are the Marketing Rebates. These distributions are banner specific. The total of these distributions is $9.0m, of which $4.25m was distributed in October 2014 and the remaining amount of $4.75m will be distributed with the Produce and IT Leasing Rebate payments.

    • In addition to the year-end rebates there are $7.2m of dividends on Retained Patronage Shares which will be paid out fully imputed. The Board has again decided to pay a dividend on the Trading Deposit Shares held by Members. This dividend will be at the same rate as the Retained Patronage Shares (3.67% fully imputed) and equals $1.2m in total.

Rebates and Dividends

In summary, this year’s total rebates, dividends and imputations credits to be distributed to Members from this year’s profits are:

| Bulk, Repack and Pallet Rebates | $151.5m |
| Supplier Rebates | $18.8m |
| Monthly Cash Rebates | $170.3m |
| 2014 Retained Patronage Shares | $50.0m |
| Produce Rebate | $3.5m |
| IT Leasing Rebate | $1.0m |
| Banner Group Marketing Rebate | $9.0m |
| Dividends on RPS, Trading Credit | $8.4m |
| Total Dividends and Rebates | $242.2m |
| Imputation Credits | $3.2m |
| Total Distributions 2014/15 | $245.4m |

Information Technology (IT)

Overall it was an excellent year for the IT department based on;

• very good availability and performance of core systems,
• successful upgrades and implementations of various functionalities,
• continuing to support the business in various initiatives to operate more efficiently and to maximise productivity.
**Customer Relationship Management (CRM)**
The CRM strategic initiative has been the biggest and most complex IT project since the implementation of SAP and has been structured to allow future CRM offerings to be enabled.

The successful implementation of New World Clubcard, which is part of the CRM initiative, was the crowning achievement and provides great value to our Members and brands. We need to thank all our New World Owner Operators for their effort in making the launch a huge success. The scheme has been extremely successful and exceeded our targets.

**Advanced Replenishment (AR)**
Advanced Replenishment has been fully rolled out at retail level and we have made significant inroads at rolling it out at wholesale level. Strategically advanced replenishment is now a key operational tool which delivers significant benefits to the Company and Members’ stores, through more efficient inventory and more efficient ordering of stock.

**SAP**
The retail roll-out has been focused on progressing Henry’s BWS and the Four Square group beyond Module 1. The pilots of Four Squares on Module 2 and 3 have been very positive. The enhancements to SAP, known as ‘SAP Lite’, has enabled features to be used at small stores without increasing their back office labour effort.

**Electronic Payments**
Over the past year we have been working closely with our scheme providers to deploy contactless terminals in all Banner Groups. Our ability to deploy the contactless technology quickly reinforces our position in the industry as a major player. Additionally, we are working with industry players to enable us to adopt the emerging mobile payment solutions.

**Retail Development**
The highlight of the year for Foodstuffs (South Island) Properties Limited was the completion of the new Ambient Warehouse at Hornby. This was a large and complex project with focus last year on the monitoring of the actual construction process. This was a critical period of the development to ensure that the quality of the finish, in particular the floor, will withstand heavy use in the years to come. Although no major retail developments were completed during the year, considerable resources were focused on securing and preparing sites for upcoming developments. The completion of piling at New World Redcliffs and PAK’nSAVE Wainoni allowed the construction of the supermarket buildings to follow seamlessly. At Wainoni and also New World Halswell, emphasis was placed on completing an area of car parking before the lengthy construction phase of the new buildings themselves got underway. This has proved beneficial to both these developments and the resulting retail sales that have been maintained.

The earthquake repairs and refurbishment of New World Stanmore were completed during the year and now leaves the Redcliffs New World and Wainoni PAK’nSAVE developments as the only major earthquake projects to be completed. The Halswell Shops, as a consequence of damage that occurred in the February earthquakes, were rebuilt and ready for occupation by the end of the financial year.

The delays in gaining building consents and the need to prepare sites with piling has resulted in the unique situation where a considerable number of store developments will finish in a confined period this financial year. The current building schedule will see the following stores be completed:

- PAK’nSAVE Wainoni August 2015
- PAK’nSAVE Rangiora September 2015
- New World Wigram September 2015
- New World Redcliffs October 2015.

The Wainoni development will see 80% of the new store complete in August this year with demolition of the existing store and finishing of the remaining section of the new supermarket building by May 2016. The refurbishment/extensions of both PAK’nSAVE Richmond and New World Halswell have commenced with completion dates of November 2015 and May 2016 respectively.

Sustainability is still at the forefront of our store developments to ensure that we continue to improve energy efficiency. The next major step in the process of achieving energy efficiency is the introduction of full CO2 refrigeration. All the current major developments underway will move to this type of refrigeration system. The focus will also be on removing the remaining R22 gases from our stores, which became illegal to import into New Zealand from January 2015.

**Supply Chain**

**Hornby Ambient Distribution Centre (DC)**
After years of planning, final confirmation of design and Council consents along with a 14 month construction phase, we finally gained access to the new Hornby DC in late August 2014.

The first major task was the bulk racking which took 10 weeks to complete. During this period the battery storage/charging module and auto pallet wrappers were installed. The transition phase to have this DC operational started in earnest in August 2014. Whilst we were relocating stock from the old Hornby DC to the new DC we commenced with the reduction of stock in the Papanui DC to ultimately close the Papanui DC on 15 October 2014.

Construction commenced on the Dematic Pick Module in September 2014 with completion in December 2014. Thereafter began weeks of commissioning, testing and staff training with the successful launch and the first orders picked mid-January 2015. The induction of the 10,000 products started with a soft start and final completion at the end of March. As focus continues with the fine tuning of operations process, the pick module team have good visibility of statistics which are assisting and identifying quick wins to increase productivity and volume.

**Transport**
Our transport division (TSI Logistics) experienced significant growth and a number of changes during the 2014/2015 period. The Linehaul division took delivery of 7 new trucks and 6 new trailers which replaced the last of our leased equipment.

Foodstuffs Inbound (FIN), our primary freight business had another good year and achieved sound revenues. This is an extremely pleasing result for the Company and strong focus will be in the coming year on primary freight opportunities and strategies.
Murdoch Manufacturing
Following on from a successful year Murdoch Manufacturing will continue to focus on identifying growth potential within private label categories and to look at developing capabilities around these opportunities. Murdoch continues to retain a stable and skilled team that remains core to the continued success as a manufacturing and packing operation for key private label lines nationally.

Merchandise
The 2014/2015 financial trading period presented a number of significant challenges for the various business groups that now make up the newly formed Merchandise Division.

The new Hornby DC transition was the highest priority project task for the team this year. Detail work was put into the data preparation and management that supported the project.

Other projects the team focused on were;
• the encouragement of wine suppliers to move to cartons of 6,
• ensuring compliance to have the pallet height at 1.4m and the weight no more than 1 ton,
• encouraging a new maximum carton weight of gross 16kg, and
• various other key workflow items were developed and introduced to automate and improve processes to improve efficiency and help grow the business.

During the year collapsible produce crates were introduced to the business and these have proven to be very successful with minimal issues.

The Nelson Produce DC was successfully commissioned for the supply of local produce to Members in this region allowing for both supply chain efficiency and the presentation of locally supported produce.

Private Label, especially within fresh foods with Pams Fresh Express gained some significant sales and traction during the summer period. We also saw the successful launch into personal care with our newly created NEU brand which is showing some early positive results.

Employee & Support Services
During 2014 a review was carried out to rebalance our corporate roles in order for Foodstuffs to be more productive, allow for future growth and align our roles with other large Companies. The major change was the disestablishment of the GM Trents role and the establishment of the new position, GM Merchandise. These changes were successfully implemented in November 2014.

The past year we have continued to grow our training and development support for Foodstuffs and our Members. The training and development offer has expanded to include unique solutions and courses specific to Banner Group, store and / or individual needs.

This year approval was given to convert the vacant café area at Orbell Street into a Fresh Training facility. This will be an ideal location for our Butchery and Bakery training as well as being utilised for other training specifically in ‘fresh’ areas – delicatessen, seafood and produce. The facility is expected to be operational by May 2015.

Retail
We are encouraged about the progress the Co-operative achieved across all of the Banner Groups over the past year. They experienced excellent revenue growth and outperformed both target and prior year measures. Our market share reflected this growth and has been tracking above target all year.

We are pleased to experience growth in newly opened stores, rebranded stores and newly refurbished stores. This growth is especially prevalent in rebranded Raeward Fresh stores and Henry’s Beer Wine & Spirits.

Acknowledgement
It has been a challenging but rewarding year. I want to thank my fellow Directors and Executive for their guidance and insight throughout the year and our staff for their enduring dedication and hard work.

I would like to extend a special thanks to all of our Members and most importantly our customers. Without our Members’ effort and our customers’ commitment and support throughout the year none of the successes we have seen would have been possible.

We are focused on ensuring that we continue to improve the shopping experience for our customers. Let us work together and make the next year like no other.

Robin Brown
Chairman
At the processing plant, the fresh produce is graded, cleaned and packed ready to be delivered to the produce distribution centre.
Retail Review

PAK’nSAVE

The PAK’nSAVE Group had a strong trading year with sales, share of trade and brand equity measures all trending in a positive direction. As a Group we agreed on the need to deliver on the strategic pillars of People, Price and Promotion, Premises, Product and Performance and have worked hard to deliver the tactical layers of these throughout the year.

In 2014 the PAK’nSAVE brand refreshed its Brand Standards guidelines and this has been a catalyst for all stores to review their fit-out and development plans. The scale of these projects has differed by store; from changing out signage to full store refits. This will continue to be a focus in 2015 with significant investments back into the brand and stores with the highlight being the opening of PAK’nSAVE’s Rangiora and Wainoni. As a brand we have continued to deliver on our policy of ‘New Zealand’s Lowest Food Prices’ with both industry and internal surveys reinforcing our position in the market. Research and independent panels have also reinforced that consumers trust and would recommend the brand.

The familiar figure of Stickman was, and will continue to be, used in brand advertising and internal staff messages; research supports that consumers engage with him and his humour allowing the brand to deliver our message in a way that brings a smile to people’s faces.

As we progress into 2015 PAK’nSAVE will continue to deliver customers New Zealand’s Lowest Food Prices while improving on the instore experience through our staff and the retail environment.
The New World Group has had a very successful trading period both in turnover growth and market share gains.

The year saw significant investment in building the brand with continued focus of fresh foods, customer service and instore experience.

Most importantly, in July 2014, we saw the introduction of the New World Clubcard. The launch of the Clubcard was world class, with Members, staff, suppliers and most importantly customers embracing the initiative. With an initial base exceeding targets and membership growing by the day, we have the foundation of a great programme to communicate with our customers.

The success of this launch was recognised within the industry as New World’s Clubcard team won the supreme award at the Direct Marketing awards, an incredible accomplishment.

Once again in 2014 the Little Shop II promotion was a resounding success. The ability of this promotion to resonate with our customers gave us a significant lift in sales but more importantly kept us at the leading edge of shopper excitement and innovation.

Twenty-one signage upgrades were completed during the year taking the total to 63 sites sporting new signage. Most stores now have business plans and time frames in place to improve their internal store presentation.

We are delighted with the new On the Spot Express site at Lincoln’s Challenge Service Station. This site definitely raised the bar in store execution and increased the Group to 19 Members.

There is an overriding positive feeling that as the On the Spot and Express Banner Groups continue to improve, so does the increased interest and level of enquiries in becoming one of these respective banners.

We are pleased to report that there is a further 5 new On the Spot Express sites planned for 2015.

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FOODSTUFFS SOUTH ISLAND LIMITED | ANNUAL REPORT 2015

Four Square Supermarkets

2014 was a remarkable year for the Four Square group, not only did the Group have excellent sales growth, but they celebrated their 90th birthday. What an amazing achievement!

Apart from turning 90, other major achievements during the year were;
- The introduction of the well-balanced retail price policy, where the Group implemented a new retail price policy which allows for a manageable market based shelf price profile, and,
- The successful running of two National initiatives with our Sister Company namely our 90th Birthday and the Summer Promotion. This is the first time in 32 years that Four Square ran a national initiative.

On the property front, Methven Four Square underwent an internal fit-out to increase their fresh food offer and grocery range and Ascot Four Square was expanded.

The Group continues to trade with a very positive and proactive attitude which contributes to the strength and spirit of the Group. We can declare that ninety years on, the group still operates according to the original customer service values whilst embracing modern technology and meeting customer and market expectations.

Happy Birthday Four Square!

Trents Wholesale Ltd

Trents experienced growth in what continues to be a very competitive hospitality and catering sector. This growth was helped with a strong performance in the oil channel largely driven by tobacco.

The chilled and frozen operations in Otago & Southland have been integrated for over a year now and we are seeing the benefits of the complete customer offering.

In May 2014 the Greymouth Cash’n Carry branch was closed. The process was managed very successfully with little disruption to the West Coast customer base. In fact, Trents Nelson has experienced strong growth in chilled and frozen for the West Coast, as customers make use of the full delivered offer.

One of the highlights of the year was the introduction of advanced replenishment into the Cash’n Carry sites. Although early in the implementation phase, this functionality should provide significant benefits in the areas of range management and ordering accuracy.
The Group continues to seek opportunities to grow and expand and in August 2014 the group opened its 19th store with the rebranding of a competitor's store in Avonhead, Christchurch. The on-going acquisition of new stores will continue to ensure Henry’s Beer Wines & Spirits brand stays at the forefront of the South Island Traditional Liquor Industry.

The Nielsen Liquor Shopper Trends conducted in 2014 concluded that Henry’s Beer Wines and Spirits leads on drivers of store choice at total level (excluding supermarkets). Henry’s scored a phenomenal 19 out of 21 as the store of choice in New Zealand.

What a great achievement for such a new brand!

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Raeward Fresh

Raeward Fresh has had an exceptional trading year with excellent sales in its third year as a Foodstuffs Banner Group.

The Group continues to focus on providing customers with a differentiated offer from what is readily available in supermarkets. This differentiation further compliments and enhances the key anchors of fruit, vegetables and meat.

2014 was an exciting year as the well-known Mediterranean Market in Queenstown rebranded to a Raeward Fresh to become the 5th Raeward Fresh store. Raeward Fresh Marshland, after 6 months of trading above expectations under the Raeward Fresh brand, carried out a major expansion which saw the retail space double in size, expanding the offer in fresh meat, dairy, specialty cheese, frozen foods, niche grocery and specialty bread.

Henry’s Beer Wines & Spirits

Henry’s Beer Wines & Spirits has had a very strong trading year with excellent sales growth. This tremendous growth exceeds the growth in the Total Traditional Liquor Market.

The Group continues to seek opportunities to grow and expand and in August 2014 the group opened its 19th store with the rebranding of a competitor’s store in Avonhead, Christchurch. The on-going acquisition of new stores will continue to ensure Henry’s Beer Wines & Spirits brand stays at the forefront of the South Island Traditional Liquor Industry.

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What a great achievement for such a new brand!
Food For Thought

Foodstuffs Food for Thought Education Trust, with the support of Pams, has continued to support our communities through our FREE nutrition education programme “Food for Thought”.

This year, Food For Thought was delivered to 205 schools, 587 classes, 15,452 students and 1215 parents who attended as parent-help.

To date, Food For Thought has been delivered to:

• 917 Schools
• 3,253 Classes
• 82,534 Students
• 3,959 Parents

The collaboration with the Heart Foundation has been a key strength of the programme enabling a greater nation-wide penetration.

Our Food for Thought Nutritionists and the Heart Foundation Health Promotion Coordinators (HPC’s) deliver the programme which is all about helping students learn to make healthy food choices.

The programme fits into many different areas of the New Zealand Education Curriculum and allows students to learn lifelong skills, through classroom sessions with our Nutritionists and HPC’s, inquiry learning exercises in our supermarkets and budgeting and numeracy skills through planning, designing and budgeting for a sponsored healthy lunch for the class. Students who complete the programme also receive a free Food for Thought lunchbox.

With the support and commitment of our Members, Food for Thought continues to gain increasing momentum as an exciting and extremely worthwhile initiative within our communities.
Community Trust Report

“I am pleased to report another successful year for the Foodstuffs (South Island) Community Trust.”

Major Sponsorship
We are continuing a successful partnership with the St John Friends of the Emergency Department (FEDs) programme. The FEDs and Hospital Friends cover eight South Island hospitals and are supported by 247 volunteers who contribute over 33,000 hours annually.

FEDs Christchurch recently celebrated their 10th anniversary by way of a birthday celebration which one of our Trustees was pleased to attend. There are currently 60 FED volunteers in Christchurch who provide support in the Christchurch Emergency Department from 10am to 10 pm 365 days a year. 18 of these volunteers all started their service within the first seven months of the service commencing and they have been able to see the service and volunteer numbers grow.

The Trust is pleased to support these St John volunteers in providing service to the wider South Island communities.

First Foundation
The Trust continues to support the First Foundation. The principles of the First Foundation is that all young people should have the opportunity to achieve their dreams, irrespective of socio-economic status. First Foundation also recognises it is very important to provide role models to help recipients to prepare for transition into tertiary study and provide guidance along the way.

The First Foundation’s programme is built around three key ‘pillars’
- Financial assistance
- Paid work experience
- Mentoring

It is rewarding to note, that Hannah Davidson, who completed her First Foundation scholarship supported by the Trust in 2013, is currently completing a PhD at Otago University and has recently started mentoring a First Foundation student from the 2014 intake.

This is a success story for the Trust and First Foundation.

Outward Bound
This year the Trust has introduced a new initiative of sponsoring young emerging talent within the Foodstuffs Co-operative on an Outward Bound course. The Co-operative runs many training courses, but this is an extra opportunity for our young people to learn about themselves in a challenging environment. The Trust congratulates;

- Laura Ramsay – Invoice verification team Dunedin,
- Andrew Daniell – Hornby Temperature Controlled DC,
- Stacey Hodges – PAK’nSAVE Moorhouse, and
- Shaun Grice – New World South City

who will take up this challenge in May 2015. The Trust looks forward to hearing about their experience.

Grants
We receive a wide variety of applications from organisations and individuals as the Trust continues to make a large contribution to our communities in the South Island. This year the following grants were distributed to groups and individuals in the South Island community;

- 61 Educational Grants totalling $103,700
- 160 Community Grants totalling $356,700

Sponsors
During the year, the Trust welcomed 11 new sponsors and three new supporters.

On behalf of the Trust, I would like to welcome all our new Sponsors and Supporters and thank the outgoing Sponsors and Supporters for their contributions in the past and wish them well in their future endeavours.

Trustees
This year the Trust acknowledges the resignation of Sue Lee as Trustee. Her lengthy service, wisdom and guidance regarding Community Trust issues and grants has been invaluable. I wish her well for the future.

We welcome Justin Purcell (New World Stanmore) as a new Trustee.

In summary, the Foodstuffs (South Island) Community Trust is operating well.

We thank Foodsstuffs personnel for their assistance, KPMG for their voluntary auditing of accounts and, once again, all our sponsors.

Chris Griffin
Chairman Foodstuffs (South Island) Community Trust
## Community Trust Sponsors

<table>
<thead>
<tr>
<th>PLATINUM</th>
<th>GOLD</th>
<th>SILVER</th>
<th>BRONZE</th>
<th>SUPPORTERS</th>
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<td>New World Cromwell</td>
<td>New World Elies Road</td>
<td>Fairlie Four Square</td>
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<td>New World Greymouth</td>
<td>Foodlands Four Square</td>
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<td>New World Gardens</td>
<td>New World Ilam</td>
<td>Franz Josef Four Square</td>
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<td>New World Halswell</td>
<td>New World Kaiapoi</td>
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<td>New World Wakaipu</td>
<td>New World Nelson City</td>
<td>Lawrence Four Square</td>
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<td>New World Wanaka</td>
<td>New World Northside</td>
<td>MacKenzie Four Square</td>
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<td>Rakaia Four Square</td>
<td>Phil Wright &amp; Jo Steel</td>
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<td>Tapanui Four Square</td>
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<td>Tekapo Four Square</td>
<td>Peter &amp; Denise Hyland</td>
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<td>Atawhai Four Square</td>
<td>Tuatapere Four Square</td>
<td>Ken Waterman Charitable Trust</td>
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**FOODSTUFFS SOUTH ISLAND LIMITED**

**ANNUAL REPORT 2015**

20
The product is tracked as it leaves the supplier on its way to Foodstuffs’ new distribution centre.
Among millions of cartons, a single one can be identified by using up-to-date tracking systems at Foodstuffs’ new distribution centre.
National Marketing
Foodstuffs New Zealand Ltd had a particularly good year with nine out of every ten sales dollars in scanned sales growth coming to Foodstuffs. Leading the charge again was New World which dominated supermarket category growth while PAK’nSAVE has held its own. Encouragingly, while Nielsen scanned sales data excludes Fresh, based on data from other market tracking sources we know fresh sales also tracked alongside scanned grocery products.

The New World result was buoyed by a number of very successful campaigns including Fresh Experts, Elite Sponsorship of the Silver Ferns, Little Shop 2014, Christmas and Birthday. On the back of these promotions and combined with strong sales growth we have additionally seen brand health measures trend up throughout the year. The key health measures include customer satisfaction, brand loyalty, brand awareness and brand effectiveness.

Of particular note was the extraordinarily successful New World Club Card launch in the South Island. The Clubcard results completely exceeded our expectations, of note is the fact 80% of our sales are being scanned with a Clubcard, suggesting customers really see value in the programme and are keen to benefit from its rewards.

In our consumer research tracking we are seeing New World starting to lead in the loyalty programme space. The fact that our customers are feeling so much more rewarded for shopping with New World at such an early stage in the programme launch demonstrates the effectiveness and resonance customers feel with the programme.

While not growing to the same extent as New World, PAK’nSAVE also saw its brand health improve throughout the year. This improvement was largely on the back of the country’s ongoing love of Stickman and his cheeky attitude to events as diverse as Easter, Valentine’s Day and April Fools. A solid theme week calendar, Birthday and the South Island Christmas Scratch and Win has continued to deliver great deals to customers throughout the year.

It has been over 10 years since PAK’nSAVE’s brand standards have been reviewed, so it was decided that the time had come to sharpen things up a bit. The new PAK’nSAVE brand standards refresh was designed to modernise the in-store experience for our customers as it was felt stores needed to be more contemporary, less cluttered and deliver a more consistent feel nationwide. It was important to maintain the core PAK’nSAVE ethos and simple, clean lines and simplicity commonly associated with the brand and the new brand standards clearly communicate to the business how best to achieve this goal. The brand standards refresh also presented a great opportunity to bring our brand ambassador, Stickman, to the in-store experience and create a stronger connection to the wider brand communications.

Both New World and PAK’nSAVE can look forward to even more innovation in their marketing retail calendars in 2015.

Feedback on the Summer promotion was extremely positive from customers and Four Square can look forward to more national signature events in the future.

Foodstuffs community sponsorship continues to play an integral part of our overall national marketing strategy and this year our community support was anchored by our key partnerships with the Starship Foundation and the Silver Ferns for New World and Canteen for PAK’nSAVE.

New World continued its Elite sponsorship of the Silver Ferns and to further integrate our partnership, we created a unique marketing campaign to highlight that at New World, ‘We’d do anything for Netball’. In 2015 New World became the newest Five Star Sponsor of the Starship Foundation. To launch this partnership, we funded the hunger provocation trial, which in turn successfully enabled several toddlers to successful enjoy the pleasures of real food for the first time. Another key aspect of the sponsorship included the provision of fruit deliveries to each of the children’s wards within Starship Hospital. New World provided funds for the Foundation to procure two much-needed pieces of surgical equipment, a Sonosite Ultra Sound and a Nerve Monitor.

PAK’nSAVE continued to support CanTeen’s annual campaign with an in-store donation drive and PR support.

From a PR perspective the year was not without its challenges for the industry, our competitor had to navigate a concerted attack on supplier policies and collectively we had to prepare for the infant formula tampering threat.

1 Nielson, Scantrack, Total Supermarkets MAT, Feb 2015
To sum up, all of our programmes were underpinned by a very robust insights programme and we will always aim to put our customer at the very heart of our decisions. Our ability to do this will; be even further enhanced in the future by the critical strategic platform that CRM provides as it expands for New World and is developed for PAK’nSAVE.

From a Foodstuffs (NZ) Ltd perspective we would like to acknowledge and thank both cooperatives for their ongoing support and encouragement.

Store Developments
The year was busy on the property development front. With new stores opening and a number of store refurbishments in both the North and the South Island.

At the end of February 2015, Foodstuffs co-operative members operated 51 PAK’nSAVE’s, 138 New World supermarkets, 272 Four Square supermarkets, 123 On The Spot convenience stores, 20 Henry’s Beer, Wine, and Spirit outlets, five Raeward Fresh stores, eight Gilmours stores, four Toops stores, four Trents Cash’n’Carry and 48 fuel sites.

New store developments
The following new stores were opened during the last financial year:

- Foodstuffs North Island:
  - New World Kumeu, PAK’nSAVE Westgate, New World Howick, New World Browns Bay, Four Square Bulls
- Foodstuffs South Island:
  - Raeward Fresh Queenstown, Henry’s Beer Wine & Spirits Avonhead and Henry’s Beer Wine & Spirits Richmond

Store refurbishments, replacement stores and extensions
Foodstuffs is committed to constantly updating our offer to ensure customers get the best possible supermarket experience. Refurbishments and extensions completed throughout the country included:

- Foodstuffs North Island:
  - PAK’nSAVE Whangarei
  - New World Kerikeri
  - New World Botany
  - New World Onerahi
  - PAK’nSAVE Pukekohe.

- Foodstuffs South Island:
  - New World Stanmore
  - New World Nelson
  - New World Motueka
  - New World Stoke
  - New World Gardens Centre City New World

Hornby distribution centre
On the 12th February 2015, The Prime Minister, the Right Honourable John Key, opened Foodstuffs South Island’s new ambient distribution centre (DC) in Hornby, Christchurch. The greenfield project connects an additional 31,587m² to the existing 14,000m² ambient warehouse at Hornby and consolidates operations from the old Papanui DC in Christchurch.

The new DC services over 250 New World, PAK’nSAVE, Four Square and On the Spot stores throughout the South Island. From as far afield as Collingwood and Stewart Island the distribution network sees 200 trucks leave the DC every day and travel a massive six million kilometres around the country each year. Across the new ambient section of the site 400 staff distribute over 450,000 cartons of product out to our supermarkets 24 hours a day, seven days a week. The temperature controlled warehouse adds another 210,000 cartons each week, with the total number of cartons distributed rising to as many as one million at busy times such as Christmas and Easter.

Foodstuffs own brands limited
Foodstuffs core private label brand, Pams has again been recognised both internationally and locally over the last twelve months.

Following on from the success of last year’s Vertex Best in Show win we again picked up more medals in gold, silver and bronze. With entries from over 55 retailers from around the world including retail giants like Tesco, Waitrose and Safeway, this is a great result for our brand. Medals were awarded to Pams Confectionery (Gold), NEU personal care range (Gold), Pams Fresh Pasta (Silver) and Pams Feminine Hygiene (Bronze).

To further cement our international success we were also announced ‘Best in Class’ in the International Dieline Awards for our Pams Confectionery range in the Confectionery, Snacks and Desserts category. This is a very prestigious win for Pams as the Dieline is the most visited packaging resource internationally with millions of followers over hundreds of countries.

Both of these awards are testament to how well our private label measures up internationally.

Locally for the third year running Reader’s Digest has awarded Pams the Most Trusted Supermarket Own Brand. Voted by our customers this truly highlights why Pams continues to be the number one grocery brand in New Zealand.

As the retail marketplace continues to evolve and competition remains fierce the need to differentiate remains strong and private label plays a critical role in this space. A tiered private label offer is especially important to drive differentiation in a price led market such as ours. We have been operating in the good (Budget brand) and better (Pams) tiers for many years and have had under development over the past months a best offer. Pams Finest was introduced at the National Conference early in 2015 and development work continues on the brand as we work towards a launch date of September 2015.

Other highlights during the last financial year included the launch of our new personal care brand, NEU. This brand was well received in the market both at customer level and by beauty specialists and further product expansion is under development.

Market share continues to hold for private label at 13.3% value share with Pams representing 8.5%.
Technology ensures that Foodstuffs knows exactly how long a carton has been in the distribution centre and when it leaves on its way to a retail supermarket.
Liquorland

The 2015 financial year saw the continuation of Liquorland’s strong performance. Nine new stores were added to the group bringing total store count to 85. Three of the nine new stores were a new sub-brand, Liquorland Boutique, which is performing well.

Sales growth for the group was over 8% with same-store growth exceeding market growth. Franchisee gross profit was improved markedly over the period and the return to Foodstuffs reflected the stronger trading performance.

Over the year the Support Office IT network was fully replaced as was all store point of sale (POS) and back office IT hardware and operating systems. E-Commerce is under development with a planned Go-Live of June 2015.

Toast magazine, which launched in early 2014, has proven to be a real success and has been further developed and refined for the 2016 financial year.

National Advocacy

Foodstuffs (NZ) Limited continues to coordinate national submissions and undertake advocacy work on public policy issues which are relevant to Foodstuffs business interests.

A new Food Act was enacted in 2014 and will be rolled out over the next three years. Foodstuffs is strongly supportive of the introduction of risk-based food safety measures for all food business and has now begun planning for the adoption of food control plans which will replace the incumbent food safety programmes. In recent months the Ministry for Primary Industries has been consulting on regulations to prescribe the detail of the new requirements, and Foodstuffs (NZ) Ltd has taken an active role to ensure the regulations are fit for purpose.

Foodstuffs was one of the first companies to announce its support for the Government’s voluntary Health Star Rating (HSR) scheme. Foodstuffs Own Brand Ltd announced in August it would adopt health star ratings for all packaged private label foods. The announcement was well received by with the Minister of Food Safety and the first health stars appeared on Pams packaged nuts in December 2014 and are being rolled out across 1,400 Pams 315 Budget lines.

A Health and Safety Bill Reform Bill was introduced in 2014 and Foodstuffs made submissions seeking minor changes to provide clarification about how the new obligations on “persons conducting a business or undertaking” is to be managed in multi-party franchised businesses. At the time of writing the Bill was yet to be reported back from Select Committee, but the companies are making preparations to assist member’s compliance with the new law. Foodstuffs is also preparing submissions on the consultations for Health and Safety regulations which are being drafted and released for comment throughout the 2015 calendar year.

In 2014, the Government passed the Local Government Act 2002 Amendment Act 2014 which introduced long-sought changes to the development contributions (DC) regime. The Amendment Act clarified the purpose of DCs, limiting what they can be charge for, and requiring DCs to be “proportionate”. Developers now have rights to request reassessment, and can object to DCs on the basis of their unreasonableness. Councillors have until mid-2015 to comply with the new requirements.

In late 2014 the Employment Relations Amendment Bill was enacted, introducing changes to collective bargaining and reintroducing flexibility in rest and meal breaks which Foodstuffs had lobbied for. Early in 2015, Foodstuffs participated in a limited consultation by the Ministry of Business Employment and Innovation regarding opportunities to enhance minimum employment standards. The Foodstuffs companies also recently undertook a third-party audit of compliance with employment law, demonstrating high levels of compliance.

During the last year the Government’s alcohol reforms have begun to bed in, creating significant work for the companies with respect to the need to make input to the development of local alcohol policies, the lodging of appeals against local alcohol policies in several instances, and dealing with objections and related appeals in relation to applications for store licences and licence renewals. At a national level there has been liaison with government agencies regarding implementation issues and challenges related to the new Act and Foodstuffs has also participated in Government discussions with the industry about voluntary pregnancy warning labelling, which Foodstuffs has already adopted for private label products where practical.

Sustainability at Foodstuffs

Energy Conservation

Energy efficiency is a priority item in the design of new stores and the refurbishing of existing ones.

There are now 60 sites on energy sub-metering programme which is improving the business’ ability to monitor energy usage and help identify areas for future savings.
The sub-metering project picked up a ‘Highly Commended’ in the 2014 Sustainable Business Network annual awards in recognition of the real progress being made.

New technologies such as LED lighting, refrigeration heat recovery, and simple changes, such as utilising natural lighting and fitting lids and doors on freezers are delivering substantial energy savings across the group. Work continues on identifying new energy saving opportunities in stores and improving performance through innovation.

Reducing Waste

2014 marked the start of the rollout of new waste minimisation plans for the stores, Business to Business outlets, distribution centres and offices. Working with Envirowaste Ltd stores are being transitioned over to new arrangements which aim to divert waste to other uses rather than send waste to landfill. Fifty stores are now on the new waste programme with another fifty targeted to be on-board by the end of 2015.

Stores have ambitious one year and two year recycling targets of 80% and 90% respectively. Many stores such as New World’s in Rangiora, Mt Maunganui, Balclutha, Lincoln and the Metro’s in Wellington have already exceeded their 1 year target and reduced general waste by on average 30% along the way. In recognition of the success of the project, it received a ‘highly commended’ award in the annual Sustainable Business Awards in 2014.

Packaging

Packaging continues to be an area of significant focus with Foodstuffs committing to moving all own brand and store packed items to be either recyclable or home compostable packaging in the future. Carrier bag recycling is currently being trialled instore and reusable bags are being actively promoted to all customers.

Polystyrene seafood boxes used to transfer food from Sanfords to North Island stores have been replaced by recyclable cardboard boxes that are themselves made from 100% recycled cardboard. Trials are also underway of suitable recyclable replacements for the current non-recyclable polystyrene foam meat trays. It all adds up to using less resource, more recycling and less environmental impact.

Refrigeration

In 2012, Foodstuffs was the first retail business in the southern hemisphere to install CO2 natural refrigeration in its stores. With the business and environmental case now proven, all 12 new supermarkets that opened in 2014/2015 have refrigeration systems that use natural refrigerants that reduce the Green House Gas emissions from store by 99% in comparison with standard synthetic gas based refrigeration systems.

Foodstuffs Own Brands Sustainability

Substantial progress has been made around ethical and environmental standards in the areas of sourcing paper, palm oil and tuna. All private label toilet paper product is now FSC certified, as is the paper we use in our advertising flyers.

99% of palm ingredient is certified to be sourced from sustainable plantations (Green Palm) and Foodstuffs is now proposing to move all suppliers to the next level of certification, that of mass balance. All Pams tuna product is sourced using sustainable fishing practices, with an additional a pole and line caught option available to customers.

Peter Anderson
Chairman, Foodstuffs (NZ) Ltd
## Executive Team

### PAK’nSAVE Executive Committee
- **Jason Williams** [Chairman] (February 2015) PAK’nSAVE Timaru
- **Stephen Boock** PAK’nSAVE Northlands
- **Bryan Dobson** PAK’nSAVE Invercargill
- **Mark Elkington** PAK’nSAVE Blenheim
- **Marcel Gray** PAK’nSAVE Wainoni
- **Andrew Howard** PAK’nSAVE Richmond
- **John Lee** PAK’nSAVE Hornby
- **Chris and William McDonald** PAK’nSAVE Dunedin
- **Steven McDonald** [previous Chairman] PAK’nSAVE Riccarton
- **Brad Spence** PAK’nSAVE Moorhouse

### Raeward Fresh Executive Committee
- **Simon Turnbull** [Chairman] Raeward Fresh Tower Junction
- **Justin Blackler** Raeward Fresh Richmond
- **Jeremy De Gouw** Raeward Fresh Marshland
- **Nathan Imlach** Raeward Fresh Queenstown
- **Chris Meyer** Raeward Fresh Harewood

### New World Executive Committee
- **Chris Griffin** [Chairman] New World Gore
- **Phil Blackburn** New World Ilam
- **Kathy Frampton** New World Northwood
- **Warren McKenzie** New World Windsor
- **Craig Nieper** New World Centre City
- **Justin Vaudrey** New World South City

### Henry’s BWS Executive Committee
- **Gerry Breen** [Chairman] Henry’s Queenstown
- **Victoria Boyes** Henry’s Greymouth
- **Jennifer Pitcaithly** Henry’s Centre City
- **Kevin Ryan** Henry’s Alexandra
- **Brad Spence** Henry’s Moorhouse
- **Anne Shee & Damon Kroupa** Henry’s Richmond
- **Craig Smith** Henry’s Kaikoura
- **Tracy Catanaich**
- **Howard Smith** Henry’s Timaru
- **Louis and Lynda Vieceli** Henry’s Avonhead
- **Carl Wild** Henry’s City
- **Keith Miles** Henry’s Rolleston
- **John McDonald** Henry’s Rangiora
- **Graeme Neilson** Henry’s Hornby
- **Howard Smith** Henry’s Woolston
- **Stuart Hore** Henry’s Bishopdale
- **John Niles** Henry’s Tower Junction
- **Julia Spence** Henry’s Ferrymead
- **Julia Spence** Henry’s Shirley
- **Julia Spence** Henry’s Yaldhurst

### Four Square Executive Committee
- **Cushla Jones** [Chairman] Fern Grove Four Square
- **Bruce Duncan** Rosebank Four Square
- **Michelle Grundy** Maniototo Four Square
- **Stuart Hore** Wakefield Four Square
- **John McDonald** Pleasant Point Four Square
- **Graeme Neilson** Ascot Four Square
- **John Niles** Owaka Four Square
- **Julia Spence** Akaroa Four Square
# Corporate Executives

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<thead>
<tr>
<th>Name</th>
<th>Position</th>
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<tbody>
<tr>
<td>Steve Anderson</td>
<td>Chief Executive Officer</td>
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<tr>
<td>Yvonne Botha</td>
<td>Executive Assistant</td>
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<tr>
<td>Alan Malcolmson</td>
<td>General Manager Retail Operations</td>
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<tr>
<td>Roger Davidson</td>
<td>General Manager Property &amp; Retail Development</td>
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<tr>
<td>Kim DeGarnham</td>
<td>General Manager Employee &amp; Support Services/</td>
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<td></td>
<td>Company Secretary</td>
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<tr>
<td>Philip Lemon</td>
<td>General Manager Merchandise</td>
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<td>John Mullins</td>
<td>General Manager Supply Chain</td>
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<tr>
<td>Malcolm Wratt</td>
<td>General Manager Finance</td>
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<tr>
<td>Philip Wright</td>
<td>General Manager Information Technology</td>
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# Senior Executives

## Finance

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<tr>
<th>Name</th>
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<tbody>
<tr>
<td>Chris Donward</td>
<td>Manager Members Services</td>
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<tr>
<td>Simon Hughes</td>
<td>Group Finance Manager</td>
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<tr>
<td>Murray Trim</td>
<td>Decision Support Manager</td>
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## Employee & Support Services

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<tr>
<td>Nick Dawson</td>
<td>Communications &amp; Administration Manager</td>
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<tr>
<td>Stephanie Feldbrugge</td>
<td>Employee &amp; Support Services Manager</td>
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<tr>
<td>Dave Norton</td>
<td>Loss Prevention Manager</td>
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<tr>
<td>Andrew Wright</td>
<td>Internal Audit Manager</td>
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## Information Technology

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<tr>
<td>Ana Connor</td>
<td>eCommerce Manager</td>
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<tr>
<td>Gary Cowens</td>
<td>IT Operation Services Manager</td>
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<tr>
<td>Gordon McCoy</td>
<td>Business Systems Manager</td>
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<tr>
<td>Philip Smith</td>
<td>Project Delivery Manager</td>
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## Retail Operations

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<tr>
<td>Michael Arlidge</td>
<td>Foodservice Sales Manager</td>
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<tr>
<td>John Dawber</td>
<td>Raeward Fresh Group Manager</td>
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<tr>
<td>Tim Donaldson</td>
<td>Retail Brands Manager</td>
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<tr>
<td>Danny Halligan</td>
<td>Henry’s BWS Group Manager</td>
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<tr>
<td>Mike Luck</td>
<td>Convenience Business Manager</td>
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<tr>
<td>Kent Mahon</td>
<td>PAK’nSAVE Group Manager</td>
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<tr>
<td>Ross Martin</td>
<td>New World Group Manager</td>
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<tr>
<td>Alan Smith</td>
<td>Four Square Group Manager</td>
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<tr>
<td>Annie Truman</td>
<td>Retail Merchandise Manager – Fresh</td>
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## Supply Chain

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<th>Name</th>
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<tr>
<td>Scott Fairweather</td>
<td>Hornby Distribution Centre Manager</td>
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<tr>
<td>Nathan Hide</td>
<td>General Manager Murdoch Manufacturing</td>
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<tr>
<td>Kris Lancaster</td>
<td>Logistics Operations Manager</td>
</tr>
<tr>
<td>Gareth Weatherston</td>
<td>Dunedin Distribution Centre manager</td>
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<tr>
<td>Tony Ziolo</td>
<td>Distribution Centre Support Services Site Manager</td>
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## Property & Retail Development

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<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rebecca Parish</td>
<td>Property Development Manager</td>
</tr>
<tr>
<td>Clayton Young</td>
<td>Property Manager</td>
</tr>
</tbody>
</table>

## Merchandise

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>David MacKenzie</td>
<td>Retail Merchandise Manager – Packaged</td>
</tr>
<tr>
<td>Patrick O’Leary</td>
<td>Article Master Manager</td>
</tr>
<tr>
<td>Pawson</td>
<td>Wholesale Merchandise Manager</td>
</tr>
</tbody>
</table>
The Network

HENRY’S BWS
Richmond 1
Kaikoura 1
Greymouth 1
Rangiora 1
Christchurch 11
Timaru 1
Dunedin 1
Alexandra 1
Queenstown 1

FOUR SQUARE
Nelson 6
Blenheim 4
West Coast 5
Canterbury 12
Ashburton 2
Timaru 4
Central Otago 17
Dunedin 6
Southland 12
Stewart Island 1

PAK’nSAVE
Nelson 1
Blenheim 1
Christchurch 5
Dunedin 1
Timaru 1
Invercargill 1

ON THE SPOT
AND ON THE SPOT EXPRESS
Nelson 17
Canterbury 47
West Coast 17
Blenheim 4
Otago/Dunedin 19
Southland 18

NEW WORLD
Nelson 2
Motueka 1
Blenheim 1
Kaikoura 1
Greymouth 1
Westport 1
Hokitika 1
Rangiora 1
Kaiapoi 1
Christchurch 9
Lincoln 1
Rolleston 1
Ashburton 1
Temuka 1
Timaru 1
Waimate 1
Oamaru 2
Wanaka 1
Cromwell 1
Alexandra 1
Wakatipu 1
Dunedin 2
Port Chalmers 1
Mosgiel 1
Balclutha 1
Gore 1
Invercargill 2
Winton 1

RAEWARD
FRESH
Nelson 1
Queenstown 1
Christchurch 3
Independent Auditor’s Report

To the shareholders of Foodstuffs South Island Limited.

The accompanying summary financial statements on pages 34 to 37, which comprise the summary statements of financial position as at 28 February 2015, the summary income statements and summary statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, for both the company and the group, are derived from the audited financial statements of Foodstuffs South Island Limited (“the company”) and the group, comprising the company and its subsidiaries, for the year ended 28 February 2015. We expressed an unmodified audit opinion on those financial statements in our report dated 28 April 2015.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Foodstuffs South Island Limited and the group.

Directors’ responsibility for the company and group financial statements
The directors are responsible for the preparation of a summary of the audited financial statements, in accordance with FRS-43 Summary Financial Statements.

Auditors responsibility
Our responsibility is to express an opinion on the summary company and group financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (New Zealand) (ISA (NZ)) 810 Engagements to Report on Summary Financial Statements.

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

Opinion
In our opinion, the summary financial statements, derived from the audited financial statements of Foodstuffs South Island Limited and the consolidated financial statements of the group for the year ended 28 February 2015, are a fair summary of those financial statements, in accordance with FRS-43 Summary Financial Statements.

28 April, 2015
Christchurch

KPMG
Products are reaching our retail outlets faster and more efficiently from the Foodstuffs distribution centre.
Financial Statements

Foodstuffs South Island Limited Group Financial Statements

Income Statements 34
Statements of Comprehensive Income 34
Statements of Changes in Shareholders’ Equity 35
Balance Sheets 36
Statement of Cash Flows 37
## Income Statements

for the year ended 28 February 2015

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from sale of goods</td>
<td>2,721,341</td>
<td>2,617,735</td>
<td>2,488,801</td>
<td>2,392,245</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>2,416,500</td>
<td>2,325,886</td>
<td>2,207,794</td>
<td>2,124,258</td>
</tr>
<tr>
<td>Gross profit</td>
<td>304,841</td>
<td>291,849</td>
<td>281,007</td>
<td>267,987</td>
</tr>
<tr>
<td>Other income</td>
<td>158,890</td>
<td>150,999</td>
<td>125,210</td>
<td>110,935</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>205,476</td>
<td>186,591</td>
<td>161,471</td>
<td>147,433</td>
</tr>
<tr>
<td>Operating profit</td>
<td>258,255</td>
<td>256,257</td>
<td>244,746</td>
<td>231,489</td>
</tr>
<tr>
<td>Net finance costs/(income)</td>
<td>4,578</td>
<td>4,657</td>
<td>(12,221)</td>
<td>(10,493)</td>
</tr>
<tr>
<td>Rebates to members</td>
<td>233,625</td>
<td>227,148</td>
<td>233,931</td>
<td>227,485</td>
</tr>
<tr>
<td>Share of profit/(loss) from associates</td>
<td>1,660</td>
<td>1,542</td>
<td>1,660</td>
<td>1,542</td>
</tr>
<tr>
<td>Profit/(Loss) before tax</td>
<td>21,712</td>
<td>25,994</td>
<td>24,696</td>
<td>16,039</td>
</tr>
<tr>
<td>Income Tax Expense/(credit)</td>
<td>2,907</td>
<td>4,458</td>
<td>3,933</td>
<td>2,245</td>
</tr>
<tr>
<td>Net Profit/(Loss) for the year after tax</td>
<td>18,805</td>
<td>21,536</td>
<td>20,763</td>
<td>13,794</td>
</tr>
</tbody>
</table>

### Attributable to:

| Shareholders of the parent company | 18,805 | 21,536 | 20,763 | 13,794 |

The profit attributable to Shareholders of the parent company is before dividend distributions of $7,172,000 (2014 $11,458,000), which are disclosed in the Statement of Changes to Shareholder’s Equity.

## Statements of Comprehensive Income

for the year ended 28 February 2015

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit/(Loss) for the year</td>
<td>18,805</td>
<td>21,536</td>
<td>20,763</td>
<td>13,794</td>
</tr>
<tr>
<td>Other comprehensive income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer of deferred tax to reserves</td>
<td>386</td>
<td>(604)</td>
<td>386</td>
<td>(604)</td>
</tr>
<tr>
<td>Movement in investments FVTOCI reserve</td>
<td>(7,987)</td>
<td>1,245</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Movement in cash flow hedge reserve</td>
<td>(1,791)</td>
<td>2,156</td>
<td>(1,791)</td>
<td>2,156</td>
</tr>
<tr>
<td>Movement in other reserves</td>
<td>491</td>
<td>507</td>
<td>492</td>
<td>507</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>9,904</td>
<td>24,840</td>
<td>19,850</td>
<td>15,853</td>
</tr>
</tbody>
</table>

### Total comprehensive income attributable to:

| Shareholders of the parent company | 9,904 | 24,840 | 19,850 | 15,853 |
### Statements of Changes in Shareholders’ Equity

**for the year ended 28 February 2015**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 1 March 2014</strong></td>
<td>314,999</td>
<td>283,922</td>
<td>162,426</td>
<td>138,194</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>9,904</td>
<td>24,840</td>
<td>19,850</td>
<td>15,853</td>
</tr>
<tr>
<td><strong>Dividends payable</strong></td>
<td>(7,172)</td>
<td>(11,458)</td>
<td>(7,343)</td>
<td>(11,612)</td>
</tr>
<tr>
<td><strong>Total recognised income and expenses</strong></td>
<td>2,732</td>
<td>13,382</td>
<td>12,507</td>
<td>4,241</td>
</tr>
<tr>
<td><strong>Shares issued (net of redemptions)</strong></td>
<td>20,109</td>
<td>17,695</td>
<td>20,008</td>
<td>19,991</td>
</tr>
<tr>
<td><strong>At 28 February 2015</strong></td>
<td>337,840</td>
<td>314,999</td>
<td>194,941</td>
<td>162,426</td>
</tr>
</tbody>
</table>

### Basis of preparation

These summary financial statements on pages 34 to 37, comprising the Income Statements, Statements of Comprehensive Income, Statements of Changes in Shareholders Equity, Balance Sheets, and Consolidated Statement Cash Flows are those of Foodstuffs South Island Limited (the “Parent”) and its subsidiaries (the “Group”). They have been prepared in accordance with Financial Reporting Standard No. 43 “Summary Financial Statements” and have been extracted from full financial statements that have been prepared in accordance with New Zealand Standards that comply with International Financial Reporting Standards. The full financial statements for the year ended 28 February 2015, authorised for issue and signed on 28 April 2015 have been audited by KPMG and given an unqualified opinion. The Group is a profit-oriented entity. For a complete understanding of the financial affairs of the Group, the full financial statements are available to qualifying members on request.
## Balance Sheets
### as at 28 February 2015

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>598,066</td>
<td>511,776</td>
<td>31,648</td>
<td>22,724</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>22,747</td>
<td>17,187</td>
<td>22,390</td>
<td>16,822</td>
</tr>
<tr>
<td>Investments in subsidiaries</td>
<td>-</td>
<td>-</td>
<td>433,126</td>
<td>363,081</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>2,831</td>
<td>779</td>
<td>2,665</td>
<td>613</td>
</tr>
<tr>
<td>Investments held at fair value:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in listed companies</td>
<td>28,216</td>
<td>36,203</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investments in other related companies</td>
<td>560</td>
<td>560</td>
<td>560</td>
<td>560</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>652,420</td>
<td>566,505</td>
<td>490,389</td>
<td>403,800</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>34,398</td>
<td>74,760</td>
<td>34,482</td>
<td>74,696</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>225,793</td>
<td>204,900</td>
<td>211,536</td>
<td>186,847</td>
</tr>
<tr>
<td>Inventories</td>
<td>90,243</td>
<td>91,066</td>
<td>86,670</td>
<td>87,496</td>
</tr>
<tr>
<td>Property, plant and equipment held for sale</td>
<td>7,704</td>
<td>11,804</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment held for sale</td>
<td>-</td>
<td>5,533</td>
<td>-</td>
<td>5,533</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>358,138</td>
<td>388,063</td>
<td>332,688</td>
<td>354,572</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>1,010,558</td>
<td>954,568</td>
<td>823,077</td>
<td>758,372</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital and reserves attributable to equity holders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>197,963</td>
<td>177,854</td>
<td>200,158</td>
<td>180,150</td>
</tr>
<tr>
<td>Other reserves</td>
<td>76,881</td>
<td>76,678</td>
<td>10,758</td>
<td>1,818</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>62,996</td>
<td>60,467</td>
<td>(15,975)</td>
<td>(19,542)</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>337,840</td>
<td>314,999</td>
<td>194,941</td>
<td>162,426</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>76,276</td>
<td>76,175</td>
<td>76,472</td>
<td>76,175</td>
</tr>
<tr>
<td>Employee entitlements</td>
<td>707</td>
<td>694</td>
<td>707</td>
<td>694</td>
</tr>
<tr>
<td>Retirement benefit obligations</td>
<td>-</td>
<td>413</td>
<td>-</td>
<td>413</td>
</tr>
<tr>
<td>Deferred income tax liability</td>
<td>36,077</td>
<td>38,658</td>
<td>772</td>
<td>1,363</td>
</tr>
<tr>
<td>Provisions</td>
<td>517</td>
<td>641</td>
<td>517</td>
<td>641</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>113,577</td>
<td>116,581</td>
<td>78,468</td>
<td>79,286</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>223,658</td>
<td>229,394</td>
<td>213,379</td>
<td>222,148</td>
</tr>
<tr>
<td>Borrowings</td>
<td>247,846</td>
<td>207,763</td>
<td>250,106</td>
<td>210,391</td>
</tr>
<tr>
<td>Provisions</td>
<td>1,759</td>
<td>1,710</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investments held at fair value:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>663</td>
<td>(1,128)</td>
<td>663</td>
<td>(1,128)</td>
</tr>
<tr>
<td>Rebates payable</td>
<td>85,078</td>
<td>83,960</td>
<td>85,383</td>
<td>83,960</td>
</tr>
<tr>
<td>Current income tax payable</td>
<td>137</td>
<td>1,289</td>
<td>137</td>
<td>1,289</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>559,141</td>
<td>522,988</td>
<td>549,668</td>
<td>516,660</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>672,718</td>
<td>639,569</td>
<td>628,136</td>
<td>595,946</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
<td>1,010,558</td>
<td>954,568</td>
<td>823,077</td>
<td>758,372</td>
</tr>
</tbody>
</table>

On behalf of the Board 28 April 2015

Robin Brown, Director

Roy Bridgman, Director
## Statement of Cash Flows

For the year ended 28 February 2015

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Parent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015 $000</td>
<td>2014 $000</td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td>2015 $000</td>
<td>2014 $000</td>
</tr>
<tr>
<td>Cash was provided from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>2,838,935</td>
<td>2,741,610</td>
</tr>
<tr>
<td>Interest received</td>
<td>4,577</td>
<td>4,964</td>
</tr>
<tr>
<td>Member trading accounts</td>
<td>21,183</td>
<td>35,693</td>
</tr>
<tr>
<td></td>
<td><strong>2,864,695</strong></td>
<td><strong>2,782,267</strong></td>
</tr>
<tr>
<td>Cash was applied to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases, wages and expenses</td>
<td>2,590,019</td>
<td>2,490,217</td>
</tr>
<tr>
<td>Members rebates</td>
<td>183,644</td>
<td>177,254</td>
</tr>
<tr>
<td>Interest paid</td>
<td>10,301</td>
<td>8,778</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>6,254</td>
<td>10,072</td>
</tr>
<tr>
<td></td>
<td><strong>2,790,218</strong></td>
<td><strong>2,686,321</strong></td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td><strong>74,477</strong></td>
<td><strong>95,946</strong></td>
</tr>
</tbody>
</table>

| Cash flows from investing activities |            |             |
| Cash was provided from:  |            |             |
| Advances from other related parties | 11,500     | 8,116       |
| Sale of Associate Companies | -          | 18,586      |
| Dividends                 | 2,873       | 2,183       |
| Insurance proceeds received for replacement Property, Plant, & Equipment | 7,691     | 15,973      |
| Sale of property plant and equipment | 5,136     | 2,688       |
|                          | **27,200** | **47,546** |
| Cash was applied to:     |            |             |
| Purchase of intangibles  | 10,277      | 7,313       |
| Purchase of property plant and equipment | 108,992   | 63,718      |
| Advances to related parties and subsidiaries | 392       | 8,332       |
|                          | **119,661** | **79,363** |
| Net cash flow from investing activities | (92,461) | (31,817) |

| Cash flows from financing activities |            |             |
| Cash was provided from:  |            |             |
| Long term and money market borrowings | 19,001   | -           |
|                          | **19,001** | **19,197** |
| Cash was applied to:     |            |             |
| Interest paid on Redeemable Preference Shares | -       | 595         |
| Retained Patronage Shares redeemed | 28,675      | 29,305      |
| Dividends paid on Retained Patronage Shares | 11,526   | 13,196      |
| Trading Credit Shares    | 1,178       | 1,122       |
| Long term and money market borrowings | -     | 18,538      |
|                          | **41,379** | **62,756** |
| Net cash flow from financing activities | (22,378) | (62,756) |

Net increase/(decrease) in cash held (40,362) 1,373 40,214 1,310

Opening cash brought forward 74,760 73,387 74,696 73,386

Ending Cash carried forward 34,398 74,760 34,482 74,696

Represented by:

- Bank 34,278 74,637 34,362 74,574
- Overseas currency accounts 108 111 108 111
- Cash on hand 12 12 12 11

Ending Cash carried forward 34,398 74,760 34,482 74,696
New technology and efficient distribution tastes good!