



FOODSTUFFS SOUTH ISLAND LIMITED

ANNUAL REPORT 2014

SUMMARY



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FROM LEFT TO RIGHT:

Alan Malcolmson, General Manager Retail Operations | Stephen Boock, PAK'nSAVE Northlands | Russell McKenzie, New World St Martins
Phil Wright, General Manager Information Technology | Roy Bridgman, New World Rolleston | John Niles, Four Square Owaka
Robin Brown, New World Rangiora (Chairman) | Kevin Ryan, New World Alexandra



Steve Anderson, Chief Executive Officer | Marcel Gray, PAK'nSAVE Wainoni | Kim DeGarnham, General Manager, Administration & Members' Services, Company Secretary | Roger Davidson, General Manager Property & Retail Development
 Malcolm Wratt, General Manager Finance | Chris McDonald, PAK'nSAVE Dunedin (Deputy Chairman) | John Mullins, General Manager Supply Chain | Philip Lemon, General Manager Trents Wholesale Limited

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, 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. FSNI trades only in the North Island of New Zealand.

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

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

Currently, Foodstuffs South Island Limited has a membership of 560.

These Members recognise that shareholding in the Co-operative confers on its members the right to enjoy the benefits of the Co-operative and their shares are not held as a form of investment in equity shares. As such, our Members are caretakers

of the Co-operative and its assets. They have a responsibility to preserve and protect the Co-operative and its assets to enable future generations to trade just as those that have gone before them have done.

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

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

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

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

In recognition of the different purchasing requirements of the Oil Channel and foodservice industry, these customers trade with our

wholly-owned subsidiary, Trents Wholesale Limited. This subsidiary was specifically created to service this sector in the South Island and supports a strong customer base. Customers are able to purchase not only dry groceries but a variety of fresh products direct through the five 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 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.





Annual General Meeting

The 26th Annual General Meeting of Shareholders of Foodstuffs South Island Limited will be held on Tuesday, 15 July 2014 at the Dunedin office of the Company, Midland Street, Dunedin at 5.00pm.

Ordinary Business

1. To receive, consider and adopt the Directors' Report, Group Income Statements, Statements of Comprehensive Income, Statements of Changes in Shareholders' Equity, Balance Sheets and Audit Report for the year ended 28 February 2014.
2. To receive the results of the postal ballot conducted for two directors.
3. To fix the remuneration of directors for the ensuing year.
4. To record the appointment of KPMG as Auditors and authorise

the Board of Directors to fix the remuneration of the Auditors for the year to 28 February 2015.

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

'A' and 'D' Shareholders have the right and are entitled to attend and vote at the meeting. These members may appoint a proxy to attend and vote on their behalf. A form of proxy may be obtained from the Secretary. The completed

proxy form must be deposited at the registered office of the Company not later than 48 hours before the time of the meeting. A proxy holder need not necessarily be an 'A' or 'D' Shareholder of the Company.

Dated this 10th day of June 2014.

By order of the Board

K N DeGarnham
Company Secretary



Chairman's Review

On behalf of the Board of Directors of Foodstuffs South Island Ltd (FSSI), I am pleased to present to you the 26th Annual Report detailing our activities, highlights, challenges and financial performance for the year ended 28 February 2014.

The New Zealand economy gained substantial momentum over the second half of 2013 with a strong growth forecast for the next three years. Consumer spending and consumer confidence improved due to an improved labour market, rising house prices and growth in incomes.

Foodstuffs South Island's financial results were consistent with this marked improvement in the NZ economy and together with a clear strategy, good cost control and great marketing we managed to have an excellent year.

We celebrated our 25-year anniversary, opened our 10th PAK'nSAVE in Blenheim, our 41st New World in Woolston and ran one of the most successful promotions, "Little Shop," nationally in our New Worlds.

Customers are the core of our business and the reason why we exist. Commitment to service excellence and investing in a healthier society is paramount to us. We are aware that the choices our customers make are of consequence and could be life changing. In 2007 we started a community nutrition programme, Food for Thought, which educates year 5 and 6 primary school students how to make healthier food and lifestyle choices. Over recent years consumer demand for healthy products has grown and it is with pride that we are giving children the tools they need to make these healthier choices now and into the future.

Our continued investment in state-of-the-art systems and logistics

infrastructure will ensure we retain our leadership position in the South Island. Throughout the next year we will;

- focus on the opening of our new Hornby Distribution Centre (DC) which will benefit our members and customers through economies of scale resulting in cost savings,
- launch the Customer Relationship Management initiative for New World Clubcard, and
- enhance our existing SAP functionality, making it easier to operate, exploiting new features such as Advance Replenishment and experimenting by integrating iPad with SAP.

Foodstuffs South Island is committed to sustainable operating principles and believe businesses play an important part in building sustainable communities. Sub-meters were installed in a number of stores and distribution centres and are proving invaluable for presenting data back to the owner/operator on how to improve energy efficiency. Our Sustainability Committee reviewed store waste management practices and as a result, a national tender was successfully awarded to facilitate a co-ordinated approach to waste management. Our first full CO₂ powered refrigeration system was introduced at Orbell Street Cash'nCarry and this will now be our standard for new stores and major refurbishments.

Retail

Foodstuffs South Island strengthened our competitive position by gaining market share throughout the reported year and despite various challenges our Banner Groups achieved good growth. This was partly due to the opening of two new stores;

- PAK'nSAVE Blenheim opened in March 2013, and
- New World Woolston in May 2013.

Extensive work was done to modernise the look and feel of PAK'nSAVE Blenheim and this project was so successful that these changes are now being considered as part of a national PAK'nSAVE brand review.

New World are embarking on the Customer Relationship Management (CRM) programme and during 2013/14 extensive work was done in preparation for this exciting project. We look forward to progress results as 'New World Clubcard' will be rolled out later in 2014.

Four Square had solid growth and are growing their fresh areas in store. The Four Square Approved Operator process is working well ensuring we have enthusiastic, proactive business people owning and operating our Four Square supermarkets.

Henry's Beer, Wine and Spirits had good growth and increased its numbers by rebranding a store in Richmond (Nelson).

Our newest banner group Raeward Fresh is going from

Chairman's Review continued...

strength-to-strength with various exciting opportunities in the pipeline. This Group brings the farmers' market to our doorstep and continues to attract the enthusiastic attention of locals and discerning shoppers by making fresh food, meat and produce available to our customers in a rustic country setting.

Group Sales and Profitability

The Co-operative has recorded a very good year in terms of revenue growth, with total sales up 5.5% or \$137M for the year. The successful opening of Blenheim PAK'nSAVE in March 2013, New World's outstanding 'Little Shop' promotional campaign and solid performance across all major banner groups contributed to this strong result. Gross Profit grew by 4.9%, reflecting sales growth offset slightly by changes in product mix which again meant a slightly lower Gross Margin of 11.15% (down from 11.22% in the previous year).

The extra sales volume did drive some related cost increases in the areas of supply chain wages and cartage costs, while depreciation costs also increased as the Co-operative continues to invest in new or refurbished supermarkets and infrastructure assets.

The Co-operative sold its shares in a number of associate companies this year including the Bell Tea & Coffee Company Ltd. In total, these sales resulted in a gain which is included in Other Income.

The net result of these changes was an increase in Operating Profit by \$14.5M or 6%. Funding costs were lowered by \$0.7m as the Co-operative benefitted from the lower interest rate environment and made better use of its working capital throughout the year.

Distribution to Members

Distributions to members from this year's profits will total \$245.6m (this

includes \$5.2m of imputation credits and \$1.7m of dividends which are classified as interest in the financial accounts).

In total, distributions for 2014 are \$8.0m higher than 2013 (excluding from last year \$20.0m of special dividends and imputation credits from 2012 profits) - an increase of 3.4%.

The Board has decided at this stage to retain the profit from the sale of the Bell Tea & Coffee Company shares and hold this in a separate reserve within the Balance Sheet.

2013/14 Distributions

- We have continued our practice of paying monthly rebates based on bulk and repack purchases and distributing these, together with supplier driven rebates, directly to members during the year. In total **\$161.7m** has been distributed to members in this manner.
- Next are the distributions of the Loyalty Rebates and Dividends totalling **\$56.5m**. These will be distributed through a combination of Retained Patronage Shares, Cash Rebates and Dividends. Forty nine million Retained Patronage Shares will be issued, with a fully paid up specified value of \$1.00 per share (value \$49.0m). A 10.2 cent dividend will be paid on these shares (value \$5.0m). This dividend will be paid immediately after these shares are issued and will be fully imputed. A Cash Rebate will also be paid (value \$2.5m). The Cash Rebate will be paid at the same time as the dividend payment.
- There will be a further two specific Cash Rebates paid totalling **\$3.45m**.
 - The Produce Rebate will be based on ex-warehouse produce purchases and will be paid at a rate of 3% on qualifying sales (value \$2.6m).
 - 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 \$0.85m).

- Included in the financial accounts this year are the Marketing Rebates. These distributions are banner specific. The total of these distributions is \$10.5m, of which \$5.0m was distributed in September 2013 and the remaining amount of \$5.5m will be distributed with the Produce and IT Leasing Rebate payments.
- In addition to the year end rebates there are \$7.0m of dividends on Retained Patronage Shares which will be paid out fully imputed. The Board has again decided to pay a dividend on the Trading Deposit Shares held by members. This dividend will be at the same rate as the Retained Patronage Shares (3.67% fully imputed) and equals \$1.2m in total.

Rebates and Dividends

In summary, this year's total rebates, dividends and imputations credits to be distributed to members from this year's profits are;

Bulk and Repack Rebates	\$141.3m
Supplier Rebates	\$20.4m
Monthly Cash Rebates	\$161.7m
2013 Retained Patronage Shares, Cash Rebate and Dividend	\$56.5m
Produce Rebate	\$2.6m
IT Leasing Rebate	\$0.8m
Banner Group Marketing Rebate	\$10.5m
Dividends on RPS, Trading Credit	\$8.3m
Total Dividends and Rebates	\$240.4m
Imputation Credits	\$5.2m
Total Distributions 2013/14	\$245.6m

Information Technology (IT)

Through leveraging significant investments in our Information Technology capability, we have continued to gain efficiencies over all aspects of our business. Overall 2013/14 was an excellent year for IT, based on;

- very good availability and performance of core systems,
- successful upgrades, and
- vital functionality that met the needs of the organisation.

SAP

At the end of the financial year the two last remaining New World supermarkets were migrated onto full SAP. This is a huge achievement and congratulations are in order for all involved! All Four Square and Raeward Fresh stores are now on SAP module 1 and the focus ahead will be determining enhancements to support various business functions inherent to each group respectively.

SAP is a huge part of how we do our business today and our Co-operative has fully embraced the system and is a huge improvement over how we operated pre-SAP.

Advanced Replenishment Functionality

The optimisation and flexibility of our information technology infrastructure not only helped us control costs but by enhancing it with the Advanced Replenishment (AR) functionality attributed to improved efficiency of stock. It increased our visibility of retail demand, improved our accuracy of order forecasts and reduced changes in order lines which led to better scheduling and optimum use of staff.

During the year advanced replenishment has been implemented into all PAK'nSAVE and New World stores. The implementation of AR into the warehouse has commenced and will be completed during the coming

year. We expect similar advantages to that in retail and know further benefits will follow as our usage of AR matures across our entire organisation.

eMail

During the year we migrated from Lotus Notes to Microsoft's Cloud based solution. The migration went smoothly and the new system is performing well. We are currently focusing on migrating our supermarket members to Microsoft Outlook as well.

Customer Relationship Management (CRM)

This strategic initiative is now well underway. Our New World banner will be the first CRM system to market and will involve issuing customers with a card that will be used at point of sale to identify themselves and receive benefits.

Retail Development

The core focus for the Property group has been to strengthen and grow our retail brands by systematically expanding into previously under-represented areas and future areas of growth. The last financial year has seen Foodstuffs South Island Properties Ltd opening the new Trents Cash'nCarry at Orbell Street, commencing the build of the new Hornby Distribution Centre and numerous supermarket upgrades.

This year's projects can be classified into 3 distinct groups:

- Foodstuffs Projects
 - Orbell Street Cash'nCarry
 - Papanui Office Mezzanine
 - Nelson Chiller/Freezer
 - New Hornby Distribution Centre
 - Offices

During the year, the Hornby Distribution Centre development began with initial site works and the beginnings of the steel structure being erected by year end.

Earthquake Rebuild / Repairs

The complex rebuilding of Wainoni PAK'nSAVE commenced with the first stage of car parking, closely followed by the driving of piles to form the new foundation base. The significant repairs required to Stanmore New World got underway mid-year with the first stage of re-leveling the two story section of the building, complete replacement of the car park and refurbishment of the entire interior of the store. The rebuilding of Redcliffs New World was ready to begin at year-end with the piling rig onsite awaiting the issuing of resource consent.

Supermarket Development

The first project to occur this year was the conversion of a former competitor's store in Woolston into a New World supermarket within the existing building. This successful rebranding took place within 3 days and the new store started trading on the 4th May 2013.

Significant extensions were completed at Dunedin PAK'nSAVE, New World Gore and an extension to New World Alexandra car park. A number of smaller projects were undertaken in various stores.

Supply Chain

Project Greenfields

Following the early months of site preparation, finalisation of the building contract and council consents process in 2013, the building got underway in June 2013. Handover of the new office/administration building occurred early March 2014 with the new Distribution Centre due for completion in August 2014. While the building programme progresses other major projects involved in building fit-out have been completed and together with a detailed transition plan will enable the new state-of-the-art Hornby Distribution Centre to open shortly after building completion.

Chairman's Review continued...

Transport

We have now completed two full years operating the temperature controlled line haul fleet under the TSI umbrella with great success. Our focus is to maximise our outbound consignment volumes (i.e. fruit and produce) and have some excellent inbound volume (primary freight) adding revenue to this operation. We have also completed the large majority of the two-year capital fleet program replacing the aging leased fleet we were operating with.

Administrative

A safe workplace every day is the prime focus for management and staff. Workplace injury and incidents are well documented and reported and our strong aim of having no loss time injuries remains a key target. This was demonstrated in Dunedin this year when we reached the 500 day milestone of no lost time due to injuries and celebrated this great occasion with staff.

We have successfully retained our ACC tertiary level qualification this past year which reflects the Co-operative's commitment to the reduction of work injuries and our dedication to rehabilitation of not only our staff with work injuries but also for non-work and medical related issues.

Acknowledgement

I would like to thank;

- my fellow directors and executive team for their insight and guidance throughout the year; enabling us to deliver on our strategy,
- our staff, members and their staff for their concerted efforts in meeting the needs of our customers, ensuring our Co-operative remains a market leader and having an excellent trading year.
- our external parties, customers and suppliers for their continued support.

I thank you all and look forward to another excellent trading year.



Robin Brown

Chairman





Retail Review

PAK'nSAVE

The Group has experienced a good year with strong sales growth.

A highlight of the year was the opening of PAK'nSAVE Blenheim whose sales contributed to an increase in market share for the Group. PAK'nSAVE Blenheim introduced a new look with a change in the internal colour scheme. This was well received by customers and as a result, this colour scheme was introduced to the other stores in the Group.

The use of this playful and well recognised icon makes it simple to revamp advertisements for any of our promotional weeks for TV, newspaper or digital streams.

PAK'nSAVE continues to embrace technology by introducing 'My DJ' into stores. 'My DJ' gives customers the chance to select songs they wish to hear while doing their shopping.

Digital advertising continues to grow and this year was used extensively for direct communication to customers. The PAK'nSAVE Facebook page reached new highs in 'likes'. Product and price advertising was used strategically on the PAK'nSAVE website.

The retail SAP system has enabled PAK'nSAVE to reach new levels of efficiency, from automatic re-ordering and inventory control along with specific KPI reporting to stores.

The PAK'nSAVE Group now has 10 stores covering every major town and city in the South Island which continue to serve their Community by offering customers low prices on everyday products along with a strong promotional pricing programme across the store.

Continuing on the focus of improving the Fresh Food offer to customers, the Group also reviewed pricing across departments to ensure PAK'nSAVE was meeting the core objective of offering the lowest food prices in New Zealand.

Once again our marketing strategy using 'Stickman' as the voice of the brand continues very successfully.

The introduction of 'My DJ' was well received by customers and received positive national media attention.





New World

The New World Group has had a very positive trading year with increased sales and market share.

New World continues to focus on servicing its local community by providing customers with excellent customer service, quality fresh foods and everyday pricing with good promotional activity. In support of this, an advertising campaign 'Fresh Every Day' was launched in September. It was designed to showcase the quality of food and staff expertise across the Fresh departments, highlighting New World's point of difference.

The Group has an ongoing store refurbishment plan, encouraging reinvestment back into the business to keep the brand strong with high standards in the look and feel of New World. Major refurbishments were completed in Gore, Hokitika, Wakatipu

and Cromwell. In May, over a period of three days a former competitor's store in Woolston was converted to a New World. This is our 41st New World and we welcome new operators Greg and Rebecca Boock to the group.

At the end of February the group achieved a milestone with all New Worlds converted onto the full retail SAP system. SAP is providing owners and their staff with fast accurate data assisting them to make informed operational and financial business decisions.

The Little Shop marketing campaign was a highlight of the year. It surpassed all expectations with the craze of collecting these miniature

groceries in high demand. They were being swapped on Facebook, classrooms, lunchrooms, and sold on TradeMe.

New World is looking forward to 2014 with more innovative strategies planned to deliver growth while serving its customers.

Four Square Supermarkets

Four Square Supermarkets had a very good year with sales growth of 4.0%, well above the Food Price Index.

Four Square saw 12 new members purchase supermarkets from members retiring from the Four Square Group.



Major highlights for the Four Square group this year were:

- A suite of brand new commercials focusing on their local communities, were produced with the theme of 'Meet me at the Four Square'. The commercials have appeared on television and radio and good feedback has been received by 'the locals'.
- A conference was held mid-year with a focus on Fresh. This conference brought members together with advisors in Fresh Foods, Suppliers of Fresh Foods and Equipment Suppliers. It also enabled Members to confer with other Members on how they have overcome challenges of quality, price and presentation in the rural areas of the South Island.
- Four Square has always prided itself on being the backbone of the community and over the last several years purchased four Health Shuttles for St John. These shuttles transport people from rural communities to health related appointments at hospital or medical facilities in larger towns or cities. The St John Health Shuttle is a free service. In recognition of the Four Square sponsorship over the last years St John awarded the Four Square Group with a Priory Vote of Thanks. This is a prestigious award dating back to 1910 and signed off by the Governor-General of New Zealand and the St John Chancellor.



Trents Wholesale Ltd

Trents continues to see improved business confidence within the Hospitality and Convenience sector throughout the South Island.

Early in the year, Trents purchased the chilled and frozen businesses of South City Foods and Sub Zero located in Dunedin and Invercargill. Along with upgrading the chillers in Nelson, Trents are now able to offer customers in the Nelson/Marlborough, Dunedin and Invercargill areas a greater Foodservice offer.

The highlight of the year was the December opening of the new Trents Cash'nCarry site in Orbell Street, Christchurch. This facility is referred to as Trents Foodservice 'Centre of Excellence' and it is proving to be a hit with the Canterbury Hospitality sector. This Centre of Excellence

offers a greater range of products not only in the standard grocery range but includes fresh, chilled and frozen. There is a state-of-the-art point of sale system along with new style checkouts for easy processing of bulk items. There is also a test kitchen where suppliers can showcase their equipment and products to customers. This modern facility will certainly assist Trents with meeting our customers' requirements.





Raeward Fresh Your fresh food people.

Raeward Fresh has been operating as a Banner Group within the Co-operative for over a year now and has created their foundation strategies to allow them to grow and expand into the future.

A fourth Raeward Fresh store was added to the group with the rebranding of Marshland Produce. This site had a full makeover using the new Group colours and format specifications. After trading successfully under the Raeward

Fresh Banner, the Marshland site is going to undertake further renovations doubling the size of the current retail area. A real success story proving the pulling power of a good brand.

Both Raeward Fresh at Tower Junction and Richmond are undergoing makeovers to freshen up the stores with the new colours and formats. Tower Junction has also installed more chilled cabinet space to expand on the dairy deli offering to customers.

The Raeward Fresh Brand is cementing their place in the fresh food / farmers' market retail sector and will continue to explore opportunities across the South Island for other potential sites. With each new site comes the opportunity to strengthen the Group and brings even more fresh food experience and knowledge, *with the love and passion of good food...Raeward Fresh, your fresh food people.*

Henry's Beer, Wine & Spirits

Henry's Beer, Wine & Spirits has had a strong trading year with sales growth well above the trend compared to the Total Traditional Liquor Market.

The 18th store was added to the Group with the acquisition then rebranding of a former competitor's store in Richmond, Nelson. The rebranding of this store was an instant success with customers and provides opportunities in other areas of the South Island.

A number of stores completed refurbishments, upgrades or relays to ensure the group continues to set the standards in this area of the market.

Currently 10 stores are on modules of the retail SAP system with a target to have the total group on SAP by the end of 2014. SAP will bring benefits to the individual stores with improved inventory management, stock ordering, pricing and promotions along with improved reporting.

New trends continue to excite the liquor industry with cider and craft beer categories growing well ahead of expectations and now well established within the market.

The Henry's Group have some exciting developments upcoming in the 2014 year which will result in a growth in sales with added benefits to customers.



Food for Thought

Foodstuffs Food for Thought Education Trust, with the support of Pams, offers a FREE nutrition education programme “Food for Thought” to Years 5 and 6 Primary School students in New Zealand.

The Food for Thought programme is all about helping students learn to make healthy food choices. It is educational, fun and delivers the learning both inside and outside of the classroom. The programme fits into many different areas of the New Zealand Education Curriculum. Our programme allows students to learn lifelong skills, through classroom sessions with our Nutritionists, inquiry learning exercises in our supermarkets and budgeting and numeracy skills through planning, designing and budgeting a sponsored healthy lunch for the class. Students who complete the programme also receive a free Food for Thought lunchbox.

Our Food for Thought programme has been designed and developed with the latest teaching resources which are given to the class teacher at the completion of the programme. These

This year, Food for Thought was delivered by the Food for Thought Nutritionists to:

- **181 schools**
- **602 classes**
- **15,638 students**
- **and 1,088 parents who attended as parent-help.**

tools allow schools to continue the learning and integrate into other areas of the term curriculum.

The Food for Thought Education Trust has continued to strengthen its collaboration with The Heart Foundation. Following the success in 2013 of a pilot of Heart Foundation Health Promotion Coordinators delivering Food for Thought, 2014 will see this initiative rolled out nation-wide.

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



Community Trust

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

Major Sponsorship

We are continuing a successful partnership with the St John Friends of the Emergency Department (FEDs') programme. The current services the Trust is assisting with are;

- FEDs, Hospital Friends – a service provided in the smaller hospitals where volunteers chat and give assistance to patients and relatives in nominated wards. A new service has commenced at Gore Hospital.
- Hospital Hosts – where volunteers are based in the foyer area supporting patients and visitors. These services are currently operating in Nelson, Wairau, Christchurch, Timaru, Oamaru, Dunedin and Invercargill.

These services, over 8 hospitals, are supported by 220 volunteers contributing 30,844 hours annually.

First Foundation

Through the First Foundation we continue to support Karly Martin who is in her second year studying Architecture at CPIT Christchurch and we say farewell to Hannah Davidson who graduated late last year achieving a BSc in Chemistry at Otago University. Hannah is currently studying honours for 2014 and hopes to achieve a PhD scholarship at the University of Otago in 2015.

Past and current recipients comment on how Foodstuffs and the Community Trust have given them a great opportunity to study and the work experience and mentoring have given them the tools to succeed in their studies and towards obtaining their life goals.

Grants

This year the following grants were distributed to groups and individuals in the South Island community;

40 Educational Grants totalling \$83,565

125 Community Grants totalling \$312,366

It is humbling to read the stories behind the requests for funds and the genuine thanks we receive from the applicants. The Trust is making a difference for these individuals and community organisations in the South Island.

Sponsors

This year the Chairman attended the Four Square Conference and spoke to the group on the good work the Community Trust was accomplishing and the benefits the Four Square Members' communities would be able to receive as being part of the Trust. As a result 18 Four Square Members joined the Trust as sponsors.

During the year, we also welcomed another 2 new sponsors and 6 new supporters.

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

Trustees

This year the Trust acknowledges the resignation of Steve Parker and David Wise as Trustees due to them retiring from the Foodstuffs group. Their combined service, wisdom and guidance regarding Community Trust issues and grants has been

invaluable. I wish them well for their future plans.

We welcome Michelle King (New World Wakatipu) and Kim DeGarnham (Foodstuffs South Island) as their respective successors.

In summary, the Foodstuffs (South Island) Community Trust is operating well and I am appreciative of all our sponsors, existing, new and those who have upgraded their contributions during the past year.

The Trust and Trustees thank Foodstuffs personnel for their assistance, KPMG for their voluntary auditing of accounts and, once again, all our sponsors.



Chris Griffin

Chairman Foodstuffs (South Island) Community Trust

Community Trust Sponsors

PLATINUM	GOLD	SILVER	BRONZE	SUPPORTERS
New World Alexandra	New World Bishopdale	New World Balclutha	Akaroa Four Square	New World Fendalton
New World Ashburton	New World Centre City	New World Blenheim	Ascot Four Square	Grants On The Spot
New World Gore	New World Cromwell	New World Elles Road	Fairlie Four Square	Steve & Lynley Anderson
New World Hokitika	New World Gardens	New World Greymouth	Foodlands Four Square	Alan & Sally Malcolmson
New World Motueka	New World Halswell	New World Ilam	Franz Josef Four Square	Malcolm Wratt & Louise Edwards
New World Northwood	New World Mosgiel	New World Kaiapoi	Hanmer Springs Four Square	Kim & John DeGarnham
New World Oamaru	New World Wakatipu	New World Kaikoura	Hawarden Four Square	John & Jane Mullins
New World Rangiora	New World Wanaka	New World Lincoln	Morgans Road Four Square	Roger & Heather Davidson
New World Rolleston	PAK'nSAVE Blenheim	New World Nelson City	Omarama Four Square	Arron & Karen Perriam
New World St Martins		New World Northside	Owaka Four Square	Tim & Hilary Donaldson
New World Timaru		New World Port Chalmers	Pleasant Point Four Square	Annie Truman
New World Windsor		New World Roslyn	Rakaia Four Square	Kent & Jody Mahon
PAK'nSAVE Dunedin		New World South City	Tapanui Four Square	Philip Lemon & Helen Healey
PAK'nSAVE Hornby		New World Stoke	Tapawera Four Square	Maria Boock
PAK'nSAVE Invercargill		New World Temuka	Tekapo Four Square	John Dawber
PAK'nSAVE Moorhouse		New World Waimate	Tuatapere Four Square	Peter & Denise Hyland
PAK'nSAVE Northlands		New World Westport	New World Stanmore	Ken Waterman Charitable Trust
PAK'nSAVE Richmond		New World Winton		
PAK'nSAVE Timaru		New World Woolston		
PAK'nSAVE Wainoni		PAK'nSAVE Riccarton		
		Amberley Four Square		
		Atawhai Four Square		
		Wakefield Four Square		



National Annual Progress Report 2014

The 2013 – 2014 financial year saw Foodstuffs nationally return to share growth on the Nielsen-based measure. Encouragingly, when all product segments are included through analysis of transaction data, we can also see a real strength coming through in key fresh categories.

National Marketing

Geographically, the South Island business has shown strong resurgence in share growth by picking up nearly two percentage points year-on-year. Within our supermarket banners, New World has led the way with a gain of around half a share point. It is also pleasing to see building momentum with both the New World and PAK'nSAVE brands growing across the country in the first calendar quarter of 2014.

During the year, Foodstuffs New Zealand Marketing has continued to develop with the completion of the National Studio which has yielded significant, on target, levels of cost saving. The Digital Team, which manages the business' websites and social media channels, has also transitioned into the national function and we have seen huge growth rates in our direct-to-customer email and Facebook communication channels.

It has been a big year from a public relations perspective. Clearly, supermarkets are very front of mind with media at the moment, and our industry remains one of intense public interest. We see this level of intensity and media scrutiny as 'business as usual' rather than merely a pulse in time. Our industry and media relationships, responsiveness, transparency, and integrity are all elements of our reputation protection that we manage very seriously. It is an



area where we all share a collective responsibility.

New World brand development was supported by our heavy retail calendar and the introduction of the Fresh Experts campaign on TV and in-store. This combination saw key brand measures build momentum throughout the year. But, undoubtedly the highlight of the year was Little Shop which jumped our share performance whilst creating an unprecedented buzz in households across the country.

PAK'nSAVE was supported by key theme weeks and the ongoing development of Stickman as one of the most loved icons of New Zealand advertising. The Price Comparison campaign proved to be a key game changer. The rigor of our approach, saw the campaign withstand intense scrutiny, while strongly reinforcing the core PAK'nSAVE brand positioning.

A large amount of foundational work has also gone into our Customer Relationship Management (CRM) platform development. This will first be seen through the Foodstuffs South Island led 2014 launch of the New World Clubcard. Consideration of the role of CRM customer programs for other banners, and timing for the national expansion of the New World card, will follow. Through all of our national endeavours the customer is ever present and at the centre of our focus and attention. We have made huge strides in the Customer Insight area of the business and we will continue to build on a very solid platform – extending our reach and ensuring great insights remain at the heart of all key decisions.

Store Developments

The year was another busy one from a property development perspective, with a number of new stores opening as well as a number of store refurbishments.

At the end of February 2014, Foodstuffs co-operative members operated:

- **50 PAK'nSAVE's**
- **140 New World supermarkets**
- **275 Four Square supermarkets**
- **140 On The Spot convenience stores**
- **19 Henry's Beer, Wine & Spirit outlets**
- **5 Raeward Fresh stores**
- **8 Gilmours stores**
- **4 Toops stores**
- **5 Trents Cash'nCarry and**
- **44 fuel sites.**

New Store Developments

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

- Foodstuffs North Island; New World Te Puke, New World Silverstream, New World Kapiti, Four Square Riverview, Wanganui.
- Foodstuffs South Island; PAK'nSAVE Blenheim, New World Woolston, Raeward Fresh Marshland and Trents Orbell Street Cash'nCarry.

Store Refurbishments, Replacement Stores and Extensions

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

- Foodstuffs North Island; PAK'nSAVE Petone, PAK'nSAVE Clarence, PAK'nSAVE Tauranga, PAK'nSAVE Albany, New World New Plymouth, New World Dannevirke, New World Birkenhead, New World Waihi.

- Foodstuffs South Island; PAK'nSAVE Dunedin, Four Square Methven, New World Gore. Cosmetic upgrades were carried out on New World Wakatipu, New World Wanaka and New World Cromwell.

Retail Innovations

The companies continue to review and fine-tune their store formats by introducing a number of innovations to ensure that our brand offers remain relevant to customers.

Foodstuffs North Island is also progressing well with establishing an online shopping solution for New World. The pilot store, New World

Foodstuffs is committed to constantly updating our offer to ensure customers get the best possible supermarket experience.

Thorndon, has been trialling our online offering and feedback from customers has been very positive. The pilot is ongoing and expansion plans are being refined.

Foodstuffs South Island's 2012 purchase of the Raeward Fresh Brand, a specialty meat and produce outlet, has seen the brand increase their sales by 60% proving that this offering really does represent an area of growth for the business. The South Island will continue to look to develop the brand in key centres throughout the region and is thrilled that Mediterranean Foods in Queenstown recently signed an agreement to become part of the Raeward Fresh

brand. Mediterranean Foods transition to the brand is expected to be complete by August 2014.

National Advocacy

Foodstuffs (NZ) Limited continues to coordinate national submissions and undertake advocacy work on public policy issues which are relevant to Foodstuffs business interests. Legislative reforms relating to alcohol, food, employment and property law, have been the primary focus during the last year.

Following the passage of the Sale and Supply of Alcohol Act 2012, the new legislative framework for the sale of alcohol began to be implemented from mid-2013. Foodstuffs was consulted on the regulations that underpin the Act and was influential in the design of the regulations that define a grocery store. Foodstuffs also participated in the Health Promotion Agency's work to develop guidelines for responsible alcohol promotions, providing greater certainty around the new legislative requirements, and signed the RTD Code of Practice, which limits alcohol strength and volume for single serve RTDs. Over the last 12 months a number of Territorial Authorities have begun the process of developing a Local Alcohol Policy and Foodstuffs is making a submission in each case. A number of provisional policies are being appealed on the basis of their unreasonableness.

During 2013 national submissions were prepared for: the Resource Management Reform Bill, the Financial Reporting Bill, the Employment Relations Bill, and government reviews on earthquake strengthening policy, development contributions policy, and possible further changes to the Resource Management Act. Submissions were also prepared for Immigration New Zealand's review of the Essential Skills in Demand Lists and the Productivity Commission's Review of Regulatory Practice.

In the early part of 2014 submissions have been filed for the Local Government Act 2002 Amendment Bill (No 2), the Building (earthquake-prone buildings) Amendment Bill, the Health and Safety Reform Bill, and the Productivity Commission's Inquiry into the Services Sector.

Before the end of 2014 the Government is expected to introduce further legislative change to resource management law, to introduce new food labelling rules, and to complete a review of alcohol advertising regulation. Foodstuffs will continue to monitor these developments and provide advocacy for the companies and their members as appropriate.

Sustainability Progress at Foodstuffs

Foodstuffs has continued to make good progress improving the sustainability of its operations with continued focused on energy, waste and packaging.

There are now 41 sites on the energy sub-metering programme which is improving the business' ability to monitor energy usage and help identify areas for future savings. New technologies such as LED lighting and simple changes such as fitting lids and doors on freezers are delivering substantial energy savings.

2014 marks the start of the rollout of new waste minimisation plans for the stores, distribution centres and offices.

Working with Envirowaste Services Ltd, stores are being transitioned over to new arrangements which aim to divert 90% of waste to other uses rather than to landfill.

Foodstuffs commitment to move to more climate friendly refrigerant gases for our stores continues to be demonstrated through the installation of 'transcritical' refrigeration systems in PAK'nSAVE and New World stores in both the North and South Island. In recognition of the innovation demonstrated by Foodstuffs in being the first organisation to prove the concept of transcritical refrigeration in a supermarket environment in New Zealand, New World Newlands was awarded the top prize in the 'Mega Efficiency' category at the finals of the Sustainable Business Network Awards held in Auckland in November 2013.

Packaging continues to be an area of significant focus with Foodstuffs committing to having all its own brand and store packed items kerbside recyclable or home compostable for customers in the future.

Carrier bag recycling will be trialled in-store in 2014 and reusable bags are being actively promoted to all customers.

Our new generation of stores are embracing all of the above improvements with the latest edition to the portfolio, New World Kumeu, having a projected carbon footprint that is 50% smaller than that of stores of only five years ago.



The sustainability of Foodstuffs own brand products is also of great importance.

Palm Oil and Tuna are areas of particular importance as a result of the environmental impacts associated with their sourcing. As a response Foodstuffs Own Brands Limited is now a member of the 'Roundtable on Sustainable Palm Oil' and has valid RSPO certification for **99%** of Own Brand products that contain palm oil.

Only the most abundant species of

tuna (Skipjack) is used in our canned range and all this is caught using sustainable fishing methods including Pole and Line.

Sponsorship and community support remain at the heart of Foodstuffs business.

At a national level, Foodstuffs continues to sponsor organisations such as CanTeen, Netball NZ and Food for Thought amongst many more. At a local level, each and every store continues to help local sports clubs, schools and charities.

As Chairman, I would like to thank my fellow Directors, Executive and staff of the respective Foodstuffs Companies for the commitment to the organisation ensuring we progress, develop and enjoy success.

Robin Brown

Chairman, Foodstuffs (NZ) Limited

Executive Team

Corporate Executives

Steve Anderson	Chief Executive Officer
Yvonne Botha	Executive Assistant
Alan Malcolmson	General Manager Retail Operations
Roger Davidson	General Manager Property & Retail Development
Kim DeGarnham	General Manager Administration & Members Services / Company Secretary
Philip Lemon	General Manager Trents Wholesale Limited
John Mullins	General Manager Supply Chain
Malcolm Wratt	General Manager Finance
Phil Wright	General Manager Information Technology

PAK'nSAVE Executive Committee

Steven McDonald [Chairman]	PAK'nSAVE Riccarton
Stephen Boock	PAK'nSAVE Northlands
Bryan Dobson	PAK'nSAVE Invercargill
Mark Elkington	PAK'nSAVE Blenheim
Marcel Gray	PAK'nSAVE Wainoni
Andrew Howard	PAK'nSAVE Richmond
John Lee	PAK'nSAVE Hornby
Chris and William McDonald	PAK'nSAVE Dunedin
Brad Spence	PAK'nSAVE Moorhouse
Jason Williams	PAK'nSAVE Timaru

Four Square Executive Committee

Cushla Jones [Chairman] [Feb 2014]	Fern Grove Four Square
Paddy Breen [resigned April 2013]	Mackenzie Four Square
Bruce Duncan [March 2013]	Rosebank Four Square
Michelle Grundy	Maniototo Four Square
Stuart Hore	Wakefield Four Square
John McDonald	Pleasant Point Four Square
Graeme Neilson [past Chairman]	Ascot Four Square
John Niles	Owaka Four Square
Julia Spence	Akaroa Four Square

Henry's BWS Executive Committee

Gerry Breen [Chairman]	Henry's Queenstown
Victoria Boyes	Henry's Greymouth
Jennifer Pitcaithly	Henry's Centre City
Kevin Ryan	Henry's Alexandra
Brad Spence	Henry's Moorhouse
Craig Smith Tracy Catanach	Henry's Kaikoura
Howard Smith	Henry's Timaru
Carl Wild Keith Miles	Henry's City Henry's Rolleston Henry's Rangiora Henry's Hornby Henry's Woolston Henry's Bishopdale Henry's Tower Junction Henry's Ferrymead Henry's Shirley Henry's Yaldhurst

New World Executive Committee

Chris Griffin [Chairman]	New World Gore
Phil Blackburn	New World Ilam
Kathy Frampton	New World Northwood
Warren McKenzie	New World Windsor
Craig Nieper	New World Centre City
Justin Vaudrey	New World Westport

Raeward Fresh Executive Committee

Justin Blackler	Raeward Fresh Richmond
Brent Thomas	Raeward Fresh Harewood
Simon Turnbull	Raeward Fresh Tower Junction
Jeremy De Gouw	Raeward Fresh Marshland

Senior Executives

Finance

Simon Hughes	Group Finance Manager
Murray Trim	Head of Decision Support
Andrew Wight	Internal Audit Manager

Administration & Members Services

Ron Bitschkat	Administration & Employee Services Manager
Chris Dorward	Manager Membership Services

Information Technology

Ana Connor	eCommerce Manager
Gary Cowens	IT Operation Services Manager
Gordon McCoy	Business Systems Manager
Philip Smith	Project Delivery Manager

Retail Operations

Tim Donaldson	Retail Brands Manager
Stephanie Feldbrugge	Support Services Manager
John Dawber	Raeward Fresh Group Manager
Nick Dawson	Group Communications Manager
Danny Halligan	Henry's BWS Group Manager
Stefan Hance	SAP Operations Manager
Nathan Hide	General Manager Murdoch Manufacturing
David MacKenzie	Retail Merchandise Manager – Packaged
Kent Mahon [appointed Dec 2013 previous NW Grp Mng]	PAK'nSAVE Group Manager
Ross Martin [appointed Dec 2013]	New World Group Manager
David Norton	Loss Prevention Manager
Arron Perriam	Training & Development Manager
Alan Smith	Four Square Group Manager
Annie Truman	Retail Merchandise Manager – Fresh
David Wise [retired]	PAK'nSAVE Group Manager

Supply Chain

Kris Lancaster	Logistics Operations Manager
Scott Fairweather	Manager, Hornby Distribution Centre
David Pawson	Wholesale Merchandise Manager
Patrick O'Leary	Article Master Manager
Gareth Weatherston	Manager, Dunedin Distribution Centre
Tony Ziolo	Manager, Papanui Distribution Centre

Property & Retail Development

Rebecca Parish	Property Development Manager
Clayton Young	Property Manager

Trents Wholesale

Michael Arlidge	Foodservices Sales Manager
Mike Luck	Convenience Foodservice Manager
Philip Olsen	Cash'nCarry Operations Manager
Alan Wicks	Promotions and Merchandise Manager

The Network

HENRY'S BWS

Richmond	1
Kaikoura	1
Greymouth	1
Rangiora	1
Christchurch	10
Timaru	1
Dunedin	1
Alexandra	1
Queenstown	1

FOUR SQUARE

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

PAK'nSAVE

Nelson	1
Blenheim	1
Christchurch	5
Dunedin	1
Timaru	1
Invercargill	1

ON THE SPOT AND ON THE SPOT EXPRESS

Nelson	17
Blenheim	5
Kaikoura	1
West Coast	17
Canterbury	39
Ashburton	4
Timaru	8
Dunedin	16
Central Otago	5
Invercargill	21

NEW WORLD

Nelson	2
Motueka	1
Blenheim	1
Kaikoura	1
Greymouth	1
Westport	1
Hokitika	1
Rangiora	1
Kaiapoi	1
Christchurch	9
Lincoln	1
Rolleston	1
Ashburton	1
Temuka	1
Timaru	1
Waimate	1
Oamaru	2
Wanaka	1
Cromwell	1
Alexandra	1
Wakatipu	1
Dunedin	3
Port Chalmers	1
Mosgiel	1
Balclutha	1
Gore	1
Invercargill	2
Winton	1

RAEWARD FRESH

Nelson	1
Christchurch	3



Independent Auditor's Report on the Summary Financial Statements

To the shareholders of Foodstuffs South Island Limited

The accompanying summary financial statements on pages 30 to 33, which comprise the summary statements of financial position as at 28 February 2014, the summary income statements and summary statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, for both the company and the group, are derived from the audited financial statements of Foodstuffs South Island Limited ("the company") and the group, comprising the company and its subsidiaries, for the year ended 28 February 2014. We expressed an unmodified audit opinion on those financial statements in our report dated 29 April 2014.

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

Directors' responsibility for the company and group financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the summary company and group financial statements

based on our procedures, which were conducted in accordance with International Standards on Auditing (New Zealand) (ISA (NZ)) 810 *Engagements to Report on Summary Financial Statements*.

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

Opinion

In our opinion, the summary financial statements, derived from the audited financial statements of Foodstuffs South Island Limited and the consolidated financial statements of the group for the year ended 28 February 2014, are a fair summary of those financial statements, in accordance with FRS-43 *Summary Financial Statements*.

29 April 2014
Christchurch

Summary Financial Statements

Foodstuffs South Island Limited Group Financial Statements

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Basis of preparation

These summary financial statements on pages 31 to 33, comprising the Income Statements, Statements of Comprehensive Income, Statements of Changes in Shareholders Equity, Balance Sheets, and Consolidated Statement Cash Flows are those of Foodstuffs South Island Limited (the "Parent") and its subsidiaries (the "Group"). They have been presented in New Zealand dollars, 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 2014, authorised for issue by the Board of Directors and signed on 29 April 2014 have been audited by KPMG and given an unqualified opinion. The summary financial statements cannot be expected to provide as complete an understanding of the Group as the full financial statements. 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.

INCOME STATEMENTS for the year ended 28 February 2014

	GROUP		PARENT	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Revenue from sale of goods	2,617,735	2,481,199	2,392,245	2,263,724
Cost of sales	2,325,886	2,202,932	2,124,258	2,009,092
Gross profit	291,849	278,267	267,987	254,632
Other income	150,999	141,223	110,935	101,189
Operating expenses	186,591	177,733	147,433	139,556
Operating profit	256,257	241,757	231,489	216,265
Net finance costs/(income)	4,657	5,405	(10,493)	(8,616)
Rebates to members	227,148	217,188	227,485	217,188
Share of profit/(loss) from associates	1,542	1,411	1,542	1,411
Profit/(Loss) before tax	25,994	20,575	16,039	9,104
Income Tax Expense/(credit)	4,458	4,975	2,245	(1,185)
Net Profit/(Loss) for the year after tax	21,536	15,600	13,794	10,289
Attributable to:				
Shareholders of the parent company	21,536	15,600	13,794	10,289

The profit attributable to Shareholders of the parent company is before dividend distributions of \$11,458,000 (2013 \$26,968,000), which are disclosed in the Statement of Changes to Shareholder's Equity.

STATEMENTS OF COMPREHENSIVE INCOME for the year ended 28 February 2014

	GROUP		PARENT	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Net Profit/(Loss) for the year	21,536	15,600	13,794	10,289
Other comprehensive income:				
Transfer of deferred tax to reserves	(604)	288	(604)	288
Movement in investments FVTOCI reserve	1,245	8,268	-	-
Movement in cash flow hedge reserve	2,156	(1,668)	2,156	(1,668)
Movement in other non-distributable reserves	507	62	507	64
Total comprehensive income for the year	24,840	22,550	15,853	8,973
Total comprehensive income attributable to:				
Shareholders of the parent company	24,840	22,550	15,853	8,973

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY for the year ended 28 February 2014

	GROUP		PARENT	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
At 1 March 2013	283,922	248,339	138,194	116,188
Total comprehensive income	24,840	22,550	15,853	8,973
Dividends payable	(11,458)	(26,968)	(11,612)	(26,968)
Total recognised income and expenses	13,382	(4,418)	4,241	(17,995)
Shares issued (net of redemptions)	17,695	40,001	19,991	40,001
At 28 February 2014	314,999	283,922	162,426	138,194

BALANCE SHEETS

as at 28 February 2014

	GROUP		PARENT	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
ASSETS				
Non-current assets				
Property, plant and equipment	511,776	483,002	22,724	21,084
Intangible assets	17,187	15,447	16,822	15,448
Investments in subsidiaries	-	-	363,081	319,001
Investments in associates	779	395	613	285
Investments held at fair value:				
Investments in listed companies	36,203	34,958	-	-
Investments in other related companies	560	13,678	560	13,678
Derivative financial instruments	1,128	(1,028)	1,128	(1,028)
Total non-current assets	567,633	546,482	404,928	368,468
Current assets				
Cash and cash equivalents	74,760	73,387	74,696	73,386
Trade and other receivables	204,900	208,590	186,847	188,307
Inventories	91,066	85,439	87,496	82,083
Property, plant and equipment held for sale	11,804	-	-	-
Investment held for sale	5,533	6,072	5,533	6,072
Total current assets	388,063	373,488	354,572	349,848
TOTAL ASSETS	955,696	919,970	759,500	718,316
EQUITY				
Capital and reserves attributable to equity holders				
Share capital	177,854	160,159	180,150	160,159
Other reserves	76,678	74,171	1,818	(424)
Retained earnings	60,467	49,592	(19,542)	(21,541)
TOTAL EQUITY	314,999	283,922	162,426	138,194
Liabilities				
Non-current liabilities				
Borrowings	76,175	91,213	76,175	91,213
Retirement benefit obligations	413	788	413	788
Deferred income tax liability	36,658	41,249	1,363	1,500
Provisions	641	641	641	641
Total non-current liabilities	115,887	133,891	78,592	94,142
Current liabilities				
Trade and other payables	230,088	240,003	222,842	233,135
Borrowings	207,763	175,570	210,391	175,570
Provisions	1,710	1,710	-	-
Rebates payable	83,960	81,166	83,960	81,142
Current income tax payable	1,289	3,708	1,289	(3,867)
Total current liabilities	524,810	502,157	518,482	485,980
TOTAL LIABILITIES	640,697	636,048	597,074	580,122
TOTAL EQUITY AND LIABILITIES	955,696	919,970	759,500	718,316

On behalf of the
Board 29 April 14


Robin Brown, Director


Roy Bridgman, Director

STATEMENT OF CASH FLOWS

For the year ended 28 February 2014

	GROUP		PARENT	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
Cash flows from operating activities				
Cash was provided from:				
Customers	2,741,610	2,594,272	2,479,445	2,348,191
Insurance proceeds received (excluding Property, Plant, & Equipment)	-	1,028	-	22
Interest received	4,964	4,070	21,914	19,683
Member trading accounts	35,693	-	38,321	-
	2,782,267	2,599,370	2,539,680	2,367,896
Cash was applied to:				
Purchases, wages and expenses	2,490,217	2,358,225	2,263,380	2,144,474
Members rebates	224,254	204,441	224,567	204,448
Interest paid	8,778	7,390	9,619	8,139
Member Trading accounts	-	6,595	-	6,595
Income tax paid	10,072	7,625	(2,170)	3,133
	2,733,321	2,584,276	2,495,396	2,366,789
Net cash flow from operating activities	48,946	15,094	44,284	1,107
Cash flows from investing activities				
Cash was provided from:				
Advances from other related parties	8,116	6,668	8,116	665
Sale of Associate Companies	18,586	-	18,586	-
Dividends	2,183	1,992	11,930	12,414
Insurance proceeds received for replacement Property, Plant, & Equipment	15,973	16,981	-	-
Sale of property plant and equipment	2,688	7,101	1,168	449
	47,546	32,742	39,800	13,528
Cash was applied to:				
Purchase of intangibles	7,313	5,663	6,735	5,649
Purchase of property plant and equipment	63,718	57,190	9,101	6,486
Advances to related parties and subsidiaries	8,332	440	53,324	17,958
	79,363	63,293	69,160	30,093
Net cash flow from investing activities	(31,817)	(30,551)	(29,360)	(16,565)
Cash flows from financing activities				
Cash was provided from:				
Share capital raised	17,695	40,001	19,991	40,001
Long term borrowings	-	23,134	-	23,134
	17,695	63,135	19,991	63,135
Cash was applied to:				
Interest paid on Redeemable Preference Shares	595	1,019	595	1,019
Dividends paid on Retained Patronage Shares	13,196	23,501	13,350	23,501
Trading Credit Shares	1,122	796	1,122	796
Long term money market borrowings	18,538	-	18,538	-
	33,451	25,316	33,605	25,316
Net cash flow from financing activities	(15,756)	37,819	(13,614)	37,819
Net increase/(decrease) in cash held	1,373	22,362	1,310	22,361
Opening cash brought forward	73,387	51,025	73,386	51,025
Ending Cash carried forward	74,760	73,387	74,696	73,386
Represented by:				
Bank	74,637	73,223	74,574	73,223
Overseas currency accounts	111	152	111	152
Cash on hand	12	12	11	11
	74,760	73,387	74,696	73,386

Cheese Omelette with Chives

Preparation and cooking time: 10 minutes

Serves: 4

8 Pams eggs

200g Pams grated cheese (eg Cheddar)

6 tbsp Pams cream

1 tbsp fresh parsley, chopped

2 tbsp chives, chopped

Butter for cooking

Heat the oven to 220°C on grill setting.

Beat the eggs and season with salt and ground black pepper. Mix the cheese with the cream and herbs.

Heat a little butter in a frying pan for each omelette. Cook a quarter of the beaten egg mixture until slightly set. Cover with quarter of the cheese filling.

Transfer frying pan to the oven and bake each omelette on the top shelf until the cheese melts.

Remove from the oven, fold one half over to form a lid and serve.





