A grocery store typical of the late 19th and early twentieth centuries offered personal service to its customers. Customers identified the items they wanted, then the storekeeper fetched and packed them.
FOODSTUFFS SOUTH ISLAND LTD

- Chartered Institute of Logistics and Transport (CILT) Awards.
  FSSI Supply Chain Team
  Award for Innovation in the Transport and Logistics Sectors
  The nomination submitted was “The Power of Forecast Data: Benefits to the Supply Chain.”
- Christchurch Hospitality Awards.
  Trents Wholesale Ltd
  Goods and Services Wholesaler of the Year
- World Butchers’ challenge.
  Samantha Weller from New World Rangiora
  World Champion Apprentice Butcher 2018

NEW WORLD

- Reader’s Digest
  2018 Quality Service Awards GOLD
- Reader’s Digest
  2017 Most Trusted Brands
  Supermarket category winner
- Canstar
  2018 Most Satisfied Supermarket
- Effie Awards for Sustained Success
  ‘A very big Little success story’
- TVNZ New Zealand
  Marketing Awards
  ‘New World Epic Easter Hunt’

PAK’nSAVE

- Reader’s Digest
  2017 Most Trusted Brands
  2016 Highly Commended
- Canstar
  2018 Highly Commended
  Most Satisfied Supermarket

FSNZ DIRECT MARKETING AWARDS 2018

- New World Little Garden
  SILVER recognising yet another environmentally friendly, fresh food promotion with an incredible impact on consumer behaviour and their health, let alone that of our bees and butterflies;
- New World Clubcard
  2x BRONZE To add to a pretty big tally already;
- PAK’nSAVE Sticky Club
  SILVER Which bodes well as we look at next year;
- New World Epic Easter Hunt
  Virtual reality game and app
  3x GOLD This had children of ALL ages racing around the store looking for hundreds of thousands of virtual eggs.

FOODSTUFFS NEW ZEALAND

- Sustainable Business Network Awards
  FINALIST in the Efficiency Champion category for the 2017
- Sustainable Business Network Awards
  JUDGES’ COMMENDATION in the Mega Efficiency Category in the 2017 for our efforts in reducing waste.

NOMINATIONS AND ENTRIES

- BACS Good Eggs Award
  Decision to be announced 12 April 2018.
- PRINZ Awards
  We’ve entered Project Opo (microbeads), but finalists are not announced until mid-April 2018.
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Directors and Corporate Executive Team

Russell McKenzie
New World St Martins
Chairman of the Board

Marcel Gray
PAK’nSAVE Wainoni
Vice Chairman

Chris McDonald
PAK’nSAVE Dunedin

Kevin Ryan
New World Alexandra

Roy Bridgman
New World Rolleston

Michelle Grundy
Four Square Maniototo

Steve Wakefield
Independent Director

Kathy Frampton
New World Northwood

Justin Vaudrey
New World South City

Director
Tim Donaldson  
General Manager Retail

Nathan Marsh  
Chief Financial Officer

Stephen Anderson  
Chief Executive Officer

Kim DeGarnham  
General Manager Employee & Support Services, Company Secretary

Philip Lemon  
General Manager Merchandise

Roger Davidson  
General Manager Property & Retail Development

John Mullins  
General Manager Supply Chain

Phil Wright  
General Manager Information Technology
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. FSSI 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, which trades only in the South Island of New Zealand.

Our membership generally falls into 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 sector.

Trents Wholesale Limited is a wholly-owned subsidiary of FSSI and was established to meet the different purchasing requirements of the Oil Channel and Foodservice Industry. These customers are able to purchase not only dry groceries but a variety of fresh products directly 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 and At-Call deposit facilities for trading Members, former Members and related parties.

in 1925, the association resolved to register the Combined Buying Association as a company in its own right and, after considering various options, it settled on Foodstuffs Limited. The company was registered on 28 March 1925 with a nominal capital of £5000.
New Zealand in the 1920s and 1930s could almost have been termed a nation of bakers, so widespread and essential was this regional service. Here, Freeman & Sons bakers show off their brand new mode of delivery: a handsome new Cadillac van.
On behalf of the Board of Directors of Foodstuffs South Island Ltd (FSSI), I am pleased to present to you the 30th Annual Report showcasing our activities, highlights, challenges and financial performance for the year ended 28 February 2018.

In the past year we have seen some big changes in New Zealand’s economy and even more changes are to follow in 2018. Business confidence has declined over the last months as confidence tends to decline when a change in government occurs.

During the first half of 2017 the tourism and hospitality industry saw growth but due to a lack of major events in the second half of the year, this growth has slowed. Drought during the middle part of the year has also affected agriculture and has had an impact on our economy and supply of fresh product. This may become an issue in the future, as climate change may potentially disrupt production patterns and increase production costs. Whilst the overall pace of growth has slowed down during the latter part of the year in New Zealand, we saw signs of strength in the market, most notably housing.

New Zealand’s shopper behaviours continue to shift to reflect the demand for convenience, freshness and practicality. Top up shopping is increasing, driven by increased urbanisation, restricted domestic storage space, access and income. FSSI has seen a rise in ‘on the run meals’ and for those who have more time, meal kits. This growth is fuelled by customers looking for convenient ways to have nutritious meals at affordable prices.

Our customer is at the heart of our business and fulfilling their needs and having effective marketing initiatives have contributed to Foodstuffs increasing our market share in a very competitive environment. This indicates the trust our customers bestow on us, our brands, service and quality of products. There are many additional factors contributing to these results but crucial were our Members, who always strive to provide the best possible service.

The opening of New World Prestons, the opening of two Henry’s Beer Wine and Spirits and the rebuild of Four Square Tekapo demonstrated exceptional marketing and investment strategies.

Sunday, 29 October 2017 marked our 10-year anniversary of SAP going live in FSSI. The team started off with 40 people and shortly before go-live, the team increased to 80 staff. SAP has now been rolled out to all stores and has been extended to provide even more benefits. Advanced replenishment (AR) functionality has revolutionised our ordering processes and produce, Clubcard, Sticky Club, Christmas Club and Transportation Management System (TMS) have all been added to the SAP foundation. These functions are very much ingrained in our company today and frequently major overseas retailers use FSSI as an example of “best practice use of technology” in grocery retail.

FSSI has made significant advances developing and employing sustainability programmes. 2017 was a standout year with the business breaking new ground in the areas of electric vehicles, reduction of packaging, increasing recycling and waste minimisation in stores, increasing food donation to local communities and leading the ban on microbeads in products. In October 2017 we also announced that New World stores would no longer supply single-use plastic bags at checkouts from the end of 2018.

FSSI focuses strongly on sustainability as it goes a long way in building positive relationships with our consumers and proactively bolster consumer confidence and trust. Through our community involvement we are helping to create a sustainable change with measurable impact on reducing our carbon footprint in New Zealand.

Foodstuffs pride ourselves on being committed to the communities we serve, not only by being sustainable but also by lending a helping hand to organisations and those in need via our Community Trust.

In 2017 FSSI released our Healthy Kids Pledge Report in which our Food for Thought programme plays a major part. Obesity is the next major health battle for physicians, public health experts, government officials and the general population with the annual healthcare cost rising at an alarming rate. Our pledge outlines:

- Reformulation of our Private Label products to be healthier.
- Health star ratings for all private label products, and
- Providing information and education on diet, nutrition and physical activity to support our customers in adopting healthier lifestyles.

We actively fight childhood obesity with our Food for Thought programme and through a variety of initiatives in place we ensure trust and the respect by the communities we serve.

Celebrating the last year is satisfying but strategising for our future is essential. Every action we take is focused on improving the service to our customers. We must keep abreast of the sheer pace of change, be it technological or the changing demand of our customers. During 2017 we;

- refreshed our company strategy, and
- set a clear direction for our company to firmly align it for future growth.

Our strategy in the past produced strong results and with our new strategic plan well in place we are already considering the next step we need to make to continue our growth trajectory.

FINANCIAL REVIEW

The Co-operative has achieved a robust financial result for the 2017/18 year. The highlight being the achievement of $3 billion of sales in our 29th year of consecutive growth. It has been particularly satisfying to achieve this milestone, with our other key financial targets met while also successfully managing through planned supply chain disruptions.
in our peak period from the construction of our new chilled and frozen distribution hub.

Sales have lifted to $3.07b, an increase of $101.3m or 3.4%. All retail banner groups had excellent growth from last year. PAK’nSAVE’s same-store sales were further enhanced with the first full year of trading of the well-performing Queenstown store included. Both New World and Four Square also performed well with solid growth on last year. The exception was a decline for the Raeward Fresh banner as a result of the planned closure of Marshlands before the opening of New World Prestons at the adjacent site.

Gross Profit grew by 4.0% due to both sales growth and the continued increase in goods supplied to Members via Foodstuffs distribution centres.

Operating Income and Operating Expenses increased during the year by $3.3m and $13.0m respectively. The key driver behind the Operating Expenses increases continue to be allied to strategy execution, particularly increased volumes moving through the Co-operative’s own distribution facilities adding additional volume-related costs. Additionally, we continue to see higher interest and depreciation expenses as significant store refurbishment investments and key information technology capability projects are completed.

Operating Profit increased $3.8m to $283.5m, an increase of 1.4%.

The Co-operative continues to maintain a very strong financial position with Total Assets of $1.2b. All key financial ratios and associated measures are well within the requirements set by our funding partners.

Distributions to Members (consisting of Rebates, Dividends and Imputation Credits) totals $280.0m, an increase of $6.6m or 2.4%.

The breakdown of the 2017/18 distributions is as follows:

- We have continued our practice of paying monthly rebates, based on pallet, bulk and repack purchases, and distributing these, together with supplier driven rebates, to Members during the year. In total $199.8m has been distributed to Members in this manner.
- The Board has declared a Loyalty Rebate this year of $53.0m, and a Produce Rebate (based on 3% of ex-warehouse produce purchases) of $4.8m. Both these rebates will be distributed through the issuance of 57.8 million Retained Patronage Shares, with a fully paid up specified value of $1.00 per share.
- 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 $10.1m).
- Included in the financial accounts are the Advertising Rebates. These distributions are banner specific. The total of these distributions is $10.1m, of which $6.0m was distributed in October 2017 and the remaining amount of $4.1m will be distributed at the same time as the IT Leasing Rebate payments.
- In addition to the year-end rebates, there are $4.1m will be distributed at the same time as the October 2017 and the remaining amount of Advertising Rebates. These distributions are

PROPERTY REVIEW

Property Ownership and development is a key cornerstone to the success of the Co-operative and will continue to be the subject of rigorous overview. These properties are long-term assets which are continually reviewed, enhanced and will continue to provide on-going value to the Co-operative.

Our experienced property team are continually looking for green-field opportunities to improve market coverage, as well as focusing on improving our current supermarket offerings.

The two highlights this year for Foodstuffs (South Island) Properties Limited was the opening of Four Square Tekapo and New World Prestons. Tekapo is a replacement store, positioned in a superior location to harness the benefits of the burgeoning tourism visitors to the area. The store is located on the shores of Lake Tekapo in what is simply one of the most stunning locations in New Zealand. New World Prestons is in the newly created suburb of Prestons, in north east Christchurch, which has established at a fast rate since the earthquakes of 2010/2011.

FSSI has an objective to continually reinvest in its existing supermarket sites, with refurbishments/ extensions occurring at New World Alexandra, PAK’nSAVE Moorhouse and PAK’nSAVE Timaru. All three developments brought new life to older stores and have provided a shopping experience for our customers equal to that experienced in new stores. The positive feedback from our loyal customers is very rewarding and is extremely gratifying for all the hard work put in by all those involved.

The last major earthquake project from the 2010/11 earthquakes, the rebuilding of PAK’nSAVE Wainoni, was completed during the year. This was a very complex project, completed over 8 stages, to ensure the existing store continued to trade throughout, to provide on-going employment and a critical service to the local community.

OPERATIONAL REVIEW

FSSI continues to improve our supply chain efficiency by using the best resources we can, financial, technological or physical. Not only are we aiming for efficiency but we strive to have an effective, result-driven supply chain by meeting the needs of our Members, customers and suppliers. We focus on actively driving cost down by improved decision making which is underpinned by excellent information systems.

Our centralised state-of-the-art supply chain in Hornby (Christchurch) provides us with greater control over
our inventory and we look forward to increased productivity with the opening of our new temperature controlled distribution centre later in the year. This new distribution centre hub will enable us to introduce even more efficiencies, for instance; vendor stock holding, vendor cross docking and primary freight expansion.

The necessity for the new temperature controlled distribution centre was initiated in 2016 due to capacity constraints, as our existing temperature controlled distribution centre (TCDC) was no longer able to support future growth. After months of detail design to support business growth, we commenced construction of the new expanded (25,000m²) temperature controlled distribution centre in June last year. We foresee completion of stage one (distribution centre) late in 2018 and stage two (TCDC office administration and staff amenities) mid-2019.

This new temperature controlled distribution centre, when completed, will allow for the addition of 1,000 new articles, a 61% lift in storage capacity, expanded despatch dock facilities and truck loading doors. The distribution centre design has incorporated sustainable and smart systems in areas of modern refrigeration (reduced ammonia levels & energy consumption), LED lighting with zone shutdown and on-site generators with peak load switching.

We continue to grow the volume of returnable packaging through our distribution centres. The focus is placed on moving produce articles from cardboard crates with 70,000 collapsible crates per week now in use across our produce vendors along with a further 9,000 via our ambient pick module. All crates are returned for redistribution via our transport network.

Service levels to Members across all product categories have shown improved results. This has been achieved by increased supplier engagement around their individual performance to the Co-operative especially during festive season periods.

During June 2017 Terrace Distributors Central Otago was purchased and integrated into the co-operative and now operates as Trents Central Otago. This operation now fully supports the Trents Wholesale Foodservice business within this region and provides significant opportunities to grow our business in this area.

We continue to invest in new packaging plant and processes in Murdoch Manufacturing to ensure we operate our facilities to an efficient and safe level in the production of Pams and Value house brand products on a national level. The ongoing development of house brand products has continued with range extensions to existing brands but also extensive development with ‘Pams Finest’ brand which has been well accepted by consumers.

During 2017 we launched FreshBiz, a project to migrate our fresh produce system into SAP. This has provided significant streamlining of the central produce procurement function which positions us well to exploit Advanced Replenishment for the benefit of our Members when ordering fresh products.

We installed a new Transport Management System (TMS) and e-road system into our Transport South Island (TSI) fleet. The TMS assists with planning and executing efficient deliveries based on informed route planning, freight consolidation and enhanced visibility. TMS will actively drive value and help us perform better in terms of service levels, vehicle utilisation, route optimisation, payments and master data, load planning and reporting. During 2017 we also rolled out the E-logbook and in-cab cameras across the delivery fleet.

As our information technology (IT) system is the lifeblood of our Company, FSSI continues to invest in our core systems architecture to enhance our systems’ availability, including reducing the system maintenance impact on the business. To minimise these impacts a new data centre in Ashburton has been commissioned to enable system workload to be moved between the existing Papanui data centre and Ashburton. We are pleased to report that our core IT systems performed well during the year with metrics well ahead of the key performance indicators.

FSSI benefits from an outstanding information technology infrastructure, SAP, which support critical functions across our Company and our Members’ businesses. We continually invest in our integrated SAP system, driving further benefits and during the year we easily integrated two new businesses into our Trents Wholesale operation.

Technology is allowing retail to become more vibrant and diverse with personalisation and relevancy a major focus for FSSI. Today, more than ever before, data is the key to making sound retail decisions and we continue to investigate ways to use this data even more effectively to make smarter choices. Our investment in Customer Relationship Management (CRM) systems enables us to understand our customers and to provide a more personalised service via digital channels. This investment allows for improved decision making in terms of promotions, store layout, fuel offers and pricing. We continue along our digital journey and recently deployed Electronic Shelf Labels in some of our stores.
PAK’nSAVE Sticky Club was successfully launched in September 2017 and our membership is growing exponentially. New World Clubcard continues to be a winner and its success is unparalleled. We are starting to use the data to gain actionable insights, e.g. what our customers want, when they want it, where they want it and how do they want it. The relevancy system used by Sticky Club will be extended to provide New World Clubcard customers with personalised offers based on their personal preferences and relevant promotions.

Our suppliers are important to us; therefore, we focus on nurturing long-lasting relationships with them through regular business reviews, quarterly reviews and top-to-top discussions. Late last year we held a supplier evening in Christchurch to reinforce our position in the market with a clear challenge to invest time and resources to understand our business and align with the banner strategies. This proactive engagement with our suppliers ensures our supplier satisfaction remains at a high level and ensures Foodstuffs receives the best, most innovative and cost-effective products on-shelf in our stores. Last year’s Nielsen Supplier survey can attest to this as FSSI was rated first in all areas of the survey.

In December 2017 FSSI signed an agreement with Synlait to become our exclusive supplier of our private label fresh milk and cream from early 2019. Synlait’s investment of $125million in an advanced liquid dairy packaging facility, as well as our partnership, will aid growth and economic development in the South Island.

**EMPLOYMENT & SUPPORT SERVICES REVIEW**

Personal development is important and at FSSI we give our and our Members’ staff the chance to learn and to develop new skills. We are engaged in distribution, logistics and manufacturing industries as well as the corporate environment. Therefore, Training and Development is crucial to ensure we remain competitive and to grow the people that make our businesses so successful.

Our Members and Foodstuffs staff come from diverse backgrounds and many different nationalities and our comprehensive learning and development opportunities complement this diversity. The training curriculum encompasses e-learning, interactive classroom programmes, on-the job training and customised market and department training solutions. Staff within our stores and FSSI can graduate from our Management Academy and progress to higher level of study through our Leadership Academy. Our programmes are aimed at ensuring we have the best possible people operating in all areas of our business.

Foodstuffs value our employees and it is an important part of our business to ensure our staff’s health stays a priority. We provide many staff benefits including health insurance, flu vaccinations and last year each Co-operative staff member received during June and July, once a fortnight, a free meal bag to make a healthy warming winter meal. This initiative brought out the best in department and people collaboration to ensure its success.

FSSI has maintained tertiary accreditation for the 7th consecutive year, in the ACC Accredited Employer Programme for 2018. A tertiary rating indicates that FSSI has a ‘best practice’ framework and undertakes continuous improvement in the health and safety and ACC claims management areas.

**GOVERNANCE**

**CONSTITUTION**

Over the last year FSSI has revoked our existing Constitution and adopted our new modernised Constitution to include a change to the Board structure. This change allows for the appointment of two Independent Directors.

**GOVERNANCE**

At the 2017 AGM, our long serving Chairman of the Board, Robin Brown, stood down from the Board after serving since 1996 as Director and being our Chair from 2008. I would like to thank Robin for his contribution to the Co-operative.

I would also thank John Niles who stepped down from his Directorship on the sale of his Four Square store in Owaka.

We welcome to our Board Justin Vaudrey, Michelle Grundy and our new independent Director, Steve Wakefield.

**ACKNOWLEDGEMENT**

It requires great perseverance and innovation to stay abreast and focussed in the ever-changing world of retail. Retail with its long trading hours necessitated by changes in lifestyle patterns, consumer trends and ever-changing technology. I can proudly state that from the outset the co-operative, its Members and our staff have always risen to the occasion which is clearly reflected in the results we achieved this year.

I want to express my deepest gratitude to;

- my fellow Directors, CEO and Executives for your ongoing support, enthusiasm and guidance.
- our Staff, for their teamwork and effort,
- our Suppliers, for your ongoing partnership and collaboration in helping us achieve our goals, and
- our Members and their staff, without your drive and energy the Co-operative cannot succeed.

Russell McKenzie
Chairman – Foodstuffs South Island Ltd
The PAK’nSAVE Group had an extremely successful year with fantastic results in share and sales growth.

Our newest store PAK’nSAVE Queenstown continues to experience aggressive growth in its second year of trade helped by the expanding population in the Central Otago region.

The brand has continued its refurbishment programme with work being completed at the Riccarton, Moorhouse, Timaru, Wainoni and Dunedin stores. This is a continuation of the Group’s focus on providing an excellent shopping environment for its customers.

In September, PAK’nSAVE South Island launched its very own Loyalty Programme, “Sticky Club”, focusing on bringing great fuel discounts to its customers. The reaction from customers has been above expectation. Growing and evolving the program continues to be a focus for the Group.

Our theme promotions continue to drive strong sales results while giving our customers outstanding prices. The focus on delivering on the brand policy of ‘New Zealand’s Lowest Food Prices’ continues to be the number 1 priority.

H.A.C North
Nicholls & North

H.A.C. North, public accountant and a member of the firm of Nicholls and North, was the first to suggest a combined buying organisation group be set up in Christchurch.

After inspecting premises in Armagh Street and Moorhouse Avenue, the group agreed to lease premises from Metal Layers Limited, 373 Moorhouse Avenue, at a rent of £4.5.0 per week.
The 2017 trading year was another good year for the New World Group, building on the success of previous years.

It was a milestone year for the brand with New World tackling the plastic bag issue with a very successful bagVote Campaign where we asked New Zealanders to vote on their preference for the future of single-use plastic bags. The end result was a commitment from New World to be out of single-use plastic bags by the end of 2018 and a 10c voluntary donation introduced in early 2018.

A key focus for the year was the continued rollout of the new brand standards, with the aim of bringing all stores up to date with a modern refresh of signage and internal and external colours. Progress has been made through the year and we are seeing excellent results for those completed stores. The rollout will be completed mid-2018.

New World Clubcard had a successful year with impressive momentum. Membership continues to grow and all key metrics improving. Our customer journey has also seen exciting innovation with the development of a Clubcard App which now means customers can house their Clubcard on their mobile device making for an even more convenient shopping experience.

We saw a number of supermarket refurbishment projects completed with New World Alexandra being the highlight.

Towards the end of the financial year, we opened our 42nd New World in the South Island with the very successful opening of New World Prestons on 1 February 2018. The store is a great addition to the community in eastern Christchurch and is trading very well.

New World continues to focus on exceptional service, inspiration and innovation and we look forward to the year ahead.
FOUR SQUARE

The Four Square Group had another very strong trading year. This was certainly helped with the new stand-alone Four Square Supermarket in Lake Tekapo opening in June 2017, touted by the media as having ‘The world’s best view from a supermarket’.

In 2017 the deployment of SAP within the stores continued with rollout to all stores due to be completed mid-2018. Strong strategic focus continues on our fresh foods offer with a heightened focus on meal solutions and food-to-go in store.

Four Square remains committed to delivering a relevant range and promotional package that excites and delights all our customers. Understanding and catering to the booming tourism market in the South Island is vital for the coming year.

The Group has had a significant change of owner operators in 2017 and alongside the existing owners we continue to connect with our customers in true Four Square fashion, we strive to remain at the heart of our communities to make sure the Four Square brand is as much loved today as it was over 9 decades ago.

HENRY’S BEER, WINE & SPIRITS

2017 was a very positive year for Henry’s BWS with strong sales along with an increased share of trade and profit results.

The brand celebrated the opening of Henry’s BWS Cromwell in November and Henry’s BWS Northtown, Timaru in December. Both stores are exceptionally well presented and are trading well. Plans are well advanced for the opening of the 22nd Henry’s BWS store at Wakatipu, later in 2018.

In 2017 Henry’s BWS explored the use of the digital media market and based on the success, the Group will develop digital further in 2018. Another key focus is to maximise the use of SAP reporting and to continue to drive the benefits that SAP brings within the business.

2018 will see the Group continue to focus on a competitive promotional program and a broad product range. This combined with innovative and exceptional store execution will ensure that we maintain our strong position in the Traditional Liquor Market and continue to build on the strong brand equity that we enjoy.

RAEWARD FRESH

The Raeward Fresh Group had a successful trading year with increased same store growth. The roadworks directly outside Raeward Fresh Harewood have been completed now and we expect to see growth at this store this year.

In 2017 the Raeward Fresh Group had significant highlights in butchery becoming Ministry of Primary Industries accredited to produce dry-aged beef, winning Gold Medals in the annual sausage awards and introducing the Pitmaster BBQ range for Summer. The Pitmaster BBQ selection has proven to be very successful, introducing the customer to some of the tastiest cuts of meat that they wouldn’t normally find at a supermarket.

2017 also saw the emergence of Facebook and Instagram digital platforms as a tool for stores to directly communicate with their local catchments more effectively. The use of these platforms has been successful in strengthening each store’s unique character and offering.

2018 will be an exciting year for the Group with an emphasis on reinvigorating the in-store experience, creating energy through store events and expanding the Raeward Fresh presence throughout the South Island.
ON THE SPOT

The On the Spot Group has enjoyed a solid year in sales. There are currently 96 stores in the South Island.

In 2017 five new stores opened - Caltex Richmond, Diamond Harbour, Challenge Milton Street, Caltex Oamaru and Rolleston.

The On the Spot team have actively engaged with Members to introduce the new brand standards which include new internal and external signage. The sites that have engaged have had positive sales growth and a lift in brand profile.

In 2018 On the Spot will introduce a new point of sales system which will assist the brand to monitor sales, identify new growth opportunities and strategically position itself as a leading convenience retailer.

TRENTS WHOLESALE LTD

Trents had another strong year for revenue growth in the 2017 trading year, increasing turnover in all regions. We signed preferred supplier agreements with a number of large new accounts within the South Island and had strong growth in our chilled and frozen business.

In June we increased our footprint in the foodservice industry by purchasing Terrace Distributors in Alexandra. Terrace was a long-standing chilled and frozen business partner of Trents covering the Central Otago, Queenstown Lakes, Wanaka and lower West Coast areas. As these regions are high growth areas in the South Island, and Terrace had a good position in the market, the acquisition was judged to be advantageous to FSSI. There has been a significant effort by a great number of people to integrate the Terrace business into Trents and we are very excited to be directly involved in the region.

Early in the year we partnered with our sister company in the North Island and undertook some large-scale customer research. The findings of this research have given us direction on where to focus for the next 12 to 24 months in terms of growth in capability, fine-tuning our range and engaging with customers.

There are already a number of substantial projects underway for Trents for the upcoming year, the completion of which will be very positive for our brand and our performance.
The school milk scheme (introduced in 1937 to provide half a pint of milk to each New Zealand child) was extended, and surplus apples were also provided to schoolchildren from 1943 to 1945.
Foodstuffs Food for Thought Education Trust has continued supporting our communities through our free nutrition education programme Food for Thought. The Trust acknowledges the outstanding contributions from New World, PAK’nSAVE and Four Square, without which the Trust would not be able to operate.

The Food for Thought Education Trust’s Collaborative Agreement with the Heart Foundation has enabled our programme to be delivered to more young people particularly within the lower social economic areas of our communities.

The Food for Thought programme aligns with many areas of the New Zealand Education Curriculum and is targeted to 9 to 10-year olds. The programme message is delivered by qualified Nutritionists and takes place in the classroom and at our supermarkets. It’s easy and simple to understand and the supermarket enquiry learning sessions make it fun and real for the students.

Numeracy skills are incorporated through the planning, designing and budgeting of a sponsored healthy lunch for the class.

This year the Trust was the recipient of a Paul Newman Foundation grant. This grant enabled the Trust to employ another Nutritionist for two Terms of the school year and as such been able to offer the programme to students who may otherwise not have had the opportunity to attend.

Since Food for Thought began in 2007, we have been part of educating our young people about healthy food choices. Our totals are impressive.

- 1,604 schools
- 5,464 classes
- 142,888 students
- 8,052 parents

A big thank you to our Members for their commitment and support of this valuable community based programme.

This year has again been exceptional and we have delivered our Food for Thought programme to:

235 SCHOOLS
803 CLASSES
21,644 STUDENTS
2,160 PARENTS
The Foodstuffs (South Island) Community Trust has again had a very successful year supporting organisations and individuals in our communities around the South Island. This year the Trust donated back to the South Island community over $444,000 in grants.

**MAJOR SPONSORSHIP**

The St John Friends of the Emergency Department (FED’s) and Hospital Friends programme continues to receive major sponsorship from the Trust. This volunteer programme provides non-clinical comfort and support to patients and their families in hospital departments.

The Trust has recently been awarded the “Priory Vote of Thanks” from St John. The award is given in recognition of the exceptional contribution the Trust has made to the work of St John over the many years of sponsorship.

The Trust is proud to support these St John volunteers who provide such valuable service to the South Island communities.

**EDUCATIONAL GRANTS**

Another major area of grants is Education. The Trust along with its Sponsors and Supporters place a high value on education and training of our young people. The Trust is able to support these values by way of:

- **The First Foundation** – The Trust every year sponsors a First Foundation recipient. This involves a contribution to their university fees, providing paid employment along with the First Foundation providing a mentor for the student.

- **Educational Grants** – This year the Trust granted $101,909 in educational grants to 56 students to assist them with their tertiary education. Various courses these students enrol in are Accountancy, Law, Engineering, Health Sciences, Nursing, Environmental studies, Physiotherapy and Broadcasting.

**COMMUNITY GRANTS**

Community Grants are the largest number of grants the Trustees consider and approve. It is a pleasure to assist community groups and individuals with items such as educational books and toys, furniture or whiteware in community or sports halls, shade sails, playground equipment, sports uniforms, specialist medical bed to name just a few.

All applications are important to us and all have their own story. One such story was a request for a new ventilator which was granted for the main rescue helicopter for Canterbury West Coast Air Rescue. They performed over 1,000 Emergency Medical missions in 2017.

Many groups such as the Canterbury West Coast Air Rescue and St John rely on the support from Community Groups such as our Trust to assist them to assist our communities. A win-win all around.

**ACKNOWLEDGEMENTS**

We offer a warm welcome to our three new sponsors and one new supporter and we thank all the outgoing sponsors for your past contributions.

On behalf of the Trust, I thank Foodstuffs personnel for all their administration assistance and KPMG for their voluntary auditing of accounts. Once again, a thank you to all our sponsors and supporters who together make the Trust the success that it is.

Justin D Smith
Chairman Foodstuffs (South Island) Community Trust
PLATINUM
New World
Alexandra
Ashburton
Hokitika
Motueka
Northwood
Oamaru
Rangiora
Rolleston
St Martins
Timaru
Wakatipu
Windsor

PAK’nSAVE
Dunedin
Hornby
Invercargill
Moorhouse
Northlands
Queenstown
Rangiora
Richmond
Timaru
Wainoni

SILVER
New World
Balclutha
Blenheim
Elles Road
Ferry Road
Ilam
Kaiapoi
Kaikoura
Lincoln
Northside
Stoke
Temuka
Wigram
Winton

PAK’nSAVE
Riccarton

Four Square
Akaroa
Ascot
Atawhai
Bluff
Culverden
Franz Josef
Hanmer Springs
Hawarden
Lawrence
MacKenzie
Maniototo
Murchison
Netherby
Omarama
Pleasant Point
Port Chalmers
Rakaia
Te Anau
Tekapo
Tokomairiro
Tuatapere
Wakfield
West Melton

GOLD
New World
Bishopdale
Centre City
Cromwell
Fendalton
Gardens
Gore
Greyouth
Halswell
Mosgiel
Nelson City
South City
Stanmore
Waimate
Wanaka
Westport

PAK’nSAVE
Blenheim

BRONZE
Four Square
Akaroa
Ascot
Atawhai
Bluff
Culverden
Franz Josef
Hanmer Springs
Hawarden
Lawrence
MacKenzie
Maniototo
Murchison
Netherby
Omarama
Pleasant Point
Port Chalmers
Rakaia
Te Anau
Tekapo
Tokomairiro
Tuatapere
Wakfield
West Melton

New World
Prestons
Redcliffs

SUPPORTERS
Grants On The Spot
Steve & Lynley Anderson
Maria Boock
Stephen & Heather Boock
Yvonne & Chris Botha
Roger & Heather Davidson
Kim & John De Garnham
Tim & Hilary Donaldson
Peter & the late Denise Hyland
Philip Lemon & Helen Healey
Kent & Jody Mahon
John & Jane Mullins
Howard & Kerry Smith
Ken Waterman
Charitable Trust
Phil Wright & Jo Steel
S.C. Johnson & Son Pty Limited

FOODSTUFFS SOUTH ISLAND ANNUAL REPORT 2018 | pg 19
Our brands continue to grow strongly and the success of the Customer Relationship Marketing (CRM) programme is unparalleled with both Foodstuffs’ Companies experiencing continued growth of their New World Clubcard programme.

It has been pleasing to see the movement from Clubcard, from just being a loyalty program to forming the foundation of new CRM initiatives which allow marketing interactions to be more relevant to Clubcard members. 2018 will be an exciting year as we will grow this area’s capability as well as moving data-driven marketing initiatives beyond relevant price and promotional offers and extending these initiatives to digital channels.

BRAND AND RETAIL MARKETING

New World

New World’s overall brand performance for 2017 continued to be strong with both brand health and sales measures ahead of last year. This, in part, was due to very successful marketing campaigns held throughout the year, namely:

- The ‘Happiness Project’ which created lots of surprise and delight moments for customers, centring on key events like Mother’s Day, Father’s Day and uniting stores nationwide go the extra mile to bring joy to shoppers on the ‘International Day of Happiness’.
- New World’s iconic character Noel returned to our screens in what has unquestionably become one of New Zealand’s favourite Christmas campaigns.
- Epic Easter Hunt. Store-wide egg hunts have been a cornerstone of New World’s Easter activations for many years. In 2017 customers were taken to an epic new level – with an all-new augmented reality app called the Epic Easter Hunt which was hugely successful.
- Win a Wish campaign celebrated New World’s Birthday in May.
- Armchair Army promotion celebrated the Lions Tour in 2017 and had several key suppliers participating.
- Little Garden returned to celebrate spring with the addition of flower seeds to encourage bees and butterflies to pollinate. Over 8.5 million seedling kits were given away in the campaign, encouraging New Zealanders to grow their own vegetables and herbs.
  - This included the bonus Starflower seedling which was available for a limited time for a $1 donation with all proceeds going to the Starship Foundation, and
  - As well as continuing a successful partnership for the fourth year with School Kit where our stores donated over 300 bee kits to schools across the country.

The focus for New World during the year was on the implementation of new in-store brand standards across all stores and refurbishments. This refresh of the in-store experience will continue through 2018.

James S. Wilson
Almagated Buyers
Chairman of Board 1941-1955

To anybody connected with the grocery trade in Canterbury in the 1930s and 1940s, the name James S. Wilson was synonymous with the well-being of the independent grocer, in particular, the Four Square grocer. He became a member before the end of the first year’s trading of the newly formed Amalgamated Buyers Limited in 1928. J.S. Wilson, was elected in 1941 and chaired the company through to 1955, whereupon Alex Kirk, a well-known figure among Four Square owners throughout the Canterbury region, took over and served until 1961.
PAK’nSAVE

PAK’nSAVE’s performance in 2017 was very strong. The brand led share growth in the supermarket category with increases in sales in existing stores and some very strong new store openings.

Marketing campaigns contributing to this growth were:

- **“Superhero” Birthday** campaign was again a highlight where Stickman is the hero of Low Prices. This year Stickman recruited some ‘Super Side-Kicks’ to help keep high prices at bay.

- **Theme Weeks**. Meat and Seafood Week brought together our two favourite food groups in blissful Meatrimony to highlight incredible deals. Success was gained off the back of the British & Irish Lions tour. Over three weeks Meat Week, $2 Week and Beer & Wine week were given a refresh to hammer home our Sideline Supporter Deals message whilst poking fun at our British foes.

- **Christmas campaign** was all about showing our friends and family we love them by being generous. We took the rituals and conventions of Christmas and centred them on food, driving home, through a series of category-specific messages, the fact that PAK’nSAVE has everything you need for Fridgemas.

- **Price Gap Campaign**. We continued to reinforce PAK’nSAVE’s promise to deliver New Zealand’s lowest food prices with two successful ‘Price Gap’ campaigns, reminding customers of the great savings to be had at PAK’nSAVE when compared to the competition.

Sponsorship

After 10 exciting years, New World’s time as an Official Sponsor of Netball New Zealand and the Silver Ferns came to an end. New World will continue to fuel fans and players at a grass-roots level through local sponsorships and support.

New World’s five-star partnership with the Starship Foundation continued to strengthen in 2017 as we engaged with customers through two fundraising initiatives. The Little Garden Starflower seedling raised $150,000 for the Foundation, and our support of Starship’s Star Decoration at Christmas raised more than $140,000 through New World stores.

Through New World’s funding a number of projects were supported in 2017:

- After a successful pilot, FSNZ continues to fund Starship’s National Feeding Clinic for children with severe eating difficulties
- A major funding partner of the refurbished General Paediatric Ward
- The delivery of more than 800 free fruit baskets to family kitchens throughout the hospital
- And funding new life-saving equipment for the Newborn Intensive Care Unit (NICU).

This year PAK’nSAVE once again sponsored the Breast Cancer Foundation of New Zealand. Stores nationwide participated in an incredibly successful fundraising initiative for the Pink Ribbon Appeal in October, where customers could purchase a pink reusable grocery bag and $2 from every bag sold would be donated to the Foundation, raising a huge $174,000!

Four Square

Four Square has rolled out new campaigns with many elements being used on a national basis.

The National Radio Brand campaign was changed to leverage the idea of ‘We’re good like that’ - catering to the needs of the community in a fun and uniquely Four Square way. The campaign also delved into the digital and social media space creating great engagement.

The South Island landscape was once again dominated by billboards, bus backs and truck backs with Four Square branded dog bowls becoming a fixture outside stores the length and breadth of the Mainland.

The annual Summer campaign “Cruise through Summer” was popular where customers could text to win a limited edition retro cruiser bike and helmet. This continues to position Four Square as an essential part of the New Zealand summer.
By 1935, the arrangement between Foodstuffs (AKL), Amalgamated Buyers (CHC), and United Buyers (WGN) had been formed and all had agreed to adopt the Foodstuffs name. Here are Foodstuffs (WGTON) Ltd branded Four Square delivery trucks in the 1930s.
Foodstuffs South Island Annual Report 2018

CONT'D

Foodstuffs Own Brands Ltd

This financial year has seen growth in private label sales and profitability due to work that was done over the last 36 months. This lift in performance is the result of a private label strategy and retail execution that has seen improvement in several areas:

- Increased focus on procurement continues to deliver cost savings and quality improvements.
- The brand shift from Budget to Value is now nearly complete with the Value brand enjoying stronger customer preference.
- Pams Finest range has been very successful with customers and enjoys strong baseline sales and continued sales growth.
- We have enjoyed success with controlled labels and exclusive brands (e.g. Rascal & Friends, Monro wines).
- Pams sub-brands (Super Foods, Gluten Free, Organic and Free Range) are now well established and successful.
- The NPD pipeline has delivered quality and innovation to the customer as well as incremental sales (e.g. Pams Finest Chocolate Chip Cookies, Pams Mussels).

The next financial year will be a consolidation year for private label to lock in and accelerate the sales growth, building on the great work that has been done to date.

Liquorland Ltd

2017 was a big year for Liquorland. It marked the first year of its new strategy. The initial focus on being “match fit”, building a platform for growth. The team at support office realigned to support the new strategy.

With over 110 stores nationally Liquorland continued to fill the gaps in its network through opening new stores or converting existing stores that fit its requirements. Additionally, Liquorland launched a new brand into the family called The Bottle Shop. This will be strategically used to maximise the network and offer a quality retail solution that is in a ‘second site location’ but not as a direct comparison or competitor to a current Liquorland.

The rebuild of the business intelligence was all but completed, proving efficiencies at the support office and improved decision making across the business. It helps inform our customer focus and store performance. 2018 will see its roll out to Franchisees, where we aim for Liquorland to understand the market better than anyone else.

Advocacy

A significant milestone during the last year was a change in the law permitting district councils to allow shops to trade on Easter Sunday. Foodstuffs was active in encouraging councils to consult their communities and by Easter 2018 thirty-seven councils had adopted a policy to allow trading within their districts. Foodstuffs is disappointed that the Auckland, Wellington and Christchurch councils have yet to follow this lead and will continue to engage with them.

Following advocacy by Foodstuffs, the Government agreed to change the regulations governing grocery stores’ eligibility for alcohol licenses. Annual increases in the excise tax on tobacco, which now accounts for 75% of the retail price, had led to the inequitable situation where stores were being declined licence renewals because their tobacco revenue was increasing at a greater rate than main-order food due to the addition of excise. The government acknowledged this as an unintended consequence of tobacco excise tax policy and amended its regulations to exclude excise from the turnover splits that need to be calculated for alcohol licence applications and renewals.

Work on readiness for the introduction of standardised tobacco packaging (plain packaging) was part of the annual work programme, with the new packaging being rolled out between March and June 2018. Foodstuffs has worked with suppliers to make the transition as smooth as possible. During the year we also had the opportunity to make a submission to the Ministry of Health in support of a proposal to legalise the sale of e-cigarettes and were pleased the Government subsequently committed to doing this. Regulations to implement the policy are expected to progress in 2018.

Changes to food safety management are also being made as part of a transition to the new Food Act. The Foodstuffs companies worked together to develop a common Food Control Plan to comply with the new Act’s requirement, which must be implemented this coming year. Foodstuffs has worked closely with the Ministry of Primary Industries (MPI) to ensure a smooth transition.

During the last year, Foodstuffs participated in public consultations on a range of policy proposals affecting the business. This included submissions for the following consultations: the MPI’s Review of Regulations under the Dairy Industry Restructuring Act; the Ministry for the Environment’s consultation on changes to Essential Skills Visa; MBIE’s consultation on changes to fire design requirements under the Building Code, and the Select Committee consultations on the Domestic Violence Victims’ Protection Bill, Pay Equity Bill, and Trade (Anti-dumping and Countervailing Duties) Amendment Bill.

The change in Government at the September 2017 General Election heralds a new direction in government policy, including major reforms to employment law, competition law, and environmental policy. Foodstuffs’ will continue to monitor these and other public policy development and make submissions and undertake advocacy work where relevant to the cooperatives’ and members’ interests.

Foodstuffs South Island Annual Report 2018

CONT’D

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Sustainability

2017 was a standout year in terms of sustainability at Foodstuffs with the business breaking new ground in electric vehicles, packaging, increasing food donation to local communities and leading the way in plastic reduction.

From the 1st July 2017, Foodstuffs was the first supermarket company in New Zealand to be 100% microbead free. The decision followed international research that revealed microbead contamination of the marine environment. The move generated significant media coverage and was supported enthusiastically by consumers.

Foodstuffs announced in September of 2017 that following an extensive review of its egg sourcing and animal welfare policies the business would be 100% cage-free within 10 years. With immediate effect, Foodstuffs increased customer communications around barn raised and free-range eggs, reduced the range of caged eggs on offer, and undertook a programme to transition to be cage-free over the next few years.

Food donation is an expanding programme and in 2017 we developed relationships with new food rescue partners and extended the range of items donated, with a focus on fresh healthy foods. Food equivalent to 3.95 million meals was gifted by New World and PAK’nSAVE stores to local food rescue organisations.

Stores continue to join the Waste Minimisation Programme, with 123 sites on board at the end of 2017. For stores on the programme, landfill is the last resort. Average recycling rates have increased from 64% to 84%. In 2017 stores collectively diverted 35,000 tonnes of waste from landfill, enough to fill an Olympic swimming pool 235 times over.

The 2017 Little Garden Promotion aimed to be both educational and environmental. We used renewable cardboard for promotional material made in New Zealand from trees grown here. The promotional displays for concepts are now 100% recyclable and once the promotion has ended the store sends the cardboard displays for recycling.

In 2017 the Soft Plastics Recycling scheme went from strength to strength with more support than ever from Foodstuffs. Foodstuffs stores account for the top 10 stores collecting soft plastics. A staggering 12 tonnes a week of packaging now being picked up which is a four-fold increase in 12 months. Recycling bins are now available to customers in Auckland, Hamilton, Wellington and all the South Island. The bags are reprocessed in Australia into outdoor furniture, decking and street furniture.

Foodstuffs will have 50 electric vehicle fast-charging stations in store carparks by the end of 2018 to enable customers to charge while they shop. In addition, we have also introduced 28 electric vans to stores around the country to help our stores reduce their emissions in their everyday operations.

In October 2017 New World launched BagVote; a campaign inviting customers to share their thoughts on a possible levy on single-use plastic bags. The overwhelming majority voted ‘Yes’. In response, New World has made a commitment to exit single-use plastic bags by the end of 2018. In preparation for this change, we’re giving away two million long-life reusable shopping bags to customers through various retail initiatives.

Dean Waddell
Chairman, Foodstuffs (New Zealand) Ltd

Cyril Jamieson
Foodstuffs Dunedin
Chairman of Board 1948-1949
Foodstuffs Otago/Southland
Chairman of Board 1949-1965

Cyril Jamieson first started on the mission of founding Four Square in Otago in the early 1940s and finally succeeded in getting a few grocers interested. Unfortunately, the interest waned, but not to be beaten, Jamieson finally joined up as a member of Foodstuffs Christchurch Limited and thus became the first Four Square grocer in Otago.

At the first meeting of the directors of Foodstuffs Dunedin, Cyril was elected chairman, a position he held until his retirement in 1965.

History Makers
The Network

NELSON / MARLBOROUGH
PAK’nSAVE → 2
New World → 5
Four Square → 9
Raeward Fresh → 1
On The Spot → 18
Henry’s BWS → 1

WEST COAST
New World → 3
Four Square → 5
On The Spot → 16
Henry’s BWS → 1

CANTERBURY
PAK’nSAVE → 7
New World → 20
Four Square → 17
Raeward Fresh → 2
On The Spot → 36
Henry’s BWS → 15

OTAGO / SOUTHLAND
PAK’nSAVE → 3
New World → 14
Four Square → 34
Raeward Fresh → 1
On The Spot → 25
Henry’s BWS → 4
Prime Minister Peter Fraser, government officials and wheat-research experts inspect loaves of bread in the 1940s. The government controlled the baking industry by subsidising wheat growing, and set the price of a loaf of bread from 1936 until 1980.
## Leadership Team

### PAK’NSAVE EXECUTIVE COMMITTEE
- **Andrew Howard [Chairman]** PAK’nSAVE Richmond
- **Bryan Dobson** PAK’nSAVE Invercargill
- **Mark Elkinson** PAK’nSAVE Blenheim
- **James Flanagan** PAK’nSAVE Rangiora
- **Marcel Gray** PAK’nSAVE Wainoni
- **Michelle King** PAK’nSAVE Queenstown
- **John Lee** PAK’nSAVE Hornby
- **Chris & William McDonald** PAK’nSAVE Dunedin
- **Steven McDonald** PAK’nSAVE Riccarton
- **Brad Spence** PAK’nSAVE Moorhouse
- **Bryan Walker** PAK’nSAVE Northlands
- **Jason Williams** PAK’nSAVE Timaru

### NEW WORLD EXECUTIVE COMMITTEE
- **Philip Blackburn [Chairman]** New World Ilam
- **Glenn Anderson** New World Stoke
- **Nigel Bond** New World Bishopdale
- **Rodney Flannery** New World Gore
- **Kathy Frampton** New World Northwood [retired Dec 2017]
- **Bradley Patton** New World Elles Road [from Dec 2017]
- **Ashley Shore** New World Blenheim
- **Jack Stafford** New World Mosgiel
- **Justin Vaudrey** New World South City

### CORPORATE EXECUTIVES
- **Steve Anderson** Chief Executive Officer
- **Yvonne Botha** Executive Assistant
- **Roger Davidson** General Manager Property & Retail Development
- **Kim DeGarnham** General Manager Employee & Support Services/Company Secretary
- **Tim Donaldson** General Manager Retail
- **Philip Lemon** General Manager Merchandise
- **John Mullins** General Manager Supply Chain
- **Nathan Marsh** Chief Financial Officer
- **Philip Wright** General Manager Information Technology

### RAEWARD FRESH EXECUTIVE COMMITTEE
- **Simon [Chairman]** & Jo Turnbull Raeward Fresh Tower Junction
- **Justin & Melissa Blackler** Raeward Fresh Richmond
- **Nathan & Angela Imlach** Raeward Fresh Queenstown
- **Kerri Lee** Raeward Fresh Harewood

### FOUR SQUARE EXECUTIVE COMMITTEE
- **Graeme Neilson [Chairman]** Four Square Ascot
- **Aaron Challis** Four Square Tuatapere
- **Bruce Duncan** Four Square Rosebank
- **Michelle Grundy** Four Square Maniototo
- **Stuart Hore** Four Square Wakefield [resigned]
- **Cushla Jones** Four Square Franz Josef
- **Paul Joyce** Four Square Reefton [from Dec 2017]
- **John Niles** Four Square Owaka [retired Oct 2017]
- **Brent Prue** Four Square Tokomairiro [from Dec 2017]
- **Kerry Tull** Four Square Cheviot [co-opted Oct – Dec 2017]
- **Marty West** Four Square Port Chalmers

### HENRY’S BWS EXECUTIVE COMMITTEE
- **Brad Spence [Chairman]** Henry’s BWS Moorhouse
- **Paddy Breen** Henry’s BWS Queenstown
- **Victoria Boyes** Henry’s BWS Greymouth
- **Jason Hall** Henry’s BWS Timaru
- **Adrian Hills** Henry’s BWS Centre City
- **Anne Kroupa** Henry’s BWS Richmond
- **Kevin Ryan** Henry’s BWS Alexandra
- **Jamie White** Henry’s BWS Cromwell
- **Craig Smith** Henry’s BWS Kaitoura
- **Louis Vieceli** Henry’s BWS Avonhead
- **Henry’s BWS Parklands
- **Carl Wild** Henry’s BWS Barbadoes
- **Keith Miles** Henry’s BWS Rolleston
- **Henry’s BWS Rangiora
- **Henry’s BWS Hornby
- **Henry’s BWS Woolston
- **Henry’s BWS Bishopdale
- **Henry’s BWS Tower Junction
- **Henry’s BWS Shirley
- **Henry’s BWS Yaldhurst
- **Jason Williams** Henry’s BWS Northtown
Although most New Zealand households had their own fruit and vegetable gardens, there was a flourishing market in the gardening industry led by the hard-working Chinese who had turned their hand to the craft after the gold rushes had ended.
To the Members of Foodstuffs South Island Limited.

Report on the summary consolidated financial statements.

OPINION

In our opinion, the accompanying summary consolidated financial statements of Foodstuffs South Island Limited (the company) and its subsidiaries (the group) on pages 31 to 35:

i. Has been correctly derived from the audited Group financial statements for the year ended on that date; and

ii. Is a fair summary of the Group financial statements, in accordance with FRS 43 Summary Financial Statements.

The accompanying summary consolidated financial statements comprises:

• the summary consolidated balance sheet as at 28 February 2018;

• the summary consolidated income statement, statements of comprehensive income, changes in shareholders equity and cash flows for the year then ended; and

• notes, including a summary of significant accounting policies and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 (Revised), Engagements to Report on Summary Financial Statements.

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

USE OF THIS INDEPENDENT AUDITOR’S REPORT

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The Directors, on behalf of the company, are responsible for:

• the preparation and fair presentation of the summary consolidated financial statements in accordance with FRS 43 Summary Financial Statements; and

• implementing necessary internal control to enable the preparation of a summary consolidated set of financial statements that is correctly derived from the audited consolidated financial statements.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

We expressed an unmodified audit opinion on the consolidated financial statements in our audit report dated 1 May 2018.

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

KPMG
Christchurch
1 May 2018
Free delivery of groceries before widespread car ownership was an essential service for women at home with young children. Here, Grocer Jackson & Craven deliver the goods during a 1926 flood in Palmerston North.
### Income Statement

For the year ended 28 February 2018

<table>
<thead>
<tr>
<th></th>
<th>[2018]</th>
<th>[2017]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Revenue from sale of goods</td>
<td>3,071,995</td>
<td>2,970,709</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>2,716,592</td>
<td>2,628,832</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>355,403</td>
<td>341,877</td>
</tr>
<tr>
<td>Other income</td>
<td>162,816</td>
<td>159,455</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>234,685</td>
<td>221,642</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>283,534</td>
<td>279,690</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>7,150</td>
<td>6,762</td>
</tr>
<tr>
<td>Rebates to members</td>
<td>268,343</td>
<td>262,387</td>
</tr>
<tr>
<td>Share of profit/(loss) from associates</td>
<td>2,895</td>
<td>720</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>10,936</td>
<td>11,261</td>
</tr>
<tr>
<td>Income Tax Expense</td>
<td>2,102</td>
<td>2,349</td>
</tr>
<tr>
<td><strong>Net profit for the year after tax</strong></td>
<td>8,834</td>
<td>8,912</td>
</tr>
</tbody>
</table>

**Attributable to:**

| Shareholders of the parent company | 8,834 | 8,912 |

### Statement of Comprehensive Income

For the year ended 28 February 2018

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Net Profit/(Loss) for the year</td>
<td>8,834</td>
<td>8,912</td>
</tr>
<tr>
<td>Other comprehensive income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer of deferred tax to reserves</td>
<td>(475)</td>
<td>393</td>
</tr>
<tr>
<td>Movement in investments reserve</td>
<td>(5,913)</td>
<td>(1,037)</td>
</tr>
<tr>
<td>Movement in cash flow hedge reserve</td>
<td>(1,110)</td>
<td>1,403</td>
</tr>
<tr>
<td>Movement in other reserves</td>
<td>(830)</td>
<td>(263)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>506</td>
<td>9,408</td>
</tr>
</tbody>
</table>

**Total comprehensive income attributable to:**

| Shareholders of the parent company | 506 | 9,408 |
Statement of Changes in Shareholders’ Equity

For the year ended 28 February 2018

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td><strong>At 1 March 2016</strong></td>
<td>373,208</td>
<td>356,127</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>506</td>
<td>9,408</td>
</tr>
<tr>
<td><strong>Dividends paid/payable</strong></td>
<td>(7,486)</td>
<td>(7,000)</td>
</tr>
<tr>
<td><strong>Total recognised income and expenses</strong></td>
<td>(6,980)</td>
<td>2,408</td>
</tr>
<tr>
<td><strong>Net share issue</strong></td>
<td>17,689</td>
<td>14,673</td>
</tr>
<tr>
<td><strong>At 28 February 2017</strong></td>
<td>383,917</td>
<td>373,208</td>
</tr>
</tbody>
</table>

These summary financial statements on pages X to X, comprising the Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders Equity, Balance Sheet, and Statement of Cash Flows are those of Foodstuffs South Island Limited and its subsidiaries. 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 2018, authorised for issue and signed on 1 May 2018 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 Sheet

**As at 28 February 2018**

<table>
<thead>
<tr>
<th></th>
<th>[2018]</th>
<th>[2017]</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>778,225</td>
<td>724,491</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>30,066</td>
<td>28,048</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>13,716</td>
<td>13,044</td>
</tr>
<tr>
<td>Investments held at fair value:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in listed and related companies</td>
<td>21,410</td>
<td>27,323</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>843,417</td>
<td>792,906</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,022</td>
<td>1,415</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>236,704</td>
<td>210,440</td>
</tr>
<tr>
<td>Inventories</td>
<td>116,834</td>
<td>105,434</td>
</tr>
<tr>
<td>Property, plant and equipment held for sale</td>
<td>99</td>
<td>1,063</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>-</td>
<td>1,119</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>354,659</td>
<td>319,471</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>1,198,076</td>
<td>1,112,377</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital and reserves attributable to equity holders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>249,447</td>
<td>231,758</td>
</tr>
<tr>
<td>Other reserves</td>
<td>66,974</td>
<td>74,672</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>67,496</td>
<td>66,778</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>383,917</td>
<td>373,208</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>81,701</td>
<td>77,962</td>
</tr>
<tr>
<td>Employee entitlements</td>
<td>813</td>
<td>808</td>
</tr>
<tr>
<td>Deferred income tax liability</td>
<td>30,485</td>
<td>32,311</td>
</tr>
<tr>
<td>Provisions</td>
<td>370</td>
<td>329</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>113,369</td>
<td>111,410</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>290,859</td>
<td>259,631</td>
</tr>
<tr>
<td>Borrowings</td>
<td>313,777</td>
<td>272,298</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>2,101</td>
<td>2,110</td>
</tr>
<tr>
<td>Rebates payable</td>
<td>92,589</td>
<td>92,590</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>1,464</td>
<td>1,130</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>700,790</td>
<td>627,759</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>814,159</td>
<td>739,169</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
<td>1,198,076</td>
<td>1,112,377</td>
</tr>
</tbody>
</table>

On Behalf of the Board
1st May 2018
Russell McKenzie, Director     Steve Wakefield, Director
# Statement of Cash Flows

For the year ended 28 February 2018

<table>
<thead>
<tr>
<th></th>
<th>[2018]</th>
<th>[2017]</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash was provided from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>3,192,988</td>
<td>3,095,407</td>
</tr>
<tr>
<td>Interest received</td>
<td>838</td>
<td>1,952</td>
</tr>
<tr>
<td>Member trading accounts</td>
<td>(20,080)</td>
<td>16,462</td>
</tr>
<tr>
<td><strong>Total provided</strong></td>
<td>3,173,746</td>
<td>3,113,821</td>
</tr>
<tr>
<td>Cash was applied to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases, wages and expenses</td>
<td>2,891,282</td>
<td>2,809,438</td>
</tr>
<tr>
<td>Members rebates</td>
<td>209,935</td>
<td>208,303</td>
</tr>
<tr>
<td>Interest paid</td>
<td>9,792</td>
<td>10,290</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>4,433</td>
<td>3,142</td>
</tr>
<tr>
<td><strong>Total applied</strong></td>
<td>3,115,442</td>
<td>3,031,173</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>58,304</td>
<td>82,648</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM INVESTING ACTIVITIES** |        |        |
| Cash was provided from:                |        |        |
| Advances from other related parties    | 8,229 | 6,270 |
| Dividends                             | 1,660 | 1,660 |
| Insurance proceeds received for replacement Property, Plant, & Equipment | 4,900 | - |
| Sale of property plant and equipment  | 11,152 | 8,785 |
| **Total provided**                     | 25,941 | 16,715 |
| Cash was applied to:                   |        |        |
| Purchase of intangibles                | 8,249 | 8,285 |
| Purchase of property plant and equipment | 92,563 | 100,267 |
| Advances to related parties and associates | 672 | 11,556 |
| **Total applied**                      | 101,484 | 120,108 |
| Net cash flow from investing activities | (75,543) | (103,393) |

| **CASH FLOWS FROM FINANCING ACTIVITIES** |        |        |
| Cash was provided from:                 |        |        |
| Increase in trading deposits/shares     | 3,745 | - |
| Increase in bank borrowings             | 61,559 | 20,500 |
| **Total provided**                      | 65,304 | 20,500 |
| Cash was applied to:                    |        |        |
| Retained Patronage Shares redeemed      | 40,664 | 32,469 |
| Dividends paid on Retained Patronage Shares | 6,847 | 7,970 |
| Dividends paid on Trading Credit Shares | 947 | 1,196 |
| Decrease in trading deposits/shares     | - | 1,190 |
| **Total applied**                       | 48,458 | 42,825 |
| Net cash flow from financing activities  | 16,846 | (42,825) |

Net increase/(decrease) in cash held | (393) | (43,070)
Opening cash brought forward | 1,415 | 44,485
Ending Cash carried forward | 1,022 | 1,415

Represented by:

| Bank and cash balances | 1,006 | 1,378 |
| Overseas currency accounts | 16 | 37 |
| **Total**               | 1,022 | 1,415 |
Foodstuffs have been renowned for celebrating milestones and maintain this tradition to this day. The opening of the Foodstuffs Christchurch warehouse in 1971, where both members and staff enjoyed a gala event in the newly completed warehouse. This year, we celebrated a $3b turnover with a Christchurch event on the 10th May.