Chief Executive Officer's Report

Annual General Meeting

26 November 2013

FY2013 Overview

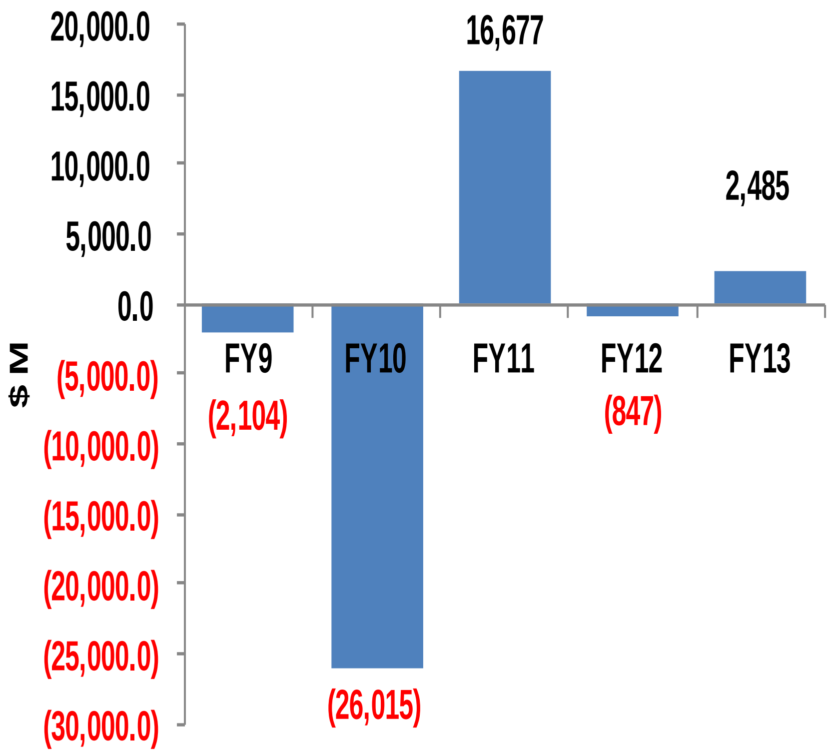
- Positive comparable store sales growth in a very competitive retail environment:
  - Value driven customer – ***price*** has become the most important driver of store choice
  - ***Fuel discounts*** driving customer loyalty
  - ***Private label*** quality seen same as branded products
  - ***Tobacco price*** increases shifted brand loyalty to value
  - Chains started using ***targeted on-line promotional offers*** based on individual buying habits (tracked by rewards)
  - Small concept store ***competitor openings***

FY2013 Overview

- Maintained a competitive promotional program:
  - Matched competitor heavy promotional discounting
  - Changed promotional period to mid-week
  - Reduced catalogue lead-time from 14 days to 8 days
- Signed 358 stores (88%) to new unity agreements
- Launched 32 new Best Buy lines (158 sku’s in total)

Financial Highlights

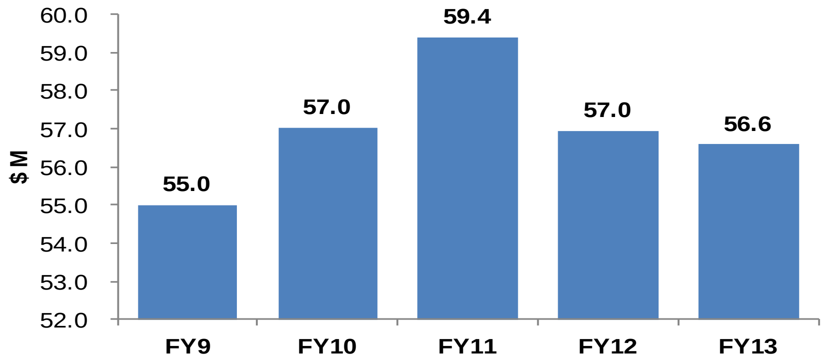
Consolidated Operating Profit / (Loss)



- Consolidated operating profit after tax of $2.5M
- Sustainable pre-tax profit of $3.2M in core business
- Tax benefits of $2.9M in core business
- FWR loss of $3.7M associated with closure costs
- Profit after tax equates to +4.4% of total income

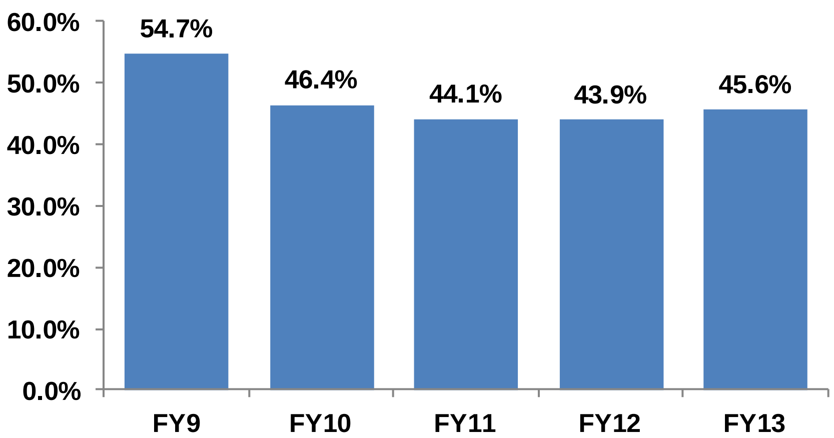
Continuing Operations

Total Income



- Total income -0.8%
  - Lower EWW volumes due to shift to ‘direct buys’ & promotional mix
  - Lower NCI Income as based on EWW volumes

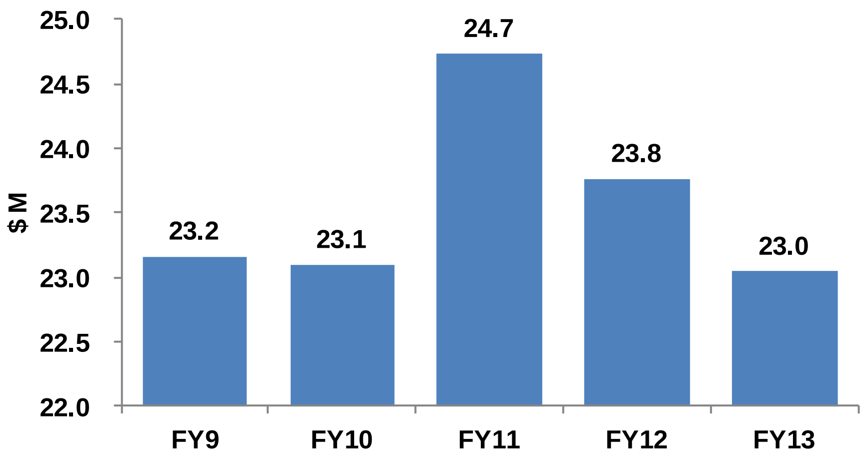
Cost of Doing Business / Gross profit %



- Increased from 43.9% to 45.6%
  - Money into Price +23% ($440k)
  - New Store Costs +24% ($125k)
  - Utilities +22% ($166k)

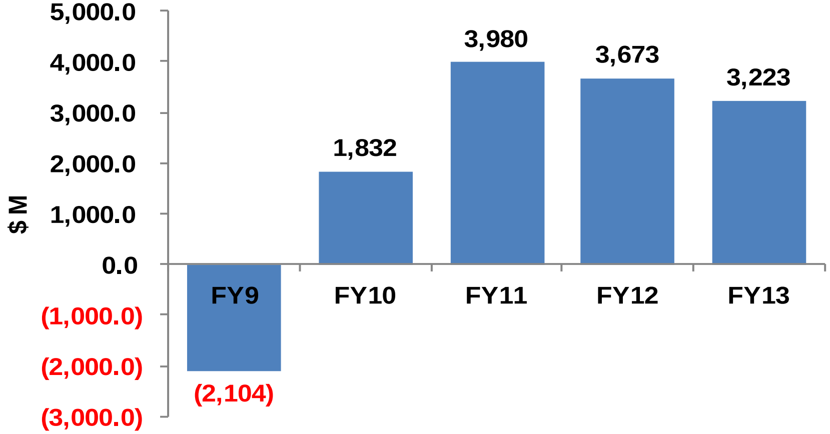
Continuing Operations

Members Distribution



- Represents 40.7% of total income (41.7% LY)
- Rebates equate to +4.31% of total EWW's (+0.7% to LY but on lower EWW's) reflecting the impact of the Unity Agreements

Pre-Tax Operating Profit / (Loss)



- Pre-tax operating profit -12.2% but still a very healthy at +$3.2M

FWR Divestment Update

- We are in the final stages on completing the divestment of FWR
- Maitland make-good works in progress and the store is expected to be handed back to landlord before 31 Dec 2013
- Townsville remains a challenge with negotiations continuing with the landlord and other interested parties to find alternative use strategies
- We have provided for the costs we expect to incur in order to divest of these stores. But the final costs associated with finding alternative use strategies for Townsville is proving difficult to project

FY2014 Trading Update

- Small positive increase in comparable store sales through to the end of October 2013
- Competition expected to intensify:
  - Coles have introduced supermarket pricing into their 600 Coles Express Outlets
  - Woolworths are planning on opening +200 small concept stores
  - ALDI are coming to SA & WA
- Financial results so far this year has been in line with budget

Key Priorities

Building the offer in store:

- Bigger focus on ***Fresh*** to create points of difference – if Fresh grows then the rest of the store follows
- Make available a ***value range*** of pre-packed fresh lines at competitive prices
- Make available ***more private label*** SKU’s
- Enhance customer value perception
  - Review individual store pricing strategies
  - Continue with deep discounting weekly promotions
  - Ensure compliance to promotional program

Key Priorities

- ***Grow volumes*** – launching new brands e.g. Greener Grocer brand
- Encourage ***stores to re-invest*** in re-fits, relays and redevelopment
- Provide an ***on-line shopping & loyalty*** solution
- Enhance ***store benchmarking*** capabilities
- Sign the all stores who have unity agreements expiring prior to 30 June 2014

Guidance

In view of the above, the Company expects that:

1. The consolidated operating profit after tax to be in the range of $2.0 to $3.0 million

2. The company remains committed to paying a dividend as soon as possible recognising the needs of all stakeholders

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FOODWORKS Supermarket