THROUGH OUR MEMBERS’ STORES, WE PROUDLY FEED THE SOUTH ISLAND. WE AIM TO MAKE FOOD SHOPPING AN ENJOYABLE, AFFORDABLE, SOCIALLY-RESPONSIBLE EXPERIENCE IN STORES THAT ARE A PLEASURE TO VISIT.
AWARDS

NEW WORLD
Gold winner at the 2015 Readers Digest Quality Service Awards
8th in the Top 20 Most Loved Brands in NZ (Colmar Brunton)
New World Clubcard was the winner of the Colloquy Award, an international award for loyalty programmes

PAK’nSAVE
Silver winner at the 2015 Readers Digest Quality Service Awards
Winner, Most Trusted Supermarket at the Readers Digest Awards
15th in the Top 20 Most Loved Brands in NZ (Colmar Brunton)
In August 2015 – PAK’nSAVE celebrated its 30th birthday

FOODSTUFFS SOUTH ISLAND LIMITED
Winner of the CIO 2015 Executive Team of the Year Award for strategic use of business technology in establishing and launching the CRM project
Chartered Institute of Logistics and Transports Awards;
• Winner of the Implementation and Practice Award for Project Greenfields – the new Hornby Distribution Centre
• Winner of the Supply Chain Innovation Award for the Dematic Pick Module at the new Hornby Distribution Centre
• Simon Olsen, Inventory Manager, winner of the Young Achiever of the Year Award

TRENTS
2015 Christchurch Hospitality Awards winner of the Goods & Services Wholesaler of the Year

PAMS
Vertex Awards (international);
• Pams Confectionary range design – Gold in the Packaged Foods category
• Neu personal care range – Gold in the New Brands category
• Pams Fresh Pasta and Sauces range design – Silver in the Fresh category

FOODSTUFFS NZ MARKETING
NZ Marketing Association’s Annual Direct Marketing Awards;
• Pop for Prizes – Gold
• Little Kitchen – Silver
• New World Clubcard – Programme of the Year
Winner – The Keith Norris Direct Marketing Organisation of the Year
Sometimes, you really do need a few numbers to pull the big picture into focus. Let’s look at what Foodstuffs achieved in the year under review through different eyes.

**Total Kilometres Travelled**
- 4.9 million km

**kg**
- 8,360,000 kg

**Self Checkouts**
- 326

**Checkout Lanes**
- 900

**PALLETs PICKED**
- 103,422

**Bananas Sold**
- 900

**PALLETS PICKED**
- 103,422
2.4 MILLION Invoices Processed

$323,092 TONNES

10,600 Heads of Broccoli Sold

41,810 Number of phone calls to call centre

5,124,342 Total pallets dispatched

2.4 MILLION Litres of milk sold

Number of staff working with us at Foodstuffs South Island, PAK’nSAVE and New World
Phil Wright
General Manager
Information Technology
Phil holds a Bachelor of Commerce & Admin from Victoria University, Wellington. He has worked in IT for Telecom NZ, Commercial Union Insurance in the UK; Securior (UK); and was CIO at Christchurch City Council. Phil joined Foodstuffs in 2004 as the GM IT.

Roger Davidson
General Manager Property & Retail Development
Roger joined the Foodstuffs Procurement Division in 1994. He has progressed through the Company in various roles and was appointed GM Property & Retail Development in December 2003.

Malcolm Wratt
General Manager Finance
Malcolm is a chartered accountant with a B.C.A from Victoria University. He joined Foodstuffs in 2008 after 12 years’ experience in various finance roles with Telecom NZ. In 2009, he was appointed to the role of GM Finance.

Philip Lemon
General Manager Merchandise
Phil joined Foodstuffs in 1991 as Retail Liaison Representative in the general merchandise division. He successfully developed and launched Trents Wholesale in 1999, becoming General Manager Trents Wholesale. Phil was appointed General Manager Merchandise in 2014.

John Mullins
General Manager Supply Chain
John started as a Foodstuffs Management Cadet in 1978 and after various roles, was appointed GM Wholesale Operations for Foodstuffs Christchurch Ltd. His role expanded and he was appointed GM Supply Chain in 2008.

Tim Donaldson
General Manager Retail (Designate)
In a former life, Tim spent 10 years as an officer and helicopter pilot in the Royal New Zealand Air Force and holds a Bachelor of Science (Operations Research). He has served in various roles since joining Foodstuffs in October 2001. Tim was promoted to GM Retail (Designate) in April 2015.

Chris McDonald
PAK’nSAVE Dunedin
Chris joined his father working full-time in their Mosgiel New World in 1983. He and his brother William, bought New World South City in Dunedin in 1996, replacing it with their new PAK’nSAVE in 1997. Chris was elected to the Board of Directors in 2008.

Alan Malcolmson
General Manager Retail Operations
Alan joined Foodstuffs in December 1975, becoming an Executive Board Member in 1996. Alan sits on the Board of Beef & Lamb New Zealand, New Zealand Food Innovation South Island, and the Advisory Board for the University of Canterbury College of Business and Economics.

Robin Brown
Chairman of the Board
New World Rangiora
Robin joined the family-owned New World Rangiora in 1991. Prior to joining New World, he worked for the Ministry of Agriculture and Fisheries. Robin was elected to the Board of Directors in June 1996 and appointed Chair in 2008.
Marcel Gray
PAK’nSAVE Wainoni
Marcel is a 4th generation Foodstuffs grocer who joined his father as an Owner-Operator of New World Mosgiel in 1999. In 2004, Marcel purchased PAK’nSAVE Northlands, then operated New World Aranui before becoming Owner-Operator of PAK’nSAVE Wainoni in 2006. Marcel was elected to the Board of Directors in 2008.

Stephen Anderson
Chief Executive Officer
Steve has a background in general management and sales and was appointed Chief Executive Officer of Foodstuffs South Island Ltd in June 2000. He is currently also Managing Director of Foodstuffs (NZ) Ltd; and Chairman of Liquorland Ltd and Merfood Pty Ltd (a joint venture company between Foodstuffs and Mercash in Australia).

Kim DeGarnham
General Manager, Employee & Support Services, Company Secretary
Kim has held senior accounting positions with Foodstuffs South Island Ltd since 1987. Kim was appointed GM Employee & Support Services and Company Secretary in 2009. In 2012 she became a Fellow of the Chartered Institute of Secretaries.

Russell McKenzie
New World St Martins
Russell purchased New World Newfield in Invercargill in 1988, then New World Oamaru in 1991. In 1999, he became Owner-Operator of New World St Martins in Christchurch. Russell was elected to Foodstuffs South Island Board in 2002 and chairs the Audit Committee.

Roy Bridgman
New World Rolleston
Roy and his wife Lynne acquired their first Foodstuffs store in Invercargill in 1980. The couple have owned and operated New World Rolleston since 2000. Roy has served on the New World Executive and was appointed to the Foodstuffs Board in 2009.

Kevin Ryan
New World Alexandra
After working in his family’s Four Square, Kevin bought into their New World Alexandra business in 1986 and is now Owner-Operator. Kevin has served on the Board since July 1998 and previously on the New World Executive for 9 years, 4 of those as Chairman.

John Niles
Owaka Four Square
John purchased Owaka Four Square in 1988. He has been on the Four Square Executive for more than 16 years and was appointed to the Board in 2004. Prior to joining Foodstuffs, John worked as a plumber.

Stephen Boock
PAK’nSAVE Northlands
Stephen joined his family’s Foodstuffs business in 1987 and later purchased it with wife Heather. He was elected to the FSSI Board in 1996 as a Southern Region member. He was required to resign when he purchased a New World in Christchurch, and then was re-elected in 2000 as a Northern Region member, serving until February 2016.

Marcel Gray
PAK’nSAVE Wainoni
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As a core food retailer, Foodstuffs has a responsibility to provide high-quality food. Education about nutrition and food preparation is a natural extension of that responsibility. We want to be a part of teaching kids how to eat right.
About Us

Foodstuffs South Island Limited (FSSI) is a South Island, 100% New Zealand owned co-operative, formed in 1988 from the merger of two long-established grocery co-operatives Foodstuffs (Christchurch) Limited and Foodstuffs (Otago/Southland) Limited.

Foodstuffs South Island Limited, whose membership consists of independent grocers who own and operate their own businesses and work together for their mutual benefit and the benefit of the Co-operative, trades only in the South Island of New Zealand.
FSSI has a sister co-operative, Foodstuffs North Island Limited (FSNI), which was formed in September 2013 from the merger of Foodstuffs (Auckland) Limited and Foodstuffs (Wellington) Co-operative Society Limited, which trades in the North Island of New Zealand.

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

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

Currently, Foodstuffs South Island Limited has a membership of 500. These Members recognise that shareholding in the Co-operative confers on its members the right to enjoy the benefits of the Co-operative and their shares are not held as a form of investment in equity shares. As such, our Members are caretakers of the Co-operative and its assets. They have a responsibility to preserve and protect the Co-operative and its assets to enable future generations to trade just as those that have gone before them have done.

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

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

- PAK’nSAVE
- New World
- Four Square
- Raeward Fresh
- On the Spot
- Henry’s Beer, Wine and Spirits
- Members who trade independently of these groups in the convenience grocery or foodservice industries

Trents Wholesale Limited is a wholly-owned subsidiary of FSSI and was established to trade with the different purchasing requirements of the oil channel and foodservice industry. These customers are able to purchase not only dry groceries but also a variety of fresh products direct through the four Trents Cash’nCarry sites.
Annual General Meeting

The 28th Annual General Meeting of Shareholders of Foodstuffs South Island Limited will be held on Tuesday, 12 July 2016 at the Dunedin Office of the Company, Midland Street, Dunedin at 5.00pm.

DATED THIS 7TH DAY OF JUNE 2016.

K N DeGarnham, Company Secretary

Ordinary Business


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

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

4. To record the appointment of KPMG as Auditors and authorise the Board of Directors to fix the remuneration of the Auditors for the year to 28 February 2017.

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

‘A’ and ‘D’ Shareholders have the right and are entitled to attend and vote at the meeting. These members may appoint a proxy to attend and vote on their behalf. A form of proxy may be obtained from the Secretary. The completed proxy form must be deposited at the registered office of the Company not later than 48 hours before the time of the meeting. A proxy holder need not necessarily be an ‘A’ or ‘D’ Shareholder of the Company.
On behalf of the Board of Directors of Foodstuffs South Island Ltd (FSSI), I am pleased to present to you the 28th Annual Report showcasing our activities, highlights, challenges and financial performance for the year ended 29 February 2016.

After a slow first half to 2015, the New Zealand economy appears to be heading into 2016 showing good momentum.

Our economy is experiencing a somewhat unexpected period of low inflation, low interest rates and moderate economic growth.

Whilst we anticipate the strong El Nino weather conditions and lower dairy prices will influence primary production and export volumes, it is expected to be offset by an ongoing strengthening in the tourist sector.

“We are focused on ensuring that we continue to improve the shopping experience for our customers. Let us work together and make the next year like no other.”
Our widespread, strategically-placed network of stores covering the entire spectrum of grocery and liquor, places us in a strong position and provides us with economies of scale to drive profitability. We are proud of our brands and know that:

- PAK’nSAVEs continue to offer the best value in groceries
- New Worlds offer exceptional service and product range
- Four Squares play a positive role in our local communities
- Henry’s BWS stores offer an extensive range of beer, wine and spirits with great service at competitive prices
- Raeward Fresh stores offer something different in “fresh”
- On the Spot stores cater for everyday convenience purchases.

Structuring our business to successfully manage and mitigate the various challenges is of utmost importance. Our strategy, developed by management with leadership from the Board, outlines our mission, core values and ultimate goal – to feed the South Island.

Consequently, in the year under review the Co-operative devoted its energies, amongst other things, to:

- Wind-up our Staff Superannuation Plan due to the restrictions new regulations placed on the fund, while continuing to ensure our staff save for their retirement through the KiwiSaver scheme
- Implement and embed wholesale advanced replenishment
- Select and implement new hardware for SAP HANA
- Launch the personalised targeted offers for New World Clubcard
- Implement the new PAK’nSAVE brand standards
- Roll-out SAP module 2 to our Four Square stores
- Rebuild our final two markets, Redcliffs New World and Wainoni PAK’nSAVE, which were damaged in the Canterbury earthquakes
- Further develop the synergies between Foodstuffs North Island and South Island.

The extra product shifted through Foodstuffs supply chain drove additional volume-related costs while the investment in retail stores, distribution centres and information technology capability meant higher depreciation expense in 2015/16.

The net result was an increase in Operating Profit to $266m, an increase of $8m on the previous year’s reported result (the 2014/15 result also included a $10m one-off insurance gain on property – excluding this, the lift in Operating Profit in 2015/16 is $18m or 7.2%).

Distributions to Members
(Consisting of Rebates, Dividends and Imputation Credits) totals $261m, an increase of $16m or 6.6%.

The breakdown of the 2015/16 distributions is as follows:

- We have continued our practice of paying monthly rebates, based on pallet, bulk, repack purchases and distributing these, together with supplier-driven rebates, directly to Members during the year. In total $185m has been distributed to Members in this manner.
- The Loyalty Rebate will be distributed through the issuance of forty-nine million Retained Patronage Shares, with a fully paid up specified value of $1.00 per share (value $49m).
- There will be a further two specific Cash Rebates paid totalling $4.6m.
  - The Produce Rebate will be based on ex-warehouse produce purchases and will be paid at a rate of 3% on qualifying sales (value $4m).

Financial Review

Among financial and retail challenges, we have produced a solid financial result during 2015/16.

Sales performance was strong, with revenue increasing to $2.875B, an increase of $153m or 5.6%. This growth was driven in part by the successful opening of three new stores in the Canterbury region, as well as solid same-store sales growth across all other retail banner groups.

Gross Profit grew by 7.0% with sales growth and the continued shift of product supplied to Members via Foodstuffs’ world class distribution centres.

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Chairman’s Review

- 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 $0.6m).

- Included in the financial accounts are the Marketing Rebates. These distributions are banner specific. The total of these distributions is $10.15m, of which $5.85m was distributed in October 2015 and the remaining amount of $4.3m will be distributed with the Produce and IT Leasing Rebate payments.

- In addition to the year-end rebates, there are $7.9m of dividends on Retained Patronage Shares which will be paid out with full imputation credits attached ($3m). The Board has again decided to pay a dividend on the Trading Deposit Shares held by Members. This dividend will be at the same rate as the Retained Patronage Shares (3.67% fully imputed) and equals $1.2m with $0.5m in imputation credits.

Property Review

Staying at the forefront of property development and keeping abreast of advances made in store design and layout is imperative. Wisely investing in our landbank to optimise our property portfolio often gives us first-mover advantage.

The highlight of the year for Foodstuffs (South Island) Properties Limited was the opening of four new supermarkets in a confined period. It began with the opening of PAK’nSAVE Wainoni on 19 August 2015 and, at three-weekly intervals, was followed by PAK’nSAVE Rangiora, New World Wigram culminating in the opening of New World Redcliffs on 21 October 2015.

Strategically investing in our stores by expanding our retail footprint ensures our growth is a constant employment generator aiding economic growth in the South Island.

Operational Review

Foodstuffs is constantly researching and analysing global trends, investigating technological advances and following changes in consumer behaviour in order to effectively apply or upgrade our information systems. Information Technology has become an integral and vital part of our business and forms the nerve centre of our Co-operative.

We are therefore pleased that availability and performance of core systems during the year were very good and exceeded our KPIs.

Adhering to our IT principles, we decided to improve our communication system and started replacing the aging telephone system with Microsoft Lync. While this solution provides a traditional telephone service, it also integrates with other systems such as Outlook and Messaging, facilitating meetings and improving our communication system overall.

The base system was implemented last year and the various departments will be rolled out during this year.

During 2015, we successfully migrated our Business Warehouse (BW) to SAP’s “in-memory computing” technology (SAP HANA). This enables our entire database to be run in memory which results in faster processing times for our transactions and overnight data processing workload. During 2016, we will migrate our SAP core system to HANA and look forward to the advances in system performance this will bring.
Our new FreshBiz system, subject to testing, will be operational in May 2016. This system will provide functionality to the supply chain for produce, butchery and seafood, and offer greater service to our banner group stores from both a wholesale and retail perspective.

On the horizon is our new National Seafood Project. This project will provide synergies for supply between Foodstuffs North Island and South Island, and ensure that seafood reaches our consumers on time, in prime condition and at affordable prices.

We are also making great strides in our national One Data solution. This will significantly improve the way we conduct our business with our suppliers, will be a better tool to enter data into SAP and will provide a better system to manage product images.

Foodstuffs South Island continues to work hard and stay committed to ensure we retain our food retail dominance in urban and rural areas through our range of products and their varied offerings. We increase our competitiveness by constantly looking at extending and refining our product ranges, and by exploring and implementing a comprehensive range of initiatives while never deviating from our primary business: supplying quality food at the lowest prices!

Improving and strengthening our fresh offer continues to be an emphasis in all our stores. During November 2015, we opened our state-of-the-art Fresh Foods Training Centre at Trents’ Orbell Street. This facility will be used for our Apprenticeship programmes; butchery, seafood, deli and bakery meetings; and will also be used for sampling, product development, demonstrations and conferences.

Over the last year, we have restructured our supply chain to give us greater control and invested millions to create a well-run, ultra-modern, sophisticated supply chain facilitated by leading-edge information management systems.

Our new composite Distribution Centre in Hornby offers us an increase in ambient DC capacity. This, coupled with improved efficiency and cost control, has resulted in an increase in our productivity, particularly around labour costs, housekeeping and transport KPIs.

On 1 April 2015, our Dematic Pick Module (a semi-automated, integrated order fulfilment system) in Hornby became fully operational. This Pick Module has increased productivity, improved accuracy and raised service levels. Currently, this pick module averages 50,986 small bulk cartons and 129,454 split-case (repack) units per week.

We continue to work closely with our suppliers to achieve everyday low prices to offer our customers the value and the high quality that they seek. It is particularly pleasing that most of our suppliers are now utilising the wholesale Advanced Replenishment (AR) functionality. This world-class wholesale purchasing tool presented immediate value to internal/external vendor stakeholders and continues to provide significant insight into our inventory measures and, ultimately, the service provided to our Members. We now have the ability to understand future trends and their impacts on our Company. Wholesale AR led to improved product flow, a reduction in transport cost and to better productivity, as can be attested by the excellent Christmas service to members.

Optimising the supply chain is an ongoing process and attention is currently on increasing the Hornby DC chiller facilities to alleviate capacity constraints and dispatch dock congestion.

Centralising the repack and bulk picking to the Hornby DC assisted the Dunedin DC to take on a whole new look and feel around volume output. The Dunedin DC plays an important role in the supply chain and, throughout the year, we have installed new bulk racking, re-laid the bulk area and installed auto pallet wrappers, making it safer and more cost-effective.
Chairman’s Review

The roll-out of the new temperature controlled fleet was completed during the year, providing modern, safe and efficient vehicles for our drivers. Delivery KPIs have demonstrated good performance in meeting delivery schedules to our Members throughout the year.

Murdoch Manufacturing Ltd continues to provide product and packaging for a key range of house brand products to the Foodstuffs companies nationally.

The introduction of new plant to our production areas has improved productivity and removed large amounts of manual handling, especially the robotic pallet stacker in the soft drink line.

Foodstuffs South Island constantly looks for more ways to place sustainability on a more structured footing, understanding how we can make a difference, now and in time to come. We know that sustainability is a powerful tool and we operate closely with Foodstuffs North Island on sustainable strategies that directly align with retail and society trends. Throughout the year, we have focused on our energy usage, refrigeration, waste management programmes, packaging, soft plastic packaging recycling and procurement as well as various other initiatives. We are very pleased with the advances and enhancements made throughout the year and look forward to initiating more projects in 2016 to make our Company more environmentally sustainable.

Due to law and regulatory changes, Foodstuffs South Island Ltd needed to transition from the Securities Act 1978 to the Financial Markets Conduct Act 2013 (FMCA). Part of the transition involved a review of our present Trust Deed which presented a good opportunity to update the Trust Deed while maintaining the existing commercial structure. The New Zealand Guardian Trust Company Ltd was appointed as the supervisor of the Trust Deed relating to the Issue of Deposits and Security Stock.

We have always prided ourselves on providing our staff with a safe environment to work in. The new Health & Safety at Work Act which came into effect in April 2016 made us review and update our procedures in order to comply with the new legislation. To facilitate ease of reporting hazards, accidents and incidents, we have rolled out the Vault system during 2015. Vault enables us to have a positive health and safety culture which fully engages all staff, and an effective health and safety management system, in which managers and workers take ownership for the overall wellbeing of our Company.

One of Foodstuffs South Island’s strategic objectives is to develop our people and our Members’ people. We have a comprehensive and expansive Training and Development curriculum covering all areas of our business. All Foodstuffs and Market staff go through an on-line induction programme which is the beginning of the vast development opportunities available within the Co-operative.

We are proud to offer a Management Academy which is completed over a 3-4 year period and a Leadership Academy which is completed over a 2-3 year period.

Our position in the food retail industry has been acknowledged by Foodstuffs receiving various awards and commendations throughout the year. We believe that we are successful in the prevailing market conditions due to our 100% New Zealand-owned and operated Co-operative structure. This helps us weather constantly fluctuating market conditions, overcome setbacks, and gives us greater flexibility and, together with our highly motivated Owner Operators, offers better customer service.

Board Of Directors

Mr Stephen Boock, previous Owner Operator of Northlands PAK’nSAVE, retired from the Board after serving almost 17 years. We would like to thank Stephen for his contribution to the Board and the Co-operative.

After year-end, Mrs Kathy Frampton, Owner Operator of Northwood New World, was appointed to the vacancy created by Stephen’s retirement.
Acknowledgement

Foodstuffs South Island has been through many challenges these last 5 years. We have learnt a number of lessons in order to survive under difficult circumstances. Such times produce a stronger company, not intimidated by problems but rather testing our skills to solve them.

Solving problems and overcoming adversities are reflected in our solid financial performance, therefore I would like to thank:

• our Board for their unwavering support and advice,
• our Executive, for their leadership and experience,
• our Staff, for their dedicated service,
• our Suppliers, for helping us achieve our goals, and
• our Members, without whose drive and energy the Co-operative cannot succeed.

We are fortunate that Foodstuffs South Island have many people with great talent, commitment and passion. Together we make a winning combination and with clear strategies in place, we will make 2016 like no other!

Robin Brown, Chairman
Foodstuffs South Island Ltd
The New World Group has enjoyed another excellent trading year.

During the year, two new markets were successfully opened. New World Wigram, a brand-new store, was opened on 30 September 2015 and New World Redcliffs reopened on 21 October 2015 after being closed for 5 years after the Canterbury Earthquakes. Both stores are doing a great job of serving their local communities.

New World Clubcard enjoyed its first birthday in July 2015 and continues to be a resounding success with our customers. Engagement continues to grow as we innovatively look at ways to improve the value and relevance for our customers. New World picked up several awards for Clubcard during the year including the Loyalty Programme of the Year at the NZ Marketing Awards.

During 2015, we reviewed our New World Brand Standards and will soon launch our ‘new’ Brand Standards nationally. This evolved in-store brand experience is to create a more modern, fresh and consistent shopping experience and will be rolled out across all New Worlds nationwide in the next couple of years.

Promotional highlights throughout the year included the Pop for Prizes birthday campaign, and Little Kitchen which was a twist on previous years’ Little Shop promotions. Both promotions delivered on customer engagement and excitement.

A continued focus on great customer service, fresh food excellence and having everything you need in one place, sets the brand up well as we look forward to the year ahead.
PAK’nSAVE

The PAK’nSAVE Group had a very positive year, in sales and market share results. The brand has continued to focus on its five strategic pillars of People, Premises, Product, Price & Promotion and Performance.

In 2015, the brand celebrated two significant milestones: the opening of a new site at Wainoni as the original store was uneconomical to repair after being damaged in the Canterbury earthquakes; and the opening of PAK’nSAVE Rangiora which was a new greenfield site, built to cater for a growing population in North Canterbury. The opening of PAK’nSAVE Rangiora provided new owners James and Catherine Flanagan with opportunity to recruit and develop a team from scratch, and we are overwhelmed with the performance of this site and the positive customer feedback.

With the introduction of these new stores and a strong refurbishment plan across the balance of the PAK’nSAVE stores, the Group has seen record sales and share of trade results. The brand has worked hard to deliver on its policy of ‘New Zealand’s Lowest Food Prices’ and this has been reaffirmed with independent consumer surveys and continues to be reinforced via brand marketing.

As we now look forward to 2016, the PAK’nSAVE brand will work hard to ensure we deliver our customers great value for money, an efficient range and a superior brand experience. Late in 2016 we will welcome the 12th PAK’nSAVE site to the South Island with the opening of the PAK’nSAVE Queenstown and we are confident that this will continue to drive positive sales and brand recognition.
Four Square

The 2015/16 trading year for Four Square has resulted in incredibly strong same-store sales growth coupled with the introduction of three additional Four Square stores to the group taking the total to 72 throughout the South Island.

Four Square Arrowtown

These three new stores are Port Chalmers in Dunedin, rebranded from New World; Hampden, south of Oamaru; and Arrowtown in Central Otago. All three of these Four Squares are performing very well in their first year.

In 2016, Four Square will continue to focus on key category development throughout the supermarket, in particular, the fresh foods offer. SAP is being rolled out in Four Square bringing significant benefits to the individual stores and the group.

New store development in the coming year is an exciting area with the new Lumsden store and a brand new site at West Melton eagerly anticipated.

Our members are the driving force behind the Four Square success and they continue to take this iconic brand into the future with energy whilst remaining true to the core fundamental customer service values that Four Square is known for.

Henry’s Beer Wines & Spirits

Henry’s BWS had another solid trading year in 2015/16 in a very competitive market. For the first time in several years, the group did not have any new store acquisitions but plans are in place for several new stores and rebranded stores during the 2016 year.

Several stores completed extensions or refurbishments and, without exception, all of these changes have enhanced the turnover of the stores and perception of the brand. Highlights were the Richmond store completing internal refurbishments and branding in October 2015; Henry’s BWS Queenstown completing a significant extension in December 2015; and Henry’s BWS Bishopdale completing internal and external refurbishments in February 2016.

Henry’s BWS continues to stay at the forefront of the South Island traditional liquor industry and certainly sets the benchmark in terms of store standards and presentation. It is important that the group strives to continue to stay ahead of the competition on all fronts. The group is now venturing into new advertising and marketing mediums with the introduction of an on-line and digital campaign along with the use of radio and coloured brochures to supplement the traditional newspaper advertising.
Trents

Trents underwent a change in structure in 2015 driven by a move to start operating as a Banner Group within the Co-operative. The benefits of this change are already evident with Trents accessing support and services internally that will aid business growth.

Turnover continues to increase throughout the various categories. We experienced good growth in chilled and frozen and will continue to focus on these areas to further improve our offer.

Now that the majority of the Trents Cash ’n Carry purchasing is utilising the Advanced Replenishment system we are seeing significant improvements in inventory and range optimisation. Service to customers is improving due to more accurate forecasting of demand and work done to date aligning range across the network of Cash ’n Carry.

A lot of work has been put in to GTT, our national wholesale company, to enable us to aggressively pursue more national account business.

On the Spot

On the Spot is evolving with the introduction of three new stores, Challenge Darfield On the Spot, Arlington On the Spot and the total rebuild of Kaiteriteri On the Spot. In conjunction with the new stores, we have had a strong focus on existing store improvements, with 82 of the 117 On the Spot stores now sporting the new brand standards.

The urban growth of Christchurch is creating many potential sites with developers offering commercial premises in their portfolios. This combined with the strength of the On the Spot brand will offer many opportunities for 2016/2017 throughout the South Island.

The On the Spot team was restructured in 2015 and now aligns with other banner groups. The On the Spot team has adjusted well and is delivering a focused business advisory role to the On the Spot Members. In 2015, On the Spot commissioned research to ascertain consumer perception of store offer and brand standards. Consumer feedback was very positive; we are pleased to advise On the Spot enjoys a very healthy level of brand equity and is positioned well for the future.

Raeward Fresh

The Raeward Fresh group had a positive trading year with some standout first-half-yearly results. The second half of the year provided some challenges for Christchurch stores due to major road works.

Raeward Fresh is establishing itself as the provider of an exceptional fresh food offer and differentiates itself from supermarkets by supplying specialist and niche grocery products. For fresh fruits, vegetables, speciality cheeses and prime cuts of meat, Raeward Fresh is the perfect place to locate some fabulous food to please everyone in the family!

During 2016, focus will, once again, be on strategy and brand standards development. We are actively looking for sites to expand the Raeward Fresh presence throughout the South Island.
With one third of New Zealand children now overweight or obese, the need for Food for Thought grows. The success of Food for Thought has meant it is now being implemented in schools nationwide through the Food for Thought Trust, the two Foodstuffs Co-operatives and the Heart Foundation.
Food for Thought

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

Food for Thought has had a successful year delivering to 218 schools, 657 classes, 17,612 students and 604 parents, who attended the programme as parent helpers.

The Food for Thought Programme is delivered by four Nutritionists (3 North Island and 1 South Island based) in conjunction with Heart Foundation Health Promotion Co-ordinators (HPCs). This collaboration with the Heart Foundation allows the programme to reach a greater number of schools and students.

The Food for Thought programme focuses on educating children about healthy food choices, through understanding how to read labels and therefore understand what the food they eat actually contains, by way of salt, sugar etc. The programme also talks about occasional versus everyday foods to help children gain an understanding of what a healthy daily diet looks like and how eating affects their health, learning power at school and energy on the sports field.

The programme aligns with many areas of the New Zealand Education Curriculum and is delivered through classroom sessions and inquiry learning sessions at our supermarkets.

Feedback from schools, parents and children continues to be excellent with the programme being well received across the country.

We thank our Members and Pams for their commitment and support of this valuable community-based programme.

Since beginning in 2007 Food for Thought has delivered to:

- **Schools**: 1,135
- **Students - Over**: 100,000
- **Classes**: 3,910
- **Parents**: 3,789
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 over $440,400 in grants.

Major Sponsorship
The Trust continues to support the St John Friends of the Emergency Department (FEDs) and Hospital Friends programme.

These St John volunteers provide non-clinical comfort and support to patients and their families in hospital departments. In times of distress, patients and their families need more than treatment and this is where the St John volunteers step in giving patients and families information, support and reassurance.

Currently, these 235 St John volunteers are contributing 33,880 hours across eight hospitals covering 12 areas in those locations. The Trust is pleased to support these St John volunteers in providing service to the wider South Island communities.

Educational Grants
The Trust has been a supporter over many years of the First Foundation’s programme which is built around three key pillars. Through sponsors such as the Trust, First Foundation recipients are provided financial assistance and paid work experience along with being assigned a mentor. This year we welcome Lorne Joblin of Mairehau High School as our recent scholarship recipient.

Last year, the Trust introduced a new initiative of sponsoring young emerging talent within the Foodstuffs Co-operative on an Outward Bound course. This personal development can be a life-changing experience for individuals.

We wish to congratulate:
- Cameron Wyatt – Wholesale Procurement – Fresh
- Jarryn Wells – TCDC – Inward Goods
- Deshanie Nanayakkara – New World Halswell
- James Reinheimer – New World Greymouth

who will all be attending a course in 2016.

The Trust also contributes to individuals furthering their studies. This assistance helps these young people in achieving qualifications for their chosen career path.

Community Grants
Community Grants are the largest number of grants the Trustees consider and approve. It’s a pleasure to assist with items such as educational books and toys, furniture or whiteware in community or sports halls, playground equipment, sports uniforms to name just a few.

The pictures and letters of thanks confirm to us that we are making a difference to the people of our communities.

Acknowledgements
This year, the Trust acknowledges the resignation of Chris Griffin as Chairman and Trustee of the Board. Chris had been a Trustee since August 2003 and Chairman since August 2006. He has been very dedicated to the Trust and was the driving force behind achieving 100% support of the PAK’nSAVE and New World Groups. He then looked to gain support from the Four Square Group and, after speaking at several Four Square meetings, the Trust now has support from 26 Four Square Members’ support and 1 Raeward Fresh.

On behalf of the Trustees, Sponsors and Supporters we thank Chris for all his support and direction over the years and wish him well in his retirement and future endeavours.

This year we welcomed Greg Boock and Philip Ryan as new Trustees. We warmly welcome our 8 new sponsors and thank all the outgoing sponsors for their 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 Smith
Chairman Foodstuffs (South Island) Community Trust
## Community Trust Sponsors

<table>
<thead>
<tr>
<th>PLATINUM</th>
<th>GOLD</th>
<th>SILVER</th>
<th>BRONZE</th>
<th>SUPPORTERS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NEW WORLD</strong></td>
<td><strong>NEW WORLD</strong></td>
<td><strong>NEW WORLD</strong></td>
<td><strong>FOUR SQUARE</strong></td>
<td><strong>SUPPORTERS</strong></td>
</tr>
<tr>
<td>Alexandra</td>
<td>Bishopdale</td>
<td>Balclutha</td>
<td>Akaroa</td>
<td>Grants On The Spot</td>
</tr>
<tr>
<td>Ashburton</td>
<td>Centre City</td>
<td>Blenheim</td>
<td>Ascot</td>
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<tr>
<td>Motueka</td>
<td>Cromwell</td>
<td>Elles Road</td>
<td>Bluff</td>
<td>Sally &amp; Alan Malcolmson</td>
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<tr>
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<td>Fendalton</td>
<td>Ilam</td>
<td>Franz Josef</td>
<td>Malcolm Wratt</td>
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<td>Oamaru</td>
<td>Gardens</td>
<td>Kaiapoi</td>
<td>Hanmer Springs</td>
<td>&amp; Louise Edwards</td>
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<td>Rangiata</td>
<td>Gore</td>
<td>Kaikoura</td>
<td>Havelock</td>
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<td>Lincoln</td>
<td>Hawarden</td>
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<td>Halswell</td>
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<td>Lawrence</td>
<td>Roger &amp; Heather Davidson</td>
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<td>Peter &amp; Denise Hyland</td>
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<td>FOUR SQUARE</td>
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<td>Harewood</td>
<td>Redcliffs</td>
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</table>
Major Sponsorship
The 2015/2016 financial year was a busy one for Foodstuffs (NZ) Ltd marketing, with the business' desire for strong sales momentum the focus. Supplier collaboration and the creation of innovative customer campaigns across the brands saw our customer-driven marketing reach new levels.

Success in the current market would not be possible without putting customers first. Our brands continue to improve our customers' shopping experiences with New World and PAK’nSAVE reporting very strong growth amidst very satisfied customer ratings.

The New World Clubcard reached an active membership of 400,000 within the first year of launch in the South Island. Developing and executing personalised targeted offers, which create far greater relevancy to customers, has shown that the programme really is leading globally.

The Foodstuffs (NZ) Ltd Customer Marketing & Insights team were recognised across the industry in New Zealand and around the world. Accolades included the Marketing Associations’ Grand Prix Award; Direct Marketing Organisation of the Year; and Clubcard as Loyalty Programme of the Year. Internationally the team was also recognised by Colloquy with the Global Excellence Award.

The year was not without its PR challenges for the industry, with the infant formula tampering threat taking a large part of our focus in the first half of the year.

As an industry, we came together to ensure customer safety was paramount and are thrilled that the police investigation identified the culprit and he was held to account.

Sponsorship
One of the principles of being a Co-operative is Community Support. This year PAK’nSAVE supported two new nationwide partnerships; Movember and The Breast Cancer Foundation. Through these community partnerships, we saw PAK’nSAVE ads turn pink during the Pink Ribbon Appeal and Stickman (as well as a number of Foodstuffs’ own people) grow a number of interesting moustaches for Movember. Nationally, Foodstuffs raised $111,075 for Movember and more than $71,000 for the Breast Cancer Foundation.

Foodstuffs also continued the New World sponsorship, as the Elite sponsor of the Silver Ferns (during the 2015 Netball World Cup) and, moving into year two, as a Five Star Sponsor of the Starship Foundation.

New World’s ongoing support of New Zealand families at Starship saw us share a love of food through weekly deliveries of fresh fruit to parent kitchens and fund key clinical programmes including a tube weaning pilot programme; cooking classes for diet-restricted children; and enabling the purchase of a ‘Sim Baby’ for vital clinical training.

Some of New Zealand’s health issues can be lessened through education. Our Food For Thought Education Trust, with the support of Pams, provides free nutrition education programmes for year 5 & 6 students (9 and 10 year olds). This programme assists students to learn healthy lifelong skills.

Our brands also continue to sponsor organisations such as CanTeen.

At a local level, each and every Foodstuffs store continues to help local sports clubs, schools and charities, through sponsorships and food donations.

On average, a Foodstuffs supermarket will donate 3,000 meals a month via local charities. Across all New Worlds and PAK’nSAVEs that level of donation equates to 450,000 meals a month.
Foodstuffs Own Brands Limited

It has been a year of change for Foodstuffs Own Brands. Following a strategic review of the business, a new strategy was developed and a new organisational structure put in place. A new three-tier brand hierarchy has been established and the organisation has been refocused to provide increased levels of resource and competence in product development and procurement. The new structure will deliver a product range that is more customer orientated and will see an increased focus on best practice procurement to ensure we are bringing the best possible value to consumers.

Liquorland

The 2015/2016 financial year saw the continuation of Liquorland’s strong performance. The brand’s acquisition of 21 stores from The Mill Retail Holdings (The Mill) saw the group’s store count increase by a total of 23 stores throughout the year to 108 Liquorland stores.

In July 2015 the Liquorland e-Commerce click and collect site went live. Customer interest has been very positive and remains high with stores reporting new customers coming in for specific products they have researched online. The plan is to continue increasing the brands digital marketing offer with a view of adding customer delivery in 2017.

Toast magazine, which launched in early 2014, continues its success and we will seek to strengthen its digital profile as we further integrate it into our mailer and e-commerce site in 2017.

National Advocacy

Foodstuffs (NZ) Ltd continues to co-ordinate national submissions and undertake advocacy work on public policy issues which are relevant to its Members’ business interests.

Over the course of the year the Government completed the legislative and regulatory changes required to implement its new health and safety management regime based around “persons conducting a business or undertaking” (PCBUs). In parallel, the Foodstuffs’ companies have been strengthening their health and safety management practices to ensure adherence to best practice at all times.

In mid-2015, the Minister of Employment announced proposed changes to employment law to extend employee protections. An Employment Standards Bill was introduced and progressed through Parliament, coming into effect in April 2016. Foodstuffs supported the Bill seeking only modest changes to improve the workability of an extended parental leave scheme.

Over a number of years, our Members have experienced difficulty recruiting qualified bakers. A submission by Foodstuffs was successful in overturning Immigration NZ’s preliminary decision to remove bakers from the Immediate Skills Shortage List (ISSL) as part of this annual review of the List. As a consequence, the baker occupation was relisted on the ISSL in March 2016.

Pressure from retailers for reform to the Easter trading laws has resulted in the introduction of a Bill permitting Territorial Authorities to pass by-laws allowing shops to open on Easter Sunday. Foodstuffs submitted to the Select Committee outlining its preference that all shops be allowed to open on Easter Sunday by a simple amendment to the Principal Act.

Lobbying and input into various bills and Local Alcohol Policies continue. We continue to support messaging around responsible consumption of alcohol. As each Local Authority develops their own policy around liquor sales, it absorbs a large amounts of time and resource which is expected to continue for the foreseeable future with a number of appeals of Provisional Local Alcohol Policies pending.

We not only submit on food and employment issues nationally but also continue to monitor wider public policy developments and make submissions where appropriate. Submissions were filed on the Building (Earthquake-prone Buildings) Amendment Bill; the Resource Legislation Amendment Bill; the Natural Products Bill; the Commerce Commission’s review of competition in dairy markets; the Ministry for the Environment’s proposals to create Marine Protection Areas affecting some inshore fisheries; the Ministry of Primary Industries’ consultation on regulations for the Food Act 2014; and the Advertising Standards’ Authority’s review of advertising to children.
SUSTAINABILITY

Foodstuffs continues to make great progress across a range of sustainability related areas from waste diversion through to community donations.

Energy Conservation

To reduce our footprint and demand on the network, energy efficiency is a priority item in the design of new stores and the refurbishing of existing ones.

The stores continue to track down by 1-2% a year in terms of energy consumption per square metre as a result of better design and energy efficient components such as lids and doors on all freezers and LED lighting throughout.

Reducing waste and increasing recycling

The new Waste Minimisation Plan for supermarkets has proved a great success as stores are transitioned across to the new arrangements. Stores on the programme are now diverting 20,000 tonnes of waste away from landfill to other uses every year.

Packaging

Soft Plastics
October 2015 witnessed the introduction of soft plastic packaging recycling at store. Auckland and Hamilton customers are returning over one tonne of packaging a week to store and this is reprocessed into outdoor furniture, decking and construction material. The programme is being expanded to Christchurch and Wellington mid-2016.

Recyclable Butchery Tray
Foodstuffs new recyclable butchery tray has proved a great success in its pilot stores. When rolled out nationally to all supermarkets in 2016 it will be helping to divert 80 million trays away from landfill and back into the recycling stream.

Foodstuffs is fast approaching its target of making its packaging 100% recyclable for customers either at kerbside or back at store.

Refrigeration

All new store construction and major refurbishments over the last 2 years have had natural refrigeration systems installed. These new systems use CO2 rather than synthetic gases, reducing refrigeration related Green House Gas emissions by 99% resulting in the overall carbon footprint for the store shrinking by 45%.
The Network

FOUR SQUARE
Malborough 4
Nelson 6
West Coast 5
Central Canterbury 12
South Canterbury 4
Otago 10
Central Otago 11
Dunedin 7
Southland 13

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

NEW WORLD
Nelson 2
Motueka 1
Blenheim 1
Kaikoura 1
Greymouth 1
Westport 1
Hokitika 1
Rangiora 1
Kaiapoi 1
Christchurch 11
Lincoln 1
Rolleston 1
Ashburton 1
Temuka 1
Timaru 1
Waimate 1
Oamaru 2
Wanaka 1
Cromwell 1
Alexandra 1
Wakatipu 1
Dunedin 2
Mosgiel 1
Balclutha 1
Gore 1
Invercargill 2
Winton 1

HENRY’S BWS
Richmond 1
Kaikoura 1
Greymouth 1
Rangiora 1
Christchurch 10
Timaru 1
Dunedin 1
Alexandra 1
Queenstown 1

ON THE SPOT
ON THE SPOT EXPRESS
Nelson 15
Canterbury 44
West Coast 18
Blenheim 4
Dunedin 12
Southland 18
Otago 1
Central Otago 5

RAEWARD FRESH
Nelson 1
Christchurch 3
Queenstown 1
### Leadership Team

#### PAK’nSAVE Executive Committee
- Jason Williams [Chairman] PAK’nSAVE Timaru
- Bryan Dobson PAK’nSAVE Invercargill
- Mark Elkington PAK’nSAVE Blenheim
- James Flanagan PAK’nSAVE Rangiora
- Marcel Gray PAK’nSAVE Wainoni
- Andrew Howard PAK’nSAVE Richmond
- John Lee PAK’nSAVE Hornby
- Chris McDonald PAK’nSAVE Dunedin
- William McDonald PAK’nSAVE Dunedin
- Steven McDonald PAK’nSAVE Riccarton
- Brad Spence PAK’nSAVE Moorhouse
- Bryan Walker PAK’nSAVE Northlands

#### New World Executive Committee
- Phillip Blackburn [Chairman] New World Ilam
- Glenn Anderson New World Stoke
- Rodney Flannery New World Gore
- Kathy Frampton New World Northwood
- Michelle King New World Wakatipu
- Craig Nieper New World Centre City
- Jack Stafford New World Mosgiel
- Justin Vaudrey New World South City

#### Corporate Executives
- Steve Anderson Chief Executive Officer
- Yvonne Botha Executive Assistant
- Alan Malcolmson General Manager Retail Operations (Retires 29 April 2016)
- Roger Davidson General Manager Property & Retail Development
- Kim DeGarnham General Manager Employee & Support Services/Company Secretary
- Tim Donaldson General Manager Retail - Designate
- Philip Lemon General Manager Merchandise
- John Mullins General Manager Supply Chain
- Malcolm Wratt General Manager Finance
- Philip Wright General Manager Information Technology

#### Four Square Executive Committee
- Stuart Hore [Chairman] Wakefield Four Square
- Bruce Duncan Rosebank Four Square
- Michelle Grundy Maniototo Four Square
- Cushla Jones Franz Josef Four Square
- John McDonald Pleasant Point Four Square
- Graeme Neilson Ascot Four Square
- John Niles Owaka Four Square
- Marty West Port Chalmers Four Square

#### Raeward Fresh Executive Committee
- Simon [Chairman] & Jo Turnbull Raeward Fresh Tower Junction
- Justin & Melissa Blackler Raeward Fresh Richmond
- Jeremy De Gouw Raeward Fresh Marshland
- Nathan & Angela Imlach Raeward Fresh Queenstown
- Chris Meyer & Kerri Lee-Meyer Raeward Fresh Harewood

#### Henry’s BWS Executive Committee
- Brad Spence [Chairman] Henry’s BWS Moorhouse
- Gerry Breen Henry’s BWS Queenstown
- Victoria Boyes Henry’s BWS Greymouth
- Adrian Hills & Leonie Kurta Henry’s BWS Centre City
- Kevin Ryan Henry’s BWS Alexandra
- Anne Shee & Damon Kroupa Henry’s BWS Richmond
- Craig Smith & Tracy Catanach Henry’s BWS Kaikoura
- Jason & Caroline Hall Henry’s BWS Timaru
- Louis & Lynda Viecell Henry’s BWS Avonhead
- Carl Wild & Keith Miles Henry’s BWS Barbados
- Henry’s BWS Bishopdale
- Henry’s BWS Hornby
- Henry’s BWS Rangiora
- Henry’s BWS Rolleston
- Henry’s BWS Shirley
- Henry’s BWS Tower Junction
- Henry’s BWS Woolston
- Henry’s BWS Yaldhurst
### Senior Executives

#### Information Technology
- **Ana Connor** | eCommerce Manager
- **Gary Cowens** | IT Operation Services Manager
- **Gordon McCoy** | Business Systems Manager
- **Philip Smith** | Project Delivery Manager

#### Employee & Support Services
- **Stephanie Feldbrugge** | Employee & Support Services Manager
- **Debbie Behrnes** | Training & Development Manager
- **Dave Norton** | Loss Prevention Manager
- **Andrew Wight** | Internal Audit Manager

#### Merchandise
- **David MacKenzie** | Retail Merchandise Manager
- **Patrick O’Leary** | Article Master Manager
- **David Pawson** | Wholesale Merchandise Manager
- **Mike Scofield** | Operations and Merchandising Manager

#### Finance
- **Chris Donward** | Manager Members Services
- **Simon Hughes** | Group Finance Manager
- **Murray Trim** | Decision Support Manager

#### Property and Retail Development
- **Rebecca Parish** | Property Development Manager
- **Clayton Young** | Property Manager

#### Retail Operations
- **Steve Alexander** | Four Square Group Manager
- **Melinda Baillie** | Trents Group Manager
- **Michael Arlidge** | Trents Sales Manager
- **Danny Halligan** | Henry’s BWS Group Manager
- **Matthew Harrison** | SAP Operations Manager
- **Mike Luck** | On the Spot Group Manager
- **Kent Mahon** | PAK’nSAVE Group Manager
- **Ross Martin** | New World Group Manager
- **Glen Stevenson** | Retail Support Manager – Fresh
- **Nathan Young** | Raeward Fresh Group Manager

#### Supply Chain
- **Scott Fairweather** | Hornby Distribution Centre Manager
- **Nathan Hide** | General Manager Murdoch Manufacturing
- **Kris Lancaster** | Logistics Operations Manager
- **Gareth Weatherston** | Dunedin Distribution Centre Manager
- **Tony Ziolo** | Site Services Manager, Hornby Distribution Centre
Independent Auditor’s Report

To the Members of Foodstuffs South Island Limited.

The accompanying summary consolidated financial statements on pages 40 to 43, which comprise the summary consolidated statement of financial position as at 29 February 2016 and the summary consolidated income statement and statement of comprehensive income, changes in shareholders’ equity and cash flows for the year then ended and notes, are derived from the audited consolidated financial statements of Foodstuffs South Island Limited and its subsidiaries (“the group”) for the year ended 29 February 2016. We expressed an unmodified audit opinion on those financial statements in our audit report dated 29 April 2016.

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 the group.

This report is made solely to the Members as a body. Our audit work has been undertaken so that we might state to the company’s Members those matters we are required to state to them in the 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 company’s Members as a body, for our audit work, this report or any of the opinions we have formed.

Directors’ responsibility for the consolidated financial statements

The Directors are responsible for the preparation of a summary of the audited consolidated financial statements, in accordance with FRS-43 Summary Financial Statements.

Auditor’s Responsibility

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

Opinion

In our opinion, the summary consolidated financial statements, derived from the audited consolidated financial statements of Foodstuffs South Island Limited and its subsidiaries (“the group”) for the year ended 29 February 2016, are a fair summary of those financial statements, in accordance with FRS-43 Summary Financial Statements.

29 April 2016; Christchurch
Financial Statements

Income Statements 40
Statement of Comprehensive Income 40
Statement of Changes in Shareholders’ Equity 41
Balance Sheet 42
Statement of Cash Flows 43
### Income Statement
for the year ended 29 February 2016

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
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<tr>
<td>$000</td>
<td>$000</td>
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<tr>
<td>Revenue from sale of goods</td>
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<td>2,721,341</td>
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<td>Cost of sales</td>
<td>2,548,631</td>
<td>2,416,500</td>
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<td><strong>Gross profit</strong></td>
<td>326,275</td>
<td>304,841</td>
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<td>Other income</td>
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<td>158,890</td>
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<td>Operating expenses</td>
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<td>205,476</td>
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<td><strong>Operating profit</strong></td>
<td>266,459</td>
<td>258,255</td>
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<td>Net finance costs</td>
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<td>Rebates to members</td>
<td>248,562</td>
<td>233,625</td>
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<td>Share of profit/(loss) from associates</td>
<td>(150)</td>
<td>1,660</td>
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<tr>
<td><strong>Profit/(Loss) before tax</strong></td>
<td>11,771</td>
<td>21,712</td>
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<td>Income Tax Expense</td>
<td>3,083</td>
<td>2,907</td>
</tr>
<tr>
<td><strong>Net Profit/(Loss) for the year after tax</strong></td>
<td>8,688</td>
<td>18,805</td>
</tr>
</tbody>
</table>

Attributable to:
- Shareholders of the parent company 8,688 18,805

### Statement of Comprehensive Income
for the year ended 29 February 2016

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
<td></td>
</tr>
<tr>
<td>Net Profit/(Loss) for the year</td>
<td>8,688</td>
<td>18,805</td>
</tr>
</tbody>
</table>

**Other comprehensive income:**
- Transfer of deferred tax to reserves 485 386
- Movement in investments reserve (415) (7,987)
- Movement in cash flow hedge reserve (1,731) (1,791)
- Movement in other reserves 70 491

**Total comprehensive income for the year** 7,097 9,904

**Total comprehensive income attributable to:**
- Shareholders of the parent company 7,097 9,904
## Statement of Changes in Shareholders’ Equity

for the year ended 29 February 2016

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>At 1 March, 2015</td>
<td>337,840</td>
<td>314,999</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>7,097</td>
<td>9,904</td>
</tr>
<tr>
<td>Dividends paid/payable</td>
<td>(7,932)</td>
<td>(7,172)</td>
</tr>
<tr>
<td><strong>Total recognised income and expenses</strong></td>
<td>(835)</td>
<td>2,732</td>
</tr>
<tr>
<td>Net share issue</td>
<td>19,122</td>
<td>20,109</td>
</tr>
<tr>
<td>At 29 February 2016</td>
<td>356,127</td>
<td>337,840</td>
</tr>
</tbody>
</table>

### Basis of Preparation

These summary financial statements on pages 40 to 43, 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 29 February 2016, authorised for issue and signed on 26 April 2016 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 29 February 2016**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>657,682</td>
<td>599,513</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>24,538</td>
<td>22,935</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>1,449</td>
<td>2,831</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>28,361</td>
<td>28,776</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>712,030</td>
<td>654,055</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>44,485</td>
<td>34,398</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>185,265</td>
<td>224,158</td>
</tr>
<tr>
<td>Inventories</td>
<td>96,057</td>
<td>90,243</td>
</tr>
<tr>
<td>Property, plant and equipment held for sale</td>
<td>8,941</td>
<td>7,704</td>
</tr>
<tr>
<td>Investment in associates held for sale</td>
<td>39</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>334,787</td>
<td>356,503</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>1,046,817</td>
<td>1,010,558</td>
</tr>
</tbody>
</table>

**EQUITY**

**Capital and reserves attributable to equity holders**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>217,085</td>
<td>197,963</td>
</tr>
<tr>
<td>Other reserves</td>
<td>74,783</td>
<td>76,881</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>64,259</td>
<td>62,996</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>356,127</td>
<td>337,840</td>
</tr>
</tbody>
</table>

**Liabilities**

**Non-current liabilities**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>79,152</td>
<td>76,276</td>
</tr>
<tr>
<td>Employee entitlements</td>
<td>780</td>
<td>707</td>
</tr>
<tr>
<td>Deferred income tax liability</td>
<td>34,385</td>
<td>36,077</td>
</tr>
<tr>
<td>Provisions</td>
<td>329</td>
<td>517</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>114,646</td>
<td>113,577</td>
</tr>
</tbody>
</table>

**Current liabilities**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>251,483</td>
<td>223,658</td>
</tr>
<tr>
<td>Borrowings</td>
<td>235,336</td>
<td>247,846</td>
</tr>
<tr>
<td>Provisions</td>
<td>960</td>
<td>1,759</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>2,394</td>
<td>663</td>
</tr>
<tr>
<td>Rebates payable</td>
<td>85,629</td>
<td>85,078</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>242</td>
<td>137</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>576,044</td>
<td>559,141</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>690,690</td>
<td>672,718</td>
</tr>
</tbody>
</table>

**TOTAL EQUITY AND LIABILITIES**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,046,817</td>
<td>1,010,558</td>
</tr>
</tbody>
</table>

On behalf of the Board 26 April 2016

Robin Brown, Director

Russell McKenzie, Director
### Statement of Cash Flows

**For the year ended 29 February 2016**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash was provided from:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>3,064,612</td>
<td>2,838,935</td>
</tr>
<tr>
<td>Interest received</td>
<td>3,311</td>
<td>4,577</td>
</tr>
<tr>
<td>Member trading accounts</td>
<td>24,024</td>
<td>21,183</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,091,947</td>
<td>2,864,695</td>
</tr>
<tr>
<td><strong>Cash was applied to:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases, wages and expenses</td>
<td>2,702,680</td>
<td>2,590,019</td>
</tr>
<tr>
<td>Members rebates</td>
<td>108,224</td>
<td>108,344</td>
</tr>
<tr>
<td>Interest paid</td>
<td>10,704</td>
<td>10,301</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>4,185</td>
<td>6,254</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,915,793</td>
<td>2,790,218</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td>176,154</td>
<td>74,477</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** |          |          |
| **Cash was provided from:** |          |          |
| Advances from other related parties | 1,343    | 11,500   |
| Dividends                    | 1,661    | 2,873    |
| Insurance proceeds received for replacement Property, Plant, & Equipment | 2,013    | 7,691    |
| Sale of property plant and equipment | 1,483    | 5,136    |
| **Total**                    | 6,500    | 27,200   |
| **Cash was applied to:**     |          |          |
| Purchase of intangibles      | 6,367    | 10,277   |
| Purchase of property plant and equipment | 88,731   | 108,992  |
| Advances to related parties and associates | 4,800    | 392      |
| **Total**                    | 99,898   | 119,661  |
| **Net cash flow from investing activities** | (93,398) | (92,461) |

| **Cash flows from financing activities** |          |          |
| **Cash was provided from:** |          |          |
| Long term and money market borrowings | -        | 19,001   |
| **Total**                        | -        | 19,001   |
| **Cash was applied to:**         |          |          |
| Retained Patronage Shares redeemed | 30,595   | 28,675   |
| Dividends paid on Retained Patronage Shares | 7,240    | 11,526   |
| Trading Credit Shares            | 1,176    | 1,178    |
| Long term and money market borrowings | 33,658   | -        |
| **Total**                        | 72,669   | 41,379   |
| **Net cash flow from financing activities** | (72,669) | (22,378) |

**Net increase/(decrease) in cash held**

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,087</td>
<td>(40,362)</td>
</tr>
</tbody>
</table>

**Opening cash brought forward**

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>34,398</td>
<td>74,760</td>
</tr>
</tbody>
</table>

**Ending Cash carried forward**

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>44,485</td>
<td>34,398</td>
</tr>
</tbody>
</table>

**Represented by:**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Overseas currency accounts</th>
<th>Cash on hand</th>
</tr>
</thead>
<tbody>
<tr>
<td>44,342</td>
<td>131</td>
<td>12</td>
</tr>
</tbody>
</table>

**Total**

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>44,485</td>
<td>34,398</td>
</tr>
</tbody>
</table>