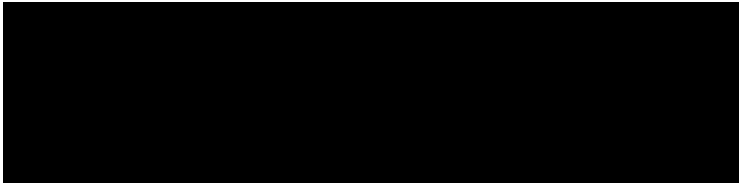


30 October 2025



Kia ora 

Official Information Act request 25.074

Thank you for your Official Information Act 1982 (the OIA) request of 6 October 2025 as follows:

EBIT Reported in Grocery Commission Annual Report

... ensuring validity and accuracy of information published by the NZ Grocery Commission in the public domain, I am seeking to understand how in the Annual Grocery Report 2025 for the FY24 calculated EBIT for NZ grocery retailers, excluding WWNZ, as that's clear.

EBIT has been included for FSSI and FSNI, however these retailers operate from a centralized services and warehousing, then store level. What this means for the two:

- *FSSI – reports on centralized services, then distributes surplus funds, as a cooperative would to its members.*
- *FSNI, however pays tax on any profits made through the warehousing and centralized services. Stores and their profitability sit separate from this.*
 - *How did the Grocery Commission account for this? (Question 1)*
 - *What is the EBIT for stores, and centralized services? (Question 2)*

Accounting Changes:

FSNI in FY24 made a reverse to a prior account change, whereby it stopped recognizing the transfer of ownership of stock from centralized services to stores, which is a reverse of its change from FY18-FY19 when an accounting standard change occurred. When it was changed FY18-19, they had to adjust how they reported revenue and ownership, and how they reported it.

No formal accounting requirement I can see has taken place in the last 2 years, so I am keen to understand how the Grocery Commission has viewed what

appears to be a change in accounting standards and reporting, to hide the level of profitability occurring at centralized services? Has this been investigated? If so, what was the asked of them? If not, then why not? (Question 3)

If these funds were being distributed back to members as FSSI do, there would be less of an issue. However, the profit paid on earnings by FSNI, does leave me to wonder how the profits are being distributed, and whether the Grocery Commission has visibility of this? If it is equally distributed to shareholders as per shares, then what happens to the funds for the Foodstuffs Perpetuation Trust/Strategic Interchange? Do stores receive these earnings? If so, the how does this make FSNI a co-operative when it is paying tax on its earnings, rather than distributing to members like a co-operative would do? (Question 4)

Foodstuffs Perpetuation Trust/ Strategic Interchange

Lastly, Strategic Interchange and the Foodstuffs Perpetuation Trust have no transparency to the public, and from my discussion with store members, they do not know of it either. As Strategic Interchange owns over 90% of the shares in Foodstuffs North Island Limited, has the Grocery Commission investigated what is written in this trust, and how earnings are then distributed? Evidence of distributions would in effect demonstrate how it has been distributed. (Question 5)

Introduction and context

The Commerce Commission has responsibilities for regulating the grocery industry under the Grocery Industry Competition Act 2023 (the Act).

The objective of our monitoring and reporting functions under the Act is to promote competition and efficiency in the grocery industry for the long-term benefit of consumers, including by:

- understanding the current and emerging trends or issues in relation to the grocery industry;
- promoting transparency about the way the grocery industry is being regulated; and
- contributing to a trading environment in which businesses compete effectively, and consumers and businesses participate confidently.

Measures of profitability (such as EBIT margins) are useful indicators into the state of competition in the grocery industry. Our focus is on identifying ongoing trends in profitability, rather than conducting a forensic analysis of any individual business's accounting practices.

Undertaking a detailed analysis of the RGRs accounting practices would be highly resource-intensive, and unlikely to yield meaningful insights into the overall state of competition in the grocery sector. It has therefore not been something we have dedicated our limited resources towards.

In response to your questions:Question 1

You asked how the Commission accounted for the different accounting practices FSNI and FSSI use when creating our EBIT analysis.

When assessing FSNI and FSSI's profitability (such as the EBIT margin analysis in our annual grocery report), we take a 'whole of business' approach. This means looking at the entirety of FSNI and FSSI's businesses – owner operated stores plus the centralised functions – and then eliminating inter-firm transfers between stores and head office. Our 'whole of business' approach mitigates the impact of different accounting practices on recognising revenue at head-office vs at stores in each cooperative and allows for like-for-like comparison at the RGR level.

Question 2

You asked what is the EBIT for stores, and centralised services (for FSNI and FSSI).

The Commission is withholding the information we hold that falls within scope of this portion of your request under section 9(2)(b)(ii) of the OIA, to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

In making the decisions to withhold this information, we have determined that the public interest does not outweigh the need for withholding at this time.

Question 3

You asked about the changes to FSNI's accounting standards and reporting.

As noted above, we use a 'whole of business' approach when calculating FSNI's profitability. This means transfers between central services and stores do not affect our profitability calculations. As such, we have not looked into these changes to accounting standards and reporting and have no additional information to provide in response to this request.

Question 4

You asked if the Commission has visibility on how FSNI's profits are being distributed.

As noted above, we are not undertaking any detailed monitoring or analysis of FSNI's accounting practices. We are primarily interested in how certain measures of profitability change over time, and what it says about competition in the grocery industry. Therefore, we have not conducted a detailed analysis into how FSNI distribute their profits and have no additional information to provide in response to this request.

Question 5

You asked whether the Commission has investigated what is written in the Foodstuffs Perpetuation Trust, and how earnings are then distributed.

Again, the Commission is primarily interested in how competition in the grocery industry changes over time. Investigating the Trust to determine how profits are distributed falls outside of this goal. We have therefore not conducted any analysis into the Foodstuffs Perpetuation Trust and have no additional information to provide in response to this request.

Further information

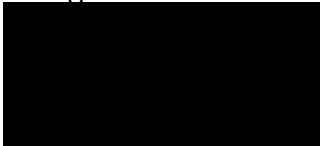
We hope this response has been helpful and provides clarity about the focus of the Commission's work.

If you have any questions about this response, please do not hesitate to contact us at oia@comcom.govt.nz.

If you are unhappy with our response, you have the right to complain to the Ombudsman. Information about how to do this is available at www.ombudsman.parliament.nz.

Finally, confirming that the Commission may publish this response on our website as part of our proactive release process. All personal information will be redacted prior to publication.

Ngā mihi nui



Adam McFerran
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