



# Here for all New Zealanders.

Foodstuffs North Island Ltd Concise Annual Report FY21

20 July 2021

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# 01.

## Introduction

**FY21 is a year none of us will ever forget. We're proud of the way our 25,000 team members stepped up for our communities in FY21, keeping people safe and stock on the shelf as our country navigated COVID-19.**

Through it all, we still delivered on our long-term strategy and our aspiration to become one of the most customer driven retailers in the world, all wrapped up with a big milestone for our co-op as we opened our new Auckland home and New Zealand's largest distribution centre at Foodstuffs Landing Drive.

Our brands delivered strongly on our customer promises to give New Zealanders the value, awesome experience and fresh options they needed, at a time when the only constant was change.

It was a privilege to trade as an essential service and our frontline teams were true heroes who worked hard to be here for all New Zealanders.



## Results and Highlights

Through lockdowns and uncertain times, we delivered on our customer driven aspiration and made sure New Zealanders got more out of life.

# 02.

## Results and Highlights

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### Our results



**70%**

Store customer satisfaction



**\$8.9b**

Retail and wholesale store sales



**4.8**

Lost Time Injury Frequency Rate (LTIFR)



**71%**

Overall Co-op employee engagement

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# 21 ways we were here for New Zealand in FY21

## 2. Two brand new stores started offering awesome experiences



We opened two New World stores in Hobsonville and Ormiston, bringing our great value, sensational fresh food inspiration and awesome experiences to these vibrant communities.

We weren't the only ones who were excited about opening the doors, with local customers arriving in droves to check out what their brand new stores had on offer.

## 3. Pams made Christmas go further for more customers than ever



New Zealanders enjoyed more than 310 million Foodstuffs Own Brand boxes, bags, bottles or packets sold in our stores. We also knew Christmas would be a tough time for some people, so we put on our Santa-themed caps and came up with three different but equally delicious Christmas feasts. Created to suit any budget, we wanted to make sure all New Zealanders could enjoy a wholesome celebration with their loved ones.



## 1. Here for our communities, customers and people through COVID-19

As one of a few retailers that were privileged to trade through COVID-19 lockdowns, we focused on making sure New Zealanders had what they needed, and that our teams felt safe. We gave allowances to our people on the frontline, provided hot food to every shift in the distribution centres (DCs), unlimited personal protective equipment, special pay for those who felt vulnerable, and brought in new safety processes to deliver physical distancing.

We gave more than \$1 million to 54 social organisations that were helping New Zealanders facing immense hardship as a result of COVID-19, and worked tirelessly to deliver our social promises of healthy and affordable food, meaningful work, supporting our local communities, and sustainability leadership.

We were privileged to partner with the Wellington City Mission to open New Zealand's first social supermarket, we sponsored the Christchurch City Mission's Christmas Tree, matched Giltrap's Christmas food drive for the Auckland City Mission, and raised \$34,000 in New World vouchers for the Missions in partnership with Flybuys.





## 4. PAK'nSAVE led the way in fairness

PAK'nSAVE was named one of New Zealand's most reputable companies with its policy of New Zealand's lowest food prices, and the leader in fairness across the top 50 corporates in New Zealand in the 2020 Colmar Brunton Corporate Reputation Index.



## 5. Foodstuffs North Island was voted New Zealand's Large Retail Employer of the Year

We cemented our place among the country's top retailers after being voted Retailworld NZ Large Retailer of the Year for the third time in a row.

These awards are for companies that stand out from the rest as the best places to work, with meaningful work and fulfilling careers for our people.



## 6. We opened our new Auckland home to connect our people, suppliers and customers

After five decades at Roma Road in Mt Roskill, we moved house to our new purpose-built Auckland home at Foodstuffs Landing Drive. This brings our Upper North Island ambient operations together in one place to support our customer driven aspirations, with the latest technology, design and safety features so we can cope with much bigger volumes coming in and going out. Now we are well positioned for the future to meet our customers' ever-increasing need for value, availability, choice and convenience.



## 7. Four Square won the Best Employer "hat trick"

Four Square was once again named a top employer in Australasia, showing we have some of the most motivated and engaged people looking after the needs of customers in our stores.

This was Four Square's third win after an engagement score of 86%, which is a credit to every team member's hard work to support their communities through one of the most challenging times New Zealand has ever faced.



## 8. Gilmours won Medium Retail Employer of the Year

Gilmours took out the Retailworld NZ Medium Retail Employer of the Year for the first time, showing our wholesale stores are a great place to work.

They were recognised for their leave policy, leadership style, work-life balance, employee retention, business culture, training and development.



# 21 ways we were here for New Zealand in FY21



## 9. Supported the South Auckland community through tough times

PAK'nSAVE Manukau and PAK'nSAVE Māngere have long supported their local South Auckland community, generously getting behind Buttabeen Motivation and Māngere Budgeting Services to help people in need. When we opened Foodstuffs Landing Drive, we showed further commitment to our new South Auckland neighbourhood by donating a total of \$100,000 to these two local organisations over the next two years, plus a monthly delivery of a pallet of food.



## 10. Gave people choice and dignity through the social supermarket

In a first for New Zealand, New World proudly partnered with Wellington City Mission to set up a social supermarket for locals in need of some extra help. Instead of collecting food parcels, people can go into the social supermarket to choose their own grocery items for free. It gives them choice and dignity, and has been tremendously well received, with volunteers reporting people often get quite emotional and overwhelmed when they come in for the first time.

New World Wellington City donated shelving, New World Thorndon donated the Produce bins and trolleys, New World Railway donated shopping baskets, New World Whitby donated the chiller unit, and New World Newtown is a long-term supporter who provides ongoing bread donations. Our New World team designed the space and systems with 3,000 products and trained 12 volunteers.



## 11. Got New Zealand growing again with Little Garden

Back by popular demand, New World's Little Garden campaign gave away 10 million plastic-free seedling kits nationwide over six weeks. We also reached 125,000 of the nation's littlest gardeners at 3,250 schools nationwide through our partnership with Schoolkit. Interesting fact: COVID-19 restrictions meant another first for New World – a fully animated TV commercial to promote the campaign.



## 12. Launched New Zealand's first carbonzero milk

We were part of the launch of New Zealand's first carbonzero milk, Simply Milk. This milk's carbon emissions are offset through carbon credits which support forest regeneration and renewable energy projects. Simply Milk went on to be named one of the Top 10 New Products by IRI in 2020.







## 13. Foodies Foundation raised over \$660,000 to help Foodies in need

Together with our people, suppliers and partners, we raised \$661,036 for our Foodies Foundation in FY21. This helps fellow Foodies in times of need, and it's incredibly heartening to see our people being in it together and making a difference to 69 families who really needed it during the year.



## 14. Supported Eat My Lunch to feed thousands every day

We gave full-time support to Eat My Lunch during their growth phase after winning the Government's tender for the Healthy School Lunches Programme. This programme provides tasty lunches for 16,500 Kiwi kids every day.



## 15. New World's Family2Family Appeal became our most successful foodbank drive



With COVID-19 putting immense pressure on foodbanks around the country, New World got behind the City Missions by launching the Family2family Foodbank Appeal. Customers were able to fill up a special brown paper bag during their own shopping, and their generosity delivered more than 42,000 bags to foodbanks across the North Island and helped the most vulnerable in our community.



## 16. Reached 185,000 kids with Food for Thought

Our Food for Thought programme helped more than 185,000 students understand why the choices they're making will improve their health, and it's another way we're supporting healthier and more informed communities. Food for Thought is a free, school-based nutrition education programme for Year 5 and 6 students.



## 17. Four Square honoured community heroes

After more than 96 years of looking after each other, Four Square wanted to more actively recognise local community heroes and launched the Four Square Christmas Community Hero Awards. These awards celebrate individuals who have had a positive impact in their local community by looking after the elderly, vulnerable or housebound, feeding neighbours or bringing communities together.

# 21 ways we were here for New Zealand in FY21



## 18. Delivered on our 2025 packaging commitments

As well as joining the Climate Leaders Coalition and signing up to the New Zealand Plastic Packaging Declaration, we rolled out several initiatives this year as part of our 2025 packaging commitments. These include the 100% plastic-free Little Garden promotion and best practice packaging guidance for all our fresh food departments.



## 19. Provided nine million meals through our national food rescue partnerships since 2014

Since our journey to minimise waste started in 2014, we've provided the equivalent of nine million meals to local communities through our partnerships with food rescue organisations and foodbanks. Plus, 165 New World and PAK'nSAVE stores, distribution centres and sites across the country are now collectively fighting the war on waste as we target zero food waste to landfill by 2025.



## 20. Introduced the Foodies Apprenticeship in Retail for our people

We're growing our grocers of the future, so this year we introduced the Foodies Apprenticeship in Retail with a Level 4 qualification for general retailing skills and knowledge. This means our store teams outside of butchery and bakery now have a new career path to follow, and 30 people enrolled in the apprenticeship this year.



## 21. Developed our Māori and Pasifika leaders through Ruia te Kākano

This year we launched the Ruia te Kākano programme for our upcoming Māori and Pacific leaders, together with Indigenous Growth. Through a mixture of workshops, team projects and personal coaching, our people can now develop their leadership skills and confidence.

# Fruit & Vegetables

Huoräkan - Huawheruu. OUR FRESH



FRESH VEG  
FOR THE WILDLIFE SEASON

IT'S FRESHEST  
WHEN IT'S LOCAL

STORE GIVER  
BROCCOLI  
3.00  
PER KG

PEARS

LOCAL PICK

SALAD

SUPER  
SAVED

# 03.

## Our Customer Driven Year



We reached some big milestones in the second year of our transformation into one of the most customer driven retailers in the world.



## **We're proud of our response to COVID-19 together with our supplier partners.**

We became adept at shifting our focus to deliver fresh and dry grocery to stores as we moved in and out of lockdowns, and worked hard to maintain our promotions. The seafood team had to completely revamp their supply chain overnight to a multiple factory production model, and still managed to deliver exceptional supply to stores that showed the strongest retail growth across our fresh departments.



## **Completed the first customer driven range reviews and commercial model changes.**

Our new commercial model and customer driven range review has gone live in several categories in New World and Four Square, with PAK'nSAVE joining the trial for the frozen departments. This will help us buy, range and display our products in a truly customer driven way as we focus on having the right products, at the right price, at the right time, on shelf for our customers.

# **Our milestones**



## **Continued our partnership with dunnhumby.**

We continued to add to our suite of customer driven tools, and introduced store clusters for New World, PAK'nSAVE and Four Square that will help us to understand our customers across stores and regions and support us with making better decisions about the ranges we stock in store for them.





## Changed the way we display products in New World stores.

All suppliers who regularly display product have signed up to the new way of collecting store display co-op for New World, which makes it much more efficient to arrange store displays and helps our store buyers to promote and display the products that matter most to customers.



## Welcomed innovative new Seltzers into the liquor segment.

Our new generation of customers are seeking lifestyle beverages that test the traditional boundaries of taste, perceived health and flavours. We met this need by launching grocery compliant Seltzers in our stores and customers have been curious, with 50% of purchases being incremental to our store sales.



## Integrated Lee Fish into our seafood supply chain.

Lee Fish, our premium seafood brand, has now been integrated into our seafood supply chain.

This meant we were able to deliver an additional 500+ tonnes of fish to our stores during FY21, and bring a first for New Zealand with a full winter promotional programme on snapper fillets.



## We continued to focus on growing and retaining our key customers.

This was the first year in our three-year Marketing & Customer Experience strategy that now finds five generations of shoppers engaging with our brands.

To meet their needs and retain their loyalty, we reset our marketing processes and partners with the goal of unlocking value and accelerating change. We also welcomed PHD and DDB into our Foodies family of agencies to help us achieve these goals.



## Our Supply Chain teams shone in the face of extreme pressure and emotion during lockdown.

Staying safe, strong and calm to keep our shelves stocked with everything our customers needed.

We led the way for on-shelf availability through the global supply chain challenges and peak trading season so our stores could keep delivering to customers. The completion of the warehouse management system rollout notched up some big wins during the year, including nearly \$4 million in efficiency gains to benefit our customers and stores.



## Our partnership with celebrity chef Annabel Langbein took Simply Dinner meal kits to another level.

We've created better tasting Simply Dinner meal kits that are easier to pack and include sauces crafted by Annabel Langbein.



## Our technology just keeps getting better and better.

FY21 was the year that highlighted just how important technology is to both our core ability to run the business, and the initiatives we need to build our customer driven future.

- Technology supported our COVID-19 response by enabling remote working at scale, expanding online capacity, supporting Supply Chain through unpredictable and volatile supply and demand, and developing solutions to help keep our customers and teams safe.
- Supported a smooth and successful transition to our Landing Drive DC with the implementation of the warehouse management system and all our technology infrastructure and equipment across the site.
- Allowed us to continuously improve the customer eCommerce experience, with 28 webstore and 12 app releases throughout the year.
- Supported the Gilmours wholesale eCommerce platform as they continued to go from strength to strength in their service delivery.
- Extended our core digital technology platform to Four Square and Pams.

# 04.

## Our Numbers



Following are our Condensed FY21 Financial Statements of Foodstuffs North Island Limited, for the year ended 28 March 2021.

These Condensed FY21 Financial Statements have been independently audited by PricewaterhouseCoopers.





## 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 28 March 2021;
- 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 – condensed version, which include a summary of policies.

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### 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 28 March 2021.

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.

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### 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.

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### 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 8 July 2021.

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### 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 otherwise appears to be materially misstated. If, based on the work we have performed on the other information, 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*.

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### **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 provides the whistle blower hotline and carries out advisory services for the Group in the areas of tax, treasury and corporate finance. The provision of these other services has not impaired our independence as auditor of the Group.

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### **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.

*PricewaterhouseCoopers*

Chartered Accountants  
8 July 2021

Auckland

## Foodstuffs North Island Limited

# Consolidated Statement of Comprehensive Income

For the 52 weeks ended 28 March 2021

	Notes	2021 \$ '000	2020 \$ '000
<b>Revenue</b>	2	3,719,142	3,542,600
Cost of sales		(2,917,308)	(2,769,250)
<b>Gross profit</b>		801,834	773,350
Other income		3,740	1,666
Operating expenses		(596,703)	(553,733)
Loss on disposal of property, plant and equipment		(3,603)	(2,785)
<b>Operating profit</b>		205,268	218,498
Finance income		4,006	5,700
Finance costs		(56,478)	(54,859)
Net finance costs		(52,472)	(49,159)
Share of profit from Associates and Joint Ventures	6	3,175	2,069
<b>Profit before distribution to Members</b>		155,971	171,408
Distribution to Members	3	(129,060)	(140,565)
<b>Profit before income tax</b>		26,911	30,843
Income tax (expense)/benefit		(9,894)	12,629
<b>Profit for the period attributable to Members</b>		<b>17,017</b>	<b>43,472</b>
<b>Other Comprehensive Income</b>			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of hedging reserves net of tax		8,548	(6,481)
Items that may not be reclassified subsequently to profit or loss:			
Changes in fair value of other financial assets		35,269	(3,319)
<b>Total other comprehensive income/(loss)</b>		43,817	(9,800)
<b>Total comprehensive income for the period attributable to Members</b>		<b>60,834</b>	<b>33,672</b>

Items in other comprehensive income are disclosed net of tax.

The attached notes form part of and are to be read in conjunction with these audited financial statements.

# Foodstuffs North Island Limited

## Consolidated Statement of Financial Position

As at 28 March 2021

	Notes	2021 \$ '000	2020 \$ '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,947,955	1,891,611
Right of use assets	4	388,554	82,695
Sublease receivables	4	470	330
Intangible assets		270,597	283,081
Investments in associates	6	4,509	5,976
Investments in joint ventures	6	10,667	9,490
Other financial assets		75,519	40,250
<b>Total non-current assets</b>		<b>2,698,271</b>	<b>2,313,433</b>
<b>Current assets</b>			
Cash and cash equivalents		40,246	44,626
Trade and other receivables		428,429	544,501
Sublease receivables	4	286	86
Inventories		178,284	173,684
Related party receivables	6	37,838	58,163
Assets held for sale		4,575	-
Derivative financial instruments		51	1,328
Income tax receivable		1,803	-
<b>Total current assets</b>		<b>691,512</b>	<b>822,388</b>
<b>Total assets</b>		<b>3,389,783</b>	<b>3,135,821</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders</b>			
Share capital		132,573	132,573
Other financial asset revaluation reserve		(15,725)	(50,994)
Hedging reserve		(21,759)	(30,307)
Retained earnings		874,174	857,157
<b>Total equity</b>		<b>969,263</b>	<b>908,429</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Liabilities to Members		531,687	522,327
Borrowings		295,000	315,000
Lease liabilities	4	391,308	76,494
Deferred tax liability		63,719	73,376
Derivative financial instruments		28,575	40,970
Other liabilities		2,135	3,039
<b>Total non-current liabilities</b>		<b>1,312,424</b>	<b>1,031,206</b>
<b>Current liabilities</b>			
Liabilities to Members		107,344	93,784
Lease liabilities	4	10,958	9,641
Trade and other payables		980,790	1,077,243
Payable of cash distribution to Members		6,998	8,235
Income taxation payable		-	3,040
Derivative financial instruments		1,646	1,125
Related party payables	6	360	3,118
<b>Total current liabilities</b>		<b>1,108,096</b>	<b>1,196,186</b>
<b>Total liabilities</b>		<b>2,420,520</b>	<b>2,227,392</b>
<b>Total equity and liabilities</b>		<b>3,389,783</b>	<b>3,135,821</b>

The attached notes form part of and are to be read in conjunction with these audited condensed financial statements.

Chairman

Director

8 July 2021

## Foodstuffs North Island Limited

# Consolidated Statement of Changes in Equity

For the 52 weeks ended 28 March 2021

	Share capital \$ '000	Other financial asset revaluation reserve \$ '000	Hedging reserve \$ '000	Retained earnings \$ '000	Total equity \$ '000
Balance at 31 March 2019	132,573	(47,675)	(23,826)	813,664	874,736
Profit for the period	-	-	-	43,472	43,472
Prior period adjustment (tax)	-	-	-	21	21
<b>Other comprehensive income</b>					
Changes in fair value of other financial assets	-	(3,319)	-	-	(3,319)
Changes in fair value of hedging reserves net of tax	-	-	(6,481)	-	(6,481)
Total other comprehensive loss	-	(3,319)	(6,481)	-	(9,800)
<b>Balance at 29 March 2020</b>	<b>132,573</b>	<b>(50,994)</b>	<b>(30,307)</b>	<b>857,157</b>	<b>908,429</b>
Profit for the period	-	-	-	17,017	17,017
<b>Other comprehensive income</b>					
Changes in fair value of other financial assets	-	35,269	-	-	35,269
Changes in fair value of hedging reserves net of tax	-	-	8,548	-	8,548
Total other comprehensive income	-	35,269	8,548	-	43,817
<b>Balance at 28 March 2021</b>	<b>132,573</b>	<b>(15,725)</b>	<b>(21,759)</b>	<b>874,174</b>	<b>969,263</b>

The attached notes form part of and are to be read in conjunction with these audited condensed financial statements.

## Foodstuffs North Island Limited

# Consolidated Statement of Cash Flows

For the 52 weeks ended 28 March 2021

		2021 \$ '000	2020 \$ '000
<b>Cash flows from operating activities</b>			
Cash generated from operations	5	393,085	734,786
Interest received		4,088	5,684
Interest paid		(21,025)	(24,157)
Lease interest paid		(3,752)	(4,346)
Net GST paid		(51,958)	(55,720)
Net income tax paid		(27,455)	(26,349)
<b>Net cash generated from operating activities</b>		<b>292,983</b>	<b>629,898</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(127,046)	(98,870)
Proceeds from sale of property, plant and equipment		833	1,358
Acquisition of Lee Fish business		-	(75,732)
Purchase of intangible assets		(39,391)	(39,751)
Disposal/(acquisition) of Associates and Joint Ventures		559	(2,465)
Dividends received from Joint Ventures		1,690	391
Dividends received from other investments		3,740	1,666
Advances to Members		(133,206)	(214,472)
Repayment of advances to Members		156,474	232,289
Repayment from / (advances to) Associates		774	(2,552)
Advances to other related companies		(5,260)	(1,253)
<b>Net cash used in investing activities</b>		<b>(140,833)</b>	<b>(199,391)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		65,000	20,000
Repayment of borrowings		(85,000)	(293,000)
Principal elements of lease payments		(9,246)	(9,708)
Deferred rebate vouchers paid		(72,744)	(74,036)
Interest paid on deferred rebate vouchers		(24,177)	(30,292)
Cash rebates paid		(30,363)	(32,474)
<b>Net cash used in financing activities</b>		<b>(156,530)</b>	<b>(419,510)</b>
Net increase in cash and cash equivalents		(4,380)	10,997
Cash and cash equivalents at beginning of period		44,626	33,629
<b>Cash and cash equivalents at end of period</b>		<b>40,246</b>	<b>44,626</b>

The attached notes form part of and are to be read in conjunction with these audited financial statements.

# Foodstuffs North Island Limited

## 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 New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

The full financial statements for the 52 weeks ended 28 March 2021 were issued with an unqualified opinion and were authorised by the Board of Directors on 8 July 2021.

For a complete understanding of the financial affairs of the Group, including additional note disclosures not presented here, 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 2021 accounting period presented consists of 52 weeks to 28 March 2021 (2020: 52 weeks to 29 March 2020).

### 2 Revenues

	2021 \$'000	2020 \$'000
Sale of goods	3,250,585	3,061,045
Service income	26,873	51,019
Rental income	153,618	151,984
Freight Income	51,925	53,370
Services to Members	212,141	134,507
Co-operative income	8,903	77,853
Miscellaneous Income	15,097	12,822
<b>Total revenues</b>	<b>3,719,142</b>	<b>3,542,600</b>

### 3 Distributions to Members

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

	2021 \$'000	2020 \$'000
Cash rebates payable	6,998	8,028
Cash rebates paid	22,335	23,940
Deferred rebate vouchers (DRVs)	99,727	108,597
<b>Distributions to Members before interest</b>	<b>129,060</b>	<b>140,565</b>
Interest on deferred rebate vouchers	28,129	29,193
<b>Total distributions to Members</b>	<b>157,189</b>	<b>169,758</b>

These balances and transactions are with related parties (refer note 6).

### 4 Leases

The Group is involved in the leasing of property, land, offices and equipment.

#### Right of use assets (ROU)

	Property \$'000	Others \$'000	Total \$'000
<b>At 28 March 2021</b>			
Opening net book amount	81,527	1,168	82,695
Acquisitions	326,517	-	326,517
Disposals & transfers	(7,295)	-	(7,295)
Depreciation & Impairments	(12,235)	(1,128)	(13,363)
Closing net book amount	388,514	40	388,554

#### Lease Receivable

	2021 \$'000	2020 \$'000
Current	286	86
Non-current	470	330
<b>Total lease Receivable</b>	<b>756</b>	<b>416</b>

#### Lease liabilities

	2021 \$'000	2020 \$'000
Current	10,958	9,641
Non-current	391,308	76,494
<b>Total lease liabilities</b>	<b>402,266</b>	<b>86,135</b>

FSNI entered into leases with Auckland International Airport Limited ("AIAL") for Landing Drive Distribution Centre on 5 October 2020 and for the Support Centre office on 21 December 2020. Management has reviewed the lease agreements and adopted an incremental borrowing rate of 4.36% and included rights of renewal in the lease terms. The renewal option component contributed \$32,476,000 to the total Right of use asset. The leases have been recognised as Right of use (ROU) assets and lease liabilities in the financial statements as at the lease commencement dates.

# Foodstuffs North Island Limited

## Notes to the Consolidated Financial Statements

### 5 Reconciliation of profit before tax to net cash generated from operations

	2021	2020
	\$'000	\$'000
Net profit before tax for the period	26,911	30,843
Adjustments to reconcile net profit to net cash generated from operations:		
Depreciation and amortisation	125,981	116,428
Impairment of assets	867	4,881
Distribution to Members	129,060	140,565
Share of loss/(profit) from Associates & Joint Ventures	(3,175)	(2,069)
Net finance costs	52,472	49,159
Unrealised loss/(gain) on derivative transaction	1,433	(1,931)
Dividends received from other financial assets	(3,740)	(1,666)
Net loss/(gain) on disposal of assets	3,603	2,785
Working capital movements:		
(Increase)/decrease in inventories	(4,600)	(18,555)
(Increase)/decrease in trade and other receivables	97,727	(148,764)
Increase/(decrease) in trade and other payables	(43,386)	477,391
Increase in lease liabilities	10,272	86,135
Increase in sublease receivables	(340)	(416)
<b>Cash generated from operations</b>	<b>393,085</b>	<b>734,786</b>

### 6 Related party transactions

#### (a) Transactions with related parties

Foodstuffs North Island Limited operates as a co-operative and predominantly trades with Members. On a Group level, approximately \$3,713,536,000 (2020: \$3,529,890,000) of revenue represents sales to and rental from Members.

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 \$15,977,787 (2020: \$20,883,554). Net charges to related parties were \$48,285 (2020: \$101,129). Key management personnel compensation in the Group is \$10,249,272 (2020: \$9,286,730). 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.

Advances, repayment of advances, and distributions to Members are presented in the Statement of Cash Flows and note 3.

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 \$1,202,638 (2020: \$1,043,860).

#### (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. All loans are secured and repayable on demand. At 28 March 2021 a reserve against future recoverability of Member loans of \$nil (2020: \$nil) was held.

	2021	2020
	\$'000	\$'000
Loans to Members	27,799	51,066
Loans to Associates	2,708	2,298
Receivable from other related companies	7,331	4,799
<b>Related party receivables</b>	<b>37,838</b>	<b>58,163</b>

Included in trade debtors for the Group is \$334,753,000 (2020: \$433,763,000) arising from Member purchases.

Other related parties, due to their relationship with the Group, represent balances owing from Foodstuffs Auckland Provident Fund Limited, Foodstuffs (N.Z.) Limited and Modern Merchants Limited.

	2021	2020
	\$'000	\$'000
Payable to Associates	25	55
Payable to other related companies	335	3,063
<b>Related party payables</b>	<b>360</b>	<b>3,118</b>

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 2.9% (2020: 4.0%).

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

Modern Merchants Limited is in an agency relationship with the related party landlords who are part of the Foodstuffs North Island Limited Group.

Foodstuffs (Auckland) Provident Fund Limited and Foodstuffs North Island Limited share a common director.

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 (2020: \$ nil).

#### (c) Guarantees

	2021	2020
	\$'000	\$'000
Guarantees for Members' bank loans	440,334	504,267

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 the application of the expected credit loss model under NZ IFRS 9, no amount has been included in the financial statements in relation to these guarantees as no guarantees are expected to be called.



# Foodstuffs North Island Limited

## Notes to the Consolidated Financial Statements

### (d) Fair values

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

### (e) Investment in subsidiaries

The Group's principal subsidiaries are:

	Business activity	Share of issued capital and voting rights	
		2021	2020
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	Transport	100%	100%
The National Trading Company of New Zealand Limited	Retail property	100%	100%
Foodstuffs Properties (Wellington) Limited	Retail property	100%	100%
Wai Iti Developments Limited	Investment	100%	100%
Wardell Bros. & Coy Limited	Investment	100%	100%
Gilmour's Wholesale Limited	Wholesaling	100%	100%

### (f) Investment in Associates and Joint Ventures

The Group's principal Associates and Joint Ventures are:

	Reporting date	Business activity	Share of issued capital	
			2021	2020
Foodstuffs (N.Z.) Limited	29 March	Brand management	50%	50%
Foodstuffs Liquor New Zealand Limited*	31 March	Retail	67%	67%
Foodstuffs Own Brands Limited	29 March	Procurement	50%	50%
Foodstuffs Inbound Limited	29 March	Transport	50%	50%
Eat My Lunch Limited	31 August	Catering Service	26.05%	26.05%
Fresh Connection Limited	30 June	Produce Distribution	25%	25%

\* Foodstuffs North Island share the voting rights in Foodstuffs Liquor New Zealand Limited with Foodstuffs South Island equally. All Associate and Joint Venture companies are incorporated and domiciled in New Zealand which is their principal place of business.

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.

	2021 \$'000	2020 \$'000
<b>Interests in Associates</b>		
Carrying value at beginning of period	5,976	1,827
(Disposal/Sale)/Acquisition of shares in Associates	(1,774)	3,804
Group's share of Associate's profit	307	345
<b>Carrying value at end of period</b>	<b>4,509</b>	<b>5,976</b>

	2021 \$'000	2020 \$'000
<b>Interests in Joint Ventures</b>		
Carrying value at beginning of period	9,490	8,157
Group's share of Joint Venture's profit	2,868	1,724
Dividends declared	(1,691)	(391)
<b>Carrying value at end of period</b>	<b>10,667</b>	<b>9,490</b>

	2021 \$'000	2020 \$'000
<b>Results of Associates and Joint Ventures</b>		
Share of profit before income tax	4,400	3,006
Income tax	(1,225)	(937)
<b>Share of profit from Associates and Joint Ventures</b>	<b>3,175</b>	<b>2,069</b>

## 7 Subsequent events

On 21 May 2021, The Group disposed of its investment in The Warehouse Group Limited of 20,746,726 shares at a sell price per share of \$3.27. As at 28 March 2021 the shares were held at a fair value of \$3.64 per share based on the share closing price in an active market. The difference (\$7,676,000) between the sell price per share and the carrying value at balance date per share will be recognised in other comprehensive income in FY22.

# 05.

## From our Chair



## FY21 began for our co-op in an unfamiliar place – six days into New Zealand’s Alert Level 4 COVID-19 lockdown.

As New Zealanders faced the unknown, our stores were proud to operate as an essential service and were there for our communities, customers and people through the weeks that followed. We focused on keeping everyone safe, delivering fair prices, and making sure food was available to everyone as we went through this together.

The whole Foodstuffs North Island team rose to this challenge, and the many COVID-19 related challenges and alert level changes that followed throughout the year. As a co-op this made our culture stronger, and it was certainly a year where we saw our values of in it together, courageous, above the line, and think customer truly come to life.



We took our privileged ability to trade seriously and knew COVID-19 would permanently change the way New Zealanders live. Our brands stepped up and evolved to make sure we were delivering what our communities needed and that we were staying true to our purpose of making sure New Zealanders get more out of life.

A highlight for the year was the opening of our new Foodstuffs Landing Drive support centre and distribution centre (DC) in March 2021. This marked the beginning of a new chapter in our co-op by making sure we have an environment for our centre teams that allows them to do meaningful work, be productive, work together and innovate for customers and our stores. Importantly for our customers, our new Landing Drive DC has been designed with safer, smarter, and faster ways of working so we do a better job of giving New Zealanders more of what matters to them on our shelves.

## Delivering on our customer driven strategy

Despite the continual change in COVID-19 alert levels and needing to adapt our business operations, we continued to deliver strongly on our aspiration to become one of the most customer driven retailers in the world.

Our co-op continued to build our customer driven capability through the beginning of our buying transformation, the introduction of new customer driven range and space tools, and using customer insights in all parts of our business.

In New World we continued strongly with our brand transformation, winning hearts and minds with much loved customer campaigns, and building customer trust in New World pricing with a relentless focus on Fair Value Everyday.

In PAK'nSAVE we continued to stay true to our policy of New Zealand's lowest food prices. This became even more critical than ever as New Zealanders dealt with the rising cost of living and the continued impact of COVID-19 on household expenditure.

Our Four Squares have always been a key part of our communities. The strong growth we saw in Four Square over the last year shows they became even more important to customers through COVID-19.

In Gilmours, despite a downturn in the hospitality sector we continued strongly with our digital transformation for customers, embedded our partnership with Fresh Connection, and delivered a strong NPS result of 51 – well above the industry average of 30.

Our Own Brands business also hit record sales during FY21, with New Zealanders hunting out value in brands they could trust.

Liquorland was unable to trade through lockdown, but continued to reset and evolve throughout the year to meet New Zealanders' needs. Despite having to shut temporarily, Liquorland still ended FY21 with double digit revenue growth and 88% customer satisfaction.

## Financial highlights

Together, we can be proud of another year of strong performance driven by our customer driven transformation, with growth across New World, Four Square and Gilmours and a solid year for PAK'nSAVE.

The Foodstuffs North Island Group's (Group's) revenue for the 52-week period of \$7,474 million, was \$336 million or 5% up on last year on a like for like basis and reflects strong growth across the Group. Reported statutory revenue was \$3,719 million, the difference reflects charge through revenue, which is recorded net under the revenue recognition accounting standard.

The Group's operating profit was \$13.2 million down on last year to \$205.3 million, mainly caused by additional COVID-19-related costs.

Consistent with prior years, interest rates have remained low and underlying net finance costs remain stable however with the move to Foodstuffs Landing Drive and the entering into new leases for the support centre and the distribution centre caused the overall net finance costs to increase by \$3.3 million. Share of profits, mainly from Liquorland, was up by \$1.1 million on last year, resulting in the Group's profit before distribution to members being \$155.9 million.

Distribution to members for FY21 is \$129 million.

As your Board, we keep a firm eye on the future, and the strength of our balance sheet enables the perpetuity of the co-op so we can continue to serve New Zealanders for the next 100 years.

During the year, total capital spend was \$166.4 million, \$50.4m lower than last year, due to the acquisitions of the Lee Fish business and minority interest in Fresh Connection Limited last year. We continued implementing our property network strategy, investing \$127 million in new stores, refurbishments and our new home at Foodstuffs Landing Drive. In addition, \$39.4 million was invested in technology, including continued investment in our warehouse and transport management systems and our digital journey. Under the new accounting standard for leases, you'll see right of use assets and lease receivable assets of \$389.3 million and lease liabilities of \$402.3 million on the balance sheet arising from the new leases we have entered into with Auckland Airport for our support centre and distribution centre.

The Group remains in a strong financial position and we are confident that we are in a position to enable our co-op to continue to grow and succeed for the next 100 years and beyond.





It is fitting that FY21 was the year we introduced 'Here for NZ' as our national social brand, reinforcing the fact we are a New Zealand company working hard to support those who live here.

We published our first comprehensive Corporate Social Responsibility CSR Report, reflecting our growing focus on this space.

The Here for NZ brand is a collaborative effort across Foodstuffs North Island, Foodstuffs South Island, and our national Marketing and Customer Experience team. It's a way for us to tell our story about what we stand for and how we'll deliver on these four social promises:

**We support every New Zealander to access healthy and affordable food.**

**We create meaningful and safe work for our people.**

**We support our local communities to thrive.**

**We are sustainability leaders in our operations and how we source our products.**

## Our outlook

As a co-op we have another challenging year ahead of us as we continue to deliver and adapt to meet the needs and expectations of five generations of shoppers.

We will use customer insights to improve our decision making across the business and continue to deliver on our customer driven transformation in everything we do.

We need to focus harder on accelerating our online offerings and building on the progress we have made in digitally-led marketing and communications.

## Thank you

Selflessly serving our co-op and working in close partnership with our support centre teams, are our Banner Representation Groups (BRGs). These groups went from strength to strength in FY21, and I would like to personally thank them for their dedication and support to ensure we are making the right customer driven decisions for our brands.

On behalf of your Directors, I would like to sincerely thank Chris Quin and the Foodstuffs North Island Executive team for leading our business through the unpredictable, and ensuring we delivered stronger than ever on our customer driven strategy.

To all our members, thank you for your leadership, commitment to your brands and our co-op, and for your unwavering focus to do the right thing to keep people safe through COVID-19.

I look forward to working with our members and support centre teams again in FY22 as we continue to demonstrate our Here for NZ commitments and get ready to celebrate our 100th anniversary together.

On behalf of the Board,

**Dean Waddell**

Chair

# 06.

**From our CEO**





## It was a year in retail we will never forget and we should be incredibly proud of how our co-op delivered in FY21 for New Zealanders.

Our purpose of making sure New Zealanders get more out of life drives all the work we do at Foodstuffs North Island. Our end-of-year results show a strong set of financial outcomes and a strong balance sheet, and I feel proud looking back on what was delivered by our stores, our supply chain, and our support centre teams throughout this year – it truly paints a picture of passion for what we do and the New Zealand willingness to give things a go.

Through it all we had two clear focuses: keeping people safe and stock on the shelf.



We opened two new stores in FY21: New World Hobsonville and New World Ormiston. These stores offer innovative fresh food and meal solutions, awesome experiences for local customers, and great value every day. In addition, we opened our new Upper North Island ambient distribution centre at Foodstuffs Landing Drive, with our modern new support centre on the same site. It was a nostalgic moment to move on from more than 50 years of history at Roma Road, but a very exciting feeling to be in our beautifully functional new place that truly represents who we are and brings our teams together like never before. The massive transition from Roma Road DC to Landing Drive DC was completed without disruption to stores.

Our brands have performed well this year, with the New World transformation going from strength to strength and delivering some very successful campaigns to customers, including Little Garden and SMEG. PAK'nSAVE stayed committed to providing New Zealand's lowest food prices, in a year where this became even more important for many New Zealand families. Four Square turned 96 years old, and connected with customers old and new with more New Zealanders shopping local during lockdown. Despite all the challenges of COVID-19 on the hospitality industry, Gilmours achieved growth and customer satisfaction remained strong. Our Pams and Value brands are also continuing to drive customer loyalty, and Foodstuffs North Island reached a milestone of over \$1 billion Private Label sales in March.

## Our strategic agenda has stayed on track in FY21 with all five of our strategy pillars making progress this year, despite all the issues of COVID-19:

**Acting on customer insight:** It has been exciting to see year two of our customer driven programme delivered through our continued partnership with dunnhumby. Adding to our suite of customer driven tools, we went live with the dhPrice tool to help our Merchandise team with pricing strategies to improve price perception. We also introduced store clusters for New World, PAK'nSAVE and Four Square that will help us to understand our customers across stores and regions, so we can make better decisions about the ranges we stock for them. We were the first retailer to launch dhShop to our suppliers in market, and more than 370 suppliers have signed up to the new model of collecting store display co-op for New World.

**More efficient every day:** Our Supply Chain transformation programme is on track, and our system and physical capacities have withstood incredible volume spikes through the year while still delivering 90%+ service levels.

**Innovating for customers:** We have a strong focus on enhancing our e-commerce and phygital offerings, and have continued investing in initiatives that improve this experience for customers. It's been an exciting year for partnering on new product developments, including New Zealand's first carbonzero milk, Simply Milk. Our investments in Lee Fish and Fresh Connection have realised benefits in FY21 and provided exciting fresh offers for customers in seafood and produce across our stores.

**Powerful co-op culture and talent:** It was fantastic to see our support centre and Supply Chain engagement score improve significantly from 67% to 71%, putting us in the top quartile of organisations within New Zealand. Member engagement is now at 81%, up from 80% last year. We have made good progress on diversity and inclusion in FY21, including the formation of a working group in the support centre, and our Future Leaders Advocacy Group (FLAG) has moved past the pilot stage to be a fully embedded part of our co-op culture. We also launched our first dedicated Māori and Pasifika leadership programme, Ruia te Kākano.

**Positive force for New Zealand:** We now have a strong programme under our "Here for NZ" banner that focuses our efforts in the areas where it will make the biggest difference to New Zealanders. In March we supported the launch of the social supermarket in partnership with Wellington City Mission, and Eat My Lunch is now feeding 16,500 kids each day. Our Foodies Foundation has continued to provide meaningful support to members of the Foodies whānau when they need it most, raising more than \$661,000 and helping 69 families in FY21.



## Looking forward

As we look ahead to FY22, customers continue to show us we need to deliver to their digital expectations, make sure we consistently provide value, and focus on fresh and in store execution.

I am looking forward to our co-op moving into year three of our customer driven transformation, and putting new focus on being more efficient every day. We have exciting visions for the “phygital” futures of our banners and plenty of initiatives lined up to make sure we have the capability needed to deliver these. Throughout all this we will be putting extra focus on effective change management and powerful culture – because we know we can only deliver great things when we’re in it together.

I am personally very proud of our Foodies team and what we have delivered in FY21. Thank you all for your passion for the co-op, your dedication to our customers, and your commitment to living our values every day. FY21 brought more than its fair share of unexpected moments but our co-op team always kept an unwavering focus on making sure New Zealanders get more out of life – a purpose I know will continue driving us to make a difference in New Zealand for years to come.

**Chris Quin**

CEO

# 07.

## New World



## **In a year like no other, New World worked hard to respond to the changing needs of our customers with a big focus on Fair Value Everyday, Inspiring Solutions and Awesome Experiences.**

We ended the year with increased sales growth on last year, customer satisfaction at 74.5% and the highest rating for customer advocacy during COVID-19 by Colmar Brunton.

We stood with New Zealand to support local suppliers through the 'We're your neighbours' and 'Buy NZ' campaigns. As we emerged from lockdown and started the country's recovery, we launched New World Dollars with FlyBuys, so now our Clubcard customers can earn New World Dollars across all Flybuys partners and save money on groceries. Clubcard continues to grow with more than two million members nationwide.



As things returned to a “new normal”, we gave green-fingered customers something to feel excited about by bringing back Little Garden with 24 fresh friend characters to support healthy food choices. This campaign drove strong sales results for the whole store and especially in produce.

2020 would unofficially be named the “Summer of SMEG” after our most successful campaign ever gave away more than one million SMEG knives and blocks. It captured the nation’s imagination and prompted a flood of memes and influencer coverage.

# Five ways we were here for customers in FY21

1.

## Customers and communities

New World continued to deliver on our customer promises through the pandemic and worked with our communities to give them what they needed during a very uncertain time.

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2.

## Campaigns

We ran a series of amazing campaigns for our customers, from Little Garden and the launch of New World Dollars to the rocket-ship SMEG campaign which took New Zealand by storm!

This delivered a stronger brand with new marketing and a brand-wide focus on the things that matter to our customers, like Everyday Value.

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3.

## Customer-driven

We raised the momentum in our journey to become one of the most customer driven retailers in the world, bringing in store clusters to cater for our different customers, Symphony tools to put the right products in the right places on our shelves, and actionable insights to put customers at the forefront of everything we do.

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4.

## Three Ways to Save

We changed the way we display the products our customers want and where they see them, focused on 'Three Ways to Save' while decluttering our stores to improve ease of shopping, and started working on taking our weekly circular online after printing more than one billion copies this century!

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5.

## Buying transformation

We transformed the way we buy in 11 categories to bring more of what matters most to our customers on the shelf.



NEW WORLD  
SARAH-JEAN



NEW WORLD  
newworld.co.nz

# 08.

## PAK'nSAVE





**This year our yellow brand continued to deliver our policy of New Zealand’s lowest food prices. After focusing on Fresh As, Cheap As and Sweet As experiences for our customers, we finished the year with customer satisfaction at 65.5%.**

We also celebrated our Super Birthday, brought back cousin Snowy for Christmas and partnered with nutritionist and mum, Claire Turnbull, to help shoppers eat well and pay less.

In a year of such uncertainty though, Stickman was the star of our show as he rallied the nation to be kind and #shopnormal. His @instickman debut on Instagram coincided with the first lockdown in FY21 in April, and his “quaran-tunes” as DJ Stickman on in-store radios helped customers to enjoy physical-distancing-related music. He also went head-to-head with the All Blacks and came out a winner with a Gold Axis Award for Creative Excellence in the Influencer category.



# Five ways we were here for customers in FY21

**1.**

## Leading in fairness

PAK'nSAVE resonated in the hearts and minds of our customers as one of the most reputable companies and a leader in fairness in the Colmar Brunton Corporate Reputation Index 2020.

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**2.**

## Customer insights

We kept rolling out customer driven insights to help our store teams better understand our customers' needs.

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**3.**

## New buying model

We started trialling the new buying model in our frozen departments to see how this might work for our banner and customers.

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**4.**

## Social media

@inStickman engaged our younger audiences on Instagram, raising awareness of our low price message and where they want to shop.

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**5.**

## Responding to what customers want

We were 11.89% cheaper than the competition in FY21, and increased our online share of store sales by 0.51% as more customers shopped online through lockdown.



PAKnSAVE

**PAKnSAVE**

# 09.

## Four Square



## **It was a big year for Four Square with our 96th birthday celebrations, a new website in time for peak summer trading, a reinvigorated focus on the brand, and rapid sales growth on last year thanks in part to New Zealanders shopping local during lockdown.**

As a result of acting on customer insights, focusing on delivering our customer promises of Everyday Essentials, Fresh Faves and Local Service, and driving loyalty with our engaged local customers, the brand enjoyed continued success.

We joined forces with New Zealand artist Dick Frizzell to produce an artwork print, with all profits going to New Zealand charities – KiwiHarvest, Lifeline and Women’s Refuge – during the first lockdown when charity organisations were experiencing increased demand.

We also wanted to recognise our local community heroes this Christmas, and launched the Four Square Christmas Community Hero Award for people who had a positive impact in their local community in 2020.



# Five ways we were here for customers in FY21

1.

## Going digital

Our weekly mailer went digital – saving 125 million pages a year from being printed.

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2.

## Customer insights

We started using customer data to highlight products on our social media channels to let customers know we had ‘just what they need, right nearby’.

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3.

## Communities

Many of our Four Squares offered personal delivery, pickup services, and charge accounts to the elderly and vulnerable in their communities during lockdown.

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4.

## New categories

Our buying model revolution continues to help us deliver more of what our customers want and need, with 11 new categories in FY21.

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5.

## ‘The Charlies’ Awards

We welcomed ‘The Charlies’, with nine awards celebrating the best of the best who live our customer promises of Everyday Essentials, Fresh Faves and Local Service.



**4 FOUR SQUARE**

# 10.

## Gilmours

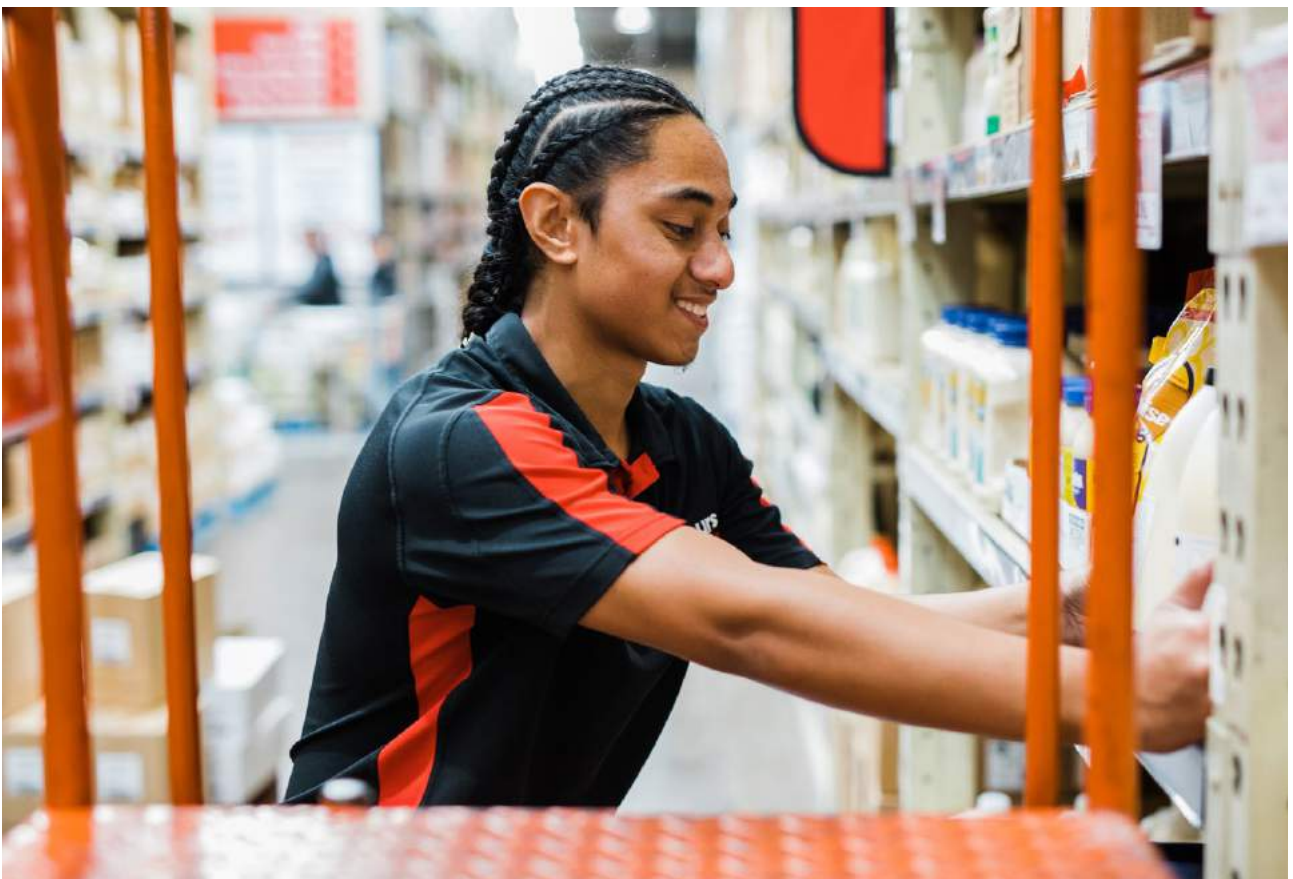




**FY21 was a tough year for our hospitality customers, and we're very proud of how hard our team worked to support them in maintaining their day to day business during a challenging time for the Foodservice industry. We ended the year with strong sales growth.**

As part of our efforts to help our customers get back on their feet, we focused heavily on our online offering and introduced personalised marketing offers that were created specifically for their needs and purchasing behaviours.

The team also dedicated themselves to delivering our customer promises of The Foodservice Partner I can Trust, Excellent Service and Have What I Need.



# Five ways we were here for customers in FY21

1.

## Eat my lunch

Gilmours supplied the ingredients for Eat My Lunch, Libelle, Kapura and a bunch of other awesome providers to feed 44,500 school kids lunch every day from the launch of the programme.

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2.

## Helping businesses

We joined forces with DB's 'Back your Bar' initiative for customers hit hard by COVID-19 and delivered free kegs to all DB bars to help them bring their businesses back to life.

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3.

## Fresh Connection partnership

Our partnership with Fresh Connection delivered a full range of fresh prepared produce straight to our customers' doors, saving them prep time and money off their bottom line.

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4.

## Digital sign up

We enabled new customers to set up an account online so they could instantly start shopping at our Cash 'n Carry stores, rather than having to wait to become a customer.

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5.

## NPS Score

We ended the financial year with a Net Promoter Score (NPS) of 51, which is well above the industry average of 30, and is hopefully a sign that our customers are happy and bouncing back after an extremely hard year for hospitality.



**Gilmours**  
WHOLESALE FOOD & BEVERAGE

**Gilmours**  
WHOLESALE FOOD & BEVERAGE

# 11.

## Liquorland



**Despite one of the most challenging years in Liquorland's history, where we were either closed or had limited trading hours for more than 10 per cent of the time, we're proud to have still ended up delivering on our total revenue, basket size, transaction count and margin targets.**

Everyone at Liquorland acted with integrity and grit and did the very best they could for our customers, collectively delivering a fantastic result. Revenue grew strongly versus last year, delivering a record trading year for Liquorland.

While COVID-19 shut Liquorland stores, unlike supermarkets which were classified as essential services, it also had negative impacts on the on-premise sector, such as bars and restaurants, and of duty-free retail.

Through it all, our customer satisfaction rating ended up at 88% and our market growth was 3.5 times greater than the rest of the traditional liquor sector.

# Five ways we were here for customers in FY21

1.

## Record trading year

With limited locations and access to duty-free retail, Kiwis consumed alcohol differently during COVID-19 and consumed more at home. We saw increased spirit sales, both full strength and ready to drink (RTD). We worked tirelessly to meet these changing needs, resulting in our record trading year.

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2.

## Reset and rebuild

COVID-19 forced us to move quickly to reset our business, reorganise our promotional programmes and marketing plans, and rebuild our click and collect website to deal with new trading rules.

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3.

## Momentum

A promotional mailer after lockdown reached 970,000 households around New Zealand, giving us an incredibly fast start out of lockdown and a momentum that continued through the year.

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4.

## Digital growth

Our digital platforms on the website, Facebook and Instagram are in massive growth mode.

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5.

## Click and collect

Although being described as largely impossible, our most impressive outcome was the adjustments made to our click and collect website to deal with 100% of our trade, and managing the limits of liquor licencing.

TEQUILA

COGNAC/BRANDY

BOURBON

RUM



LiquorLand

# 12.

## Foodstuffs Own Brands





**With 310 million boxes, bags, bottles or packets sold in our North Island stores from a range of just over 3,500 products, Foodstuffs Own Brands finished FY21 with record sales of \$1.020 billion – up 12.1% on last year.**

Our delicious Pams content, including recipes featuring only six ingredients, resonated exceptionally well with Kiwi households looking for more economical groceries during COVID-19.



# Five ways we were here for customers in FY21

1.

## Value and growth

New Zealanders hunted out value in brands they could trust during lockdown, and this led to our Own Brands growing 12.1% in FY21.

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2.

## Customer-driven

As our transformational customer driven journey continues, we actively listened to our customers through research to better understand what they wanted and needed from our core Private Label brands.

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3.

## Development

We committed to nailing the basics this financial year, keeping up our new product development and launching 45 new lines.

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4.

## Private Label

Additionally, we're working closely across the business to make sure Private Label is a first and top priority product on every shelf.

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5.

## Corporate Social Responsibility

We've made strides in the quality and corporate social responsibility (CSR) space, with robust new processes including formalised product requirements, supplier selection and guidelines. All Pams tea is now Rainforest Alliance-certified, and we've introduced rigorous evaluation processes and two ethical sourcing policy statements for seafood and modern slavery.



pams

# CHICKEN, BACON & MOZZARELLA TORTELLINI

Egg pasta filled with tasty chicken, bacon and mozzarella cheese.

COOKS IN 8 MINS approx.

SERVES 2

NO ARTIFICIAL COLOURS OR FLAVOURS

35% HIGHER PROTEIN

300g

SEEVING SUGGESTION

Foodstuffs  
Own Brands



# 13.

## People and Culture



## Safety and wellbeing

The safety and wellbeing of our people and our customers is our top priority, and the pandemic brought this into sharp focus with most of our stores staying open to serve their communities through lockdown. Along with our laser focus on getting our people and customers through COVID-19 safely, in FY21 we introduced digital safety record keeping as part of our new injury-prevention initiatives.

We're committed to improving our Lost Time Injury Frequency Rates (LTIFR), but we ended FY21 with an LTIFR of 4.8, which is above last year's 2.5.

## Empowering our people

### **A new chapter begins at Foodstuffs Landing Drive**

This year marked the start of a new chapter in our co-op's history book as we bid a fond farewell to Roma Road after five decades and made the move to our new Auckland home at Foodstuffs Landing Drive. While COVID-19 caused havoc around the world, our project teams and partners dug deep when things got tough and still delivered the building on time and on budget, with minimal disruption to our stores.

To be one of the most customer driven retailers in the world, we need an environment with the right safety, technology and design features to easily collaborate, be more efficient, connect, and innovate, and our new home at Foodstuffs Landing Drive enables this.

Foodstuffs Landing Drive brings together our Upper North Island ambient distribution centre operations, Auckland Support centre, Marketing & Customer Experience, Liquorland and Foodstuffs Own Brands teams. It means we can do an even better job of giving New Zealanders more of what matters to them and meet our customers' ever-increasing need for value, availability, choice and convenience.



## Features of our new Auckland home

- We have the largest solar array in the country on the roof of Landing Drive DC, with 2,915 solar panels powering most of our Foodstuffs Landing Drive building
- Our purpose-built conference centre can host anywhere from 10 to 300 people at our events, learning and large meetings
- We're grocers at heart, so the Foodies Mart at the front door stocks 1,300 products for our people and visitors. It's yet another way to showcase who we are and how we believe good food helps make sure New Zealanders get more out of life
- The purpose-built demonstration kitchen and bar in our innovation hub give us space to visually demonstrate how we are Foodies at heart with our products, brands and suppliers
- Sustainability is important to us so all our equipment, forklifts and reach trucks are electric
- We have a rainwater harvesting system to provide water for our toilets and gardens
- 47,000 shrubs and trees were planted

## Landing Drive DC

Our Landing Drive DC is the largest distribution centre in New Zealand, and big enough to fit eight rugby fields under one roof. It was designed just for us with safer, smarter and faster ways of working to support our aspiration to become one of the most customer driven retailers in the world. Safety comes first in our Journey to Zero misses, so we have modern, new equipment to help our team get home safe every day.

One clever new safety feature is the semi-robotic wheel lock system that holds trucks on the docks. This stops trucks from rolling back while they are being loaded — keeping our team, trucks and store orders safe.

The DC can fit 74,956 pallets and on average the team receives and racks around 1,200 pallets every day. It also has fully automatic wrapping stations to make it much more efficient to wrap pallets so orders are ready faster for stores. We now have 25 Toyota BT reach trucks with camera and laser technology that can reach up to 12 metres high. The cabs tilt back so our team can avoid neck or back pain.

A lot of smart thinking went into the design, with robotic equipment including Low Level Order Pickers with remote controls. In a first for our co-op, we have a satellite storage system which holds 14,700 pallets and uses automatic pallet shuttles to move pallets.



## Transition to our newest DC

The move to the Landing Drive DC was a massive job for the transition project team, who closed eight sites, transferred 32,139 pallets, onboarded 355 team members and transitioned 444 suppliers. They did all this without pausing store orders and wrapped up this very smooth transition one week ahead of schedule.

The closure of our Rotorua DC was a significant moment, after 60 years with many generations of Foodies who had been part of the DC whānau. They marked the moment with the amazing team who had kept the DC going to the end.

## Here for each other, through thick and thin

This year our Foodies Foundation raised \$661,036, thanks to the generous efforts of our people across the co-op and a few external friends too. We received 94 applications for support and gave away \$230,693 in funding to 69 families.

### **Here are just a few situations where we were able to support our people in desperate need:**

- A Foodie with terminal kidney failure, with a very young family, who needed help with paying household bills while in hospital.
- Someone lost their house in a fire and needed some help to purchase furniture and other items.
- A Foodie whose young daughter passed away due to complications from heart surgery and needed help with funeral costs.
- A Foodie who needed support with bond and groceries for her young family following a domestic violence incident.



“It’s incredibly humbling to be part of the Foodies Foundation and I love the way it’s enabling us to meaningfully help our people. The things people get faced with can be truly awful but with the support of so many people and the passion and commitment of our Trustee group, it’s also hugely rewarding to see the difference we’re able to make. People are often in tears when we tell them that funding has been approved and it makes me proud to be part of a co-op that looks after its people with such generosity, compassion and aroha.”

– Wade Brown (Chair)







## **Our year at the Foodies Foundation**

We introduced payroll contributions so our teams could regularly donate via automatic payment directly from their pay.

We farewelled Ewan Atherton, Owner Operator of PAK'nSAVE Gisborne, who did an outstanding job of establishing the Foundation, and Cindy Chaimowitz as one of our Trustees and Vice Chair.

The Foundation welcomed Wade Brown, Owner Operator of New World Kumeu, to the role of Chair and Ricky Bowen, Owner Operator of New World Kawerau, as our new Trustee.

We ran a Christmas campaign to bring a little joy to those who had faced some tough circumstances – here's one of the thank you notes we received:

"I am a single mother with three kids. I've been away from my kids for almost 4 years. This year I struggled financially as I had to pay almost \$20,000 for the processing of our residency visa application and renewal of work visa. But I'm so blessed and lucky that my kids arrived in New Zealand just before my home country declared lockdown. As a single parent with three kids, it's not easy to start a new life here. Christmas is days away, and my kids keep on asking me what we're going to prepare and about their Christmas presents but I cannot commit because I'm on a tight budget. But today, after doing my tasks in the cashroom I found an envelope on my desk, and to my surprise, I'd received a gift card worth \$250 from the Foodies Foundation. Foodies Foundation, just to let you know that you have gifted us a beautiful present this Christmas. It's our first Christmas together after 4 long years and my kids' first Christmas in New Zealand. You put colour into our Christmas – thank you so much for the blessings."

– Store team member



**Diversity  
&  
Inclusion**  
at Foodies

## Building a more diverse and inclusive future

We have an incredibly diverse team of 25,000 from all walks of life across the North Island, and we want every person to feel included and valued. This year we made a big step towards a more diverse and inclusive co-op with the creation of a Diversity and Inclusion Working Group. Made up of 12 passionate individuals from all parts of the business, this group has created a five-year diversity and inclusion framework and a commitment statement to guide us on this journey.

## Our Diversity and Inclusion Commitment

We are committed to being a co-op that authentically reflects the communities we serve across every inch of our co-op. We welcome courageous behaviour, encourage togetherness, inspire our people to be their best selves in our Foodies whānau, but most importantly we celebrate our people – our taonga, every day for being uniquely them.

## Selecting our grocers of the future

During FY21 we made some exciting changes to the way we select our grocers of the future, reflecting their role in today's environment and the increasing importance of technology and data.

We evolved our Owner Operator competencies from a decade ago into a more modern version with language and definitions that align more with how we operate as individuals, lead our people and work together.

Then we revamped our Trainee Operator selection process to make sure we're finding and selecting our future Owner Operators in a rigorous, fair and consistent way. These changes included evolving the nomination criteria, rebuilding our case study, role plays and interviews to match our new competencies, and more feedback and development support for nominees as they go through the process.

## Transforming learning at Foodies

This year we started transforming the way Foodies learn to build a community of customer driven leaders worth following, a retail centre of excellence and more accessible on-demand and in-time learning.

### **Customer driven leaders worth following**

We launched Building a Coaching Culture for our support centre leaders to promote a coaching culture, while embedding customer driven and the customer promises into all our leadership programmes.

Another exciting leadership initiative in our Landing Drive DC this year was the launch of Ruia te Kākano, Sow the Seed. This is our inaugural programme for upcoming Māori and Pacific leaders in partnership with Indigenous Growth. It's already making great progress in increasing diversity and engagement, with our first 15 graduates finishing their six-month programme during the year.

*“When I started my journey in the Ruia te Kākano programme, I expected and was ready to learn and gain skills that would help me succeed at work and become a better leader. What I didn't expect was how it would change and improve my home life. Ruia te Kākano challenged me to look at all aspects of my life through the lens of Te ao Māori. It encouraged me to utilise tikanga and kawa my tūpuna put in place a long time before me and connect back to my culture.”*

– Anita Te Amo, Process & Systems Team Lead, Foodstuffs North Island Transport

### **Retail centre of excellence**

Our focus is on nurturing retail careers and promoting work worth doing, so we introduced a new Foodies Apprenticeship in Retail this year to cover general retailing skills and knowledge with a Level 4 qualification.

This gives store team members a new career path outside of the traditional butchery and bakery, and we reached 30 enrolments for this exciting new apprenticeship during the year. We've also made more online resources and qualifications available to support our store teams on their learning journeys.

### **More accessible on-demand and in-time learning**

We launched Learning Central during the year, where our people can choose from a range of workshops, online modules, e-books and audiobooks to continue their learning journeys and shape their own meaningful careers at Foodies. More than 3,500 digital resources are now accessible for our people along with freely available learning online.



## Advocacy

The first months of the year were dominated by COVID-19 and coordinating our response with Government. The national advocacy team worked with both co-ops to line up our store protocols and have them signed off by the Ministry of Health and Ministry of Primary Industries, and facilitated the urgent supply of PPE from Government on a loan before our own PPE supplies arrived from overseas.

We also got temporary exemptions for a raft of regulations unable to be complied with under lockdown, secured short-term changes to visa conditions for supermarket workers, got priority Customs clearance for food and other imported grocery lines, liaised with the Government's FMCG and Supply Chain Group, and worked with the National Emergency Management Agency and Ministry of Social Development to facilitate the supply of emergency provisions for those most in need. This strengthened our relationships with these agencies.

Our public policy work streams took a backseat during the initial COVID-19 response, but recommenced in earnest mid-year. Employment law reform has been a key focus of the Government's policy agenda. The minimum wage was increased, the Equal Pay Amendment Act 2020 was passed under urgency to introduce pay equity claims, and a Bill to extend sick leave to 10 days each year was introduced, as well as a 28-point action plan to tackle modern slavery.

Addressing modern slavery, we joined other businesses in calling on Government to introduce modern slavery legislation, committed to introducing a social practice standard for domestic horticultural suppliers, and tackling modern slavery more broadly in supply chains.

Food regulation is always a focus and this year was no exception. The Trans-Tasman Food Regulation Council completed a five-year review of Health Star Rating, bringing in changes to increase the distinction between healthier and less healthy food. While this has high compliance costs for our Private Label, we supported the changes which benefit customers and are committed to rolling out these labels on all eligible

Private Label products. In a similar vein, we supported enhancements to allergen labelling and Plain English Allergen Labelling will be rolled out over the next three years. The decision to regulate organic products also progressed with the passage of enabling legislation. Our submission was generally supportive but requested some changes, mainly the strengthening of industry input into the development of organic standards.

The Government passed a Smoke-free Environments and Regulated Products (Vaping) Amendment Act to regulate sales of vaping and smokeless tobacco products. We called for the regulation of these products some years ago and welcomed this and filed submissions.

The Government also progressed several pieces of legislative reform to enhance fair trade. This included draft amendments to the Fair Trading Act 1986 to prohibit unconscionable conduct and unfair contract terms, proposals to regulate commercial payment terms to protect SME interests, and proposals to regulate merchant service fees for card services. We either contributed to the submissions of the major business associations or submitted directly. Government also passed the Fuel Industry Act 2020 and we submitted on proposed regulation of price board displays.

Environment protection was another priority for the Government, which declared a Climate Change Emergency. We contributed to preliminary work on the design of a container recovery scheme for beverage containers, a Ministry for the Environment consultation about increases to the waste levy, and proposals to phase out hard-to-recycle plastic packaging and single-use plastic items such as straws. We supported the proposals in principle, because of our sustainability leadership, and started the voluntary phase-out of some items. We also contributed to the Climate Leaders' Coalition's submission on the Climate Change Commission's draft advice on carbon budgets required under the Zero Carbon Act, and were largely supportive of the plans.



# 14.

## Serving our co-op



Thank you to all those who served our co-op in FY21.

## **Protection and Perpetuation Trustees**

Tony Carter (retired 14 January 2021)

Stuart Irons

John Street

Martin Wiseman

Murray Jordan (Chair)

## **Audit, Risk & Compliance Committee**

Peter Schuyt (Chair)

Dean Waddell

Rob McGregor

Sarah Aston

Karl Marryatt

## **Succession, Remuneration & Nomination Committee**

Dean Waddell (Chair)

Jane Freeman

Sir Henry van der Heyden

Craig McKeown

## **IT Governance Committee**

Peter Schuyt (Chair)

Jane Freeman

Rob McGregor

Brendon Jones

## **Operator Development & Approval Committee**

Malcolm Boyd (Chair)

Karl Marryatt

Brendon Good

Quintin Proctor

Jason Witehira

Chris Quin (Chief Executive Officer)

Wendy Hammonds (GM People & Capability)

Lindsay Rowles (GM Membership & Property)

## **PAK'nSAVE Banner Representation Group**

Ewan Atherton (Chair)

Vinod Bhaga

Lance Gerlach

Craig McKeown (Board Rep)

Jon Morrison

Rayner Bonnington (appointed August 2020)

Nigel Ollett (appointed August 2020)

Dean Galt (stepped down August 2020)

## **New World Banner Representation Group**

Brendon Good (Chair)

John Gray

Kym Samuels

Tony Ford

Brendon Jones (Board Rep)

Richard Lucas (stepped down August 2020)

Aaron Scanes (appointed August 2020, stepped down April 2021)



Amanda Elliot (stepped down April 2021)

Eric Rush (appointed April 2021)

Chris Lamont (appointed April 2021)

## **Four Square Banner Representation Group**

Peter Jones (Chair)

Aaron Broadbent

Sarah Aston (Board Rep)

Glenn Wells (appointed September 2020)

Tim Jackson

Ben Moss (appointed September 2020)

Clare Gallagher

Jassie Parmar (appointed September 2020)

Sharlene Foote (appointed March 2021)

Chris Martin (stepped down September 2020)

Satish Parmar (stepped down September 2020)

Joe Dodd (stepped down September 2020)

Claire Blair (stepped down September 2020)

Andrew Howse (appointed September 2020, deceased February 2021)

## **Gilmours Banner Representation Group**

Aaron Kedzlie (Chair)

Hamish McIntosh

Matt Humphrey

Rob McGregor (Board Rep)

## **Foodies Foundation Trustees**

Wade Brown (Chair)

Tim Wilson

Ricky Bowen (appointed March 2021)

Julian Benefield

Maaïke Gribben

Amanda Hayes

Ewan Atherton (stepped down July 2020)

Cindy Chaimowitz (stepped down January 2021)

## Bankers

ASB Bank Limited

Bank of New Zealand

MUFG Bank Limited

Commonwealth Bank of Australia

Industrial and Commercial Bank of China (NZ) Limited

Westpac New Zealand Limited

## External Auditors

PricewaterhouseCoopers (PwC)

## Internal Auditors

Ernst & Young (EY)

## Solicitors

DLA Piper

Ellis Gould

Hudson Gavin Martin

SBM Legal

AJ Park

Chapman Tripp

