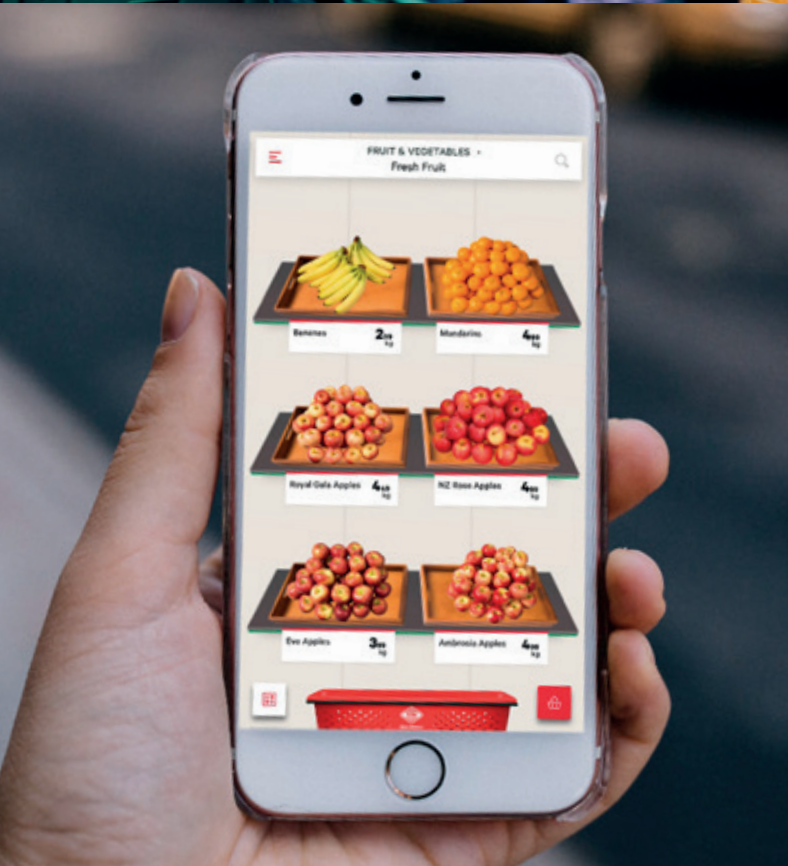


The year that was.

Concise Annual Report for
Foodstuffs North Island Limited

Year ending 1 April 2018





Food is in revolution.
**Our customers want
great value, more
time, meal solutions
and healthy options.**

We're seeing a whole new generation of customers who want healthy, easy meal solutions – not just products. They're quick to embrace new food trends, technology and socially responsible brands. And most of all they want better quality, convenience and value for their hard-earned money. As our world changes it's more important than ever that we know all of our customers. From the aspiring master chefs, to the budget-conscious, to the kombucha connoisseurs, to the digital natives, to the everyday foodies. We want to be there, making sure everyone is getting more of what matters in this beautiful country we call home.

Who better to do this than our local Owner Operators who have served communities in every corner of the North Island since forever?



Stores.

332

22,000

Team members.

Transactions
per year.

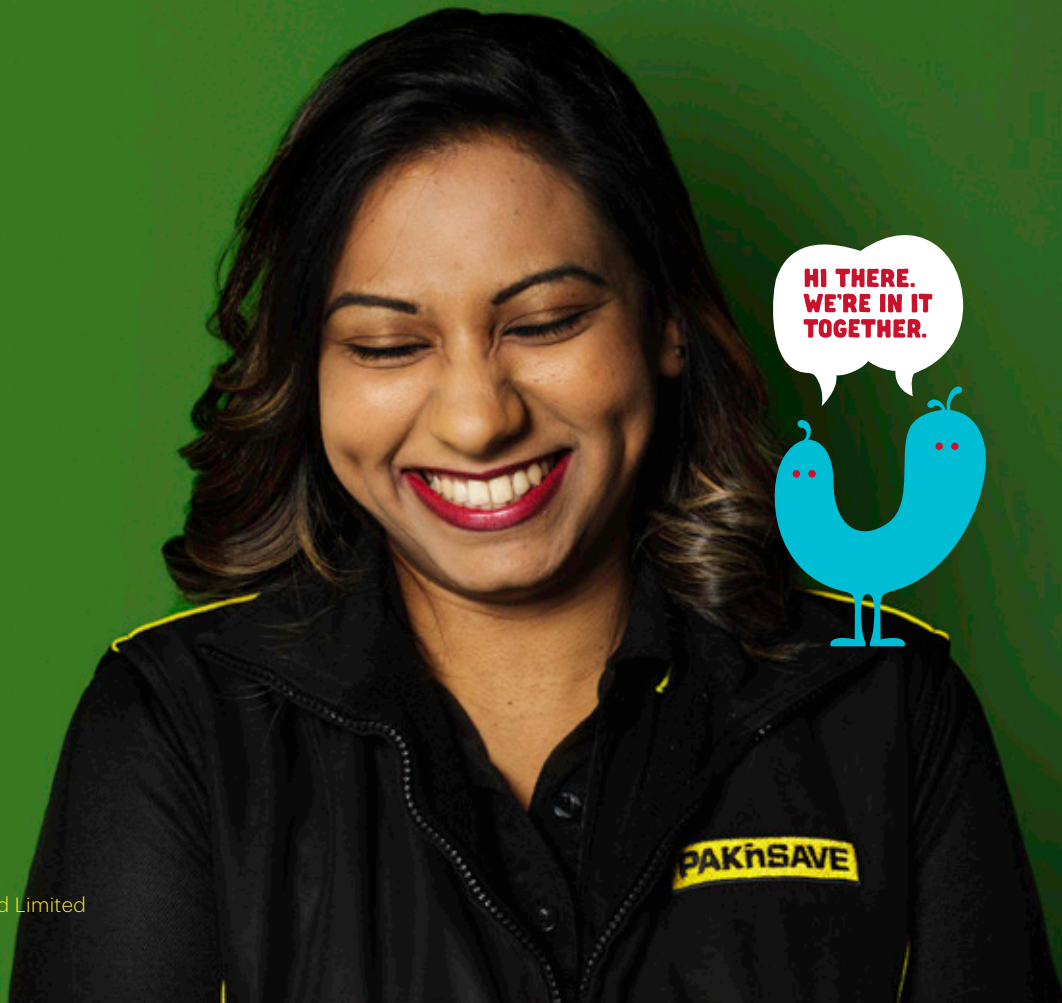
191m

96

Years serving
New Zealanders.

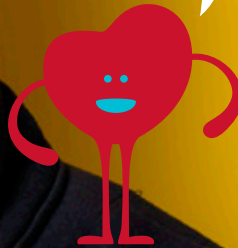
Our Values.

This year we've made sure New Zealanders get more out of life by thinking customer, staying in it together, being courageous and playing above the line. Because that's what people like us do.





KIA ORA
FOODIES.
I'M THINK
CUSTOMER!



TĒNĀ KOE.
ABOVE THE
LINE IS MY
NAME.

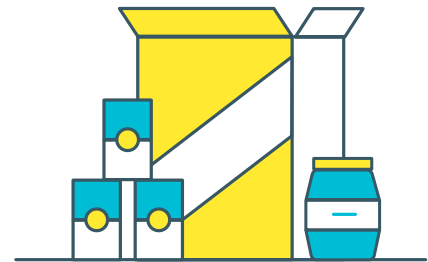


PEOPLE
LIKE US

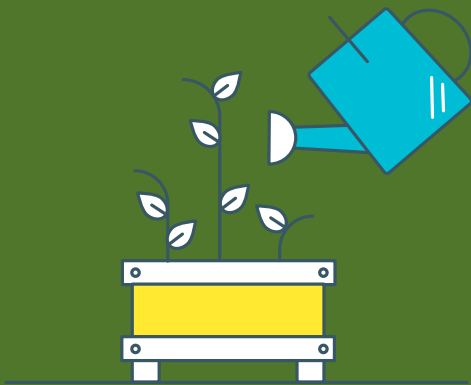
New Zealanders
getting more
of what matters
to them.



16 million
whole prawns.



255,721,857
private label products like
Pams and Value.



2,988,068
Little Garden seed kits
given away.

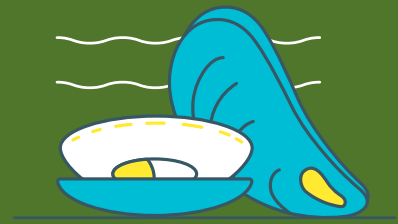


27,233,780kg
of fresh potatoes.



More than 4 million discounts

for customers who brought their own bags to New World.



40 million

live mussels.



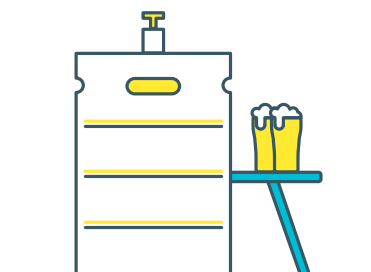
11,523,561

broccoli heads.



100% microbead-free

First supermarket company in New Zealand to go 100% microbead-free from 1 July 2017.



21,000

kegs of beer sold through Gilmours during the Lions Tour.

**Making sure
New Zealanders
get more out of
life.** We know
where we will be
when Foodies
turns 100 years
young in 2022.
Our strategy is
clear.

intune

with what our customers, colleagues
and communities need.

inform

to give our customers what they want
efficiently, sustainably and profitably.

infront

innovating to make sure New Zealanders
get more of what matters most to them.

14.

From our
Directors.

16.

From
our CEO.

20.

Our Strategy
— In Tune.

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Team.

68.

Serving our
Co-op.

A year to be proud of.

What a year it's been for the Co-op! We've continued to deliver strong business results and have made many exciting changes for New Zealanders.



There's been a huge amount of change this year, from our new small format stores and online shopping through to new technology and our Foodies values that are already reshaping the way we work together.

One thing that hasn't changed is our strategy to be In Tune, In Form and In Front for our customers so we can keep making sure they get more out of life.

This year was not just about delivering results for today, but taking every opportunity to grow our market and do things smarter so our brands are relevant and future-proofed for the generations to come.

Hear my voice.

This year we held Member roadshows across the North Island to hear Members' views on how we can improve our Co-op governance and member representation. We've taken that feedback on board and made some changes, including the introduction of our new Banner Representation Groups (BRGs) and improved Member communication channels such as Regional Member meetings.

We're committed to making sure the voice of our Members is represented in the Co-op on key matters and that we regularly consult with Members on our strategy and operations. This will be a key focus in the year ahead and a big part of our 2022 strategy to be a powerfully aligned and engaged Co-op.

In it together.

One of my personal highlights was seeing our Co-op spirit time and time again. Whether it was rallying to help those hit hard by the floods in Edgecumbe or the summer of cyclones, there are countless examples of the Co-op showing what it means to be in it together. There were drivers from Transport who trucked multiple deliveries of water into Taranaki in the aftermath of Cyclone Gita. There were stores in small communities who provided power and essential supplies for their customers who were affected by the wild weather, and those who stepped in to cover for members of the Foodies family going through tough times.

Everywhere you go, you'll hear stories of how the Co-op has made a difference.

In the year ahead, we're launching the Foodies Foundation. It's a trust which will help us help each other in times of need. By 'us' we mean all 22,000 Foodies across our Support Centre, Supply Chain and stores. I'm looking forward to seeing the difference it will make to our team members when times are tough.

Reinvesting for the future.

We're pleased to report another year of strong financial performance as we look to reinvest in the business and position ourselves to be competitive in the future.

Our Foodstuffs North Island Group revenue for the 52-week period (Support Centre) was \$6,640 million. This is \$247 million or 3.9% up on last year, reflecting strong 3.7% growth across our store network.

Whether it was rallying to help those hit hard by the floods in Edgecumbe or the summer of cyclones, there are countless examples of the Co-op showing what it means to be in it together.

This was the first full year under our new Commercial Operating Model. Since October 2016 it has supported Members with more transparency of our true cost to supply. Financially this is seen in a 1.5% reduction in our gross profit, which represents the full year effect of passing margin back to Members up front.

An increase in levies to offset lost margin and partially fund the introduction of SAP in stores, online and the national Customer Relationship Marketing (CRM) initiative contributed to a \$47.3 million increase in other income.

Our operating profit was \$210.4 million, down 2.8% (or \$6.1 million) on last year and in line with our plan. We're seeing the success of the Operating Model with the continued reduction of supply chain costs relative to the underlying cost of goods

sold. These are a further 25 basis points (or \$5 million) less than last year.

Increased efficiencies have partially offset the increased running costs of our upgraded infrastructure platform and the significant one-off spend of bringing SAP to our stores and deploying online. By 1 April 2018, 89.1% of our total retail revenue was processed through SAP and the first 16 of our New World stores were successfully online.

Total capital spend was \$149.3 million, including upgraded IT infrastructure, a modern transport management system and other new initiatives such as online to position us to grow the business in the future. Our property network strategy represents \$101.4 million of total capital spend for new acquisitions, refurbishments and new stores. We divested \$20.2 million of surplus assets to reinvest elsewhere. This includes our

move from the Silverstream site to a more modern, fit-for-purpose site in Lower Hutt.

A slightly lower capital spend means our total average debt level remains in line with last year. Combined with benign interest rates, our net finance costs remain stable.

Group profit before distribution to Members of \$165.4 million is down 4.0% (\$6.7 million) on last year as the full impact of the Operating Model combined with the peak one-off spend for SAP and online is realised.

We're pleased with the overall total distribution to Members of \$140.3 million, which is ahead of our plan. The total is \$4.5m lower than last year as the structural changes of a full year of the new Operating Model and the unwind

of merger transitional provisions take effect. These are seen through enhanced deferred rebates and lower cash returns.

A history of disciplined returns to Members and a focus on balancing positive reinvestment in the business with a strong capital structure has positioned our Co-op well for the future. Overall, we're in a strong financial position with total assets of \$2,750 million and financial ratios well within the requirements set by our lenders.

Auditors.

PricewaterhouseCoopers have conveyed their willingness to continue in office.

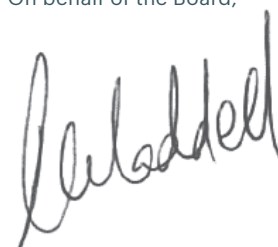
Thank you.

This is the end of my first year as Chair and it's a privilege to serve the Co-op in this role.

Congratulations to CEO Chris Quin and the whole team on a fantastic job of leading our Co-op through this year. And thank you to our Members for all your support, hard work and the passion you bring to making our Co-op the success it is today.

What we do matters to our country, our communities and to the lives of all New Zealanders. I'm looking forward to working together with you all over the next year to keep building on our Co-op's legacy and making the changes we need to make, to position the business for even greater success.

On behalf of the Board,



Dean Waddell
Chair

Going further and faster, together.

I'm incredibly proud of what we've achieved together this year at Foodies.



We've focused on making sure New Zealanders get more out of life, and our Co-op has delivered again to make a difference in the lives of our customers and our communities.

After the first year of our 2022 strategy we're making great progress towards our key measures. We're committed to returning value from our investments over the past couple of years and helping our customers see the benefits of the Co-op model, focused brands and the digital business we are becoming.

Together, we've achieved some strong results. Our most important measure is safety and we've seen this improve with our lost time injury frequency rate continuing its positive trend to 5.8, well ahead of our target of 10.9. We achieved 72.5% customer satisfaction, 47% market share and Whole of Business revenue of \$7.7 billion. We also had a strong culture result, with employee engagement at 64% overall and Member satisfaction at 84%.

Acting on what matters to New Zealanders the most.

To continue to be a world-class retailer, we need to know what's important for our customers and be courageous enough to adapt our strategy so we can keep delivering what matters to New Zealanders. For some customers this is better value for their hard-earned dollars, for some it's healthier eating and for others it's more time in their day. We need to be innovating and showing we can deliver new ideas fast.

In the past year we launched our I shop New World online shopping app and opened the doors to our first Fresh Collective stores and PAK'nSAVE Mini. We partnered with Eat My Lunch to make a difference for the thousands of kids going to school without lunch, we continued to teach healthy eating habits through our Food for Thought programme and we led the conversation on microbeads and plastic bags.

Behind the scenes we saw improved employee engagement, Member satisfaction and a much stronger leadership and talent pipeline for our

owners of the future. We got better and faster at doing things with SAP, which is now in all our PAK'nSAVE stores, and we launched a new transport management system across the North Island.

We need to stay competitive for customers so we added new digital platforms to support our stores with the right technology, including Cheeky Charlie for Four Square and e-commerce for Gilmours. We also introduced productivity tools to stores and supported them with 110 continuous improvement programmes. These are just a few of the things we're doing to become an agile and lean digital business.

To continue to be a world-class retailer, we need to know what's important for our customers and be courageous enough to adapt our strategy so we can keep delivering what matters to New Zealanders.

Nothing is more important than our safety culture and making sure our people go home safe every day. So it's phenomenal to see we had our lowest ever rate of injuries in the past financial year. To make sure we keep the focus on this, we launched a new safety management system and have broadened our focus from Health and Safety, to Health and Wellbeing.

Leaders challenge everything they do.

The retail market is changing fast and it's getting harder to win market share. This means it's more important than ever for us to have deep insights into our customers.

The cost of living, digital disruption and new food trends became even more important to our customers so we put the pedal down on six go-hard initiatives over the past financial year. These helped us focus on the most important and urgent parts of our 2022 strategy. They also helped our team to focus on the role they play in delivering awesome shopping experiences.

1. Delivering online. We introduced online shopping to many New World stores. This is just the beginning of us bringing our customers a truly omnichannel offering.

2. Small format stores. Fresh Collective and PAK'nSAVE Mini are now up and running and have strong customer feedback and value.

3. Business analytics. We're learning more all the time about what's best for our customers and our business with the help of smart data from SAP and New World Clubcard.

4. Winning private label. Private label is an important part of our retail mix because it drives loyalty, has good margins and

is essential to compete in our market. We grew private label sales by 4.3% and added 303 products, including the new Pams Superfoods range.

5. Growing wholesale. The wholesale market is changing fast and the out of home market is continuing to grow as more people eat out. Our new Wholesale team has moved quickly to reset our wholesale strategy and grow our business by being the preferred food service partner.

6. Supply chain transformation. We've made great progress on building a world-class supply chain to connect our suppliers to our stores. This includes our state-of-the-art transport management system with new ways of working as one team across the North Island. The stage is set for our new warehouse management system in the distribution centres in the 2018 calendar year and our exciting new Ambient Distribution Centre (DC) and Support Centre in Auckland.

People like us.

It's not just about what we achieved, but how we achieved it. So this year we

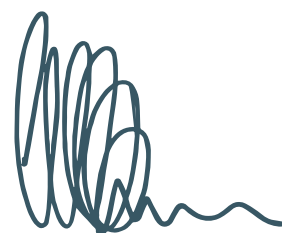
introduced our new values to be really clear on how we do things at Foodies. We think customer, we stay in it together, we're courageous and we play above the line. More than 500 people across the Co-op helped us come up with these values, and it's exciting to see these values fast becoming part of our daily conversations and the way we do things.

A new home for Foodies.

After 53 years at Roma Road in Auckland, we've outgrown the site and need more space and better facilities to deliver what our customers need from us today and into the future. This year we announced we're going to build a much larger, world-class ambient distribution centre and a modern support centre at The Landing, Auckland Airport, which we'll move to in 2020. The new Ambient DC and Support Centre represent far more than just a building. We're resetting our organisation for the next 30 years and celebrating decades of fantastic business success and making sure New Zealanders get more out of life.

On a personal note, I'm massively proud of our whole Foodies team and everything we've achieved during this past year of pace and change. A big thank you to everyone who has delivered for our Co-op, including all our stores and our Supply Chain and Support Centre teams.

Foodies wouldn't be where it is without our teams being 'in it together' for customers. Everything we do is grounded in making sure New Zealanders get more out of life and we do this with courage and passion. I'm really looking forward to seeing us doing it all again in the year ahead.



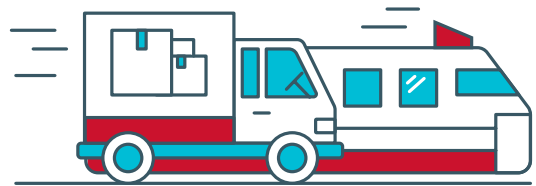
Chris Quin
CEO

The year that was.



340,000m³

of earth moved for our new building near Auckland Airport.



20 million

kilometres travelled by road and rail.



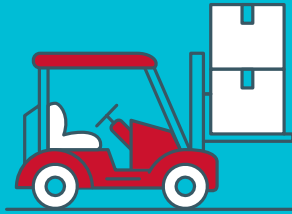
17,000

Just Cook It meal kits sold while we trialled this concept at 12 stores.



12 tonnes

of soft plastics taken away from our stores to be recycled every week.



Up to 2 million

boxes go through our DCs
every week.



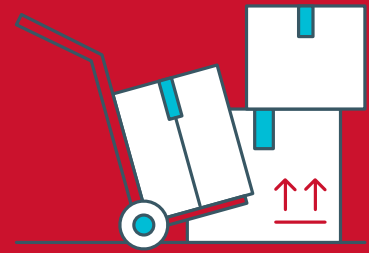
2,000

pick-up and drop-off
points for our trucks.



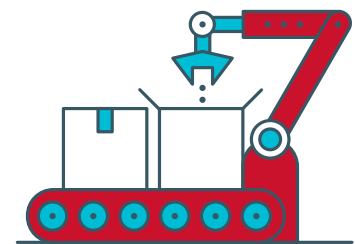
6,700m²

extension underway at our Fresh
distribution centre – that's the size
of a rugby field!



50,000

cartons picked for stores in one
record-breaking day at our Fresh
distribution centre, three days
before Christmas.



400,000

cartons picked in our Controlled
Temperature Distribution Centre
(CTD) in Nesdale during the biggest
week ever this summer.



intune

Did you know? Our I shop New World online shopping app has been downloaded 50,000 times and word on the street is our customers love it. It's still early days but the pace is picking up with more and more stores going online.

We are customer insight-driven.



1.

More than 930,000 Clubcard members in the North Island.



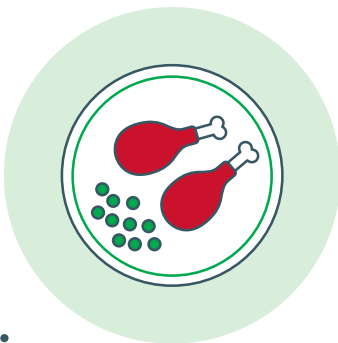
2.

Launched I shop New World app to 16 stores during the financial year so customers can shop wherever they are and whenever it suits them.



3.

We looked at ways to improve our high quality food-to-go offers like sushi, which is now made in 20 New World and PAK'nSAVE stores. Another 15 stores will make sushi in-store by the end of 2018.



4.

Designed Simply Dinner meal kits to replace 'Just Cook It' with simpler recipes for New World stores to put together and customers to cook.



5.

Reinvigorated what we offer in stores based on customer insights from our new shopper tracker.



6.

Extended our national data with images, ingredients, allergens and marketing text to support I shop New World and food initiatives. This is so we can give more information to customers about what's in their food.



7.

Revamped our private label products like Pams Finest to give our customers more of what they want and need at great value.



8.

Developed a new range based on different shopper missions, like those shoppers who want to pop in and grab a quick, healthy and convenient meal solution from our small format stores.



9.

Used Clubcard data to send customers promotions that are relevant to them.

inform

Did you know? We've invested in a partnership with Eat My Lunch to make sure thousands of Kiwi kids don't go hungry at school. Every time someone buys from Eat My Lunch, the team gives a free lunch to a child who would otherwise go without. They've given lunch to more than 840,000 kids in Auckland, Wellington and Hamilton – and we're supporting them with our stores and supply chain.



We are a powerfully aligned and engaged Co-op.

Our new Foodies values, Think Customer, In it Together, Courageous and Above the Line, are fast becoming part of the way we do things and many stores have adopted them.

64% overall Co-op engagement score, up from 60% last year.

Upskilled and educated our people on legal matters including employment, contracts, marketing and advertising so they can support the Co-op.

Developed a suite of legal templates for the business and looking to automate some contracts over the next year so this process can be even more efficient.

Launched our new Trolley intranet and Your Trolley Full daily newsletters to give stores an efficient one-stop shop for communication from Support Centre.

Inspired and recognised our people with graduation, Excellence Awards, Co-op Awards, Annual Meeting, Checker of the Year, Leaders Days and end of year celebration events.

Our Members are now on new form franchise agreements.

Started our partnership with Eat My Lunch and brought their products in our stores as part of our meal solutions strategy.

78% (or 17,818) of our people contributed to this year's engagement survey, up from 55% last year.

Grew private label sales by 4.3% and launched 303 new private label products for customers.



In the 2017 calendar year...



1106

attended our short courses.



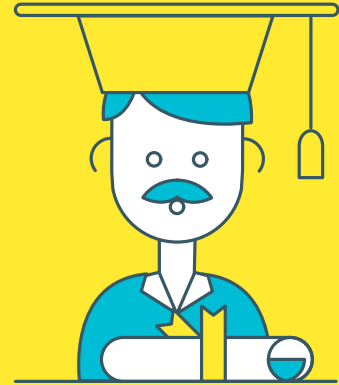
147

were enrolled in butchery
apprenticeships.



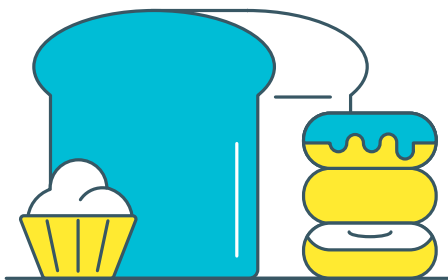
12

**Trainee Operators were approved
to go into their first stores.**



95

courses delivered at Foodies.



228

**were enrolled in bakery
apprenticeships.**



335

**participated in our leadership and
management programmes.**

We unleash our people potential.

5.8
LTIFR

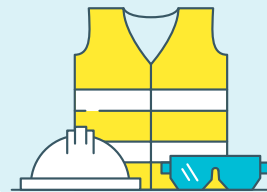
1.

Lowest ever Lost Time Injury Frequency Rate (LTIFR) of 5.8, half the number of injuries since our rate of 12.6 in April 2017.



2.

Shifted focus from health and safety to safety and wellbeing.



3.

Brought in a new safety management system to use across the Co-op.



4.

Bedded in changes to trainee operator selection and turned our focus to Four Square operator selection, where senior operators now assess potential operators.



5.

Lowered recruitment costs by more than \$1 million and hired more roles than ever before.



6.

Built our first ever standalone Foodies careers website to attract great new talent: www.foodstuffs.careers



7.

Introduced Grow And Review You (GARY), our new online tool for learning, training and performance reviews.



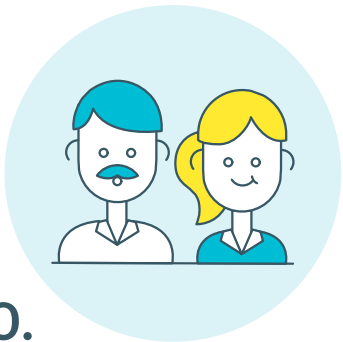
8.

New 360° feedback tool giving people leaders clear feedback on how they're going.



9.

New remuneration guidelines and Code of Conduct for Support Centre and Supply Chain.



10.

New Self Leadership and Leadership Essentials programmes (NZQA Level 4).



11.

Sold our Silverstream building and moved the team into a fit-for-purpose building in Queens Drive, Lower Hutt.

Did you know? **We've transformed our supply chain with a brand new transport management system.**



It's in action across the North Island so our Transport team members can all use the same system to handle freight movements more efficiently. They've taken this a step further with a mobile-friendly portal to use on the floor of our busy depots. Our distribution centres are now on this journey to a simpler, more agile future with the introduction of a world-leading warehouse management system in 2018.

We are agile,
efficient and able
to compete with
anyone.

Refreshed our strategy to 2022 to keep the Co-op heading in the right direction for future success.

Supported our strategy through a new way to prioritise what is urgent and important for the Co-op. This helps us make better decisions on where we invest.

Started expanding our Fresh distribution centre to meet customer demand, due to be completed in September 2018.

SAP now at all PAK'nSAVE and New World stores.

Achieved the safest fleet for speed management in the North Island.

Rolled out our new transport management system across the North Island.

Picked 99.7% of orders accurately in our distribution centres.

Digitised our transport operations with safety systems, such as speed tracking and cameras, and tools for suppliers to interact with us.

Stock availability of 95% for 15,000 products.

Introduced the Winning Together toolkit to build closer ties with 22 supplier partners and understand what stock we need to better meet our customers' needs.

Started a partnership with Goodman Fielder to manufacture our private label and controlled label bread.

Achieved 98% on time deliveries for stores, within a one-hour window.

Put 1,500 drivers through our new online driver inductions to save time and help them do their health and safety training more efficiently.

Successful Hackfest innovation event generated 10 great new ideas to keep us on the front foot for customers. This was an amazing development opportunity for the people involved from a wide range of Foodies teams.

Started introducing our new warehouse management system to two distribution centres in 2018 to create better ways of working together as one team.



infront

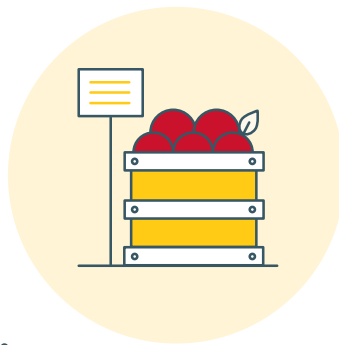
Did you know? A lot of the conversation about sustainability in our stores this year has been about microbeads and plastic bags, showing what matters to New Zealanders. So we're focusing on three sustainability platforms: people, community and planet. We were the first to take microbeads off the shelves in July 2017 and have committed to getting rid of single-use plastic bags from our stores by the end of 2018. We're helping customers get ready for this by giving away two million reusable shopping bags.

We win key markets.



1.

Secured the land for our fit-for-purpose and modern new site opening at The Landing, Auckland Airport, in late 2020.



2.

Started extending our Fresh Distribution Centre in Auckland so we can improve and expand our fresh offering for customers.



3.

Opened or rebranded five new stores: PAK'nSAVE Clendon (rebranded from New World), Fresh Collective Alberton (rebranded from Four Square), Fresh Collective Constellation Drive, Gilmours Petone and Four Square The Lakes. Store refurbishments were finished on time and under budget.



4.

Invested in Eat My Lunch to help them sell ready-to-eat meal solutions and feed more Kiwi kids. We're now stocking them in selected stores.



5.

I shop New World online shopping app now has full coverage in Auckland.



Did you know? We opened a new generation of small format stores this year after listening to what our customers want. We've started this journey with Fresh Collective – putting fresh at the heart of this new offer.

With all our brands leading their markets. Our Co-op is privileged to represent New Zealand's most iconic and loved grocery brands. We have four brands dedicated to our customers and their unique needs.



New World.



Grand designs.

Our customers are loving the fresh experience in our new Fresh Collective stores. We've also done state-of-the-art refurbishments of New World Westend in Rotorua and New World Wellington City.

Winning over customers one seed kit at a time.

We ran a multitude of successful campaigns this year. Little Garden returned with millions of seed kits to teach our littlest customers about fruit and veges.

We celebrated the second year of Clubcard by giving away a car in every New World store. Our Armchair Army campaign was a winner during the rugby-mad Lions Tour and we celebrated Halloween like never before with a spooky One Day sale. Our Back to School campaign sent brightly coloured branded lunchboxes into the homes of New Zealanders to enjoy for the years to come.

Our new deli catering initiative hit stores, with customers now able to order a range of attractive food platters from stores for all their catering needs.

Online became a reality with 16 stores going online with our I shop New World app, Click & Collect and home delivery.

We launched an eye-catching range of reusable tote bags for customers to use as part of our commitment to the environment. And we're on track to be plastic bag free by January 2019.

Interest in Clubcard continues to grow, with more than 930,000 customers signed up across the North Island. Clubcard now makes up two thirds of all sales.

An award-winning year.

New World won gold for the third year in a row at the Reader's Digest Quality Service Awards 2018. These awards are the premium standard of customer service.

Our New World Wine Awards are going from strength to strength with 1,397 different wines entered into this year's competition, making this the second biggest wine competition in the country. We sold more than 345,000 bottles of the Top 50 wines during the six-week promotion, bringing in sales of \$4.975 million.



PAK'nSAVE.



Good things come in Mini packages.

Levin customers reckon our new PAK'nSAVE Mini is a credible addition to the PAK'nSAVE brand. The new store often shows up in the top 10 scores for customer satisfaction with high Net Promoter Scores.

We opened PAK'nSAVE Mini with just over 3,000 carefully selected products so the store can sell greater volumes at competitive prices. Trading in this small format has confirmed many of our customers are more price sensitive than brand loyal.

Private label filling up trolleys.

We've been focused on selling more private label products and have grown sales by 4.64% in the North Island since last year.

PAK'nSAVE Mini led the charge with a quarter of all their customers putting private label products in their trolleys. That's 15% higher than the banner average. PAK'nSAVE Masterton achieved the highest private label growth of 20.5%.

Our deli teams doubled their private label sales this year with the introduction of Pams Finest specialty cheese, antipasto and olives.

New Owners.

A large number of our stores changed ownership this year, including Hawera, Palmerston North, Masterton and Upper Hutt. We put the new Owners through onboarding programmes designed to give them lots of support while they learn our PAK'nSAVE way of trading.

Top up shopping on the rise.

PAK'nSAVE customers shop an average of 2.5 times a week and an increasing number of people are doing their top up convenience shopping at PAK'nSAVE.



Four Square.



Keeping it local.

Our iconic Four Squares have had a big year with 15 changes of ownership, 11 people joining the sought-after Trainee Operator Programme and three moving into New World.

The year began with the opening of our stunning new Four Square at The Lakes in Tauranga in April 2017. We started using our custom-made Cheeky Charlie technology to print tickets at all our stores and make ordering, ticketing, stocktaking and reporting a whole lot easier.

We unveiled our new banner standards at the Four Square Conference and we celebrated with Lin Guo and his Four Square Ellerslie team when they were named Store of the Year for the whole North Island. We tipped our hats to our second oldest store, Four Square Jaques, when the team celebrated 50 years of keeping it local in Northland.

But we saved the best for last when Four Square landed an engagement score of 84%, putting us among the top quartile of organisations across Australia and New Zealand.

Looking after the community.

Four Square has a special place in the heart of New Zealand culture. Our teams are very involved in their local communities and we've had some cracker stories this year.

Hillcrest took Cheeky Charlie on a visit to delight kids at the local kindergarten, Murupara teamed up with local police to reward kids wearing seatbelts and Taihape helped out when the community was hit by a snowstorm that shut roads.

Kaponga used their generator to help customers when Cyclone Gita cut power to the region for 52 hours.

Raglan, Coromandel and Paihia got behind the plastic bag-free campaign. The Waikato Regional Council and the Te Awamutu Chamber of Commerce recognised Pirongia as Sustainability Champion of the Month for their free range and organic products, giving away reusable bags and their fantastic electric van.

Edmund Road lent a hand to the Heart Foundation Food for Thought programme and spread some Christmas cheer in Rotorua. Paeroa was part of the town's Santa Parade, Kenakena helped local students play golf for free and Molesworth supported the local golf tournament.



Gilmours.



Our newest team.

We set up a brand new Wholesale team this year because one of our strategic initiatives is to grow our share of the fast-paced and changing wholesale market. This involved a transformational strategy to lay down the foundations for success.

Transforming wholesale.

Gilmours is now part of the Wholesale team and we've made some changes to the team at Support Centre to grow sales through partnerships and operational efficiencies. This is to make sure we're trusted and reliable for our wholesale customers as well as getting the best deals for them.

We've reset our wholesale strategy to double the business by being the preferred food service partner. We're focusing hard on improving our delivery business for these busy customers. We'll do this while maintaining Cash 'n Carry as this differentiates us from the competition.

New look for Gilmours.

We opened our new Petone store in Wellington in October 2017 with our refreshed Gilmours branding. Our website, truck fleet and promotional material were also made over in the new brand. We've since opened our Tauranga store with the new branding and the rest of our Gilmours stores will follow over the next year.

Gilmours Online.

We're putting the finishing touches on a new Gilmours Online website to offer our wholesale customers a simple and reliable way to deal with us. They'll experience a modern, refreshed and stable website with quick and efficient ordering. We'll launch in the 2018 calendar year and this is a key part of Gilmours becoming the preferred food service partner in New Zealand.



The Numbers.

\$7.7b

store sales.

3.7%

increase in store sales.

\$6.6b

Support Centre revenue for the period,
up 3.9% on last year.

\$149.3m

of capital expenditure invested
this year.

\$140.3m

Group profit before distribution
to Members.

National Marketing.

Our brands continue to grow strongly and the Customer Relationship Marketing (CRM) programme has had unparalleled success with the growth of New World Clubcard.

It's great to see Clubcard moving from just being a loyalty programme to being the foundation of new CRM initiatives with more relevant marketing interactions for Clubcard members.

The coming year will be exciting as we'll grow our capability in this space. We'll also move data-driven marketing initiatives beyond relevant price and promotional offers and extend them to digital channels.

Brand & Retail Marketing.

New World marketing.



New World's overall brand performance continued to be strong this year with brand health and sales measures ahead of last year. This was partly due to very successful marketing campaigns throughout the year.

The Happiness Project created lots of surprise and delight moments for customers. This was centred on special events like Mother's Day and Father's Day, uniting stores nationwide to go the extra mile to bring joy to shoppers on the International Day of Happiness.



New World's iconic character Noel returned to our screens in what is now a well known Christmas campaign in New Zealand.

Epic Easter Hunt. Store-wide egg hunts have been a cornerstone of Easter at New World for many years. In 2017 customers were taken to an epic new level with a hugely successful and all-new augmented reality app called the Epic Easter Hunt.

Win a Wish campaign celebrated New World's Birthday in May.

Armchair Army promotion celebrated the Lions Tour in 2017 with the help of several key suppliers.

Little Garden returned to celebrate spring with the addition of flower seeds to encourage bees and butterflies to pollinate. More than 8.5 million seed kits were given away nationally in the campaign, encouraging New Zealanders to grow their own vegetables and herbs. This included the bonus Starflower seedling for a limited time with all proceeds going to the Starship

Foundation. We also continued a successful partnership with School Kit – where our stores donated more than 300 bee kits to schools across the country.

New World's focus during the year was on bringing new in-store brand standards to all our stores and refurbishments. This refresh of the in-store experience will continue through 2018.

PAK'nSAVE marketing.



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

Marketing campaigns contributing to this growth were:

'Superhero' Birthday, again a highlight where Stickman is the hero of low prices. This year Stickman recruited some Super Side-Kicks to help keep high prices at bay.

Theme Weeks. Meat and Seafood Week brought together our two favourite food groups in blissful Meatrmony to highlight incredible deals. We also had success with the Lions Tour when Meat Week, \$2 Week and Beer & Wine Week were refreshed to hammer home our Sideline Supporter Deals while poking fun at our rugby rivals.

The Christmas campaign was all about showing our friends and family we love them by being generous. We took the rituals and conventions of Christmas and centred them on food, driving home the message that PAK'nSAVE has everything you need for Fridgemas.

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



National Marketing.

Four Square marketing.



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

We updated our National Radio brand campaign to use the idea, 'We're good like that'. This catered to the needs of the community in a fun and uniquely Four Square way and reached into the digital and social media space.

The annual Cruise through Summer campaign was another hit where customers could text to win a limited edition retro cruiser bike and helmet. This continues to position Four Square as an essential part of the New Zealand summer.

Sponsorship.

After 10 exciting years, New World's time as an official sponsor of Netball New Zealand and the Silver Ferns came to an end. New World will continue to fuel fans and players at a grassroots level through local sponsorships and support.

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

We supported a number of other areas with New World's help in 2017:

After a successful pilot, we continue to fund Starship's National Feeding Clinic for children with severe eating difficulties

We were a major funding partner of the refurbished general paediatric ward

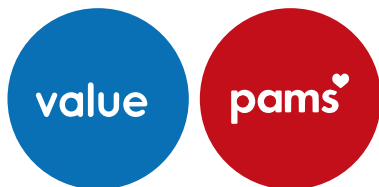
Delivered more than 800 free fruit baskets to family kitchens throughout the hospital

New life-saving equipment for the Newborn Intensive Care Unit (NICU)

PAK'nSAVE once again sponsored the Breast Cancer Foundation of New Zealand this year. Our stores nationwide participated in an incredibly successful Pink Ribbon Appeal in October where customers could purchase a pink reusable grocery bag and \$2 from every bag sold was donated to the Foundation. This raised a huge \$174,000!



Foodstuffs Own Brands.



We've grown our private label sales and profitability thanks to some great work over the past three years. This lift in performance is the result of a strong private label strategy and retail execution which have improved several areas:

Our increased focus on procurement is continuing to deliver cost savings and quality improvements

Our brand shift from Budget to Value is now nearly complete, with the Value brand enjoying stronger customer preference

Pams Finest range has been very successful with customers and is showing strong base line sales and continued sales growth

We've enjoyed success with controlled labels and exclusive brands such as Rascal & Friends and Monro Wines

Pams sub-brands (Super Foods, Gluten Free, Organic and Free Range) are now well established and successful

Our new product development pipeline has delivered quality and innovation to customers as well as incremental sales, including Pams Finest Chocolate Chip Cookies and Pams Mussels.

Liquorland.



2017 was a big year for Liquorland and it marked the first year of our new strategy. Our initial focus was on being match-fit and building a platform for growth.

We made some changes to our team at Support Centre to support the new strategy. Our new team members have been a welcome addition, providing drive and energy to initiatives.

With more than 110 stores nationally, Liquorland continued to fill the gaps in our network by opening new stores or converting existing stores. We also launched a new brand called The Bottle Shop. This will be used to maximise the network and give customers another quality option in a 'second site location' but not as a direct comparison or competitor to Liquorland stores.



National Marketing.

Advocacy.

A significant milestone this year was the law change allowing shops to trade on Easter Sunday. We encouraged councils to consult their communities and by Easter 2017, 26 councils had allowed trading within their districts. This increased to 37 districts by Easter 2018. We're disappointed the Auckland, Wellington and Christchurch councils have yet to follow this lead and will continue to work with them on this.

As a result of our advocacy, the Government agreed to change the regulations governing grocery stores' eligibility for alcohol licences. This makes it easier for Four Square stores to renew their alcohol licences. Annual increases in the excise tax on tobacco, which now accounts for 75% of the retail price, had led to a situation where stores were being declined licence renewals because their tobacco revenue was greater than their main-order food. The Government

acknowledged this as an unintended consequence of tobacco excise tax policy and has amended its regulations.

We've been preparing for the introduction of plain packaging for tobacco products between March and June 2018. We've worked with suppliers to make the transition as smooth as possible. During the year we made a submission to the Ministry of Health supporting a proposal to legalise the sale of e-cigarettes (vaping products), and were pleased the Government committed to do this. This is expected to progress in 2018.

We're making changes to food safety management for the new Food Act. This included developing a common Food Control Plan to comply with the new Act. We've worked closely with the Ministry of Primary Industries on a smooth transition.

This year we took part in public consultations on policy proposals affecting the business. This included submissions for the Ministry of Primary

Industries' Review of Regulations under the Dairy Industry Restructuring Act, the Ministry for the Environment's consultation on Urban Development Authorities, the Department of Internal Affairs' consultation on the funding of Fire & Emergency New Zealand, Immigration's consultation on changes to the Essential Skills Visa, MBIE's consultation on changes to fire design requirements under the Building Code, and the Select Committee consultations on the Domestic Violence Victims' Protection Bill, Pay Equity Bill, and Trade (Anti-dumping and Countervailing Duties) Amendment Bill.

The change in Government in 2017 heralds a new direction in government policy, including major reforms to employment law, competition law and environmental policy. We'll keep monitoring these while making submissions and advocating for the Co-op and Members.



Sustainability.

Foodies is focusing on three sustainability platforms – people, community and planet. Our people are treated with absolute care, respect and fairness. Our communities are part of our DNA and at the heart of where we live – so we play a big part in giving back. We treat our planet with a high standard of care, reducing energy, waste and playing an active role in cleaning up and improving New Zealand’s environment.

2017 was a standout year for sustainability. We broke new ground in electric vehicles and packaging, increased food donations to local communities and led the way to reduce plastic.

We became the first supermarket company in New Zealand to be 100% microbead-free from 1 July 2017. This followed international research showing the devastating impact microbeads have on our oceans. This generated significant media coverage and enthusiastic customer support.

Then in September 2017 we announced we’ll stock 100% cage-free eggs in our stores within 10 years. We increased our customer communications around barn-

raised and free range eggs, reduced the range of caged eggs on offer and started a programme to transition to cage-free over the next few years.

We’re expanding our food donation programme. This year we teamed up with new food rescue partners and extended the range of donations, with a focus on fresh and healthy food. New World and PAK’nSAVE stores gave the equivalent of 3.95 million meals to local food rescue organisations.

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

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

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

We’ll have 50 electric vehicle fast-charging stations in store car parks by the end of 2018 so customers can charge while they shop. In addition, we’ve introduced 28 electric vans to stores around the country to help our stores reduce emissions in their everyday operations.

New World launched BagVote in October 2017 to invite customers to share their thoughts on a possible levy for single-use plastic bags. The overwhelming majority voted yes. In response, New World has committed to exit single-use plastic bags by the end of 2018. We’re helping customers get ready for this change by giving away two million reusable shopping bags.





Report of the independent auditor on the Consolidated Financial Statements – Condensed Version

To the shareholders of Foodstuffs North Island Limited

The consolidated financial statements – condensed version (summary financial statements) comprise:

- the consolidated statement of financial position as at 1 April 2018;
- the consolidated statement of comprehensive income for the 52 weeks then ended;
- the consolidated statement of changes in equity for the 52 weeks then ended;
- the consolidated statement of cash flows for the 52 weeks then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

The summary financial statements are derived from the audited consolidated financial statements of Foodstuffs North Island Limited, including its subsidiaries (the Group) for the 52 weeks ended 1 April 2018.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with FRS-43: *Summary Financial Statements* issued by the New Zealand Accounting Standards Board.

Summary financial statements

The summary financial statements do not contain all the disclosures required by New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon. The summary financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 22 June 2018.

Information other than the summary financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the summary financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the summary financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the summary financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the summary financial statements

The Directors are responsible, on behalf of the Company, for the preparation of the summary financial statements in accordance with FRS-43: *Summary Financial Statements*.

Auditor's responsibility

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

Our firm carries out other services for the Group in the areas of tax compliance and advisory, treasury advisory and financial model assistance, capital investment framework advisory, provision of the whistleblower hotline, Member accounting services and other advisory services. The provision of these other services has not impaired our independence as auditor of the Group.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an 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 and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in black ink that reads 'Tricentia hae (apovs)'. The signature is written in a cursive, somewhat stylized script.

Chartered Accountants
22 June 2018

Auckland

Consolidated Statement of Comprehensive Income.

For the 52 weeks ended 1 April 2018

	2018 \$ '000	2017 \$ '000
Revenues	6,640,424	6,393,277
Cost of sales	(6,164,628)	(5,909,787)
Gross profit	475,796	483,490
Other income	266,956	219,655
Operating expenses	(532,398)	(486,725)
Operating profit	210,354	216,420
Finance income	8,133	9,018
Finance costs	(54,011)	(55,147)
Net finance costs	(45,878)	(46,129)
Share of profit from Associates and Joint Ventures	950	1,785
Profit before distribution to Members	165,426	172,076
Distribution to Members	(140,334)	(144,809)
Profit before income tax	25,092	27,267
Income tax expense	(5,823)	(10,382)
Profit for the period attributable to Members	19,269	16,885
Other Comprehensive Income		
Items that may be reclassified subsequently to profit or loss:		
Increase/(Decrease) in fair value of hedging net of tax	(1,752)	6,292
Items that may not be reclassified subsequently to profit or loss:		
Decrease in fair value of other financial assets	(6,224)	(10,166)
Total Other Comprehensive Loss	(7,976)	(3,874)
Total Comprehensive Income for the Period Attributable to Members	11,293	13,011

Items in Other Comprehensive Income are disclosed net of tax.

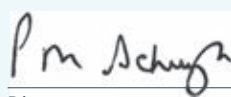
Consolidated Statement of Financial Position.

As at 1 April 2018

	Notes	2018 \$ '000	2017 \$ '000
ASSETS			
Non-current assets			
Property, plant and equipment		1,835,202	1,787,852
Intangible assets		228,515	227,970
Investments in associates	3	1,857	9
Investments in joint venture	3	8,443	7,664
Other financial assets		41,702	47,926
Total non-current assets		2,115,719	2,071,421
Current assets			
Cash and cash equivalents		22,507	20,465
Trade and other receivables		368,213	346,480
Inventories		159,503	136,246
Related party receivables	3	83,268	72,810
Assets held for sale		300	17,848
Derivative financial instruments		146	—
Income tax receivable		—	4,196
Total current assets		633,937	598,045
Total assets		2,749,656	2,669,466
EQUITY			
Capital and reserves attributable to equity holders			
Share capital		132,573	132,573
Other financial asset revaluation reserve		(49,542)	(43,318)
Hedging reserve		(16,943)	(15,191)
Retained earnings		720,034	700,765
Total equity		786,122	774,829
LIABILITIES			
Non-current liabilities			
Liabilities to Members		466,865	433,345
Borrowings		508,900	550,000
Deferred tax liability		120,011	131,512
Derivative financial instruments		23,314	26,265
Other liabilities		2,238	1,562
Total non-current liabilities		1,121,328	1,142,684
Current liabilities			
Liabilities to Members		83,892	79,451
Borrowings		120,000	51,000
Trade and other payables		611,482	570,052
Cash distribution to Members	2	12,643	40,611
Income taxation payable		372	—
Derivative financial instruments		2,671	432
Related party payables	3	11,146	10,407
Total current liabilities		842,206	751,953
Total liabilities		1,963,534	1,894,637
Total equity and liabilities		2,749,656	2,669,466



Chairman



Director
22 June 2018

Consolidated Statement of Changes in Equity.

For the 52 weeks ended 1 April 2018

	Share capital \$ '000	Other reserves \$ '000	Hedging reserves \$ '000	Retained earnings \$ '000	Total equity \$ '000
Balance at 3 April 2016	132,573	(33,152)	(21,483)	683,880	761,818
Profit for the period	—	—	—	16,885	16,885
Other comprehensive income					
Decrease in fair value of other financial assets	—	(10,166)	—	—	(10,166)
Increase in fair value of hedging net of tax	—	—	6,292	—	6,292
Total other comprehensive income/(loss)	—	(10,166)	6,292	—	(3,874)
Balance at 2 April 2017	132,573	(43,318)	(15,191)	700,765	774,829
Profit for the period	—	—	—	19,269	19,269
Other comprehensive income					
Decrease in fair value of other financial assets	—	(6,224)	—	—	(6,224)
Decrease in fair value of hedging net of tax	—	—	(1,752)	—	(1,752)
Total other comprehensive loss	—	(6,224)	(1,752)	—	(7,976)
Balance at 1 April 2018	132,573	(49,542)	(16,943)	720,034	786,122

Consolidated Statement of Cash Flows.

For the 52 weeks ended 1 April 2018

	2018 \$ '000	2017 \$ '000
Cash flows from operating activities		
Cash receipts from customers	6,940,951	6,648,086
Cash paid to suppliers and employees	(6,587,690)	(6,299,472)
Cash generated from operations	353,261	348,614
Interest received	5,060	6,427
Interest paid	(23,483)	(22,053)
Net GST paid	(55,090)	(52,506)
Net income tax paid	(11,798)	(13,126)
Net cash generated from operating activities	267,950	267,356
Cash flows from investing activities		
Purchase of property, plant and equipment	(118,271)	(128,758)
Proceeds from sale of property, plant and equipment	20,185	10,211
Purchase of intangible assets	(31,039)	(46,344)
Disposal/(acquisition) of Associates and Joint Ventures	(2,300)	3,055
Dividends received from other investments	4,575	3,117
Advances to Members	(214,696)	(125,705)
Repayment of advances to Members	184,719	110,451
Repayment from Associates	3,604	5,014
Repayment from other related companies	16,654	3,579
Net cash used in investing activities	(136,569)	(165,380)
Cash flows from financing activities		
Proceeds from borrowings	333,900	301,000
Repayment of borrowings	(306,000)	(269,000)
Rebate investment vouchers paid	(54,881)	(51,496)
Deferred rebate vouchers paid	(11,938)	(11,938)
Interest paid on rebate investment/deferred rebate vouchers	(22,156)	(21,035)
Cash rebates paid	(68,264)	(61,080)
Net cash used in financing activities	(129,339)	(113,549)
Net increase/(decrease) in cash and cash equivalents	2,042	(11,573)
Cash and cash equivalents at beginning of period	20,465	32,038
Cash and cash equivalents at end of period	22,507	20,465

Notes to the Consolidated Financial Statements.

1. Policies

(a) Basis of preparation

The summary financial statements are those of Foodstuffs North Island Limited (the 'Company' or the 'Parent Company'), its subsidiaries and associates (the 'Group' or 'Foodstuffs'). Foodstuffs North Island Limited has designated itself and the Group as profit oriented entities for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). They have been prepared in accordance with Financial Reporting Standards No. 43 "Summary Financial Statements" and have been extracted from full financial statements that comply with NZ IFRS.

For a complete understanding of the financial affairs of the Group, the full financial statements are available for shareholders on request.

(b) Accounting periods

The Group has a weekly operating cycle ending on Sunday night. The annual accounting period follows this cycle. The 2018 accounting period presented consists of 52 weeks to 1 April 2018 (2017: 52 weeks to 2 April 2017).

2. Distribution to Members

The total distribution for the period is made up as follows:

	2018 \$ '000	2017 \$ '000
Cash rebates payable	12,643	40,611
Cash rebates paid	27,620	10,028
Deferred rebate vouchers (DRVs)	100,071	94,170
Distributions to Members before interest	140,334	144,809
Interest on rebate investment vouchers	30,091	29,629
Total distributions to Members	170,425	174,438

These balances and transactions are with related parties (refer note 3).

3. Related party transactions

(a) Transactions with related parties

Foodstuffs North Island Limited operates as a co-operative and predominantly trades with Members. All transactions are conducted on normal trading terms and conditions. On a Group level, approximately \$6,622,513,000 (2017: \$6,381,843,000) of revenue represents sales to and rental from Members. Within other income, services to Members were \$124,080,000 (2017: \$83,070,000).

In the ordinary course of business the Group bears charges for the shared activities undertaken by its associated companies and related parties and incurs direct costs which are recovered from them. The net charges from associated companies were \$20,813,900 (2017: \$16,423,000). Net charges from related parties were \$634,600 (2017: \$771,000). These charges are recognised as part of related party receivables and payables in the Statement of Financial Position and cost of sales, other income, operating expenses and finance income and expenses in the Statement of Comprehensive Income.

There have been no transactions with Directors outside trading in the normal course of business in their capacity as Members, other than directors fees. Total directors fees paid and payable for the current year end amount to \$926,712 (2017: \$850,000).

(b) Outstanding balances at balance date with related parties

The Parent company advances funds to subsidiaries, Members and associate companies in the normal course of business at commercial lending rates. All loans are secured and repayable on demand. At 1 April 2018 a reserve against future recoverability of Member loans of \$ nil (2017: \$955,000) was held.

	2018	2017
	\$ '000	\$ '000
Loans to Members	67,536	37,559
Loans to Associates	3,045	7,256
Receivable from other related companies	12,687	27,995
Related party receivables	83,268	72,810

Included in trade debtors for the Group is \$296,398,000 (2017: \$249,047,000) arising from Member purchases.

Other related parties represent balances owing from Foodstuffs North Island's sister company in the South Island, Foodstuffs South Island Limited (FSSI), Foodstuffs Auckland Provident Fund Limited, Foodstuffs (N.Z.) Limited and Modern Merchants Limited.

	2018	2017
	\$ '000	\$ '000
Payable to Associates	145	752
Payable to other related companies	11,001	9,655
Related party payables	11,146	10,407

Loans to Members are due within one year and the rate of interest is determined over the period at the floating rate existing at that time except where alternative arrangements have been made. The average floating rate at balance date was 4.4% (2017: 4.6%).

Other related parties represent balances owing to Modern Merchants Limited, Foodstuffs (N.Z.) Limited, Foodstuffs Inbound Limited and FSSI.

Eight Directors of the Company are also store owners and as such may receive loans under the same terms and conditions as other loans to Members. At balance date, these amounted to \$ nil (2017: \$300,000).

(c) Guarantees

	2018	2017
	\$ '000	\$ '000
Guarantees for Members' bank loans	467,768	426,243

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

(d) Fair values

The carrying values of balances receivable or payable are approximately their fair value.

Notes to the Consolidated Financial Statements Continued.

(e) Investment in subsidiaries

The Group's principal subsidiaries are:

	Business activity	Share of issued capital and voting rights	
		2018	2017
Equity Funding Limited	Investment	100%	100%
Foodstuffs (Auckland) Nominees Limited	Investment	100%	100%
Foodstuffs (Auckland) Systems & Technology Leasing Limited	Leasing	100%	100%
Foodstuffs Finance (Auckland) Limited	Funding	100%	100%
Foodstuffs Fresh (Auckland) Limited	Distribution	100%	100%
Merchant Property Management Limited	Property management	100%	100%
Foodstuffs North Island Transport Limited (previously AF Logistics Limited) ^(a)	Transport	100%	100%
Route & Retail Distribution Limited ^(a)	Transport	0%	100%
The National Trading Company of New Zealand Limited	Retail property	100%	100%
Foodstuffs Properties (Wellington) Limited	Retail property	100%	100%
Wardell Bros. & Coy Limited	Investment	100%	100%
Gilmours Wholesale Limited ^(b)	Wholesaling	100%	100%

^(a) On 3 April 2017, these companies amalgamated into AF Logistics Limited, which was subsequently renamed to Foodstuffs North Island Transport Limited.

^(b) Toops Wholesale Limited was re-named Gilmours Wholesale Limited on 1 March 2017 with no change in business activity.

(f) Investment in Associates and Joint Ventures

The Group's principal Associates and Joint Ventures are:

	Reporting date	Business activity	Share of issued capital and voting rights	
			2018	2017
Foodstuffs (N.Z.) Limited	28 February	Brand management	50%	50%
Foodstuffs Liquor New Zealand Limited	31 March	Retail	67%	67%
Foodstuffs Own Brands Limited	31 March	Procurement	50%	50%
Foodstuffs Inbound Limited	31 March	Transport	50%	50%
Eat My Lunch Limited	31 August	Catering Service	26%	0%
Constellation Drive Food Market Limited	31 March	Retail	100%	0%

All Associate and Joint Venture companies are incorporated and domiciled in New Zealand which is their principal place of business. At balance date all the above companies are considered joint ventures.

Associates are entities over which the Group has significant influence to participate in the financial and operating policy decisions of the associate, but does not have control or joint control over these policies.

Joint ventures are entities over which the Group has significant influence to participate in the financial and operating policy decisions of the joint venture and has joint control over these policies.

	2018 \$ '000	2017 \$ '000
Interests in Associates		
Carrying value at beginning of period	9	662
Acquisition/(Disposal/Sale) of shares in Associates	2,000	(662)
Group's share of associate's profit/(loss)	(152)	9
Carrying value at end of period	1,857	9

	2018 \$ '000	2017 \$ '000
Interests in Joint Ventures		
Carrying value at beginning of period	7,664	7,690
Acquisition/(Disposal/Sale) of shares in Joint Venture	300	(1,349)
Group's share of joint venture's profit	1,103	1,776
Dividends declared	(624)	(453)
Carrying value at end of period	8,443	7,664

	2018 \$ '000	2017 \$ '000
Disposals of Associates and Joint Ventures		
Total cash received	—	3,055
Net liabilities disposed for Metro New World	—	(1,349)
Profit on disposal	—	1,706

	2018 \$ '000	2017 \$ '000
Results of Associates and Joint Venture companies		
Share of profit before income tax	1,597	2,340
Income tax	(647)	(555)
Share of profit from Associates and Joint Ventures	950	1,785

The Group's share of the results of its principal Associates and Joint Ventures, all of which are unlisted, and its aggregated assets, liabilities and revenues are as follows:

	Assets \$ '000	Liabilities \$ '000	Revenues \$ '000	Profit \$ '000
2018	21,324	14,149	43,230	950
2017	9,852	3,512	14,584	1,785

Our Board of Directors.

Dean Waddell (Chair)



PAK'nSAVE Cameron Road

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

Rob Redwood



PAK'nSAVE Glen Innes

Rob joined the Board in 2013 and was a teenager when he started part-time work at his local Four Square. In 1987 he received a Scholarship Award and became a Member by purchasing a Cut Price store in Taumarunui, which was later converted to a Four Square. He moved to New World Hillcrest before purchasing New World Eastridge in 1995 and took ownership of PAK'nSAVE Glen Innes in 2014. Rob and his wife Jackie have four children.

Craig McKeown



PAK'nSAVE Sylvia Park

Craig has been on the Board since 2014 and was chosen as the pilot Operator for the conversion of Gilmours stores to owner operated. Craig was the Owner Operator of Gilmours North Shore for more than six years, before taking ownership of PAK'nSAVE Sylvia Park in August 2015. Prior to joining Foodies Craig held senior management positions in a number of large retail organisations throughout Australasia. He and his wife Kathryn have one child.

Malcolm Boyd



New World Hillcrest

Malcolm studied at the University of Waikato, the Australian Graduate School of Management, and Massey University Business School. In 2007 he purchased his first store, New World Morrinsville, and in March 2017 took ownership of New World Hillcrest. Malcolm was chairman of the New World Committee and is currently Board Chairman for Boyds Asparagus Industries Ltd. Before Foodies Malcolm was a business owner, held senior roles in finance and project management, and is a Chartered Accountant. He is married to Angela and they have three children.

Rob McGregor



PAK'nSAVE Papamoa

Rob McGregor began his career working at New World Te Kuiti, his father's store. He graduated from Waikato University with a Bachelor of Computer Studies, and applied this knowledge to develop computer programmes for the business. In 1995 Rob purchased New World Hillcrest, before moving to Auckland and purchasing the newly built New World Victoria Park. In 2010 Rob opened the newly built PAK'nSAVE Papamoa where he is Owner Operator today. Rob sat on the New World Committee for a number of years, including as Chair. He is also a Director on the Ruel Foundation.

Jane Freeman



Independent Director

Jane has held senior marketing and general management positions at Telecom, ASB, Bank Direct and Clear Communications, and is currently a Director of the Kiwi Property Group. She has previously held board positions with ASB, Delegats Group, Pumpkin Patch (Chair), Air New Zealand, St George Bank NZ, Albert Street Dental, Publicis Groupe NZ, Sheffield and SKYCITY Entertainment Group. Jane has a Bachelor of Commerce in Marketing from the University of Auckland. She and her husband Chris have three children.

Joe Vegar



New World Miramar

Appointed to the Board in 2013, Joe joined his brother Paul in the ownership of New World Miramar in Wellington's eastern suburbs in 2002. Before becoming a Member, Joe was a Chartered Accountant and Chief Financial Officer working in commerce and within various accountancy firms in New Zealand and overseas. Joe is married to Drina and they have three children.

Paul Blackwell



PAK'nSAVE Albany

Paul was appointed to the Board in 2013, Paul became a Member in May 1993 when he purchased New World Matamata. After five years in the Matamata store he went on to open his current business, PAK'nSAVE Albany on Auckland's North Shore. Paul joined Foodies with a strong retail and management background and had previously owned and operated several Paper Plus stores. Paul and his wife Liz have four children.

Paul stepped down in March 2018

Karl Marryatt



New World Railway Metro

Karl joined the Board in 2014 and has spent his entire working career in supermarkets and the retail sector. He became a Member in 2004 with the purchase of New World Naenae, which he owned and operated for three years before purchasing New World Railway Metro in central Wellington. Karl is married to Caroline and they have two children.

Sir Henry van der Heyden



Independent Director

Sir Henry has served in dairy industry governance roles for over 25 years. He is currently Chair of Auckland International Airport Limited, Rabobank New Zealand Limited, Rabobank Australia Limited, Tainui Group Holdings and Manuka S.A. Limited. He is also a Director on the Board of Pascaro Investments. Sir Henry holds a Bachelor of Engineering with Honours from Canterbury University. He is married to Jocelyn and they have four children.

Peter Schuyt



Independent Director

Peter has held senior executive roles in finance and strategy areas at the New Zealand Dairy Board, Fonterra and NZ Post Group. Peter is on the Board and chairs the Audit & Risk Committees of Tatua Dairy Company, Alliance Group and Dairy NZ, is a Board member and chairs the Audit Committee of TSB Bank and is currently Chair of Tax Management NZ Ltd. Peter holds a Bachelor of Commerce in Accounting and Economics from Canterbury University. Peter and his wife Tracey have five children.

Our Executive Team.

Chris Quin



CEO

Chris joined Foodies as CEO in September 2015 with 28 years' experience in leadership roles. His most recent position was CEO of the Home, Business and Mobile division of Spark NZ (previously Telecom NZ), where he was praised for his role in Spark's business transformation programme and is well known as the leader who fronted to Telecom Business customers during the XT issue. In 2010, he received a Sir Peter Blake Leadership Award for his leadership achievements and contribution to the community, which

include being Chair of The Icehouse. Chris has a Bachelor of Commerce and Accounting from Victoria University and completed the Stanford Graduate School of Business Executive Programme.

Catherine Tardif



GM Strategy & New Ventures

Catherine arrived at Foodstuffs Auckland in May 2013 as Manager Strategy & New Ventures, and was appointed to the role of GM Strategy & New Ventures in July 2016. Before Foodies, she was Senior Manager Corporate Development for Thomas Cook Group in the UK and held senior investment banking roles at Citi and PricewaterhouseCoopers. Catherine has an MBA from the London Business School and a Bachelor of Finance from Université Laval in Quebec, Canada.

Peter Muggleston



Chief Information Officer

Peter joined in 2012 as Chief Information Officer at Foodstuffs Auckland and became Chief Information Officer at Foodstuffs North Island in 2013. He was named New Zealand's CIO of the Year in 2015. Before Foodies, Peter worked internationally with Shell Oil then returned to New Zealand and took on senior roles at ASB. He later joined Sovereign as Chief Information Officer. Peter has an MBA from Otago University and has degrees in Commerce and Science from the University of Auckland.

Wendy Hammonds



GM People & Capability

Wendy became GM People & Capability in March 2016. With more than 15 years' experience developing talent and leading people, Wendy is passionate about driving cultural change and strong employee engagement in large organisations. Prior to Foodies, she led the HR team for the retail business unit within Spark that looks after home and small business customers. She also worked for Westpac, AMP Banking and Bendon, following 10 years in the UK.

David Stewart



GM Merchandise

David joined in 2010 as Chief Financial Officer at Foodstuffs Auckland and became Chief Financial Officer at Foodstuffs North Island in 2013, then GM Merchandise in 2016. Before Foodies, David worked in Europe in senior finance roles at France Telecom, Orange and PricewaterhouseCoopers then returned to New Zealand to work at Yellow Pages as Chief Financial Officer. Named New Zealand's CFO of the Year for 2015, David is a Chartered Accountant and has a Bachelor of Commerce and a Postgraduate Diploma in Commerce from the University of Auckland.

Lindsay Rowles



GM Property

Lindsay has been with Foodies since May 2016 after eight years at Woolworths Australia, where he held various leadership roles in their property group. Most recently as Group Property Operations Manager – North, he had responsibility for the development and execution of their national network strategy plan and their property strategy. Before Woolworths Lindsay worked for ALDI for eight years, establishing and operating the ALDI retail brand in New South Wales, then as Property Director responsible for store network development. He graduated from Deakin University with degrees in Commerce and Law.

Mike Brooker



General Counsel & Company Secretary

Mike joined us in 2009 as General Manager Legal at Foodstuffs Auckland and was appointed to the role of General Counsel & Company Secretary at Foodstuffs North Island in 2013. Prior to Foodies, Mike was a Partner at DLA Piper where he had a broad commercial practice, including acting for a number of franchised businesses, of which Foodies was the largest. Mike was 2015 Private Sector In-house Lawyer of the Year. He studied at the University of Auckland and gained a Bachelor of Laws and a Master of Commercial Law.

Jo Allan



Chief Financial Officer

Jo joined Foodies as Chief Financial Officer in January 2017 and brings more than 20 years' Fast Moving Consumer Goods (FMCG) finance and leadership experience to the table. She has held senior finance, strategy, leadership and transformation roles for a number of leading companies including Frucor, Danone, Fonterra, Tegel and Lion. She is also an engineer and has a Bachelor of Engineering (Mechanical) and is a CPA.

Doug Cochrane



GM Retail

Doug became GM Retail in March 2014. He started his career in 1985 at Tesco in the United Kingdom and progressed into senior operations and development roles in Europe and Asia, including Hungary, Turkey, China and Japan. He then returned to the United Kingdom and became Store Director – International Operations Development, followed by Store Director for Tesco Extra stores in Wales. Doug has an MBA from Henley Management College.

Gemma McBeath



GM Wholesale

Gemma joined Foodies in November 2017. Before joining our team, she ran a transformation programme for the MediaWorks Executive team. Prior to this she was at Spark for 15 years in a variety of start-up, operation and transformation roles across various leadership teams. Gemma's passion is delivery, transformation and digital change.

Vaughan Grant



GM Supply Chain

Vaughan was appointed GM Supply Chain in December 2013. Prior to this, he was Acting Chief Executive and General Manager Commercial for the PlaceMakers Group. He has worked in a range of industries in Australia, England and New Zealand, including Woolworths Australia, with roles involving supply chain operations and strategy development, major change management and SAP systems implementation. Vaughan is a Chartered Accountant and holds a Bachelor of Management Studies from the University of Waikato. *Vaughan left Foodies in March 2018*

Serving our Co-op.

A big thank you to all these people and organisations for their huge contributions to the Co-op this year. Our Co-op spirit is alive and well.

Protection and Perpetuation Trustees.

Tony Carter (Chair)
Stuart Irons
Hugh Perrett
Richard Reilly
John Street
Martin Wiseman

Audit, Risk & Compliance Committee.

Peter Schuyt (Chair)
Dean Waddell
Joe Vegar
Malcolm Boyd
Rob McGregor
Peter Anderson*
Neil Foster*

Succession, Remuneration & Nomination Committee.

Dean Waddell (Chair)
Jane Freeman
Henry van der Heyden
Craig McKeown
Peter Anderson*
Robert Redwood*
Paul Blackwell*

IT Governance Committee.

Peter Schuyt (Chair)
Jane Freeman
Rob McGregor
Karl Marryatt

Operator Development & Approval Committee.

Robert Redwood (Chair)
Karl Marryatt
Joe Vegar
Malcolm Boyd
Chris Quin (Chief Executive Officer)
Wendy Hammonds (GM People & Capability)
Doug Cochrane (GM Retail)
Dean Waddell*
Paul Blackwell*
Craig McKeown*

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Dean Galt
Ewan Atherton
Quintin Proctor
Vinod Bhaga
Rob McGregor
Craig McKeown
Dean Waddell*
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Brendon Good
Gary Baker
Karl Marryatt
Richard Lucas
Rob Dowman
Kym Samuels

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Peter Jones (Chair)
Vivek Bangia (Vice Chair)
Mike Anderson
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Gilmours Banner Committee.

John Horwood (Chair)
Rob Redwood (Board Rep)
Aaron Kedzlie
Jason Morrissey
Peter Blackwell
Matt Humphrey
Hamish McIntosh
Dayne Riddell

* Stepped down during the year

Bankers.

ASB Bank Limited
Bank of New Zealand
MUFG Bank Limited (formerly Bank of Tokyo-Mitsubishi RFJ Limited)
Commonwealth Bank of Australia
Industrial and Commercial Bank of China (New Zealand) Limited
Westpac New Zealand Limited

External Auditors.

PricewaterhouseCoopers

Internal Auditors.

Ernst & Young

Solicitors.

DLA Piper
Ellis Gould
Hudson Gavin Martin
SBM Legal



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