

FoodWorks Annual General Meeting 2009

Chief Executive Officer's Report

This financial year has seen us reinforce the strength and security of our business framework by way of further investment in our brand, marketing, merchandising, store development and information technology.

We have used this to drive prosperity for our existing retailers including supporting the refurbishment or expansion of 37 stores, 12 of which involved major works and opening 36 new stores.

The extension of our business model to include company owned stores has exercised our minds over the last 12 months as we negotiated an exclusive opportunity to purchase 45 Coles stores and eight associated liquor outlets. Our acquisition has enabled us to achieve a major growth opportunity more quickly and most importantly, more cost effectively than we had planned.

The projected sales of these new stores will give FoodWorks an estimated turnover of approximately \$2.3b per annum. This increase in our 'muscle' in the marketplace is something we intend to use to benefit the entire business, including our current network members, and of course strengthen the parent company.

Increasing our brand and market place presence was a key priority of the support team during the 2008/2009 financial year.

Extensive work has been undertaken to drive consumer awareness and engagement through marketing, store development and strong advertised product lines. As a result we maintained our customer count with a 0.04% increase, in an increasingly more volatile and competitive marketplace.

Ensuring consumers enjoy a quality in-store experience has been a priority for the support team. Providing our members with everything they need to give consumers range, value and service has been the focus for our general merchandise, business development and people and performance teams over the past financial year.

The work of our support team and all of our retailers and their teams has seen us as a company grow sales across the network by 3.92%

This past financial year produced cyclical sales results unlike the consistency of the previous couple of years. Of note was like for like sales growth across the branded network in June of 6.56%, but relatively flat growth earlier in the financial year.

Of significance here has been the quite dramatic falling away of the economy and a much greater focus by consumers on discretionary spending. This has resulted in changed shopping patterns. This has included much great consumer focus on value, fresh and shopping 'down' the product value chain. The more recent months' sales figures support the trend towards a more stable economy.

We continue to look for new opportunities to create growth for the group. We retain the service of a number of advisors to ensure we continue to challenge ourselves and remain a strong, truly independent, Australian owned alternative in the Australian grocery landscape.

The company delivered a core trading result for the year ended 30 June 2009 of \$3.768m. The company delivered an overall loss of \$2.104m, after taking account of post Prospectus Growth Strategy spend of \$4.503M and \$0.587M of costs for the Coles stores acquisition.

During the 2008/2009 financial year the FoodWorks Finance Team has continued to focus on providing timely and accurate finance and management reports to the FoodWorks Board and Management. This reporting provides the FoodWorks Board and Management with the information they need to make commercially sound decisions which maximises the efficient delivery of services and rebate returns to shareholders.

The FoodWorks Finance Team also maintained the high level of compliance responsibilities required of a listed company within the specified timelines.

During this past year, an enormous amount of work has been undertaken by both the support office team and the Board in modelling, evaluating and negotiating what is a compelling growth opportunity for our Company by way of the purchase of the 45 Coles stores and 8 associated Liquorland businesses.

This opportunity presents our Company with an exciting transformation platform for FoodWorks to become a more relevant and dynamic national retailer in Australia.

Today is an opportunity to thank the FoodWorks Board, all shareholders, and my support team for their continuing support to the development and growth of our Company and the FoodWorks Brand.

Thank you.

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