

CO-OPERATIVELY: GROWING OUR BUSINESS



Foodstuffs (Wellington) Co-operative Society Ltd
2012 ANNUAL REPORT

CO-OPERATIVELY: LEADING THE INDUSTRY

We have a vision to be 'First in Food'. That means not only delivering the best products and service to our customers, but also creating the best environment for each person who is part of the Foodstuffs team.

In 2012, we defined five values that we believe are key to reaching our goals. In the following pages, you'll see we're well on our way to achieving them.



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BOARD OF DIRECTORS



Brian Drake
New World Thorndon
(Chairman)



Kieran O'Sullivan
PAK'nSAVE Hutt City
(Vice-Chairman)



Craig Wilson
Managing Director



Brian Galt
PAK'nSAVE
Kilbirnie



David Kershaw
Martinborough
Four Square

EXECUTIVE TEAM



Daniel Robertson
Chief Financial Officer



George Sutherland
General Manager
Brand



Richard Silver
General Manager
Supply Chain



Mark Daldorf
General Manager
Organisation
Development



David Smith
*PAK'nSAVE
Hastings*



Bruce Beaton
*New World
Greenmeadows*



Peter Anderson
*PAK'nSAVE
Kapiti*



Leo O'Sullivan
*PAK'nSAVE
Petone*



Joe Vegar
*New World
Miramar*



Edwin Gear
*General Manager
Product and MIS*



Marty Price
*General Manager
Property*



Sharmala David
*General Counsel and
Company Secretary
(appointed 27 March 2012)*



Grant Ransom
*Company Secretary
(until 26 March 2012)*

VISION, PURPOSE AND VALUES

A company's vision and values are more important today than any other time in history because the personal and societal context within which businesses operate are changing. Who you are as a company and what you stand for are becoming just as important as what you sell or the services you provide. Organisational values are important to meet society's expectations with regard to the moral principles and beliefs of our group. In order to retain the best people our values must meet the needs of existing employees and support them in finding personal fulfilment at work. In order to attract the best people the values must also meet the needs of those who are choosing to work in an organisational culture that aligns with their personal values.



Internal communications poster

The Society's vision is '**First in Food**' and the five new values are '**ExcITE**':

- **Excellence** – we believe success is not just about finishing a job – it is about making sure it is done in the best and most consistent manner.
- **Community** – we are here to make a positive contribution to those around us – through our service, our attitudes and our commitment to reinvest our profits into the community.
- **Integrity** – everything we say and do reflects our honesty and respect for both others and ourselves. When we commit to something, our customers can trust us to get it done.
- **Teamwork** – we achieve greater things by working towards a shared goal and considering the needs and opinions of every person we interact with.
- **Entrepreneurship** – we are constantly looking for new and better ways to help our customers and encourage each other to take the lead by exploring new solutions and ideas.

Underpinning our vision and values is the Society's purpose: to provide the services and organisational platform that enables independent retailers to purchase and sell merchandise on a sustainably profitable basis. The Society's purpose has changed little in the past 83 years!

ABOUT US

Foodstuffs (Wellington) Co-operative Society Limited ("Foodstuffs Wellington") is a 100% wholly owned New Zealand co-operative, a direct descendent of United Buyers Limited which was first registered in Wellington in 1929.

The Society was formed to provide independent retailers with the services and organisational platform necessary to purchase and sell merchandise profitably. The primary business activities are the wholesaling and distribution of food and general merchandise and the development and operation of supermarkets (through owner operator members) under the PAK'nSAVE, New World and Four Square banners. Major wholly owned subsidiaries include a logistics company, AF Logistics Limited and a 'cash and carry' wholesaler, Toops Wholesale Limited.

The Society services a population of around one million consumers throughout the lower half of North Island, from Taranaki across to the Hawkes Bay and down to Wellington. As at the 31st of March 2012 Foodstuffs Wellington had a membership of 169 banner group independent supermarkets and 19 fuel sites.

The Society operates two distribution centres in Palmerston North located at Roberts Line for dry goods and Mihaere Drive for chilled and frozen goods.

The Board of Directors currently consists of ten directors, all of whom are supermarket owner operators and members of the Society, with the exception of the Managing Director.

Foodstuffs Wellington is managed through six business teams (brand, finance and IT, organisation development, product, property and supply chain), each with a General Manager reporting to the Managing Director.

Foodstuffs Wellington has two sister co-operatives, Foodstuffs (Auckland) Limited and Foodstuffs South Island Limited. The three co-operatives are independent of each other and have their own boards and executive structures. The three co-operatives jointly own Foodstuffs (N.Z.) Limited, a small non-trading entity, which represents the collective interests of the co-operatives to the Government and to the public at a national level.



first in food | WE ALL HAVE OUR PART TO PLAY

CHAIRMAN'S REVIEW

On behalf of the Board of Directors of Foodstuffs Wellington it gives me great pleasure to present the 83rd annual report to members for the year ended 31 March 2012.

FINANCIAL PERFORMANCE

Group sales including subsidiary companies were \$2,302m, an increase of 1.3% compared with the previous financial year. Sales transacted by the Society with members also increased by 1.4% to \$1,959m. Sales growth has been below inflation levels and reflects a slight loss of market share due to new store openings and aggressive spending on marketing campaigns by our main competitor.

The surplus generated before distributions to members and taxation was \$62.2m, an increase of \$11.1m on the previous year's surplus. This is a very pleasing performance given relatively flat sales growth and is due primarily to a focus on reducing operating costs. The largest contributor to this was the most significant and far reaching organisational restructure of the support centre in history, which reduced staffing levels by more than 120 full time equivalents.

In accordance with International Financial Reporting Standards (IFRS) we have reviewed our property portfolio and business ownership interests, and in a number of cases determined that it was prudent to reflect current commercial reality in the values of these assets. Operating expenses therefore include \$4.9m of impairment charges, of which the largest was a \$3.3m write down of our investment in the Woodward Group. While these adjustments are disappointing they do reflect a conservative approach to valuing assets and also represent a significant improvement over the level of asset impairments made last year (\$15.7m).

The impairment costs are partially offset by \$2.1m of net gains on sale of assets. The most notable amongst these was a gain of \$2.4m on the sale of four supermarket properties to various parties during the year.

Group operating cash flow remained strong, with a highlight being the \$18m reduction of inventory holdings at the distribution centres which released significant working capital for other purposes. The Society remains well positioned to fund future store developments, make investments in technology, and to provide essential financial support to members.

CAPITAL STRUCTURE

As communicated to members on 26th June 2012 a number of changes to the capital structure of the Society are proposed. Collectively these changes are intended to increase the level of member equity retained in the business going forward. Whilst deferred rebates maturing during the last financial year were paid, it is the intention that all remaining deferred rebates will have their maturity aligned with the redemption of share deposits over a two year period following a member's resignation from the Society. The degree to which the intended changes have affected 2012 proposed distributions to members are reflected as follows.

DISTRIBUTION TO MEMBERS

The proposed total rebate allocation to members from this year's trading is \$57.9m, an increase of \$7.2m over 2011 (\$50.7m). Pleasingly, this 14% increase in rebates has been able to be achieved while also making a \$4.3m pre-tax contribution to retained earnings (2011, \$0.4m). This outcome was possible due to the 22% improvement in profitability on 2011.

Trading rebates paid in cash during the year of \$46.0m represents an increase of \$0.4m over 2011 (\$45.6m). In addition, \$4.5m (2011, \$4.4m) withheld from trading rebates during the year has been declared as revocable share deposits.

A further loyalty distribution of \$3.5m has been declared as revocable share deposits (2011-zero), as well as a terminal cash distribution of \$2m, inclusive of meat rebates already paid in cash during the year (2011, \$0.7m).

Finally, this year a rebate of \$1.9m has been allocated to holders of deferred rebate certificates in the form of revocable share deposits. This amount notionally represents the interest that would in past years have been paid in cash to deferred rebate certificate holders.

It should be noted that due to the new requirement for three weeks purchases being retained as share deposits, rather than two weeks, no excess amounts will be 'refunded' this year. (Under the previous two weeks threshold a number of members who had met the requirements were refunded the excess in cash).

The Board will be seeking confirmation at the Annual General Meeting that rebates be distributed as follows:

1. Rebates paid monthly and quarterly calculated at 12.5% on bulk rebateable purchases; 5% on re-pack rebateable purchases and frozen purchases; 2% on liquor, confectionery, controlled label and cigarette and tobacco purchases (excluding B.A.T. products). Milk, meat brokering, cabinet ready meat and Bell Tea purchases at qualifying criteria.
2. The above rebates will be paid in cash, subject to members completing their obligations with the Society in respect to revocable share deposit qualification (changed to three weeks purchases from the Society), overdue and loan accounts.
3. Share deposit obligations of members to be met by issuing revocable share deposits calculated by crediting to each member's account up to 10% of each member's rebate entitlement paid monthly and quarterly.
4. Revocable share deposits of \$1.9m to be distributed based on 4% of the value of deferred rebates held.
5. Loyalty rebate of \$3.5m to be distributed as revocable share deposits based on each member's share of total trading with the Society.
6. Terminal cash rebate of \$2m to be distributed based on each member's share of total trading with the Society, less any amount already paid for meat rebate during the year.
7. Revocable share deposits are issued subject to the Society's rules.

FINANCIAL POSITION

The Society remains in a strong financial position with total group assets of \$672m. This represents a reduction of \$37m over 2011, primarily due to the sale and leaseback of four supermarket properties during the year, but also includes the 'mark to market' write down in value of our investment in The Warehouse (\$7.5m) and in the Woodward Group (\$3.3m).

A contribution to retained earnings before taxes of \$4.3m has been achieved, following a positive retained earnings result of \$0.4m in 2011. Members' funds, as measured under IFRS, have increased by \$9.8m to \$113.6m. The increase is \$5.5m higher than the retained earnings increase of \$4.3m. The additional increase to members' funds is due to positive non-cash credit for deferred tax of \$16.1m, more than offsetting negative revaluation of investments (mainly The Warehouse shares (as above) and interest rate swaps \$3.1m).

The deferred tax credit includes a \$10m reversal of last year's deferred tax expense (\$37.9m) due primarily to the sale of the four supermarket properties that were previously included in the deferred tax calculation. *This is regarded as an accounting adjustment, and not a true reflection of a movement in the equity of the business.*

The change in value of interest rate swaps is also a non-cash item. It reflects the fact that interest rates in the financial markets have dropped to below the levels we locked in for 10 years on a substantial component of our core debt in early 2009. The cost we see in our accounts effectively values the difference to market rates for the entire remaining term of the swaps (i.e. approximately seven years), assuming that interest rates stay where they currently are. We remain happy with the very low rates we have locked in, while also continuing to benefit from current low interest rates on the borrowings that are not hedged.

The Society has committed bank loan facilities at balance date of \$310m, of which \$212m were utilised. Financial ratios continue to be well within the terms of the unsecured negative pledge agreement into which the Society has entered with its principal lenders. The intended changes to the Society's capital structure will ensure that ratios remain at levels that ensure ongoing positive support from our lenders.

Contingent liabilities, including guarantees of members' bank facilities, reduced by \$19.3m to \$110.6m.

REVIEW OF THE SOCIETY'S ACTIVITIES

During the year a number of changes were implemented following a review of the structure, performance and operating costs at the support centre. A new structure was implemented to support the delivery of our strategic objectives and provide a platform for growth and to better serve the needs of our members and ultimately our customers. This resulted in the reduction of 120 full time equivalents while also taking the opportunity to address capability gaps in a number of areas.

This was the biggest organisational change process undertaken in the history of the Society. It was a difficult time for all, however it was a necessary step to maintain and improve our profitability and strength in a challenging economic and competitive environment. We will continue to develop and refine the central support team over time.

Property

The Society has during the year in review been predominantly focused on refurbishment and planning of new stores for the coming year with the only store opened during this period being a 2,000 square metre New World in Churton Park. We also designed and built a new Kindergarten in Silverstream to enable progress on a replacement store for the local New World. Documentation for the store has commenced targeting a 2,000 square metre footprint.



Churton Park New World

Design and documentation progress has been made to various stages for other new stores including Westtown New World to replace the old Woolworths in New Plymouth. Similarly, construction of Tawa New World is progressing despite the challenges of dealing with an existing structure with limited prior access. Tawa New World will be a significantly enhanced offer from the previous store with a number of new concepts being implemented around fresh food, grocery, decor and signage/ ticketing solutions. Tawa New World a 3,300 square metre store is due to open in mid September. Newlands New World is due to open in August, a 2,400 square metre store, it will also feature new initiatives along with New Zealand's first trans-critical refrigeration system. This is a significant sustainable step for our region.



Tawa New World under construction

Design work has commenced for another Metro store for inner Wellington on Ghuznee Street close to the Cuba Street precinct. Uniquely this will feature a store of 2,200 square metres over two floors. A myriad of opportunities exist with this store balanced with learnings from the two existing Metros.



Newlands New World under construction

Always the tough jobs for both the operators and project teams are the existing store initiatives. Island Bay New World underwent a modest extension and internal refit with the dock way currently being worked on as a second stage. Documentation started for a major extension and reformat of Dannevirke New World and similarly for Carterton New World. Thorndon New World began planning for a review of decor and a refresh. Waitara New World committed to a decor upgrade with Porirua New World completing layout improvements and the start of a decor refresh.

Documentation was completed for one of our most challenging store alterations, New Plymouth New World. The store will be undergoing a major extension and reformat internally with not one internal element remaining in its original position. The result will be a flagship store equipped to challenge and win against all competition.

Sustainability

A major sustainability programme is being implemented across the three co-operatives. The aim is to ensure the long term well being of our Society and New Zealand by developing stronger connections between the three pillars of sustainability – the environmental, economic and social dimensions of our business operations. A national committee has been established to oversee the programme and a wide range of subject areas have been covered in the scoping work. The group will provide leadership ranging from reducing energy consumption, providing guidance on sustainable building design and reducing leakage and emissions from refrigerant gases to establishing and implementing a packaging strategy and many other initiatives.

Supply Chain

Further progress has been made at the Roberts Line Distribution Centre, improving productivity and reducing the distribution centre's operating cost structure, and we are approaching business case operating cost levels. Productivity improvements have also been achieved at the Mihaere Drive coolstore and we have lowered coolstore operating costs. In addition we have achieved significant reductions in inventory at both distribution centres while maintaining stock availability to members. We have also been successful in achieving ACC tertiary level accreditation for the distribution centres, recognising our continued focus on good processes, and health and safety in the workplace.



AF Logistics fleet

AF Logistics started the year with the acquisition of a joint venture interest in Retko Logistics, which extended its network into the South Island, and improved North Island coverage. The businesses are now working well together. The New Zealand transport market continues to be extremely tough, and business is hard fought. AF Logistics has restructured a number of functions in an effort to continue to improve productivity and profitability. The company also absorbed significant costs on behalf of the Society resulting from the closure of the Manawatu Gorge. Health and safety continues to be a major focus. The fleet is covering 40 million kilometres per annum, highlighting the potential for serious incidents. We are working hard to improve our safety related processes for our team and other road users.

Work has also commenced at the Silverstream warehouse on building a new carbonated drinks bottling line and reconditioning the existing line to produce bottled water. Progress is going well with the work due to be completed next year.

Product

During the year in review there have been significant changes in the product team. In spite of this there have been a number of noteworthy achievements during this period. Of particular note was the private label bread deal with Goodman Fielder/Yarrows. This deal not only ensures a lower cost of goods sold on a more reliable supply, it also contributes to the member incentives pool for the Society. This was the first in a number of important sourcing agreements that leverages our competitive advantage as market share leader in the lower North Island, ultimately making us more competitive in this category. In addition we will be fostering a number of joint initiatives between our two organisations that will further entrench our competitive position with this supplier; the first of many successful deals.

Our relationship with suppliers continues to improve as evidenced by the most recent Nielsen Retail Barometer where the Society shows a third successive period of improvement compared to our sister companies, albeit off a lower base. We have worked hard this year to be more accessible and responsive to key suppliers and joint initiatives like the proposed new core range, changes to our terms of trade and increased promotions compliance in stores bode well for continued improvement in these scores.



China GBO – Wayne, Shirley, Helen and Adell

Work commenced this year on establishing the Society's Global Buying Office in China. This initiative will enable us to source New Zealand quality assured products in grocery, general merchandise and not-for-sale categories either as continuity lines or as opportunity buys. Improved alliances with MetFood and with other global retailers will ensure our offer is world class in spite of a relatively small demand profile. More importantly, establishing a Global Buying Office that is mandated to source leading products and maximise in-store margins ensures we continue to differentiate ourselves from others. Early experience with the Alkleen product range has already created excitement in our stores. The property team have also used this as an opportunity to source shelving, trolleys and other not-for-sale items for our stores. The China based team consists of account manager Shirley Pan and three merchandisers Hellen Han, Wayne Yu and Adell Liu.

Metfood

Our joint venture company Metfood is coming up to its sixth year of operation and continues to be a strategic tool for our business. Metfood has worked diligently with the rest of the group, and Metcash trading in Australia, to reduce costs across our private label, general merchandise and not-for-sale requirements. They have now tendered out close to \$1b worth of business and have made huge contributions to the success of the Society. Metfood continues to make significant price reductions on lines, for example they have recently obtained reductions of nearly 20% on in-store plastic containers and register rolls. Metfood will be participating in the national sustainability programme and will be taking on the issue of waste management.

PROJECTS

The Strategic Projects Committee was formed earlier this year and includes members of the executive team plus representatives from owner operators from New World and PAK'nSAVE stores. The group meets monthly to provide governance direction to the project portfolio. In particular they are responsible for authorising all major capital expenditure prior to seeking Board approval. Over the course of the year the group has overseen the investment approval for several strategic projects including New World on-line, master data management, POS refresh and the fuel systems upgrade project.

An important part of the Committee's role, which will continue to be developed, is the evaluation of the value of projects

through a review of the business benefits obtained. Supporting the Committee is the Project Management Office led by Todd Griffin as PMO Manager. The key responsibility of the office is the centralised and co-ordinated management of key projects. There are 35 active projects in the project register which tracks the status and progress of each key project.

PHILANTHROPIC ACTIVITIES

During the year the Society provided support to our charity of choice CanTeen. Across all banners our stores raised over \$76,900 by selling 19,236 bandannas. Representatives from CanTeen attended the Checker of the Year competition as a way of further engaging with store staff in the lead up to bandanna challenge. Hawkes Bay CanTeen was the event beneficiary of the Hastings PAK'nSAVE edible fashion awards and all regions benefitted from the annual golf day. Two support centre staff recently attended the central division's rest and relaxation weekend as volunteers.



CanTeen R&R Weekend

Wellington based New World stores provided a significant sponsorship grant of \$180,000 over three years, which will be put towards the communal self-catering kitchen at the new Ronald McDonald House in Adelaide Road, Newtown. The new kitchen will have eight separate workstations to enable families to have plenty of room to cook their meals while their children are receiving treatment at Wellington Hospital. During the year 42 New World stores participated in the "Add A Dollar" appeal for the Ronald McDonald House raising more than \$15,000 over the course of two days.

SUMMARY AND APPRECIATION

The Society has improved profitability and business capability despite one of the toughest trading environments in memory. The lower North Island has been particularly affected by Government agency retrenchments, resulting in a general lack of confidence from both the business sector and the general public.

Fortunately we grocers are a tough breed and I know that despite the challenges we are a stronger business, in every respect, than we were a year ago. When the retailing climate improves we are exceptionally well placed to capitalise on that lift. However, given the lingering impact of the Global Financial Crisis, I am not expecting that to be any day soon!



FSW Silverstream Staff Christmas Team Photo

On behalf of the Board of Directors I would like to thank the executive team and the support centre staff for their enthusiasm and support during the year. "Doing more with less" has been a key theme and I know I speak for all members when I say your efforts are very much appreciated.

Finally, I would like to thank our members who have continued to support the Society, and in particular those who have served on various committees.

To my fellow Directors thank you for your valuable contribution throughout the year.

Brian Drake
Chairman
Board of Directors
Foodstuffs Wellington



first in food

TREATING CUSTOMERS AS I'D LIKE TO BE TREATED

RETAIL SERVICES REVIEW

NATIONAL MARKETING

The national marketing platform for both PAK'nSAVE and New World has delivered exceptional results around media 'voice' for both these brands. More importantly we have made greater noise with a more efficient spend. The national marketing team have also ensured we are far more versatile with regard to promotional executions. National work streams are in progress for the development of a future customer relationship marketing platform which will include all aspects of digital marketing.

BANNER GROUPS

New World

New World has been the beneficiary of a revitalised national sales promotion platform. New ticketing and greater media 'noise' have assisted with sales and market share growth during the year. The key focus now is implementation of brand standards, particular those associated with delivery of the strategic plan at store level. Range, space management, FastR and gap buster are all examples of key execution strategies aligned to 'in stock always' and are part of the top 10 requirements for the delivery of an excellent New World brand experience.

An initiative commenced during the reporting period was the creation of a New World online shopping channel. Work is progressing well on this project and we are about to take the first step with the launch of Made2Order (special order) and digital marketing tools by the end of this year. On-line shopping will follow in 2013 with both web and mobile device platforms.

Only one New World store was opened during the year at Churton Park in December. The associated village shops now surrounding the store continue to advance with several open for trade which will add value to the overall offer, attracting more customers to the development.

PAK'nSAVE

The price gap for PAK'nSAVE remained a key area of focus this year. New benchmarking for individual stores will be delivered later this year so members can ascertain their true market place position on price, versus all PAK'nSAVE's nationally and more importantly competitors. This will be delivered on a much wider basket than has previously been the case. We have already seen members proactively respond to ensuring the price gap is extended and further cement PAK'nSAVE's position for providing New Zealand's lowest grocery prices.

There were no PAK'nSAVE stores built during the year. However early planning for our first store in some time is underway in Fielding. The 4,250 square metre store will replace the current Write Price store.

Wanganui PAK'nSAVE is leading the way for our stores with an energy efficient environment that is winning praise from customers. It has been selected as a finalist in the 2012 EECA Awards along with energy efficiency specialist EcoSystems which designed the refit. Over the past year the store has upgraded its lighting, air conditioning and refrigeration and

is close to its target of reducing electricity consumption by over 40%. Wanganui PAK'nSAVE went on to be nominated for and win the small to medium size business awards at the EECA awards held earlier this year.



Four Square

The Four Square group had another solid trading year achieving good sales growth. While there were no new stores opened during the reporting period, the Aramoho and Cloverlea stores were extended and refitted to align with brand standards. Other Four Square store extensions and/or refurbishments were undertaken at Patea, Shalimar, Waikanae, St John's, National Park, Mahora in Hastings, Dannevirke, Awapuni, Kaponga and Waterloo in Lower Hutt.

The focus of the group will be to continue raising the standards of operation. This is primarily driven by the top 20% of members asking for better overall standards. We have established some key areas of focus to assist with this process.



Aramoho Four Square

Toops

After a difficult first six months which saw many changes to the Toops structure and its business model Toops posted a strong second half to finish the year in a good financial position and eager to build on the momentum it developed in that latter period. All customers apart from the oil channel are now serviced by Toops branches which facilitates the ability for branches to purchase appropriate lines direct from suppliers, thereby improving the cost of goods and reducing handling.

A major activity which will provide significant benefit to Toops and the group is a national project known as the National Wholesale Re-birth. It's main objective is to provide a much more cohesive effort across the three wholesale arms to win and retain a bigger share of the food service market including national customers. The project team is headed up by Craig Wilson, Managing Director and among others includes George Sutherland, GM Brand; the Group Managers of Gilmours, Toops and Trents and Steve Bayliss, Foodstuffs NZ Marketing Manager. It is expected that the strategic plan will be developed and ready for implementation by the end of the year.

FUEL

The focus for fuel over the last year has been the national tender for the supply of fuel to all 46 national branded fuel sites and the supply arrangements for discount fuel docketts. After several rounds of negotiations the national contract was awarded to Mobil Oil. This change will see Foodstuffs discontinue doing business with BP in December 2012 and launch into a new relationship. Work has continued on a nationally aligned fuel rebate management system platform and point of sale replacement programme for the Society's fuel sites which will see fuel site operators meet the market with a more competitive and reliable fuel offering.



PAK'nSAVE Fuel Site

RETAIL SYSTEMS

The implementation of the SharePoint portal this year is proving beneficial by facilitating access to business data across the Society. The focus has been on managing in-store ranging, identification of profitable product lines, as well as providing performance benchmarking and greater visibility of off-profile promotional impact. Plans for the coming year include incorporating broader industry sales data to enhance comparative reporting as well as increasing uptake at support centre. The supply chain, product and finance teams are using the tool to good effect with great potential to expand benefits across a wider audience.

As part of the master data management project the Society is implementing a product information management tool called Infosphere from IBM. This tool and the associated business changes will deliver a single product data repository, automate many of the traditional manual activities and deliver a centre of excellence around product data standards. The tool will be utilised to acquire data and deliver it to stores and other business units as well as enabling delivery of high quality and consistent data directly to our customers through new portals such as smart phones and our on-line shopping network.

Deployment of the FastR automated replenishment system has continued throughout the year with 60 stores using FastR. Efficient inventory management coupled with good process and practice in-store maximises the benefits of FastR with improved inventory turnover/cover and maintaining presentation levels in store.

The implementation of self checkout lanes has increased during the year with 46 self checkout lanes installed in 14 stores,

bringing the total of lanes deployed to 204 in 34 stores. This service is proving popular with customers with just fewer than half the amount of transactions being processed using self checkout lanes in stores equipped with this technology.

Maintenance activity has seen Shop'nGo scanner hardware replaced in 10 out of 14 PAK'nSAVE stores with the remainder to be completed next year leading to improved reliability/availability and reduced repair costs. EFTPOS upgrades progressed with 949 terminals completed across 126 stores achieving Paymark v6.0 compliance. A programme is also underway to replace POS systems hardware that improves checkout performance (faster transaction times) and reduces ongoing hardware maintenance costs.



Service Solutions Team
L-R: Marie Murtha, Julie Philips, Ana Sakaria and Kirstie McKie

SERVICE SOLUTIONS

Service Solutions commenced operations in June 2011. The team has been resolving member and employee queries at an average of over 700 queries a month with a query resolution time of just over 16 hours for 98% of queries. Earlier this year the team took over the New World 0800 customer queries, the AF Logistics customer services team and the Toops call centre. Service Solutions will also take over the Christmas club member queries for both New World and PAK'nSAVE as a further step in consolidating our customer and member contact areas, creating efficiencies while improving the quality of service to stakeholders.

TRAINING AND DEVELOPMENT

It has been another busy year for the training and development team with a number of new initiatives being launched that will assist in building a talent pool of highly skilled people, who will drive both profitability and productivity within our Society.

A record number of students and support centre staff have participated in both our traditional qualifications and new programmes such as "store-runner". Forty people have successfully attained the deli and seafood qualification which recognises the importance of the fresh departments in our stores. There are currently over 80 bakery and butchery apprentices in training and a large number of stores are participating in the 'Great Place to Work Programme'. Over 120 people have undertaken modules of the Management

Development Programme. The training and development team are also involved in running development centres for support centre candidates and assessment centres for potential store owner operators.

The training and development team would like to thank the following members for their advice and support over the past year; Paul Vegar, Miramar New World; Tim Carmichael, Island Bay New World, Sonya Hasselman, Napier PAK'nSAVE, Katie Yates, Carterton New World and Denis Fenwick, Greytown Four Square.



2011 Supreme Training Award Winners
Krystelle Sparksman, Coby Te Pairi, Dean Leong and Andrew Graney.

Once again a very successful gala awards dinner hosted by Renee Wright was held at the TSB Arena in November. About 350 sponsors, Foodstuffs management and support centre staff celebrated 180 certificate graduates and 27 award winners. The four supreme winners included Andrew Graney from Tamatea PAK'nSAVE, who won the management programme emerging leader award. Coby Te Pairi of Foodstuffs cold storage won the supervisory development programme top student award. Krystelle Sparksman from Hastings PAK'nSAVE won bakery apprentice of the year and Dean Leong of Levin New World won butchery apprentice of the year.

COMMITTEES

Operator Appointments Committee



Back Row - George Sutherland, GM Brand; Sharmala David, General Counsel and Company Secretary; Peter Franklin, Retail Finance Manager; Mark Daldorf, GM Organisation Development, Ron McFarlane, Manager Membership Services and Daniel Robertson, Chief Financial Officer. Front Row - Bruce Beaton, New World Greenmeadows, Peter Anderson, PAK'nSAVE Kapiti; David Smith, PAK'nSAVE Hastings and Craig Wilson, Managing Director.

The Operator Appointments Committee was established in July 2011 in response to the need for a more disciplined and transparent approach to operator selection and development. The Committee's role is to assess and recommend to the Board applicants for ownership of stores and to also recommend development options for existing owner operators to enhance

their performance. The group consists of three Board members and a small group of executives. Since its inception the Committee has introduced a rigorous and transparent selection process for applicants and reviewed over 25 applications for store ownership. Meetings are held adjacent to Board meetings and have proven to be a valuable way of ensuring a steady flow of quality candidates for store ownership in the future.

Advertising Committees

The success of our retail stores relies on the respective committee members giving their valuable time and assistance working together on key initiatives. Each committee meets regularly at the support centre and we would like to extend our grateful thanks to the following members:

New World Advertising Committee



Back Row: Mark Kennedy, Otaki New World; Joe Vegar, Miramar New World (board representative) and Neil Hogg, Fielding New World.
Front Row: Darrin Wong, Pioneer New World; Richard Lucas, Hastings New World; Rob Dowman, New Plymouth New World; Gary Baker, Wellington City New World and John Gray, Merrilands New World.

Barns Advertising Committee



L-R: Peter Melody, New Plymouth PAK'nSAVE; Leo O'Sullivan, Petone PAK'nSAVE (board representative); Michael Kelly, Upper Hutt PAK'nSAVE; Brendon Smith, Hastings PAK'nSAVE and Paul de Lara Bell, Masterton PAK'nSAVE.
(Absent Glen Taylor, Kapiti PAK'nSAVE.)

Four Square Advertising Committee



L-R: Vijay Patel, Awapuni Four Square; Adrian Rees, Te Mata Four Square; Grant Irwin, Moturoa Four Square and Kishor Patel, Totara Park Four Square.
(Absent David Kershaw, Martinborough Four Square (board representative).)



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NATIONAL PROGRESS REPORT

SALES

The year ending February 2012 saw a slightly improved performance for the Foodstuffs Group, with combined revenues of \$8.33 billion, up \$262.92 million, or 3.26%. Distributions to members totalled \$385.08 million, an increase of \$42.29 million over the previous year.

STORE DEVELOPMENTS

The year under review was another busy one from a property development perspective, with a number of new stores opened and a large number of store refurbishments.

During the year, New World stores were opened in Tokoroa, Stonefields in Auckland, the Auckland CBD (Metro), Churton Park in Wellington, Kaiapoi, and Ilam in Christchurch. New PAK'nSAVE stores were opened in Kaitaia, and Papakura, and a new Four Square store was built at Cooper's Beach in Northland.

Extension and/or refurbishment projects were completed at the New World stores at Victoria Park in Auckland, Brookfield in Tauranga, Island Bay in Wellington, Broadway in Palmerston North, Northwood in Christchurch and the township of Rolleston. A refurbishment project was also completed at Wairau Road PAK'nSAVE on Auckland's North Shore.

The Aramoho and Cloverlea Four Squares were extended and refitted to align with brand standards, while other Four Square store extensions and/or refurbishments were undertaken at Patea, Shalimar, Waikanae, St John's, National Park, Mahora in Hastings, Dannevirke, Awapuni, Kaponga, Waterloo in Lower Hutt, and Amberley in Canterbury.

New fuel facilities were built as part of the Kaitaia PAK'nSAVE store development and the PAK'nSAVE Wairau Road refurbishment project. Miramar New World developed a fuel facility on an ex-BP site opposite the supermarket.

New markets and extensions to existing markets provided an additional gross retail floor area of 25,635 square metres, an increase of 7.7% nationally.

At the end of February, Foodstuffs co-operative members operated 48 PAK'nSAVE stores, 137 New World stores, 275 Four Square stores, 150 On The Spot convenience stores, 18 Henry's Beer, Wine and Spirit outlets, 8 Gilmours stores, and 43 fuel sites.

RETAIL INNOVATIONS

The companies continue to review and fine-tune their store formats introducing a number of innovations in each case.

Foodstuffs (Auckland) Limited opened its first store in the Auckland central business district – New World Metro, catering for those living and working in the inner-city. The store has a strong emphasis on fresh food.

Foodstuffs (Wellington) Co-operative Society Limited set up a pop-up New World store in Tawa as a temporary shopping

solution for customers while it builds a permanent New World in the suburb. The new store, which will open in 2012, will feature a new produce format with new style fixtures and ticketing.

The development of New World stores at Ilam and Northwood provided the opportunity for Foodstuffs South Island Limited to further develop the small 'coffee to go' areas which appear in some earlier developments and pilot purpose built cafés. Customer reaction to these cafes has been favourable and the company will assess how they enhance the customer experience with a view to determining the café concept's suitability for future developments.

The adoption of concrete polished floors and open ceilings proven to be well suited for the New World Ilam environment and this same format is to be incorporated into the rebuild of New World St Martins. The combination of vinyl floor tiles and suspended ceilings will still form part of the South Island's New World format. To enhance the developments in this area, new composite floor tiles which are harder wearing and able to withstand the rigours of supermarket foot-traffic have been installed at the New World stores in Kaiapoi, Rangiora, and Northwood. The advantage of this tile is that it does not require a strip and polish and is less prone to cracking than the clay tiles which have previously been used.

The new refrigeration colour "Steel Alloy" adopted in the South Island has proved to be less imposing than the old "Brunswick Green" colour. To ensure a smooth changeover within stores and that a patchwork of colours does not occur, each store expressing interest in the new colour has been asked to provide a programme for changing the colours of their refrigeration and checkouts within a defined timeframe.

As part of a continued focus on enhancing the shopping experience, a lower produce cabinet was used in New World Ilam to create an impression of space, and there is a continued emphasis on, where possible, providing serve-over meat counters and displaying a working bakery environment to customers.

REGIONAL INITIATIVES

The companies have continued to invest in their wholesale infrastructure, to support growth objectives, improve the efficiency of operations, and provide better servicing for the membership.

Foodstuffs (Auckland) Limited completed the first phase of "Programme Lightning", a programme initiated in 2010 to improve operating efficiencies and to establish the platform which will underpin the company's vision and strategy. Key objectives for the programme include more effective buying, tighter inventory controls, timely analysis of sales and performance data, and more efficient processes and operating practices. The future business model has been defined, business tool requirements specified, and a Business Readiness Programme rolled out in eleven stores. This continues in 2012

when the company will commence the design and build phase of the Programme.

Foodstuffs (Auckland) Limited launched a second major programme of work to ensure a solid foundation for its growth and upon which to build Programme Lightning and other transformational business initiatives. Programme Foundation has already significantly enhanced the company's technology capability and will deliver new datacentres and core network capability in 2012.

Following on from the success of the National Careers website, Foodstuffs Auckland Limited has looked at other human resource-related initiatives to collaborate on with sister companies. As a result of dialogue with Foodstuffs (Wellington) Co-operative Society Limited, the two companies have rolled out Sonar 6 – an online performance management programme. In Auckland's case, the tool is now being used at the Support Centre and for management and supervisory staff across all its supply chain sites.

Foodstuffs (Wellington) Co-operative Society Limited began developing a new warehousing facility for AF Logistics Limited. The facility is being built in the Wellington harbour-side suburb of Seaview and is due to be completed in August 2012. The Society also began investigating an on-line shopping network and made decisions to implement this in 2012. The new facility is scheduled to launch in early 2013.

Foodstuffs South Island Limited announced Project Greenfields to develop a new 'state of art' distribution centre in Hornby, Christchurch. Construction of the facility begins in April 2012. The new building will be 40,000 square metres making it the largest single food distribution centre in New Zealand. It is scheduled to be operational by March 2013.

NATIONAL MARKETING

During the year, Foodstuffs NZ Limited strengthened our ability to build our brands nationally with the establishment of a Group marketing function. This development has allowed us to improve cost and efficiency in areas such as public relations and improved media rates negotiations. It has also allowed us to connect more effectively with our supplier partners to launch national programmes such as the successful Watties Truckload Blowout. Other activities will be brought into the national Group as appropriate in order to improve quality and/or cost outcomes for the Group.

Key highlights of the national team included an increased impact of PAK'nSAVE advertising and promotions. This included talked about programmes such as the New Zealand Apples campaign, '1987 Again' during the Rugby World Cup, and Meat Lovers Week. The team also improved our speed to market – responding to topical opportunities as well as combating competitive fuel promotional offers. In addition to the national promotional schedule for the New World banner, the overall

brand strategy has also been under the microscope and a major restage will occur in 2012.

Also integrated into the Group marketing function is our ongoing work programme designed to bring in rebates from transactional services for members. This work will continue throughout 2012 with an added emphasis on understanding the implications and appropriate strategies for the acceptance of contactless 'scheme-debit' cards in the future.

NATIONAL ADVOCACY

Foodstuffs NZ Limited continues to coordinate national submissions and advocacy on public policy issues. A major focus in this last year has been the alcohol reform process which culminated in an Alcohol Reform Bill being introduced to the House last August. Foodstuffs' submissions resulted in a number of helpful technical amendments to the Bill as reported back by Select Committee. More recently, we have been working to secure support for a Supplementary Order Paper to amend clause 105A which introduces a single alcohol display in a non-prominent location. Our intent is to ensure that the Government's policy intent can be achieved in a manner that provides certainty for business with minimum compliance costs.

National submissions were also prepared for: the Commerce Select Committee's Inquiry into the Price of Milk, the Smoke-free (Controls and Enforcement) Amendment Bill, passed in July last year; Ministry of Health's consultations on Smoke-free regulations; the Department of Labour's Minimum Wage Review; the Productivity Commission's Review of International Freight; the Ministry of Transport's consultation on changes to road-user charges, the Ministry of Education's Review of Industry Training, the Ministry of Justice's Investigation of Minimum Pricing of Alcohol, and the Consumer Law Reform Bill.

In July 2011, Immigration NZ granted Foodstuffs' application to have bakers added to the Immediate Skills Shortage List, providing formal government recognition of a skill shortage in this occupation. The change has made it easier for stores to recruit and retain foreign bakers on temporary work visas.

Further changes to accident compensation, food regulation and employment law are expected to be introduced in 2012 and Foodstuffs will continue to monitor these developments and to provide advocacy as needed on behalf of its members.

In conclusion, as Chairman of Directors, I would like to express my appreciation to my fellow Directors and to the executives and staff of the respective Foodstuffs companies for the commitment and enthusiasm they show in ensuring the ongoing progress, development and success of the wider Foodstuffs organisation.

Robert Redwood

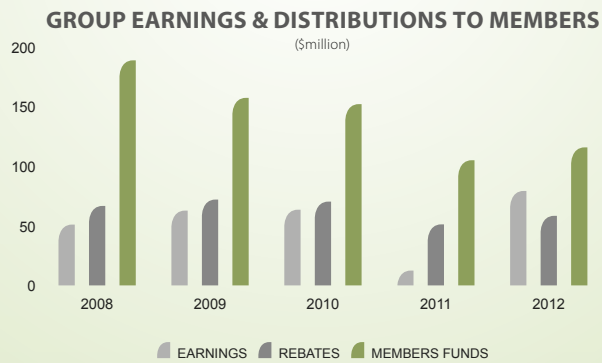
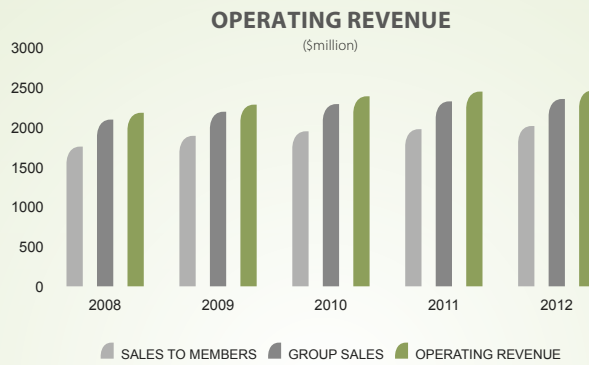
Chairman
Foodstuffs NZ Limited

FINANCIAL SUMMARY

FOODSTUFFS (WELLINGTON) CO-OPERATIVE SOCIETY LIMITED & SUBSIDIARIES



CO-OPERATIVELY: INCREASING VALUE



The results have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZIFRS). Movements in the value of shares held in The Warehouse Group Limited are based on market prices at each balance date and are recognised in reserves as part of members' funds.

Earnings for 2011 include a one-off deferred tax expense of \$39.1m arising from the removal of tax deductibility of depreciation on long-life buildings from 1 April 2011.

SUMMARY FINANCIAL STATEMENTS

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2012

	NOTE	GROUP		PARENT	
		2012 (\$000)	2011 (\$000)	2012 (\$000)	2011 (\$000)
Revenue		2,301,528	2,270,945	1,958,711	1,931,211
Cost of sales		(2,125,360)	(2,104,171)	(1,808,240)	(1,788,617)
Gross profit		176,168	166,774	150,471	142,594
Other income		94,268	107,558	91,686	90,688
Less: Operating expenses		(196,985)	(210,915)	(190,574)	(187,364)
Operating profit		73,451	63,417	51,583	45,918
Finance income		546	1,691	540	1,686
Less: Finance expenses		(13,157)	(15,908)	(13,069)	(15,777)
Net finance expenses		(12,611)	(14,217)	(12,529)	(14,091)
Share of associates' profits/(losses) after tax	7	1,390	1,869	-	-
Profit before distribution to Members		62,230	51,069	39,054	31,827
Less: Distribution to Members		(57,892)	(50,664)	(57,892)	(50,664)
Profit/(loss) before income tax		4,338	405	(18,838)	(18,837)
Less: Income tax (expense)/credit	2	16,055	(37,918)	(289)	1,365
Profit/(loss) after tax for the year attributable to Members		20,393	(37,513)	(19,127)	(17,472)
Other comprehensive income recognised directly in Members' Funds:					
Net gain/(loss) on investments in equity instruments designated as at fair value through other comprehensive income		(7,452)	(2,472)	-	-
Effective portion of changes in fair value of cash flow hedges		(5,294)	(5,225)	(5,294)	(5,225)
Tax credit on other comprehensive income: cash flow hedges		2,193	-	2,193	-
Other comprehensive income for the year, net of tax		(10,553)	(7,697)	(3,101)	(5,225)
Total comprehensive profit/(loss) for the year attributable to Members		9,840	(45,210)	(22,228)	(22,697)

STATEMENTS OF CHANGES IN MEMBERS' FUNDS FOR THE YEAR ENDED 31 MARCH 2012

GROUP	RETAINED EARNINGS (\$000)	INVESTMENTS REVALUATION RESERVE (\$000)	INTEREST RATE SWAP RESERVE (\$000)	TOTAL (\$000)
31 March 2012				
Balance at the beginning of the year	122,210	(15,921)	(2,539)	103,750
Profit/(loss) after tax for the year	20,393	-	-	20,393
Other comprehensive income	-	(7,452)	(5,294)	(12,746)
Tax on other comprehensive income	-	-	2,193	2,193
Total comprehensive income for the year	20,393	(7,452)	(3,101)	9,840
Balance at the end of the year	142,603	(23,373)	(5,640)	113,590
31 March 2011				
Balance at the beginning of the year	159,723	(13,449)	2,686	148,960
Profit/(loss) after tax for the year	(37,513)	-	-	(37,513)
Other comprehensive income	-	(2,472)	(5,225)	(7,697)
Total comprehensive income for the year	(37,513)	(2,472)	(5,225)	(45,210)
Balance at the end of the year	122,210	(15,921)	(2,539)	103,750
PARENT				
31 March 2012				
Balance at the beginning of the year	74,133	-	(2,539)	71,594
Profit/(loss) after tax for the year	(19,127)	-	-	(19,127)
Other comprehensive income	-	-	(5,294)	(5,294)
Tax on other comprehensive income	-	-	2,193	2,193
Total comprehensive income for the year	(19,127)	-	(3,101)	(22,228)
Balance at the end of the year	55,006	-	(5,640)	49,366
31 March 2011				
Balance at the beginning of the year	96,043	-	2,686	98,729
Adjustment to opening balance ^(a)	(4,438)	-	-	(4,438)
Revised balance at the beginning of the year	91,605	-	2,686	94,291
Profit/(loss) after tax for the year	(17,472)	-	-	(17,472)
Other comprehensive income	-	-	(5,225)	(5,225)
Total comprehensive income for the year	(17,472)	-	(5,225)	(22,697)
Balance at the end of the year	74,133	-	(2,539)	71,594

(a) Prior year opening retained earnings has been adjusted for historical write downs of loans to subsidiaries and associates due to significant decreases in the underlying investment that the loan relates to.

SUMMARY FINANCIAL STATEMENTS

BALANCE SHEETS AS AT 31 MARCH 2012

	NOTE	GROUP		PARENT	
		2012 (\$000)	2011 (\$000)	2012 (\$000)	2011 (\$000)
Current assets					
Cash and cash equivalents		4,022	4,948	1,315	3,983
Trade and other receivables		134,860	118,394	101,020	86,092
Advances to Members		1,787	3,537	1,787	3,537
Inventories		69,272	87,302	59,914	77,621
Tax receivable		112	12	-	-
Other financial assets		3,800	-	28,770	118,454
Total current assets		213,853	214,193	192,806	289,687
Non-current assets					
Advances to Members		1,795	1,182	1,795	1,182
Property, plant and equipment		387,021	418,938	44,297	50,967
Intangible assets and goodwill		12,838	8,949	10,365	8,176
Deferred tax asset		-	-	2,518	614
Investments in subsidiaries	4	-	-	28,282	28,282
Investments in associates	7	19,690	21,566	9,805	14,605
Other financial assets		36,993	44,373	279,935	230,388
Total non-current assets		458,337	495,008	376,997	334,214
Total assets		672,190	709,201	569,803	623,901
Current liabilities					
Trade and other payables		189,161	199,571	167,167	180,888
Borrowings		171,721	145,816	171,721	145,816
Liabilities to Members	3	67,021	64,493	67,021	64,493
Other financial liabilities		177	211	177	211
Total current liabilities		428,080	410,091	406,086	391,408
Non-current liabilities					
Borrowings		40,000	76,300	40,000	76,300
Liabilities to Members	3	66,517	82,060	66,517	82,060
Deferred tax liability		16,169	34,461	-	-
Other financial liabilities		7,834	2,539	7,834	2,539
Total non-current liabilities		130,520	195,360	114,351	160,899
Total liabilities		558,600	605,451	520,437	552,307
Members' funds					
Reserves		(29,013)	(18,460)	(5,640)	(2,539)
Retained earnings		142,603	122,210	55,006	74,133
Total Members' funds		113,590	103,750	49,366	71,594
Total liabilities and Members' funds		672,190	709,201	569,803	623,901

For and on behalf of the Board of Directors on 19 June 2012:


 B J DRAKE Chairman


 C A WILSON Managing Director

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

	GROUP		PARENT	
	2012 (\$000)	2011 (\$000)	2012 (\$000)	2011 (\$000)
Cash flows from operating activities				
Cash provided from:				
Receipts from customers	2,285,103	2,277,804	1,943,813	1,943,782
Rent received	50,487	55,368	48,294	52,636
Interest received	496	1,642	490	1,638
Income tax refunded	-	447	-	447
	2,336,086	2,335,261	1,992,597	1,998,503
Cash applied to:				
Payments to suppliers and employees	2,245,467	2,222,756	1,927,788	1,906,971
Interest paid	14,286	17,021	14,749	16,386
Income tax paid	155	-	-	-
	2,259,908	2,239,777	1,942,537	1,923,357
Net cash flows from operating activities	76,178	95,484	50,060	75,146
Cash flows from/(used in) investing activities				
Cash provided from:				
Dividends received	2,352	1,391	1	1
Matured bank deposits	-	45,000	-	45,000
Change in loans to subsidiaries and associates	300	-	38,504	429
Advances repaid by Members	1,153	-	1,153	-
Proceeds from sale of property, plant and equipment	56,132	18,723	4,871	1,381
	59,937	65,114	44,529	46,811
Cash applied to:				
Investment in bank deposits	3,500	-	3,500	-
Investment in associates	-	-	-	-
Change in loans to subsidiaries and associates	-	780	-	-
Advances provided to Members	-	1,785	-	1,785
Purchase of property, plant and equipment	42,665	61,486	6,263	21,949
Purchase of intangible assets	8,187	3,704	5,603	3,533
Loss from sale of investments	247	416	-	-
	54,599	68,171	15,366	27,267
Net cash flows used in investing activities	5,338	(3,057)	29,163	19,544
Cash flows from financing activities				
Cash applied to:				
Net borrowings repaid ¹	10,946	27,055	10,395	27,558
Net repayment of Member liabilities ²	70,906	69,217	70,906	69,217
	81,852	96,272	81,301	96,775
Net cash flows used in financing activities	(81,852)	(96,272)	(81,301)	(96,775)
Net increase/(decrease) in cash held	(336)	(3,845)	(2,078)	(2,085)
Cash held at the beginning of the year	4,948	9,043	3,983	6,318
Exchange gains/(losses) on foreign currency balances	(590)	(250)	(590)	(250)
Cash held at the end of the year	4,022	4,948	1,315	3,983

1 Borrowings are shown net of funding received and repaid as a Deed of Negative Pledge governs funding

2 Member liabilities are shown net of received and repaid as the Society is a deposit taker

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

NOTE 1 BASIS OF PREPARATION

These summary financial statements are for the reporting entity Foodstuffs (Wellington) Co-operative Society Limited ("the Society") and its subsidiaries ("the Group"). The Society is a co-operative registered under the Industrial and Provident Societies Act 1908 and is a profit-oriented entity domiciled in New Zealand. The ultimate parent entity is Foodstuffs (Wellington) Co-operative Limited. The summary financial statements are presented in New Zealand Dollars, and rounded to the nearest thousand dollars, unless stated otherwise.

The summary financial statements have been prepared in compliance with Financial Reporting Standard Number 43 "Summary Financial Statements", and have been extracted from the full financial statements that comply with New Zealand equivalents to International Financial Reporting Standards ("NZIFRS"). The Society has made an explicit and unreserved statement of compliance with IFRS in its full financial statements for the year ended 31 March 2011 and 2012. These summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements, which can be obtained from 57 Kiln Street, Silverstream, Wellington.

The full financial statements, authorised for issue on 19 June 2012, have been audited and an unmodified audit opinion has been issued.

NOTE 2 INCOME TAX EXPENSE

	GROUP		PARENT	
	2012 (\$000)	2011 (\$000)	2012 (\$000)	2011 (\$000)
Reconciliation of the prima facie income tax payable on profit				
Profit/(loss) before income tax	4,338	405	(18,838)	(18,837)
Income tax charge at 28% (2011: 30%)	1,215	122	(5,275)	(5,651)
Non-deductible expenses/(non-assessable income)	1,154	142	2,687	1,318
Change in tax provisions/(temporary differences)	(10,199)	(2,254)	(100)	(1,665)
Share of associates' results reported net of tax	(389)	(561)	-	-
Effect of changes in tax legislation - building depreciation	-	41,921	-	46
- tax rate change	-	(2,462)	-	44
Tax losses for which no deferred income tax asset was recognised	-	1,009	2,977	4,542
Recognition of previously unrecognised tax losses	(6,134)	-	-	-
Tax losses utilised	(1,745)	-	-	-
Adjustments in respect of current income tax for prior years	43	1	-	1
Income tax expense/(credit)	(16,055)	37,918	289	(1,365)
Tax recognised in the profit or loss				
Current income tax				
Current income tax charge	-	-	-	-
Adjustments in respect of current income tax for prior years	43	1	-	1
Deferred income tax				
Relating to origination and reversal of temporary differences	(16,098)	37,917	289	(1,366)
Income tax expense/(credit)	(16,055)	37,918	289	(1,365)
Tax recognised directly in equity				
Deferred income tax				
Cash flow hedges	2,193	-	2,193	-
	2,193	-	2,193	-

NOTE 3 LIABILITIES TO MEMBERS

	GROUP		PARENT	
	2012 (\$000)	2011 (\$000)	2012 (\$000)	2011 (\$000)
Current				
Member deposits	12,327	10,333	12,327	10,333
Unredeemed rebates	40,871	32,340	40,871	32,340
Deferred rebate certificates	13,823	21,820	13,823	21,820
	67,021	64,493	67,021	64,493
Non-current				
Trading and membership shares	704	704	704	704
Share deposits	27,946	29,666	27,946	29,666
Deferred rebate certificates	37,867	51,690	37,867	51,690
	66,517	82,060	66,517	82,060

NOTE 4 INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements include the financial statements of Foodstuffs (Wellington) Co-operative Society Limited and the subsidiaries listed in the following table. All entities have a balance date of March 31 and are incorporated and domiciled in New Zealand.

Name	NATURE OF BUSINESS	OWNERSHIP INTEREST HELD	
		2012	2011
Toops Wholesale Limited	Wholesale Trading	100%	100%
Toop & Johnston Limited ⁽ⁱ⁾	Wholesale Trading	100%	100%
Foodstuffs Properties (Wellington) Limited	Property	100%	100%
AF Logistics Limited	Transport & Logistics	100%	100%
Retko Logistics Limited ⁽ⁱⁱ⁾	Transport & Logistics	100%	-
Wardell Bros. & Coy Limited	Investment	100%	100%
Rowntrees Master Butchers Limited ⁽ⁱⁱⁱ⁾	Retail	100%	100%
Jockey's Limited ⁽ⁱⁱⁱ⁾	Retail	100%	100%

(i) 100% owned by Toops Wholesale Limited (ii) 100% owned by AF Logistics Limited (iii) 100% owned by Wardell Bros. & Coy Limited

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

NOTE 5 ACQUISITION OF BUSINESSES

On 1 April 2011, the Group acquired assets and liabilities of Retko Haulage (2007) Limited which is a transportation business. The business was acquired to further strengthen the Group's transport and logistics operations. The acquisition had the following effect on the consolidated Group's assets and liabilities at 1 April 2011:

	(\$000)
Assets	
Property, plant and equipment	875
Intangible assets	2,730
Liabilities	
Other liabilities	(130)
Net identifiable assets and liabilities	3,475
Consideration paid	3,475
Goodwill on acquisition	-

Intangible assets represents computer software of \$311,000 and customer lists of \$2,419,000.

The contingent consideration associated with this business acquisition was \$1,050,000 (Year 1: \$650,000; Year 2: \$450,000) to be paid out over two years, provided certain conditions are met. The conditions for the contingent liability to be paid at the end of Year 1 have not been met and no contingent payment has been made. A liability for Year 2 contingent consideration has not been recognised due to the uncertainties associated with achievement of the set milestones.

The effect the acquisition had on the Group's profit or loss for the year ended 31 March 2012 is as follows:

	(\$000)
Revenue	19,353
Expenses	(19,379)
Net loss before tax	(26)

NOTE 6 DISCONTINUED OPERATIONS

On 21 March 2012, the Group ceased the business operations to process meat products within Rowntrees Master Butchers Limited. The business operations was not a discontinued operation or classified as held for sale as at 31 March 2011. Management committed to a plan to sell the business operations in late 2011 following a strategic decision to place greater focus on the Group's key competencies, being wholesale retail and distribution.

The business operations have been outsourced to a third party that purchased Rowntrees Master Butchers Limited fixed assets of \$521,000. Included within Group 31 March 2012 profit or loss were the discontinued operation results of revenue of \$6,552,000 and expenses of \$8,331,000. Total net loss before tax of \$1,779,000.

NOTE 7 INVESTMENTS IN ASSOCIATES

The Society has the following beneficial holdings in associated entities. All entities are incorporated and domiciled in New Zealand.

Name	BALANCE DATE	NATURE OF BUSINESS	OWNERSHIP INTEREST HELD	
			2012	2011
The Bell Tea Company Limited	31 March	Manufacturing	33%	33%
Foodstuffs (NZ) Limited ^(a)	30 June	Brand management	33%	33%
Foodstuffs Own Brands Limited ^(b)	28 February	Procurement	33%	33%
Foodstuffs Fuel Limited	31 March	Procurement	33%	33%
Foodstuffs Ventures (NZ) Limited	31 March	Investment	33%	33%
Foodstuffs Publishing Limited	31 March	Publishing	33%	33%
Foodstuffs Retail Financial Services Limited	31 March	Financial services	33%	33%
The Woodward Group Limited	31 March	Retail/manufacturing	50%	50%
Foodstuffs Inbound Limited	31 March	Transport	33%	33%
Foodstuffs Liquor New Zealand Limited	31 March	Retail	33%	33%

(a) Foodstuffs (NZ) Limited has a different balance date to the Society due to it requiring to levy in arrears based on actual results of the owners whom all have balance date 3-4 months prior.

(b) Foodstuffs Own Brands Limited has a different balance date to the Society due to the balance date being aligned with Foodstuffs (Auckland) Limited which also owns 33% of the associate.

Associates' summary financial information	2012 (\$000)	2011 (\$000)
Total assets	116,305	107,820
Total liabilities	62,613	58,291
Net assets	53,692	49,529
Group's share of associates' net assets	19,690	21,566
Total revenue	117,602	97,958
Total profit for the period	4,452	5,222
Group's share of associates' profits/(losses) after tax	1,390	1,869

NOTE 8 RELATED PARTIES**Directors and their interests**

The Directors of the Society (except for the Managing Director) are elected by the Society's Members in accordance with the Society's Rules. Each Director (except for the Managing Director) must be a working director or working partner of a Member that holds a membership share as defined in the Society's Rules. All Members have an interest in, and conduct transactions with, the Society which exists solely for their support.

All trading and financial transactions with Directors are conducted on the same terms and conditions as those which apply to Members. Other than this, no Director had a material interest at any time, during the periods covered by these financial statements, in any contract of significance with the Parent or any of its subsidiaries.

Transactions with Directors	GROUP	
	2012 (\$000)	2011 (\$000)
Sales to Director controlled companies	491,795	490,360
Receivables and advances due from Director controlled companies	20,181	20,042
Payables due to Directors and Director controlled companies	32,010	35,680
Guarantees of bank facilities for Director controlled companies	19,821	27,488

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

NOTE 8 RELATED PARTIES (CONTINUED)

Transactions with related parties

The Parent and Group undertake transactions with subsidiaries and associates. These transactions principally consist of loans provided to, and received from, related parties; the exchange of goods and services in sales and purchases; and the provision of treasury, accounting, legal, taxation, and other administrative services.

Transactions and balances with related parties are as follows:

Group	SUBSIDIARIES		ASSOCIATES	
	2012 (\$000)	2011 (\$000)	2012 (\$000)	2011 (\$000)
Revenue - sale of goods	-	-	697	778
Purchases of goods or services	-	-	11,556	11,167
Amounts owed by related parties	-	-	7,474	7,727
Amounts owed to related parties	-	-	12,921	11,116
Parent				
Revenue - sale of goods	3,980	10,014	697	778
Purchases of goods or services	47,988	49,127	11,556	11,167
Amounts owed by related parties	297,731	338,175	7,474	7,727
Amounts owed to related parties	-	-	12,921	11,116

Advances to Members

The Society provides loans, temporary advances and point-of-sale equipment loans to certain Members.

NOTE 9 CONTINGENCIES

Guarantees	GROUP	
	2012 (\$000)	2011 (\$000)
Guarantee of Members' bank facilities	110,607	129,892

The Society acts as guarantor for a number of Members' bank loans. In the event that a Member defaults on a loan arrangement, the Society is liable for the loan payments. The estimated fair value of these guarantees are negligible as there is no expectation that the Society will be required to settle the guarantees provided.

Litigation, Contingent Liabilities and Contingent Assets

There was no litigation in progress or threatened or claims against the Parent and its subsidiaries as at 31 March 2012 (2011: \$Nil). As at the 31 March 2012 there is a contingent liability of \$450,000 (2011: \$50,000) payable two years after a business acquisition provided certain conditions are met. There are no further contingent assets or liabilities identified as at 31 March 2012 (2011: \$Nil) relating to the Group or its associates.

OUR STORES

NEW WORLD

Wellington	23
Manawatu	8
Taranaki	5
Hawkes Bay	8
Wanganui	4

PAKŌSAVE

Wellington	7
Manawatu	1
Taranaki	2
Hawkes Bay	3
Wanganui	1

4 FOUR SQUARE

Wellington	39
Manawatu	21
Taranaki	17
Hawkes Bay	14
Wanganui	11

SHOPRITE *The supermarket that knows you better.*

Taranaki	1
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WRITE PRICE

Manawatu	2
Hawkes Bay	1

Registered Office – Kiln Street, Silverstream, Upper Hutt, New Zealand

Principal Operating Subsidiaries – AF Logistics Limited, Toops Wholesale Limited
and Foodstuffs Properties (Wellington) Limited

Solicitor – Gillespie Young Watson

Auditor – Pricewaterhouse Coopers (appointed October 2011)

Bankers – ANZ National Bank, Bank of New Zealand, Commonwealth Bank of Australia, Kiwibank,
Rabobank, Westpac Banking Corporation and Bank of Tokyo Mitsubishi

CO-OPERATIVELY: SHARING SUCCESS



Foodstuffs (Wellington) Co-operative Society Ltd