OUR VISION IS TO BE
NEW ZEALAND’S LEADING FOOD AND GROCERY RETAILER & WHOLESALER.

WE PUT OUR CUSTOMERS AT THE HEART OF EVERYTHING WE DO.

TO ACHIEVE OUR STRATEGY WE WILL FOCUS ON:

- YOU REACHING YOUR FULL POTENTIAL
- GETTING TO KNOW OUR CUSTOMERS
- LEADING THE MARKET WITH RELEVANT BRANDS
- FINANCIAL AND OPERATIONAL EXCELLENCE

WE’LL KNOW WE’VE SUCCEEDED WHEN:

- OUR CUSTOMERS AND SUPPLIERS PREFER US
- OUR SALES AND MARKET SHARE CONTINUE TO GROW
- AND WE CAN SEE A LONG AND SUSTAINABLE FUTURE AHEAD
- WITH EXCITING CAREERS FOR FUTURE GENERATIONS
This second Foodstuffs North Island Limited (FSNI) Annual Report tells the story of FSNI’s first full year as an entity. The business has had another extraordinary year which included the complexities of integration and realising merger benefits, while setting the future direction to achieve our Vision to be ‘New Zealand’s Leading Food and Grocery Retailer and Wholesaler’.

Foodstuffs North Island had a successful 2014/15 financial year. The business completed the merger to the backdrop of: reducing costs, increasing profits, growing sales and market share. The financial year closed with a market share of 55.8%, 0.3% up on the prior year and in dollar terms Foodstuffs North Island store sales totalled $7.2bn up $242.0m (3.5%) on the prior year with all banners experiencing strong retail and wholesale sales dollar growth.

**A STRATEGY FOR THE FUTURE**

One of the most significant achievements of the 2014/15 financial year is the development of FSNI’s Strategy, strategic focus areas and goals. The Strategy, which received Board approval in September 2014, has set the direction of the co-operative and has enabled us to create the roadmap of initiatives we’ll all be investing in to reach our Vision.

**Customer-Led**

One of the most significant decisions around strategy is the overarching philosophy of putting our customers at the heart of everything FSNI does. In many ways FSNI was already a customer-focussed organisation and the Board could see that by extending to become even more customer-led, it would position FSNI well in the future.

**Strategic Focus Areas**

The FSNI Strategy includes four strategic focus areas. They are:
- Getting to know our customers
- You reaching your full potential
- Leading the market with relevant brands
- Operational and financial excellence

All FSNI Business Plan initiatives are designed to drive these four key focus areas. There is more detail about these in the reports that follow.

**MERGER INTEGRATION AND FINANCIAL BENEFITS REALISATION**

**Integration of our Systems and Processes**

The 2014/15 financial year has been focussed on locking in a strong foundation. Integration work has continued on systems and processes to establish our FSNI ‘one way of doing business’ and our Membership has continued to accept the challenges of our alignment and embraced the benefits of these changes, resulting in strong margins in store.

FSNI has continued to make changes to further integrate FSNI and increase productivity in the Support Centre and profitability in store. The shift of all FSNI’s financial transactions to SAP progressed and there was further consolidation of technology platforms towards one common network.

**Merger Financial Benefits**

In the 2014/15 financial year, FSNI significantly exceeded the planned $20m of merger benefits while still protecting the company’s competitive position and profitability. Targets have been met, or exceeded, in almost all planned areas as the Support Centre operating model is simplified and optimised. Productivity and efficiency benefits across the end-to-end Supply Chain have been the real stand-out this year.

Beyond savings in salary and wages, direct employee costs have been significantly reduced. There has also been savings from motor vehicle fleet reduction, renegotiation of printing contracts, negotiation of significant insurance premium savings, as well as reduced funding costs for FSNI overall.

**FINANCIAL PERFORMANCE**

The 2014/15 financial year represents the first full year of trading for the combined FSNI business; and Group performance is ahead of the Board’s expectation at the time of the Merger.

As reported at the time of the Merger, and in last year’s Annual Report, the Merger introduced a number of changes to the business operating model, particularly in relation to the margin the Group charges Members and how the rebates are passed back to Members (e.g. moving from a gross mark-up and rebate model to a net mark-up and rebate model).
The overall distribution to Members has increased 6.7% to $160.5m on a comparable reported basis.

The Board anticipated the move to a net mark-up would have a one-off impact of reducing Group revenue earned from sales to lower North Island Members, as well as changing the rebate distribution mechanism to lower North Island Members.

With this background, the Board is very pleased to report that Group revenue for the 52 week period of $6,239m increased 2.0% on the comparable 52 week trading period, after absorbing the move to a net mark-up. This reflects a continued focus of passing savings through to our Members and, ultimately, our customers.

In addition, the Group operating profit for the 52 week period of $212.6m is up 5.6% on a comparable basis.

Total operating expenses of $479.6m are substantially reduced on the comparable period for last year and contribute to the strong underlying profit performance.

The timing of the merger of the legacy Foodstuffs Wellington and Auckland businesses in the prior year means the 2014 results presented in the Financial Statements are not comparable, as they reflect 56 weeks of trading for the legacy Auckland business and 30 weeks of trading for the Wellington business.

The alignment of Member rebate policy from the start of the 2014/15 financial year also means profitability is not comparable due to a reduction in the margin charged on product sold through the Palmerston North Distribution Centres. In general, the change in margin has the effect of reducing the purchase price of branded product and represents a net benefit to Members and ultimately our customers.

The 2014/15 Group operating profit reported in the Financial Statements increased 12.5% year-on-year to $212.6m and the Group profit before distribution to Members is slightly above the previous financial year at $155.4m.

DISTRIBUTION TO MEMBERS

Member rebates for the 2014/15 financial year are calculated under an aligned FSNI rebate policy for the first time. The overall distribution to Members has increased 6.7% to $160.5m on a comparable reported basis. The 2014/15 rebate also reflects the change in margin of product sold through the Palmerston North Distribution Centres.

Consistent with the Merger Information Memorandum previously issued, Rebate Investment Vouchers continue to attract interest at 8% per annum and the FSNI Deferred Rebate Vouchers (DRV) attract interest at 7.41% (7.57% from 1 August 2015) per annum. The Board has elected to maintain the DRV interest rates despite the ongoing low interest rate environment prevailing in the New Zealand economy.

FINANCIAL POSITION

FSNI remains in a strong financial position with total assets of $2,646m and financial ratios well within the requirements set by FSNI’s lenders.

In the last financial year, FSNI has reduced debt by $121m through careful management of expenditure and via divestment of non-strategic assets. The programme for divesting surplus assets has realised $57.2m within the year. Capital expenditure of $100.2m has been focused primarily on further developing and refurbishing the store network and the transformational roll out of new IT systems and processes through Programme Lightning.

Debt levels reported on the statement of financial position and variations in operating cash on the statement of cash flows reflect the timing of the fiscal year and relative to the monthly supplier payment outflows.

FSNI continues to play an important role in funding Members by way of direct advances or bank guarantee. As at balance date, loans to Members stood at $15.4m and bank overdraft and term loans guaranteed by FSNI on behalf of Members amounted to $380.1m, 13.5% below the same time last year.

AUDITORS

PwC have conveyed their willingness to continue in office.

APPRECIATION

The Directors extend their appreciation to the Executive Team, Staff Members and our Membership, particularly all those who have served on Committees during this extraordinary first full year as FSNI.

MURRAY JORDAN

Following the conclusion of the first Annual Meeting in August 2014, and after 10 years at Foodstuffs, Managing Director, Murray Jordan, stated his intention to resign from FSNI in the following calendar year to pursue Directorship opportunities.

Murray has proved to be an excellent and strong leader for FSNI, particularly throughout the Merger process and in defining the forward strategy of our business. The Board would like to take this opportunity to officially thank Murray for his exceptional leadership through one of New Zealand’s biggest mergers and beyond.

Murray leaves FSNI in great shape and with a strong legacy for the future success of our organisation. Thank you Murray.

On behalf of the Board

Peter Anderson
Board Chair

Murray Jordan
Managing Director
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**YOU REACHING YOUR FULL POTENTIAL**

It’s the people who have always made the difference in our business. This is why we’re committed to supporting everyone to reach their full potential with the goal of creating exciting careers for future generations. This strategic focus area for Members and staff is already gaining traction through a number of exciting initiatives.

**DEVELOPING OUR PEOPLE**

**Training Options For All**
FSNI is taking an inclusive approach to developing the capability of our people in all areas of the organisation.

All 25 courses delivered in the 2014/15 financial year have been designed to deliver a measurable change in the workplace, adding value to the business and are delivered by subject matter experts in their field.

With over 800 people taking part in FSNI training options during the 2014/15 financial year, there was a record number of over 250 trainees in FSNI NZQA-accredited butchery and bakery programmes.

The FSNI Management Development Programme remains a popular option in FSNI NZQA-accredited butchery and bakery programmes.

**Competency Framework**
The HR team worked alongside workplace psychology experts and a number of Owner Operators to understand the key competencies Owner Operators of the future should have to be successful in the co-operative. This Competency Framework is now used as a key part of the trainee owner operator recruitment process and in the development of our training courses.

**DEVELOPING OWNER OPERATORS**

**Owner Operators and Governance**
The Board announced the introduction of a Leadership and Governance Development Programme (LGDP) for Owner Operators. The LGDP has been designed to identify and develop the leadership and governance skills of Members so they are best placed to lead, govern and support their own businesses, our wider business and the wider co-operative.

**Owner Operator Business Reviews**
During the 2014/15 financial year, a commitment was made that Owner Operators would have regular full Business Reviews. These reviews are intended to be a two-way conversation with the Operator Development and Approval Committee (ODAC) to support the Owner Operators’ growth and development; and an opportunity for the Board to understand their career aspirations for the future. Business Review information is then taken into consideration during the EOI process to ensure Owner Operators are well-matched with new opportunities. 30 Business Reviews were carried out during the 2014/15 financial year.

**Future Owner Operators**
During the 2014/15 financial year there were 10 Trainee Operators in the Trainee Operator Programme (TOP) with four completing their training during that time. There is an aspiration to increase the number of Trainee Operators in the Programme from 10 to 12-15 during the 2016/17 financial year.

**Trainee Operator Selection Group**
The Trainee Operator Selection Group (TOSG) is for candidates who have aspirations to join the FSNI Trainee Operator Programme. Nominated by their Owner Operator (if they’re in a PAK’nSAVE, New World or Gilmours store) or their Banner Manager (if they’re a Four Square Owner) candidates also complete assessment testing to see how they line up with the Competency Framework.

During the 2014/15 financial year the number rose to 33 in the group. Candidates stay in the TOSG as they prepare to apply for the Trainee Operator Programme, and remain in the group throughout their application process.

**Checker of the Year**
Our Checker of the Year competition goes from strength to strength. More popular than ever, the competition is designed to recognise and reward the skills of our Checkout Operators. In 2014 over 800 checkers took part in 10 regional events which were run across the North Island to determine our best Checkers.

**Excellence Awards**
The FSNI Training Excellence Awards were held in Wellington to recognise the achievements of staff involved in the Checker of the Year finals and the training and management development programmes.

24 awards were presented at this prestigious event, including the newly introduced ‘Co-operative Spirit Award’ where Aaron Scanes, Owner Operator of New World Mt Roskill, was nominated by his peers in recognition of his contribution to supporting his fellow Owner Operators as they transitioned to the FSNI forward buying model.
A key strategic focus is ‘Getting To Know Our Customers’. The more we get to know our customers, the better we can anticipate and deliver what they want, both now and in the future.

As we work together more and more nationally, the FSNZ Marketing Team are responsible for delivering much of the ‘Getting to Know Our Customers’ part of the FSNI Strategy. In the 2014/15 financial year the Team have delivered:

INSIGHTS PROGRAMME

With a focus on getting to know our customers, all marketing programmes delivered in the 2014/15 financial year were underpinned by a very robust insights programme informed by data and customer research. The ability to do this will be even further enhanced in the future as a Customer Relationship Management platform is in development for the 2015/16 Business Plan.

CUSTOMER CAMPAIGNS

The 2014/15 financial year delivered a number of very successful campaigns that saw the brand health measures of customer satisfaction, brand loyalty, brand awareness and brand effectiveness rise across the board.

Successes for New World included: Fresh Experts, Elite Sponsorship of the Silver Ferns, Little Shop 2014, Christmas and Birthday.

NZ’s love of Stickman was built upon with the addition of his cheeky take on more national events like Valentine’s Day and April Fools.

Four Square scored a hit with customers with its national Four Square Summer promotion which included a One News Weather overlay, advertising and social media engagement.

120 Gilmours customers were treated to a trip to Melbourne as a part of their ‘The Finest Cut’ incentive programme for its highest spending customers.

BRAND STANDARDS REFRESH FOR PAK’nSAVE

The PAK’nSAVE brand standards refresh was designed to modernise the in-store experience for 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. 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 brand ambassador, Stickman, to the in-store experience and create a stronger connection to the wider brand communications.

SPONSORSHIP

New World continued its Elite sponsorship of the Silver Ferns and to further integrate the partnership, a unique marketing campaign was created 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, a hunger provocation trial was funded, which in turn successfully enabled several toddlers to successfully enjoy the pleasures of real food for the first time.

New World also provided funds for the Foundation to procure 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.

NEW WORLD CLUBCARD

The shape of things to come was indicated by the extraordinarily successful New World Club Card launch in the South Island. The Clubcard results completely exceeded expectations with 80% of sales being scanned with a Clubcard, suggesting customers really see value in the programme and are keen to benefit from its rewards.

The data collected from the Clubcard will be invaluable in assisting the business to know our customers better. Plans to launch a New World Club Card in the North Island have been accelerated as a result. North Island Members can look forward to the launch of a New World Club Card in the 2015/16 financial year.

Another key aspect of the sponsorship included the provision of fruit deliveries to each of the childrens’ wards within Starship Hospital.

RIGHT: Victor Roy from New World Victoria Park delivers fresh fruit to the childrens’ wards within Starship Hospital.
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LEADING THE MARKET WITH RELEVANT BRANDS

Four Square, New World, PAK’nSAVE and Gilmours are iconic in New Zealand. FSNI continues to lead the market with these brands which cover the wide spectrum of convenience, full-service, budget and wholesale aspects of the grocery market. The brands are constantly updated so we stay relevant to the evolving needs of our customers.

During the 2014/15 financial year, the FSNI Retail Business Unit structure was developed to foster a close working relationship between the Support Centres and Stores.

PAK’nSAVE
PAK’nSAVE has achieved strong financial growth over the 2014/15 financial year. Overall, sales have grown to record levels and market share for the brand has lifted. PAK’nSAVE has also maintained its brand position of bringing New Zealanders the lowest overall grocery prices and this was further qualified when the brand won the Consumer Magazine Lowest Prices Award.

During the 2014/15 financial year there has been a strong focus on the in-store experience for customers with a particular emphasis on the look and feel of PAK’nSAVE stores and an update of the Brand Standards. In particular, there has been focus on developing the Fresh Food offer and aligning the ranges appropriately for each store.

Stickman continues to reinforce the brand promise and grow loyalty and recall, reflected in the significant growth in Facebook followers and return on investment for media spend.

PAK’nSAVE Westgate opened in November 2014 and this West Auckland store has been thriving in its first year of trading.

NEW WORLD
The New World Banner experienced a year of excellent sales growth during the 2014/15 financial year.

A consolidated promotional programme across the North Island resulted in accelerated sales growth, while Fresh Foods performed strongly across the banner. Stores delivered New Zealand’s leading quality food offer during the critical Christmas and Easter trading periods, while the execution of the New World promotional programme continues to go from strength to strength.

Little Shop was once again a highlight. New generation New World stores were opened in Kumeu, Howick and Browns Bay with leading edge customer offers and all enjoying strong trading results.

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Work commenced during the year on programmes to continue to evolve the New World offer, including Club Card, Fresh Food Standards and the extension of the on-line shopping pilot to a rural location.
FOUR SQUARE

It was a solid financial year for Four Square as the brand continues to develop a single approach across the North Island where possible. This was brought to life with the banner adopting a common promotional plan and circular across all 203 stores from the start of the 2014/15 financial year.

This platform enabled the marketing activity to be shared on a wider scale and the first national promotion alongside FSSI launched Four Square’s 90th Birthday with over 150,000 commemorative tins and a Mini Cooper given away across New Zealand.

Working together extended into two additional national campaigns, with a very popular ‘Book a Bach’ promotion around the October long weekend and culminating with the ‘Summer Promotion’ giving customers the opportunity to win a ‘retro chilly bin’ in every store. The ‘Summer Promotion’ was supported by a Four Square weather spot every night on TV ONE over the four week promotional period. Charlie continues to deliver a strong Brand recognition and remains an iconic component of the New Zealand retail market.

WHOLESALE

Wholesale brands, Gilmours and Toops have enjoyed sales growth in all targeted categories. Following the ratification of the FSNI Strategy during the financial year, there has been a strong focus on developing the wholesale strategy for the business.

In preparation, the 2014/15 financial year saw the alignment of a North Island-wide single core range with associated promotional programme and pricing across all our wholesale stores. Stand out promotions included the ‘Birthday’ promotion and ‘Price Smash’ which proved popular with customers.

Gilmours continued to incentivise customers through ‘The Finest Cut’ programme where customers are rewarded with a trip to Melbourne taking in some of the City’s finest food service establishments.

2014/15 also saw the introduction of the ‘Salesforce’ Customer Relationship Management (CRM) system across the wholesale business enabling a single record of all customer engagement, supporting continuity of customer information and opportunities during an oncoming period of change.
Instilling both financial and operational excellence in our business is a key strategic focus area. This is happening both formally and informally throughout FSNI every day.

**FINANCIAL AND OPERATIONAL EXCELLENCE**

Over the past 12 months significant strides have been made in laying the foundation for a modern and robust technology platform that will pave the way for FSNI to be more innovative in how it interacts with its customer base and offers real value to our customers, whilst operating efficient and profitable businesses.

With the integration of the IT teams and a number of significant projects in the pipeline, the technology landscape has been in a constant state of change and growth. As a testament to the sound technology decisions and investments made, and the FSNI Support Centre team, we have achieved 99.84% system availability during the 2014/15 financial year.

**Lightning's main objective is to create the "one Foodstuffs" way of working by standardising processes and systems to deliver consistent and actionable business information.**

Although Lightning Transformation is tasked with deploying a new Enterprise Resource Planning (ERP) system, it is much more than just a technology project. Through Lightning best practice in retail across Merchandising, Purchasing, Distribution, Marketing and Selling, and Finance has been introduced to FSNI. To date, approximately 3,500 Support Centre and store team members have been up-skilled through the Lightning programme enabling them to work more efficiently and make informed decisions in the daily tasks they perform.

Some of the key achievements delivered by Lightning are:

**Technical Readiness:** 195 stores were incorporated into the FSNI corporate network which enabled the Lightning Technical Readiness Team to work in any of these premises remotely and wirelessly.

**Lightning Transformation:** 3,500 Support Centre and Team Members have been upskilled through the Lightning Programme

**All FSNI's transactional banking has been consolidated**

**A reduction in operating costs**

**99.84% system availability during the 2014/15 financial year.**

**FINANCE**

**SUPPLY CHAIN**

**TECHNOLOGY**

**FINANCE**

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**SUPPLY CHAIN**

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**TECHNOLOGY**

99.84% system availability

**ABOVE: New touchscreen POS system at PAK’nSAVE Albany**

**TECHNOLOGY FOUNDATIONS**

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**LIGHTNING**

The single largest transformational undertaking for FSNI has been the deployment of three key initiatives under Programme Lightning: Technical Readiness, POS Deployment and Lightning Transformation.

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Seismic Review of Property Portfolio

A full seismic review of the FSNI property portfolio was undertaken to understand the level of risk and whether there were any immediate works that needed to be undertaken. A policy was approved by the Board to action sites under a national building standard percentage over a 10 year development period. As a result of the review New World Naenae was closed and remediation works at New World Pahiatua were announced.

PROPERTY PORTFOLIO

Seismic Review of Property Portfolio

A new FSNI lease was approved by the Board in 2013 and implemented by the Property Asset Management team during the 2014/15 financial year. In March 2015, Project Bolt, which is tasked with extending the Lightning SAP solution to the lower North Island stores was initiated. In the initial phase of Bolt, the new SAP solution to one wholesale pilot store and two retail pilot stores will be rolled out.

FINANCE

One Transactional Bank

After a competitive tender process, all FSNI’s transactional banking has been successfully consolidated with one new provider which will see on-going benefits in costs, control and the effective management of expense claims and company credit cards.

SUPPLY CHAIN

FSNI Supply Chain includes the DC replenishment function, primary and secondary transport and DC operations. The 2014/15 financial year represented a significant year of change. The major themes were: the management and cultural reset, the development of a long term Supply Chain Strategy, and commencement of an Operational Excellence Programme.

Management and Cultural Reset

Management teams were reset with a store service and safety based ethos as the core foundation. Team engagement improved significantly throughout the period with the result being the creation of a high performance culture throughout.

Long Term Supply Chain Strategy

The Board approved the long term Supply Chain Strategy with its objectives of safety, improving store service, and continually lowering end-to-end supply chain costs. The Strategy is designed to position the business for the future and will be implemented over a 5-10 year period. The Supply Chain Strategy is designed to better exploit the operating leverage of a large retail supply chain whilst consolidating and simplifying the Business Unit. In addition, the Supply Chain Strategy is to deploy best of breed systems to drive further end-to-end efficiencies and enhance store service.

Operational Excellence Programme

FSNI Supply Chain commenced an Operational Excellence Programme. Whilst volumes throughout the Distribution Centres were similar to the prior year, a significant reduction in overall operating costs was achieved by focusing on the basics each and every day – Safety, Teamwork, Accuracy, Service, and Productivity. Highlights included: improvements in DC in-stock availability, a best-in-class on-time transport performance of 99%+, along with a well-supported primary freight programme across the North Island.

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NATIONAL PROGRESS REPORT

Where it makes sense we work together nationally. This National Progress report highlights some of the key achievements of Foodstuffs companies who are nationally owned as well as the work of our sister co-operative, Foodstuffs South Island.

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.

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 in Wine & Spirits Avonhead and Henry’s Beer & Spirits Richmond.

Store refurbishments, replacement stores and extensions

Foodstuffs is committed to constantly updating its 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 Omaharai, PAK’nSAVE Pukekohe.
- Foodstuffs South Island: New World Stanmore, New World Nelson, New World Motuake, New World Stoke, New World Gardens, Centre City New World.

Hornby Distribution Centre

On 12 February 2015, the Prime Minister, the Right Honourable John Key, opened Foodstuffs South Island’s new ambient distribution centre (DC) in Hornby, Christchurch.

Foodstuffs core private label brand, Pams has again been recognised both internationally and locally over the 2014/15 financial year.

Foodstuffs own brands limited

Market share continues to hold for private label at 13.3% value share with Pams, representing 8.5%.

Foodstuffs core private label brand, Pams has again been recognised both internationally and locally over the 2014/15 financial year with:
- Gold, silver and bronze medals at the Vertex Awards, the only global competition devoted exclusively to the art of Private Brand package design.
- ‘Best in Class’ in the International Dieline Awards for the Pams Confectionery range in the Confectionery, Snacks and Desserts category.
- Locally for the third year running Reader’s Digest has awarded Pams the ‘Most Trusted Supermarket Own Brand’.

Pams Finest was introduced at the National Conference early in 2015 and development work continues on the brand.

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.

Nation al adv ocacy

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 businesses and has now begun planning for the adoption of food control plans which will replace the incumbent food safety programmes.

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.

A Health and Safety Reform Bill was introduced in 2014 and Foodstuffs made submissions seeking minor changes. At the time of writing the Bill was yet to be reported back from Select Committee. 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 late 2014 the Employment Relations Amendment Bill was enacted, introducing changes to collective bargaining and reintroducing flexibility in rest and meal breaks for which Foodstuffs had lobbied. 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 Foodstuffs companies in terms of providing input on the development of local alcohol policies, the lodging of appeals against local alcohol policies and dealing with objections and 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 relating to the new Act.

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.

Below: Opening of New World Browns Bay

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SUSTAINABILITY AT FOODSTUFFS

Energy Conservation
Energy efficiency is a priority in the design of new stores and the refurbishing of existing stores. There are now 60 sites on the 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.

Reducing Waste
2014 marked the start of the rollout of new waste minimisation plans for 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. 50 stores are now on the new waste programme with another 50 targeted to be on-board by the end of 2015.

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 in store 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.

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

NATIONAL MARKETING
The 2014/15 financial year delivered a number of very successful marketing campaigns. The detail of the campaigns and other National Marketing activities can be found in the Getting to Know Our Customers Report (p.12).

Peter Anderson
Chairman, Foodstuffs (NZ) Ltd

Substantial progress has been made around ethical and environmental standards in the areas of sourcing paper, palm oil and tuna.
FINANCIAL HIGHLIGHTS

SECOND YEAR MERGER BENEFITS DELIVERED AHEAD OF SCHEDULE

$7.2bn
store sales.
3.5%
increase in store sales compared to prior year 52 week period.

$155.4m
GROUP PROFIT BEFORE DISTRIBUTION TO MEMBERS.

Statutory Revenue for the period is $6.2bn up 2.0% on a comparable 52 week basis.

$100.2m
OF CAPEX WAS INVESTED IN THE YEAR
Robert Redwood (Deputy Chair)
PAK’nSAVE Glen Innes
Appointed Deputy Chair of the FSNI Board in 2013, Robert was a teenager when he started part-time work at his local Four Square. In 1987 he received a Scholarship Award and became a Foodstuffs Member purchasing a Cut Price store in Te Anau, which was later converted to a Four Square. He moved to New World Hilcrest before purchasing New World Eastridge in 1995 and took ownership of PAK’nSAVE Glen Innes in 2014. Robert and his wife Jackie have 4 children.

Murray Jordan
Managing Director
Murray joined Foodstuffs in 2004 as General Manager Property Strategy at FSA and became General Manager Retail, Sales and Performance in 2008. Murray was appointed Managing Director at FSA in 2010. In 2013, Murray was appointed Managing Director at FSNI. Before Foodstuffs Murray held General Management roles with Brail Properties Limited and Property Services Limited. Murray holds a Master of Property Administration from the University of Auckland. Murray is married to Michaela and they have 3 children.

Neil Foster
PAK’nSAVE Rotorua
Appointed to the FSNI Board in 2013, Neil started his Foodstuffs career as a Trainee Operator working at New World Te Puke and officially became a Foodstuffs Member in 1994 with the purchase of the Te Puke store. In 1999 he took ownership of his current business, PAK’nSAVE Rotorua. Before joining Foodstuffs, Neil was a Chartered Accountant. Neil is married to Judy and they have 4 adult sons.

Karl Marrisott
New World Railway Metro
Appointed to the FSNI Board in 2014, Karl has spent his entire working career in supermarkets and the retail sector. He became a Foodstuffs Member in 2004 with the purchase of New World Naenae which he owned and operated for 3 years before purchasing his current business, New World Railway Metro in central Wellington in 2007. Karl is married to Caroline and they have 2 children.

Paul Blackwell
PAK’nSAVE Albany
Appointed to the FSNI Board in 2013, Paul became a Foodstuffs Member in May 1993 when he purchased New World Matamata. After 5 years in the Matamata store he went on to open his current business, PAK’nSAVE Albany on Auckland’s North Shore in August 1998. Paul joined Foodstuffs with a strong retail and management background and had previously owned and operated several Paper Plus stores. Paul and his wife Liz have 4 children.

Joe Vegar
New World Miramar
Appointed to the FSNI Board in 2013, Joe joined his brother Paul in the ownership of New World Miramar in Wellington’s Eastern Suburbs in 2002. Before becoming a Foodstuffs Member, Joe was a Chartered Accountant and Chief Financial Officer working in commerce and within various accountancy firms in New Zealand and overseas. Joe is married to Drina and they have 3 adult children.

Karen South
Independent Director
Karen has held senior executive roles in finance and strategy areas at New Zealand Dairy Board, Fonterra and NZ Post Group. As a Director, Karen chairs the Audit & Risk Committees of Port Nelson Limited, Taiti Dairy Company and Dairy NZ and currently Chairs the Boards of Parnell, Dairy Investments Limited and Taxi Management NZ Limited. Karen holds a Bachelor of Commerce in Accounting and Economics from Canterbury University. Karen has been married to Tracey for 30 years and they have 3 children.

Craig McKeown
Gilmours North Shore
Appointed to the FSNI Board in 2014, Craig was chosen as the pilot Operator for the conversion of Gilmours stores becoming owner operated and has now been the Owner Operator of Gilmours North Shore for over 6 years. Prior to joining Foodstuffs Craig held senior management positions in a number of large retail organisations throughout Australasia. Craig and his wife Kathrynn have 1 child.

Dean Waddell
PAK’nSAVE Tauranga
Appointed to the FSNI Board in 2013, Dean is a 3rd generation grocer who began working in the family supermarket, New World Brookfield, at age 13. He left to study at Massey University, graduating with a Bachelor of Business Studies before returning to work at New World Brookfield. Dean became a Foodstuffs Member in 1992 when he purchased New World Brookfield and moved to his current business, PAK’nSAVE Tauranga in 2013. Dean and his wife Julie have 3 children.
EXECUTIVE TEAM

Murray Jordan
Managing Director
Murray joined Foodstuffs in 2004 as General Manager Property Strategy at FSA and became General Manager Retail, Sales and Performance in 2008. Murray was appointed Managing Director at FSNI in 2010. In 2013, Murray was appointed Managing Director at FSNI. Before Foodstuffs Murray held General Management roles with Birell Properties Limited and Property Services Limited. Murray holds a Master of Property Administration from the University of Auckland.

Baden Ngan Kee
GM Merchandise
Baden started his Foodstuffs career in October 2013 when he was appointed to the role of General Manager Merchandise. Prior to joining Foodstuffs, Baden held the role of General Manager, Retail Sales and Export at Fonterra where he was responsible for all New Zealand grocery sales and branded consumer domestic and export to Asia and the Pacific. Baden holds a Bachelor of Commerce and Administration from Victoria University.

Mike Brooker
General Counsel & Company Secretary
Mike started at Foodstuffs in 2009 as General Manager Legal at FSA and was appointed to the role of General Counsel & Company Secretary at FSNI in 2013. Prior to Foodstuffs, Mike was a Partner at DLA Piper where he had a broad Commercial practice, including acting for a number of franchised businesses, of which Foodstuffs was the largest. Mike studied at the University of Auckland where he gained a Bachelor of Law degree and a Masters of Commercial Law.

Angela Bull
GM Property Development
Angela joined Foodstuffs in 2006 as Property Development Executive at FSA and was appointed General Manager Property Development in 2008. In 2013, Angela was appointed General Manager Property Development at FSNI. She started her career at Simpson Gineron, specialising in Resource Management Law, before joining the Crown Law Office in Wellington practising Criminal Law. Before Foodstuffs, Angela worked for Chapman Tripp on property and land development projects. Angela holds degrees in both Arts and Law from the University of Auckland.

Vaughan Grant
GM Supply Chain
Vaughan was appointed General Manager Supply Chain at FSNI in December 2013. Prior to Foodstuffs, Vaughan was Acting Chief Executive and General Manager Commercial for the PlaceMakers Group. Vaughan has worked in a range of industries in Australia, England and New Zealand, including at Woolworths Australia, with roles involving supply chain operations and strategy development, major change management and SAP systems implementation. Vaughan is a Chartered Accountant and holds a Bachelor of Management Studies from the University of Waikato.

Doug Cochrane
GM Retail
Doug joined FSNI as General Manager Retail in March 2014. He started his career in 1985 as a General Assistant at Tesco in the United Kingdom and progressed into senior operations and development roles in Europe and Asia including; Hungary, Turkey, China, Japan and then back to the United Kingdom where he held the roles of Store Director – International Operations Development followed by Store Director for Tesco Extra stores in Wales. Doug has a MBA from the Hanley Management College.

David Stewart
Chief Financial Officer
David joined Foodstuffs in 2010 as Chief Financial Officer at FSA and became Chief Financial Officer at FSNI in 2013. Prior to Foodstuffs, David worked in Europe in senior finance roles at France Telecom, Orange and PwC before returning to New Zealand to work at Yellow Pages as Chief Financial Officer. Named New Zealand’s ‘2015 CFO of the Year’, David is a Chartered Accountant and holds a Bachelor of Commerce and Post Graduate Diploma in Commerce from the University of Auckland.

Peter Muggleston
Chief Information Officer
Peter joined Foodstuffs in 2012 as Chief Information Officer at FSA and became Chief Information Officer at FSNI in 2013. Prior to Foodstuffs, Peter worked internationally with Shell Oil before returning to New Zealand and senior roles at ASB Bank including; Chief Manager Information Services, GM Online Banking and GM Technology Planning & Risk, before joining Sovereign as Chief Information Officer. Peter has a MBA from Otago University and holds degrees in Commerce and Science from the University of Auckland.

Antony Challinor
Integration Director
Antony was appointed Integration Director at FSNI in January 2014. Before Foodstuffs, Antony worked as Transformation Programme Director for News Corp Australia in Sydney. Antony has over 20 years’ international experience across multiple industries and has a reputation for building and leading high performance teams in the development and execution of business strategy, including leading large merger-related programmes. Antony has a Bachelor of Commerce from the University of Auckland and a MBA (Executive) from the University of New South Wales.

Mark Daldorf
GM Human Resources
Mark joined Foodstuffs in 2010 as General Manager of Organisational Development at FSW and was appointed General Manager Human Resources at FSNI in 2013. Mark is a human resources specialist with over 25 years’ senior experience in: leadership and organisation development, talent management, learning, recruitment and general human resource leadership in the retail, airline, banking, consulting and defence industries in Australia, New Zealand, Asia, Middle East and Europe. Mark has a MBA from the University of Western Sydney.
SUMMARY OF FINANCIAL STATEMENTS

The following statements are summaries of FSNI’s Comprehensive Income, Financial Position, Changes in Equity and Cash Flows. The statements are audited by FSNI’s appointed External Auditor, PricewaterhouseCoopers.

Independent Auditors’ Report on the Summary Financial Statements
to the shareholders of Foodstuffs North Island Limited

We have audited the accompanying summary financial statements, which comprise the summary statements of financial position as at 29 March 2015, the summary statements of comprehensive income, and summary statements of changes in equity and summary cash flow statements for the period then ended, and related notes, which are derived from the audited financial statements of Foodstuffs North Island Limited for the period ended 29 March 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 North Island Limited.

Directors’ Responsibility for the Summary 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 financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements.

We have no relationship with, or interests in, Foodstuffs North Island Limited or any of its subsidiaries other than in our capacities as auditors and providers of tax and advisory services. These services have not impaired our independence as auditors of the Company and Group.

Opinion on the Financial Statements
Our audit of the financial statements for the period ended 29 March 2015 was completed on 25 June 2015 and our unmodified opinion was issued on that date. We have not undertaken any additional audit procedures from the date of the completion of our audit.

Opinion
In our opinion, the summary financial statements have been correctly derived from the audited financial statements of Foodstuffs North Island Limited for the period ended 29 March 2015 and are consistent, in all material respects, with those financial statements, in accordance with FRS-43.

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

Chartered Accountants
Auckland
25 June 2015

PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand
T: +64 9 355 8000, F: +64 9 355 8001, pwc.co.nz
### Financial Statements

#### Statements of Comprehensive Income

**For the 52 Weeks Ended 29 March 2015**

<table>
<thead>
<tr>
<th></th>
<th>Group 2015 $’000</th>
<th>Group 2014 $’000</th>
<th>Parent 2015 $’000</th>
<th>Parent 2014 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>6,238,889</td>
<td>5,480,178</td>
<td>5,858,395</td>
<td>5,220,301</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>(5,740,526)</td>
<td>(5,046,254)</td>
<td>(5,488,236)</td>
<td>(4,904,080)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>498,363</td>
<td>433,924</td>
<td>370,159</td>
<td>316,221</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>193,905</td>
<td>182,112</td>
<td>129,345</td>
<td>118,408</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>(479,632)</td>
<td>(427,040)</td>
<td>(363,293)</td>
<td>(314,356)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>212,636</td>
<td>188,996</td>
<td>136,211</td>
<td>120,273</td>
</tr>
<tr>
<td><strong>Finance income</strong></td>
<td>7,606</td>
<td>10,497</td>
<td>10,719</td>
<td>25,498</td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td>(64,020)</td>
<td>(46,587)</td>
<td>(9,914)</td>
<td>(15,355)</td>
</tr>
<tr>
<td><strong>Net finance (costs)/income</strong></td>
<td>(56,414)</td>
<td>(36,090)</td>
<td>805</td>
<td>10,143</td>
</tr>
<tr>
<td><strong>Share of profit/(loss) from Associates and Joint Ventures</strong></td>
<td>(869)</td>
<td>2,115</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Profit before distribution to Members</strong></td>
<td>155,353</td>
<td>155,021</td>
<td>137,016</td>
<td>130,416</td>
</tr>
<tr>
<td><strong>Distribution to Members</strong></td>
<td>(132,533)</td>
<td>(112,077)</td>
<td>(132,077)</td>
<td>(112,077)</td>
</tr>
<tr>
<td><strong>Profit before income tax</strong></td>
<td>22,820</td>
<td>42,944</td>
<td>4,863</td>
<td>18,339</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(4,439)</td>
<td>(4,166)</td>
<td>(13,894)</td>
<td>(2,976)</td>
</tr>
<tr>
<td><strong>Profit/(Loss) for the period attributable to Members</strong></td>
<td>18,381</td>
<td>38,778</td>
<td>(9,411)</td>
<td>15,363</td>
</tr>
</tbody>
</table>

#### Other Comprehensive Income

- Items that may be reclassified subsequently to profit or loss:
  - Increase/(decrease) in fair value of hedging net of tax
    - (11,928) | 1,481 | - | - |

- Items that may not be reclassified subsequently to profit or loss:
  - Increase/(decrease) in fair value of other financial assets
    - (7,241) | (7,988) | - | - |

**Total Other Comprehensive Income** | (19,189) | (6,507) | - | - |

**Total Comprehensive Income/(Loss) for the period attributable to Members** | (808) | 32,271 | (9,411) | 15,363 |

#### Liabilities

**Non-current Liabilities**

- Liabilities to Members
  - 370,824
- Borrowings
  - 450,000
- Derivative financial instruments
  - 15,558
- Related party payables
  - 61,419
- Income tax payable
  - 16,876
- Derivative financial instruments
  - 7,156
- Other financial assets
  - 59,337
- Finance lease receivables - non-current
  - 60

**Current Liabilities**

- Trade and other receivables
  - 44,071
- Inventories
  - 340,374
- Derivative financial instruments
  - 215
- Related party receivables
  - 61,419
- Assets held for sale
  - 16,876
- Income tax payable
  - 11,499
- Finance lease receivables - current
  - 24

**Total Non-current Liabilities** | 2,021,039 | 2,045,717 | 320,879 | 361,466 |

**Total Current Liabilities** | 624,548 | 697,739 | 810,214 | 1,064,351 |

**Total Liabilities** | 2,645,587 | 2,743,456 | 1,131,093 | 1,425,817 |

#### Equity

**Capital and reserves attributable to equity holders**

- Share capital
  - 132,573
- Other financial asset revaluation reserve
  - (31,907)
- Hedging reserve
  - (11,590)
- Retained earnings
  - 673,344

**Total Equity** | 762,420 | 763,208 | 1,131,093 | 1,425,817 |

**Total Comprehensive Income/(Loss) for the period attributable to Members** | (808) | 32,271 | (9,411) | 15,363 |

*Comparative information for 2014 has been reclassified to reflect the finalisation of fair values on acquisition accounting entries which were treated as provisional in the prior year (note 5).*

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**Board Chair**

**Managing Director**

25 June 2015
## FOODSTUFFS NORTH ISLAND LIMITED

### STATEMENTS OF CASH FLOWS

FOR THE 52 WEEKS ENDED 29 MARCH 2015

<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash receipts from customers</td>
<td>6,494,318</td>
<td>5,966,055</td>
<td>5,977,642</td>
<td>5,619,509</td>
</tr>
<tr>
<td>Cash paid to suppliers and employees</td>
<td>(6,131,549)</td>
<td>(5,415,801)</td>
<td>(5,605,707)</td>
<td>(5,178,480)</td>
</tr>
<tr>
<td><strong>Cash generated from operations</strong></td>
<td>362,769</td>
<td>550,254</td>
<td>371,935</td>
<td>441,029</td>
</tr>
<tr>
<td><strong>Interest received</strong></td>
<td>6,941</td>
<td>11,002</td>
<td>6,057</td>
<td>16,556</td>
</tr>
<tr>
<td><strong>Interest paid</strong></td>
<td>(33,207)</td>
<td>(24,955)</td>
<td>(347)</td>
<td>(12,777)</td>
</tr>
<tr>
<td><strong>Net GST (paid)/received</strong></td>
<td>(46,368)</td>
<td>(41,109)</td>
<td>40,051</td>
<td>(7,690)</td>
</tr>
<tr>
<td><strong>Income tax paid - net</strong></td>
<td>(7,430)</td>
<td>(25,019)</td>
<td>(4,500)</td>
<td>(10,110)</td>
</tr>
<tr>
<td><strong>Net cash generated from operating activities</strong></td>
<td>282,705</td>
<td>470,173</td>
<td>413,196</td>
<td>427,008</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(70,245)</td>
<td>(299,077)</td>
<td>(11,322)</td>
<td>(20,343)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>57,163</td>
<td>12,998</td>
<td>2,785</td>
<td>399</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>(29,957)</td>
<td>(55,351)</td>
<td>(347)</td>
<td>(12,777)</td>
</tr>
<tr>
<td>Proceeds from disposal of investment in Bell Tea</td>
<td>-</td>
<td>32,487</td>
<td>16,243</td>
<td></td>
</tr>
<tr>
<td>Dividends received from other investments</td>
<td>3,530</td>
<td>6,271</td>
<td>2,001</td>
<td>5,049</td>
</tr>
<tr>
<td>Advances to Members</td>
<td>(131,472)</td>
<td>(160,390)</td>
<td>(160,390)</td>
<td></td>
</tr>
<tr>
<td>Repayment of advances to Members</td>
<td>148,247</td>
<td>168,268</td>
<td>168,268</td>
<td></td>
</tr>
<tr>
<td>Repayment from/(advances to) Subsidiaries</td>
<td>(232,111)</td>
<td>(70,929)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment from/(advances to) Other Related Companies</td>
<td>(1,455)</td>
<td>(13,129)</td>
<td>(12,842)</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents acquired on merger</td>
<td>-</td>
<td>12,666</td>
<td>10,993</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(230,299)</td>
<td>(249,201)</td>
<td>(111,774)</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(121,200)</td>
<td>(38,161)</td>
<td>(150,000)</td>
<td>(217,161)</td>
</tr>
<tr>
<td>Rebate investment vouchers paid</td>
<td>(44,501)</td>
<td>(41,595)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred rebate vouchers paid</td>
<td>(12,557)</td>
<td>(13,129)</td>
<td>(13,129)</td>
<td></td>
</tr>
<tr>
<td>Legacy instruments paid</td>
<td>-</td>
<td>(332)</td>
<td>(332)</td>
<td></td>
</tr>
<tr>
<td>Interest paid on rebate investment vouchers</td>
<td>(17,739)</td>
<td>(16,724)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net cash generated used in financing activities</strong></td>
<td>(230,299)</td>
<td>(249,201)</td>
<td>(111,774)</td>
<td></td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td>28,723</td>
<td>9,362</td>
<td>26,692</td>
<td></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>44,071</td>
<td>15,348</td>
<td>8,762</td>
<td>29,070</td>
</tr>
</tbody>
</table>
NOTE 3. INCOME TAX EXPENSE

As per Statement of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current tax on profit for the period</td>
<td>7,076</td>
<td>14,483</td>
<td>5,884</td>
<td>5,490</td>
</tr>
<tr>
<td>Adjustments in respect of prior years</td>
<td>(1,973)</td>
<td>51</td>
<td>3,699</td>
<td></td>
</tr>
<tr>
<td>Total current tax</td>
<td>5,103</td>
<td>14,534</td>
<td>9,583</td>
<td>5,490</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>(6,730)</td>
<td>(10,368)</td>
<td>(3,055)</td>
<td>(2,514)</td>
</tr>
<tr>
<td>Impact in change of tax rate / adjustment for prior years</td>
<td>6,066</td>
<td>-</td>
<td>7,366</td>
<td></td>
</tr>
<tr>
<td>Total deferred tax</td>
<td>(664)</td>
<td>(10,368)</td>
<td>4,311</td>
<td>(2,514)</td>
</tr>
<tr>
<td>Income tax charge reported in Statement of Comprehensive Income</td>
<td>4,439</td>
<td>4,166</td>
<td>13,894</td>
<td>2,976</td>
</tr>
</tbody>
</table>

Reconciliation of effective tax charge:

Profit before distribution to Members | 155,353 | 155,021 | 137,016 | 130,416 |
Distribution to Members | (132,533) | (112,077) | (132,533) | (112,077) |
Profit before income tax | 22,820 | 42,944 | 4,483 | 18,339 |
Effective tax charge at 28% | 6,390 | 12,024 | 1,255 | 5,135 |
Adjustments to taxation: Non taxable gain | (2,604) | (3,008) | - | - |
Non taxable income | (3,777) | (1,644) | (543) | (71) |
Associates and Joint Venture results reported net of tax | 243 | (2,115) | - | - |
Revaluations of asset at fair value | - | (1,368) | - | (453) |
Expenses not deductible for tax purposes | 93 | 2,900 | 2,117 | 834 |
Adjustments in respect of prior periods | 4,094 | (2,423) | 11,065 | (2,469) |
Total income tax charge for the period | 4,439 | 4,166 | 13,894 | 2,976 |

NOTE 4. RELATED PARTY TRANSACTIONS

a. Transactions with related parties
Foodstuffs North Island Limited operates as a co-operative and predominantly trades with Members. All transactions are conducted on normal trading terms and conditions. Virtually all sales of the Parent company and rental charges are made to Members. On a Group level approximately $5,914,612,000 (2014: $5,288,100,000) of revenue represents sales to and rental from Members. Within other income, services to Members were $45,808,000 (2014: $41,437,000).

In the ordinary course of business the Group bears charges for the shared activities undertaken by its associated companies and related parties and incurs direct costs which are recovered from them. The net charges from associated companies were $11,220,000 (2014: $18,074,000). Net charges from related parties were $472,000 (2014: $55,000).

Advances, repayment of advances, and distributions to Members are presented in the Cash Flow Statements.

There have been no transactions with Directors outside trading in the normal course of business in their capacity as Members.
b. Outstanding balances at balance date with related parties

The Parent company advances funds to subsidiaries, Members and associate companies in the normal course of business at commercial lending rates. All loans are secured and repayable on demand. At 29 March 2015 a reserve against future recoverability of Member loans of $5,500,000 (2014: $7,900,000) was held. All of the interest received shown in the Parent’s Statement of Comprehensive Income was from Members or subsidiary companies.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payable to Members</td>
<td>$15,432</td>
<td>$43,603</td>
<td>$15,432</td>
<td>$43,603</td>
</tr>
<tr>
<td>Payable to Associates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payable to Subsidiaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payable from Subsidiaries</td>
<td>19,427</td>
<td>16,167</td>
<td>12,508</td>
<td>10,469</td>
</tr>
<tr>
<td>Related party payables</td>
<td>8,292</td>
<td>6,846</td>
<td>15,692</td>
<td>118,901</td>
</tr>
</tbody>
</table>

Loans to Members are due within one year and the rate of interest is determined over the period at the floating rate existing at that time except where alternative arrangements have been made. The average floating rate at balance date was 6.1% (2014: 5.4%).

Other related parties represent balances owing from the Foodstuffs North Island’s sister company in South Island, Foodstuffs Auckland Provident Fund and Foodstuffs New Zealand.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Payable to Subsidiaries</td>
<td>240</td>
<td>136</td>
<td>240</td>
<td>121</td>
</tr>
<tr>
<td>Payable to Associates</td>
<td>8,052</td>
<td>6,710</td>
<td>7,966</td>
<td>6,633</td>
</tr>
<tr>
<td>Related party receivables</td>
<td>61,419</td>
<td>87,175</td>
<td>358,407</td>
<td>379,322</td>
</tr>
</tbody>
</table>

Guarantees for Members’ bank loans at 29 March 2015 were $380,075 (2014: $413,492).

c. Guarantees

The Group acts as a guarantor for a number of Members’ bank loans. The Group is obligated under the guarantee to make the loan payments in the event the Member defaults on a loan agreement. The Group generally holds first debenture security over the assets and prudently manages exposures. Based on a review of the current financial situation of Members, the Directors do not expect any impact on profit from cash outflows under the guarantees in place. Accordingly the estimated fair value of these guarantees is $nil (2014: $nil).

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CONTINUES ON NEXT PAGE >
NOTE 5. BUSINESS COMBINATIONS

On 5 July 2013 the shareholders of FSA and FSW voted in favour to amalgamate FSA and FSW to be effected by approval of the Court pursuant to Section 236 of the Companies Act. The amalgamated company FSA is renamed “Foodstuffs North Island Limited” (FSNI). The amalgamation is effective from 1 September 2013.

Although the transaction is a merger of equals, for accounting purposes, under IFRS 3 it is required to be presented as an acquisition of FSW by FSA.

**Assets acquired and liabilities assumed**
The fair values of the identifiable assets and liabilities assumed as at the date of amalgamation were:

<table>
<thead>
<tr>
<th>Fair value recognised on acquisition</th>
<th>$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>453,507</td>
</tr>
<tr>
<td>Intangible assets excluding goodwill</td>
<td>17,191</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>16,992</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>39,109</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>7,976</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>12,666</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>134,592</td>
</tr>
<tr>
<td>Inventories</td>
<td>66,492</td>
</tr>
<tr>
<td>Related party receivables</td>
<td>25,083</td>
</tr>
<tr>
<td><strong>Total identifiable net assets at fair value</strong></td>
<td>64,226</td>
</tr>
<tr>
<td>Goodwill</td>
<td>67,283</td>
</tr>
<tr>
<td><strong>Purchase consideration / fair value of FSW’s equity</strong></td>
<td>131,509</td>
</tr>
</tbody>
</table>

In the 2014 financial year the fair values of the identifiable assets and liabilities assumed as at the date of amalgamation were determined provisionally. Provisional valuations were appropriate as certain detailed property valuation work was still in progress at the point the financial statements were completed.

As a result of the completion of this work, the fair value of property, plant and equipment has decreased by $21,980,000, deferred tax liability increased by $3,301,000, trade and other payables decreased by $298,000 with a corresponding increase in goodwill of $24,983,000.

The 2014 comparative information is reclassified to reflect this adjustment. There is no adjustment required to the statement of comprehensive income.
ACKNOWLEDGEMENTS

The successful governance of FSNI relies on a combination of Trustees, Committees and External Professional Partnerships. FSNI would like to acknowledge the following for their contribution to FSNI throughout the 2014/15 financial year.

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Tony Carter
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John Street

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