

Mission

MGA will be recognised as the most effective industry provider of support services to our independent grocery and liquor store members. We will strive to achieve excellence in all facets of our business in order to ensure that our members are serviced effectively.

Goals

MGA will assist members to achieve the following goals:

- To provide employees with opportunities to achieve a valued and rewarding career through best practice management.
- To achieve business excellence by providing training and education which will ensure complete regulatory compliance.
- To be continually engaged with customers through community based initiatives that are recognised as reputable and trustworthy.
- To be recognised and respected throughout the industry by all stakeholders.
- To participate in united, national representation which will achieve profitable and sustainable outcomes at all levels of government.
- To establish strong, rewarding and enduring relationships with all stake stakeholders.

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Independent Retailer

MAGAZINE



MASTER
GROCCERS
AUSTRALIA



Annual Report Issue 2008

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Master Grocers Australia Board Presidents Report

This last financial year has again been a year of positive change and challenge for the MGA board and staff. On behalf of the MGA Board of Directors I am very pleased to report to members, that after one of the busiest and most productive years, Master Grocers Australia (MGA) has experienced in its history, that the 2008 financial year has been very successful.

The MGA Board Vision of growing our unique industry specific Employer Association into a truly national organisation has been realised. We have grown MGA's national membership to include small, medium and large independent supermarkets from the IGA and Foodworks brands, as well as many smaller un-bannered stores in Western Australia, South Australia, Victoria, Tasmania, New South Wales, the ACT, Queensland and the Northern Territory.

As independent supermarkets around the country realise that the MGA's Workplace Relations and compliance support services and industry representation are specific to independent grocery and liquor supermarkets, the membership growth continues.

As in previous years, the MGA Board has committed to delivering value to all members. To this end, the Board has resolved to financially assist members by continuing to subsidise, and not increase, the cost of membership subscriptions despite the constant increase in cost pressures which you will be aware of at store level.

Over the past 12 months MGA has focused on building strong relationships with key stakeholders driving independent supermarket businesses in the Australian market place. The IGA and Foodworks brands continue to grow their presence both in consumers' minds and in many locations around Australia.

The role of MGA is to complement the brands, by delivering relevant, value-added support services to independent grocery and liquor retailers which enables further market share growth.

The start of the financial year witnessed the launch of MGA's new red and white corporate coloured branding and logos. The MGA Board's objective with this brand transformation was to position MGA as a truly modern, relevant and innovative employer association that is instantly recognisable to all our industry stakeholders.

This transformation included the development and modernisation of MGA's key industry communication tools such as, the website, magazines, E-Alerts and E-Checkout.

The staff at MGA has been very busy over the past 12 months, constantly developing and delivering workplace relations advice, compliance training and State and Federal representation. I commend our staff at MGA for their professionalism and dedication to the task of continually delivering services to members beyond their expectations. Owing to member demand and membership growth, MGA staff levels have lifted in all areas of expertise.

Many submissions have been written to various government departments and reference groups expressing the views of independent supermarket owners around Australia. The most significant submission was to the ACCC Grocery Pricing Inquiry. MGA expressed very strong views regarding the increased presence of chains stores (80 per cent market share) and strengthening the Trade Practices Act to disallow the risk of unfair practices in the market place as a result of the chain duopoly. MGA also addressed the subject of reviewing and relaxing planning and zoning laws for independent supermarkets so that they can be the genuine "Third competitive force" in the Australian marketplace.

MGA has a complex constitution that requires MGA to report to the Australian Securities & Investment Commission (ASIC) and the Australian Industrial Relations Commission (AIRC). This also means that MGA must be compliant with the Corporations Act and the Australian Workplace Relations Act. Any changes or amendments we wish to make to our constitution can be onerous and expensive owing to the detail required by both ASIC and the AIRC.

The changes the MGA Board is seeking to have voted upon and approved by members later this year will provide more flexibility and scope for MGA to deliver greater national support and value to our members and industry for the future.

The three changes that we will be asking members to vote on must be submitted to the AIRC in three separate documents and are as follows:

1. Name change from Master Grocers Association of Victoria to Master Grocers Australia
2. Alterations and amendments to Eligibility Rules
3. Amendments to other Rules

The MGA Board would like to encourage all members to vote "Yes" for all the proposed constitutional amendments.

Continued>



As President of the MGA Board I would like take this opportunity to sincerely thank and farewell two very hard working and dedicated Board members who have decided to step down from the board after many years of valuable service to our industry.

They are Tim Chen from IGA in Chelsea and Sandy Bucello from Foodworks in Foster.

Tim Chen brought many skills to the Board including his knowledge of the Chinese language and will continue to provide MGA with Chinese translations when required.

Sandy Bucello also brought many skills to the Board, particularly in the area of industry development and compliance training. Sandy will continue to consult with the Board when required.

We thank both Sandy and Tim for their time and dedication to MGA.

With the ensuing Board vacancies, the MGA Board took the opportunity to realise its vision of becoming a truly national representative board, by appointing two interstate representatives to the Board and will also, for the first time, appoint an independent director in due course. I would like to take this opportunity to warmly welcome Leigh Garrett, partner in a large independent supermarket from Perth in WA, as a Board Director of MGA and Andrew Bray, multi store owner from the South Coast Region of NSW, as a Board Advisor. Leigh and Andrew are vital members of the MGA board and bring much small and large business skill, knowledge and experience, not to mention knowledge of their respective states.

After much discussion, the Board has decided to search for and appoint an independent director to the Board. This will bring to the Board business skills, knowledge and strategic acumen that will be different to the current Board but very much complement the Board's vision for a diverse and high performing Board and industry organisation.

I wish to thank the MGA Board of Directors for their support, passion and precious time out of their businesses to be involved with an organisation that wishes to make a real "support service" difference to the Australian independent supermarket industry landscape. Our Directors travel great distances from interstate and regional areas to attend Board and Committee meetings for which we are very grateful.

The future is looking very bright and exciting for MGA!

Aside from the Board's normal governance duties and participation with various working sub committees it has also been engaged with new strategic initiatives concerned with developing and offering members additional, highly valued, support services. Industry research conducted in 2007 indicated that retailers expressed considerable angst when questioned about the myriad of compliance rules and regulations they must adhere to on a day to day basis. They also indicated their concern that as directors and owners of their businesses that they were liable for any breach of these rules and regulations, particularly if there was an accident causing harm to staff or customers.

Understanding this need, the MGA Board and staff undertook a rigorous project approach involving a number of small, medium and large store owners, to provide a solution or system to assist store owners better manage their obligations to adhere to the many Government rules and regulations.

As a consequence, the board has resolved that MGA will allocate Capex funds and significantly invest in the development of a complete business support solution specifically designed to suit independent supermarket owners around Australia.

This solution will be called MGA's "Compliance Management System". Testing will commence in selected stores in October 2008, with an official roll out to a number of stores in March 2009. I encourage all independent supermarkets to take MGA's "Compliance Management System" very seriously as a support solution for your businesses.

MGA will be embarking upon a Corporate Membership drive in the next financial year to deliver on one of its core pillars that is "Industry Networking and Connection."

This will be a unique opportunity for suppliers to embrace the opportunities that MGA can provide, to assist suppliers establish stronger relationships and a better understanding of the business growth opportunities that exist in the independent supermarket channel. I encourage suppliers to include an opportunity such as this in their marketing and promotion plans as another medium to communicate with retailers in an effective manner.

As a consequence of extensive industry research carried out in 2007, retailers indicated their strong desire to have an industry specific Insurance company with whom they could insure their businesses. They wanted a company that fully understood their businesses and their needs. MGA will be launching Master Groccers Australia Insurance Services later this year. After much rigour and due diligence, MGA selected Austbrokers Australia as a partner, to deliver the only industry specific business and private insurance service in the market place. I can say first hand that MGA Insurance Services will deliver value to independent retailers in many more ways than one.



2008 Annual Report

No organisation can be successful without business partnerships built on a solid platform of trust and respect. MGA is no exception. On behalf of the MGA Board, I wish to acknowledge the following people who have assisted MGA develop and grow over the past 12 months.

John Markham has been involved with independent supermarkets for more than 30 years and is the driver behind MGA's marketing and promotion, publishing of the magazine, the MGA website and MGA "E-communication" tools to members. Phil Ibbotson, from Ibbotson and Moscatelli, Chartered Accountants, for the many hours of financial consultation in his role as MGA's Company Secretary and Company Accountant. Roger Pallant and Margaret Haines for their constant advice and seamless delivery of OH&S compliance training courses all over Australia. Sandy, Dana and the BLM team for their endless hours developing industry compliance solutions. Jenny Flanagan who has passionately represented MGA on various state based government committees and reference groups including liquor and OH&S. Steven Brady – Miles from William Angliss, Brad Beach and Vanessa Marsh from Gippsland TAFE for their dedication and commitment to assisting MGA with expert advice and guidance in regard to MGA's Compliance Management System, and Jim Studebaker who has been an independent advisor to the MGA board for 18 months. Jim's expert insights and strong general business background have been invaluable in assisting the MGA board with the processes of strategic decision making.

To all of our Associate Members, we thank you for your support and welcome you to join us in our future success as we continue to grow MGA into our industry's only truly national employer industry association.

The Board is very pleased to have someone with Jos de Bruin's commitment, drive and passion for our industry to be the CEO at the helm of MGA at this important and exciting time. He has gathered around him a team of highly qualified people who have been tireless in their efforts to provide the best service. As our CEO, Jos has covered thousands of kilometres in his efforts to spread the word and gain members from all over Australia and he has been remarkably successful.

Our sincere thanks go to him and his team for a job well done.

Finally, MGA's reason for being is you, our members, owners of independent supermarkets and stand-alone liquor outlets, around Australia. We have an expert team in place at MGA ready and dedicated to providing you with exceptional support and service.

So please make sure you call us as we are "Here to Help"

Rodney Allen
President MGA



Associate Members 2008-2009

CEO's Annual Report

There is an old saying, "if there is no ripple at the bow then you are drifting." I can categorically state that MGA and independent supermarkets in Australia are not drifting. In fact, positive change and industry investment is being embraced and is evident around the nation, resulting in strong sales and profit growth. The signs are good as this is certainly reflected in the growth of national independent supermarket market share.

MGA has had a remarkable year of change, growing from a state centric organisation into a highly relevant national independent grocery and liquor supermarket industry association.

This year we welcomed new IGA, Foodworks and un-bannered supermarkets as MGA members from Western Australia, New South Wales, ACT, Tasmania and Northern Territory.

MGA's membership has risen to 1,100 with 18 Associate Members.

Quality and professional people are the driver of success in any business. MGA is no exception to this rule and is very fortunate to have recruited a team of highly professional and service orientated people dedicated to our members.

The Board

I wish to take this opportunity to thank all members of the MGA Board for their dedication, passion and hard work (not to mention the countless hours of travel) toward the ongoing development of MGA in becoming a modern and visionary industry association. I wish to particularly thank our President, Rod Allen, who has given many days away from his own supermarket business and travelled around the nation with me to help build solid business relationships with various Boards and independent supermarket owners. Our Board has been very progressive in setting a strategic direction for MGA.

The Constitution

The MGA constitution has been amended to reflect MGA's wish to be a truly national organisation as well as provide for an increased scope of member service and support capability. I encourage all members to vote "Yes" for these changes later on in the year.

The Board's vision for MGA growth and relevance is also evidenced by significant Capex funds that have been allocated to developing an industry specific "Compliance Management System". This will be explained in greater detail later in this report.

Communication

Communication with members is crucial to ensure correct information vital to their businesses is delivered in a timely manner. The MGA "Independent Retailer" magazine has been improved to include workplace relations and compliance news as well as many industry and member news articles of interest. Members have embraced the benefits of E-Commerce over the past 12 months creating an opportunity for MGA to develop a suite of E-communication tools such as the E-Alerts and E-Bulletins. All communication tools to members have been designed to maximise members valuable time by being industry specific, simple and quick to read. The MGA website has become the "Home Page" for many members owing to its rich source of workplace relations and compliance information.

Relationships

MGA industry relationships have been strengthened and broadened as we continue to communicate to all stakeholders, the vital role the independent sector plays not only in the Grocery and Liquor Industry, but its contribution to the economy as a major employer of people and a significant contributor to communities in regional and metropolitan areas around Australia. The major independent brands are working very hard and succeeding in establishing their point of difference in the market place from the chains and are more focused on their community strengths than ever before. MGA's role is to complement the strategies of the brands by providing all independent retailers with the best workplace and compliance support possible, while also representing their best interests at a State and Federal government level.

Core Pillars

The MGA has 4 Core Pillars dedicated to assisting retailers:

- **Workplace Relations**
- **Industry Compliance Training**
- **Industry Representation**
- **Industry Networking and Connection**

Improving MGA's people capability and expertise has been a key focus for the board over the past 12 months. Members must feel comfortable knowing they are a member of a credible and professional organisation, which they can access, for all Workplace Relations and Compliance matters, without hesitation. This internal capability has eradicated the need for MGA to engage outside consultants as was the case in the past.

MGA's business systems and processes have been streamlined to give members seamless and timely support. Judy O'Reilly, MGA's Office Manager has worked tirelessly to optimise our internal resources to deliver the best outcomes.



Workplace Relations

The Workplace Relations team, led by Marie Brown has been very active with members this year, addressing many members needs from simple wage enquiries to dispute resolutions and unfair dismissals. MGA is registered with the Australian Industrial Relations Commission, thus allowing us to provide a representation service for our members should a need arise.

Other services include OH&S and workers compensation advice, policy making and difficult staff management strategies. There have been Workplace Relations seminars and forums in all states addressing important employer topics such as Know Your Award, Workers Compensation and Making a Workplace Agreements. Employers who have attended these events have greatly valued and benefited not only from this subsidised information support service, but also the networking opportunities with other retailers. Store owner committees have been formed in WA, NSW and Victoria to gather insights and ascertain their Workplace Agreement and Award needs. This knowledge will assist MGA with the development of agreements that provide workforce flexibility and efficiency without compromising the entitlements of employees.

The Workplace Relations Team is constantly on the look out for new opportunities to address members needs.

Compliance Training

The Training Team, lead by Michael Russell has made some significant in roads to growing MGA's current national compliance training offer this year. Attendances for 1 Day OH&S, Food Safety for Handlers and Supervisors and Responsible Service of Alcohol (Vic) courses are well up on last year. This attendance increase by retailers indicates that MGA's quality compliance training has become more relevant and valued in this age of rigorous regulations that must be adhered to by store owners and managers.

The MGA training team, including partners Sandy Bucello and the BLM team and Managing Director of Direct Recruitment, Jamie Croft, developed and launched a training packaged solution branded the "Ready 4 Work" program. This is an industry first designed to train people in the fundamentals of working in a supermarket. As the name suggests, "Ready 4 Work" aims to provide our members with a cost effective solution to recruiting new employees. This program is available to be completed online by any aspiring person wishing to work in our industry and is designed to complement and provide an entre into further in store training, such as induction and certificate training that may be offered at a later date.

MGA launched its very first on line training Product Knowledge Unit (PKU) prior to Christmas. This particular module was timely as it focused on providing delicatessen staff with concise product knowledge associated with Hams.

For the first time a Food Safety for Food Handlers and Supervisors training course was written and delivered in house, giving MGA direct contact with members.

Future Investment

The future looks very bright for MGA compliance training as we embark upon a new phase of independent supermarket training and support. The MGA Board after much rigor and due diligence has approved a significant Capex investment to fund the development of an intensely researched business support solution aptly named, the MGA's "Compliance Management System" (CMS). MGA Training Team will be recruiting additional compliance training expertise to bring this CMS to life. Testing of the CMS in selected stores is planned to commence in October 2008 with a full roll out to selected stores in March 2009. This system, which will incorporate a unique Certificate Four Retail Management qualification for a selected staff member is designed to take the worry and concern out of the management of a store owners day to day compliance obligations.

Further progress is underway, with much hard work behind the scenes, towards MGA becoming a National RTO (Registered Training Organisation). This will again enhance MGA's relevance and scope of operation to its members around the nation.

Government

Industry representation at State and Federal levels has fast become a Core Pillar of the MGA. There are many issues being addressed by politicians at State and Federal government level, affecting independent grocery and liquor supermarkets around Australia, that require MGA's constant attention. Our role is to provide support for our members to ensure their best business interests are being protected.

MGA manages its industry representation affairs in two forms.

Firstly, MGA has a federal voice by way of holding a directorship on 2 national industry boards, namely; National Association of Retail Grocers Australia (NARGA) and Australian Liquor Stores Association (ALSA).

Secondly, MGA is very active in its own right forwarding submissions on various state and federal issues at risk of affecting the businesses of independent supermarkets, our members.

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NARGA under the stewardship of Ken Henrick, and the Presidency of John Cummings have been very active building sustainable relationships at a federal level with key politicians from both the Labor and Liberal parties. The key issues and activities NARGA have addressed have been associated with strengthening the Trade Practices Act in the areas of predatory pricing, creeping acquisitions and price discrimination to provide greater protection for small business to compete in the market place and of course the submission to the ACCC Inquiry into Grocery Pricing.

ALSA, led by Terry Mott as Executive Director and Mal Higgs as President has also been active in building sustainable relationships with key politicians at a federal level. Key issues that have been addressed are responses to the National Health and Medical Research Committee report, alcohol advertising and retailer alert, high ABV RTDs', alcohol warning labels, container deposit legislation, Alcopops tax and the Federal Government Alcohol Policy, to name a few.

The most important ALSA initiative this year has been the launch to industry of two campaigns are designed to set the same high standards of conduct for serving packaged liquor to the public around the nation. The "ID 25" and "Don't Buy It For Them" campaigns have been developed specifically for packaged liquor licensed outlets to use in their stores. The color scheme and the words deliver a consistent message to consumers of all ages, both at store level and in media advertising.

MGA has forwarded a number of submissions representative of the views of independent supermarkets to various state and federal government bodies over the past 12 months. Submissions and committee engagements included:

- The Australian Fair Pay Commission (AFPC) – Wages Increase Review / Junior Wage Review
- The Productivity Commission – Parental Leave
- The ACCC – Inquiry into Grocery Pricing
- Australian Industrial Relations Commission (AIRC) – Award Modernisation – Retail Awards prioritised
- Senate Economics Committee – Unit Pricing
- OH&S - National Harmonisation
- NSW – amendments to the Tobacco Act – removing Tobacco from display
- ACT - amendments to the Tobacco Act – removing Tobacco from display
- Victoria – Victorian Retail Planning Policy Review
- Victorian Liquor Licensing Commission – Liquor Control Advisory Committee
- Victorian Council of Small Business
- Occupational Health and Safety Advisory Committee
- Industrial Relations Victoria research project into work life balance in independent supermarkets

MGA has become better known to the media with radio stations and print media from around the nation seeking MGA's point of view on various issues facing independent supermarkets.

Initiatives

Independent Grocery and Liquor Supermarkets play a significant leadership role in their respective communities. Many global trends, concerns and issues are addressed in stores with conviction and passion. One such issue is the environment. MGA has issued a policy statement along with solutions to encourage consumers to reduce their usage of plastic shopping bags and for stores to save on their power costs. Color posters encouraging consumers to use "Green Bags" and for staff in store to "Save Power" have been designed and posted to the MGA website.

The Scanning Code Of Practice has been modified to suit independent supermarkets around Australia. MGA will take full responsibility for administration of this industry code.

Master Grocers Australia Insurance Services

Industry specific small, medium and large grocery and liquor supermarket insurance will be provided by Master Grocers Australia Insurance Services from 1st September 2008. After much rigor and due diligence over a long period of time, MGA has formed a strategic partnership with the Austbrokers Insurance Group to form this new industry insurance business. There are 88 branches around Australia able to provide our industry with the service our members would expect. MGA Insurance Services will have value for money insurance policies tailored for the specific needs of each business, and will also alleviate concerns over businesses currently being underinsured.

Packaged Liquor

Packaged Liquor is an essential department and business driver for many MGA members. Membership representation on various liquor bodies is currently a key MGA focus at both state and federal levels. As continued government and public scrutiny of the misuse and abuse of alcohol, as a source of harm to people and property escalates, members are required to be continuously rigorous and vigilant to comply with the "sale of packaged liquor rules and regulations" in each state. MGA will be improving its information support and services over the next 12 months to ensure members are kept fully abreast of initiatives and actions concerning their businesses.

Thank You

Finally, I wish to thank all industry stakeholders for their support and commitment to the growth of MGA. I particularly wish to thank the MGA board, led by Board President Rodney Allen, for their ongoing support and commitment to the MGA growth strategy as well as the dedicated management and staff of MGA who constantly commit to delivering service and support beyond members expectations.

Jos de Bruin

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Corporate Memberships

MGA has always been proud of its close and productive relationships with all industry stakeholders. MGA wishes to foster developing relationships to grow our industry presence.

Suppliers have recognized that the independent supermarket channel is a force to be reckoned with and has become a rich opportunity to develop profitable business away from the restrictive duopoly constraints of Coles and Woolworths. Many suppliers have indicated they would like to have a closer networking and business connection with the independent supermarket channel.

As a consequence MGA will be launching its Corporate Membership program to suppliers. Membership packages will be structured to provide suppliers with a choice and frequency of industry promotion, marketing and networking opportunities. Packages will be Platinum, Gold and Silver.

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FOODWORKS

