



25 February 2020

By email: [connie.wu@acc.gov.au](mailto:connie.wu@acc.gov.au)

Our Reference  
181762

Ms Connie Wu  
Assistant Director | Adjudication | Merger and Authorisation Review  
Australian Competition & Consumer Commission  
Level 5, 1 William Street  
PERTH WA 6000

Dear Ms Wu

**ACCC Authorisation Application: AA1000457  
Co-Operative Supermarkets Australia Limited**

As you know, we act for Co-Operative Supermarkets Australia Limited ("CSAL") in its Application for Authorisation pursuant to s.88, *Competition and Consumer Act 2010* (Cth) ("the Act") lodged on 5 November 2019.

We refer also to the Interim authorisation decision made 19 December 2019 and now seek to vary the terms of Interim Authorisation to allow CSAL and its members to make and document deals<sup>1</sup> with suppliers of goods and services to retail supermarket owners yet remaining contingent on the final approval being granted to CSAL under its Application.

CSAL requests this change to the interim approval be made because the financial pressures on independent retailers continues to accelerate, due to the cost of operations now being effected by significant increases in EFTPOS, insurance and wage costs. As the Application indicates, securing lower costs to run the retailers operations is a critical matter and has become an urgent matter.

As requested:

1. Please find **attached** a copy of the Formation Disclosure Statement, lodged with and approved by the Registrar of Co-operatives Victoria'
2. Please accept this letter as notice that CSAL agrees to be bound by the Food and Grocery Code of Conduct; and
3. Please accept this letter as confirmation that it is neither policy nor practise of CSAL to restrict, in any way, suppliers with whom CSAL enters contracts, arrangements or understandings, from offering goods, service of terms of supply of such goods to services or any person.

<sup>1</sup> Including a contract or arrangement, or arrive at an understanding, where a provision of the proposed contract, arrangement or understanding would be, or might be, a cartel provision within the meaning of Division 1 of Part IV of that Act.

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Ms Connie Wu  
Assistant Director | Adjudication | Merger and  
Authorisation Review

2.

BRADLEY ALLEN LOVE

25 February 2020

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Please do not hesitate to contact the writer or Mr White with any question you might have.

Yours sincerely  
BRADLEY ALLEN LOVE



Mark Love  
Legal Director

Direct Line: [REDACTED]

Email: [REDACTED]

# DISCLOSURE STATEMENT


Co-Operative Supermarkets Australia Limited


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This and the following 33 pages is a true copy of the original approved by the Board of the Co-operative and its Members



  
Chairperson, dated: 17 October 2019

  
Secretary, dated 17 October 2019

## DISCLOSURE STATEMENT

### 1. INTRODUCTION

#### Explanation of this statement

The Co-operatives National Law (NSW) (the CNL) requires that a disclosure statement for a proposed distributing co-operative is to be presented to the formation meeting. The disclosure statement sets out information necessary to ensure eligible members are informed of the nature and extent of their financial involvement or liability as a member of the proposed co-operative.

#### 1.1 Name

Co-Operative Supermarkets Australia Limited ("CSA")

#### 1.2 Registered office

1 Rosserdale Crescent, Mount Eliza, VIC 3930

### 2. BACKGROUND AND DEMAND FOR SERVICES

#### 2.1 Background to forming the co-operative

CSA results from the recommendations made by Stone Advisory Pty Ltd<sup>1</sup> ("Stone Advisory"), as adviser to the respective State and National Boards that make up the unincorporated regionally based bodies of IGA Retailers<sup>2</sup>.

Stone Advisory was set-up and controlled by the "non-Metcash" members of the National Retail Council ("NRC") of IGA Retail Network Limited. Stone Advisory was devised as the mechanism through which the IGA Retailers could pursue investigations and matters arising not only at the NRC, but also matters affecting their respective businesses outside of those things concerned with "the IGA brand". It is noted that the NRC and IGA Retail Network Limited exists for one aspect of the IGA Retailers' businesses, that being to further the interests of the IGA Brands<sup>3</sup>.

The recommendation of Stone Advisory was that if Australian Independent Retail Supermarket Stores are to:

- (a) arrest the decline in market share suffered by the independent sector over the past decade; and

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<sup>1</sup> Stone Advisory Pty Ltd has read and reviewed this disclosure statement and has authorised its name to be used in association with the establishment of CSA.

<sup>2</sup> The property of the State Boards is held outside the control of IGA Retail Network Limited and does not form part of the property of that company.

<sup>3</sup> Those aspects are defined by the Objects clause of the Constitution which governs IGA Retail Network Limited AC 095 630 970.

- (b) compete effectively with the dominant retail chains and new international entrants to the Australian Retail Grocery Store industry;

then Australia Independent Retail Supermarket Store owners need:

- (a) information concerning their industry and their supply chain which is independent from the persons who stand to earn profit from the supply of goods to them;
- (b) to coalesce as a group in order to achieve the benefits that are earned by their direct competitors, such as:
  - (i) the dominant retail chains; and
  - (ii) those persons who would move from “wholesalers” to “non-warehouse suppliers”;
- (c) a supply chain for “supplier direct to Retailer supplied goods” that does not deduct a “profit” component on the goods in the course of supply.<sup>4</sup>

## 2.2 Objects

The primary activities of CSA are:

- (a) the exploration and negotiation of opportunities to address the costs of operation and long term sustainability of Australian Independent Retail Supermarket Stores;
- (b) the representation of Members and negotiation with stakeholders of all kinds including, without limit, Governments and their agencies to address costs and benefits affecting the retail and wholesale grocery industry in Australia;
- (c) research and the accumulation of information concerning the retail and wholesale grocery industry in Australia and delivery and use of such information for the benefit of Members; and
- (d) organisation and co-ordination of supply of goods and services of all kinds to Associated Member Businesses.

A copy of the Rules of CSA is available from the registered office for the nominal fee of \$5; the Rules will be available through the website for Members without charge, once that website is established.

## 2.3 Preconditions

The preconditions for the commencement of CSA are merely those statutory minimums for incorporation, membership and board positions. The Promoters of CSA (listed in section 5.5) are pre-committed to filling those conditions on the grant of approval, also pre-committing not only sufficient Members for incorporation, but also sufficient Membership for operational funding. Stone Advisory was mandated to establish CSA and has paid for, as

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<sup>4</sup> Costs of operation of CSA are expected to be met through a Membership Fee, at least through the start-up phase of the Co-operative. The CSA Board reserves a right to charge a service fee on sales and/or promotions, once the benefits of membership become transparent through established trading terms. The Foundation Board policy is one which sets forecast cash expenditure in line with the capital held to meet the forecast costs of operation, year to year.

part of its role and at its cost, for the work to be done in preparing the formation and constitutional documents of CSA.

Formal "Foundation Membership Invitations" will be issued following incorporation, with a plan to close invitations from 31 March 2020<sup>5</sup>, with Foundation CCU payments due from membership application. It is anticipated that establish of business operations will commence following incorporation<sup>6</sup>, noting that the Promoters' financial commitment is sufficient for operations to launch, commencing "systems establishment" almost immediately following incorporation.

Active ordering through the CSA System may not be available until January 2020.

## 2.4 Foundation and Initial Funding Obligation

The Foundation Membership Invitations will require prospective Members<sup>7</sup> along with their application to apply for a "Foundation CCU", being a "Co-operative Capital Unit" (described below). The requirement to apply for a Foundation CCU is subject to exceptions where the Board has negotiated the delivery to CSA of a capital benefit of equivalent value for the admission of a substantial group of members<sup>8</sup>. Subject to that possibility, each Foundation CCU has an issue price of:

- (a) \$5,000 for those stores whose Associated Controllers have made through their IGA State Board, the budgeted contribution to Stone Advisory, funding it for the period of July 2019 to December 2019. At the time of approving this Foundation Disclosure Statement store owners represented through the IGA State Boards of Victoria and New South Wales have made that contribution; and
- (b) \$5,500 for each of the Member applicant.

The Foundation CCU, which is issued "per Member", which means "per store" is apt to be forfeited if the Associated Member Business (the store) ceases to have an associated Member prior to the maturity of the Unit (namely, 5 years).

The Promoters of CSA, who in some cases have contributed months of their time and significant personal funds, carry the title of "Foundation Members". That title merely gives rise to appointment on the Initial Board. The six original Promoters of Stone Advisory, who have each committed funds and time over years since the inception of the reforms that the establishment of CSA represents, carry a title of "Foundation Directors". Each Foundation Director becomes entitled to hold one DSC Share, issued with a nominal face value of \$100. Only one DSC Share may be held by a Foundation Director. A DSC Share offers no

<sup>5</sup> This date might be brought forward by the Board at its discretion, with the intention that once the Foundation Membership is established, the Board and administration will focus on establishing systems and operational norms, thus offering to ordinary members entry into an established business.

<sup>6</sup> The scope of operations may be limited to those things within an Interim Approval issued by the ACCC for the purposes of a s.88 Authorisation Application which will be lodged shortly after incorporation.

<sup>7</sup> Specifically, the Associated Controller of the Member must apply for the Foundation CCU, as explained below.

<sup>8</sup> Exceptions to the issue price of Foundation CCU's may exist in the Board's discretion; it is specifically contemplated that the delivery by an existing network of prospective members, who transfer to CSA equipment, infrastructure or systems with a capital and operational value to CSA should be capable of a negotiated reduction in the allotment price of Foundation CCU's for those network applicants. The intention remains that value to the equivalent of an ordinary Foundation CCU of \$5,000 per member is to be delivered, through cash or in kind. If contribution is made "in kind" (which will be the exception, reserved for the commitment of multiple members), then the face value will be reduced by the assessed value to CSA and its members.

financial reward or return,<sup>9</sup> but gives the holder a right to appoint persons to and vote on the Director Selection Committee candidates to fill Foundation Director Board positions.<sup>10</sup>

## 2.5 Demand for services/business plan/feasibility study<sup>11</sup>

The Australian retail grocery<sup>12</sup> industry is characterised by the dominance of:

- few very large retailers; and
- few true wholesalers.

Despite increased competition over the last 5 years from large international retail chains, the Australian Retail Supermarket Industry remains one of the most concentrated major industries in Australia, with the Australian Independent Retail Grocery Store sector reducing significantly, both in size and profitability over the last 10 or more years.

In the 2017-2018 financial year, the food and grocery retail sector market recorded total revenue of approximately \$102.3 billion. Relevantly, the four largest businesses, Woolworths, Coles, Aldi and Metcash Trading Limited ("Metcash") make up over 80 per cent of industry revenue.

The market share for the financial year ended 2018<sup>13</sup> was as follows:

- Woolworths – 37.2%;
- Coles – 30.3%;
- Metcash – 7.4%;
- Aldi – 9.2%; and
- Other (including Costco, Foodworks and other independent supermarkets) – 15.8%.

The key trends that are dictating revenue and market share in the food and grocery retail sector market include:

- the increased presence of mid-sized retailers such as Costco and Amazon;
- the imminent arrival of discount food and grocery retailers such as Kaufland who has recently announced the intention to open 20 new stores in Australia<sup>14</sup>;

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<sup>9</sup> Other than face value on a winding up, and then subject to distributable capital being available.

<sup>10</sup> The Director Selection Committee also serves the function of appointing persons to fill casual vacancies should a Director cease to hold office prior to the end of their term. Casual vacancies are filled for the period prior to the next AGM.

<sup>11</sup> Facts drawn from the research and briefings by Stone Advisory who authorised the content and publication of this Foundation Disclosure Statement.

<sup>12</sup> We use an extended definition of grocery to include foods and products reasonable to be sold in a supermarket.

<sup>13</sup> IBISWorld "Supermarkets and grocery stores in Australia", February 2018 Report (see page 23 of that report).

<sup>14</sup> News Corporation Report 2 September 2019.

- the increased consumer demand for convenience and quality products has encouraged new entrants and modes of grocery consumption into the market, including home delivered meal preparation kit offerings such as Hello Fresh, YouFoodz and Marley Spoon;
- continuing shrinkage of the Metcash supplied Independent Retail Supermarket sector and the consequence pressure that places on “price to Retailer” in the face of declining volumes; and
- increased price competition between Coles and Woolworths to substantially reduce prices and promote everyday low prices (such as Coles’ ‘Down Down’ or Woolworths’ ‘Prices Dropped’) largely in response to the continued growth of Aldi and the threat of new market entrants.

These have in turn placed significant pressure on Independent Retail Supermarket Stores.

Independent Retailers, acting separately, have limited power to negotiate supply prices and promotional terms. They face a pincer movement with:

- increased price competition from competitors; and
- Metcash’s steady decline in turnover over the past 5 years resulting in supply price pressure and their push to derive profit from the Retailer through the control of “direct” to supermarket supply of goods and other non-wholesaling initiatives.

That places the Retailer in a “squeeze” between the independent wholesalers attempting to maintain Gross Profit and the capacity of the Retailer to maintain Gross Profit through price to the customer. Where the Retailer, acting alone, is unable to address core costs of rent, electricity and is limited in its negotiating power for direct supply terms, this has resulted in falling margins for the Independent Supermarket Retailer, exacerbated as retail customers follow:

- “price” to the doors of Coles, Woolworths, Aldi and Costco; and
- “convenience” to the arms of Hello Fresh, YouFoodz and Marley Spoon.

CSA can occupy space outside genuine wholesale warehoused supply, by addressing the “supplier direct” supply of stock and services to Retailers and in a collective capacity negotiate promotional terms and supply costs for other costs associated with supermarket operations such as power, packaging, freight, insurance and the like.

CSA has engaged with the ACCC to apply for *Competition and Consumer Act 2010* s.88 Authorisation to sanction such conduct which might otherwise be regulated collective behaviour conducted through CSA.<sup>15</sup>

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<sup>15</sup> That Application is forthcoming. CSA does not need to rely on that Approval, but it is prudent that such behaviour attracts the sanction of ACCC s.88 Authorisation, which frees CSA from constraints of information sharing and allows a consolidated position to be advanced. The Promoters of CSA have had constructive engagement with the ACCC over the past five months with an Application ready for lodgement shortly following incorporation.



### 3. MEMBERSHIP

#### 3.1 Who can be a member and membership requirements

Membership of CSA is available to individual persons who are the nominated representative of an Australian Independent Retail Grocery Store; they must be a "manager" of such a store.

Nevertheless, "membership" is connected to the "store", with "membership" following the replacement of managers, through the retirement and new appointment of successive managers (see Rules 7.3 and 9.6).

Membership relies on the owners or controller of the store (which can be the "member", but in this capacity defined as the "Associated Controller") maintaining a "Trading Account" with CSA and holding a "Qualifying CCU".

An "Australian Independent Retail Grocery Store" is defined by the CSA Rules to be:

A retail grocery store operated within Australia, offering supermarket lines and which is not:

- (i) majority owned or controlled by an entity which is a Wholesaler<sup>16</sup>; and
- (ii) owned or controlled by an entity that is part of a major National Retail or international retail operator, such as Coles, Woolworths, Costco, Kaufland and such other organisations as the Board may proscribe in the By-laws.

For clarity, an Australian Independent Retail Grocery Store can be part of group or network of stores and can be a store that offers product lines other than supermarket lines, but must be identifiably "a supermarket"<sup>17</sup>. All eligible stores in a commonly owned or controlled "Group" must be members<sup>18</sup>.

The membership under this Foundation Disclosure Statement shall be opened up until the Sunset Date; The Sunset Date is expected to be set at 31 March 2020<sup>19</sup>.

Membership will comprise:

- **Members** - being those people and stores who complete their Application Forms following the incorporation of the Co-operative and do so under this Formation Disclosure Statement by the Sunset Date, and also being those who become members after the Sunset Date. The terms of entry following the Sunset Date are not yet determined, but will likely attract an Application Fee and shall be the subject of future disclosure statements.

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<sup>16</sup> Defined within the Rules.

<sup>17</sup> The Board of CSA is entitled to form its own view on whether the criteria have been met.

<sup>18</sup> The Board may permit exceptions.

<sup>19</sup> The Board reserves a right to close membership earlier, notice of which shall be published through its website, once established. See footnote 5 above.

- **Founding Members** - being those people connected with the establishment of CSA, named in the Rules.

Those persons who commit to Membership before the Sunset Date<sup>20</sup> will commit:

- to have their Associated Controller take up one fully paid Foundation CCU at \$5,000 per Unit per store for those who have funded Stone Advisory for July to December 2019 – see paragraph 2.3 above)<sup>21</sup> or \$5,500 per Unit per store for those who have not;
- to have their Associated Controller have a Trading Account<sup>22</sup> with the Co-operative;
- to be an active member of the CSA; and
- to commit to a minimum period of three (3) years membership with a maximum contribution requirement of \$5,000.00 per year, per member (not including payment for a Qualifying CCU or DSC Share).

Those persons accepting a Foundation Membership Invitations and paying the sums due with that application are eligible to be known as “Foundation Members”.

Present planning is that membership would be closed for a period after the Sunset Date, after which time the systems and operational norms will be established before re-opening membership. It is expected that Members joining after the Sunset Date will attract a higher cost of entry than for the pre-Sunset Date signing Members, but that will be the subject of a future Disclosure Statement.

The Trading Terms, obligations or benefits between Foundation Members and other Members will not differ, but the terms of entry and of the Qualifying CCU's (of which the Foundation CCU form an example) may differ in availability, price and conditions as between those Members joining prior to the Sunset Date and those joining after. It is likely that following the Sunset Date, new Members will be required to pay an Application Fee<sup>23</sup>.

Benefits afforded Members joining under this Formation Disclosure Statement are:

- the Foundation CCU issue price will attract a “cost of funds” rate of return over their five year term of 5% per annum, it is not expected that ordinary Membership CCUs issued after the Sunset Date will attract such a return;
- the Foundation CCUs attract a right to a return of the whole of their face value capital after 5 years from issue, where future Qualifying CCUs may not attract such a return and are anticipated to have a face value in the order of \$10,000 or more<sup>24</sup>;

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<sup>20</sup> This Formation Disclosure Statement relates only to those members, with a subsequent Disclosure Statement to be published to address changed application conditions and obligations.

<sup>21</sup> See Footnote “5” for in kind concessions.

<sup>22</sup> The Terms will be set by the Board following incorporation and will be published prior to the official the launch of CSA and commencement of trading operations.

<sup>23</sup> This will be the subject of future disclosure.

<sup>24</sup> The Board reserves its right to set such fee it thinks fit and all such terms shall be the subject of a future Disclosure Statement.

- both Foundation and future Qualifying CCU's will secure the payment of Membership Fees and sums due under the Trading Terms; and
- both Foundation and future Qualifying CCU's are to be forfeited if the Associated Member Business ceases to have an associated Member prior to the maturity of the CCU (5 years)<sup>25</sup>.

Each Associated Member Business must hold, through their Associated Controller, a Trading Account<sup>26</sup> with CSA by which the Co-operative supplies, or facilitates the supply of goods and/or services to the Member's Associated Member Business. It is a requirement of Membership that the Member's Associated Controller discharge their Member's liabilities to CSA and to ensure that all obligations owed to relevant suppliers under arrangements made through their Trading Account are discharged.

The Associated Member Business must remain actively trading with CSA, which requires transactions recorded through the Trading Account not less than once in every rolling two month period.

In the future, in the interests of developing CSA and the member stores, as well as Member skills and acumen, the Board may establish opportunities and requirements for "active membership", which could include a Member becoming involved in "collective work", devoting time annually working within CSA. Those plans will of course be published and subject to full disclosure, but noting that the Rules set a constitutional limit to what can be asked of Members (see Rule 4.2(d)).

The Board reserves a right to set minimum trading volumes as part of the "active member test" and the Board reserves the right to see that Members adhere to promotional terms agreed with suppliers, at least in order to deliver the full price and rebate benefits to Member stores for a given promotion.

Members will be required to contribute to the annual budgeted costs of CSA's operations. This will be done through the Membership Fee which is intended to be levied substantially in arrears, at the end of the third financial quarter of the Co-operative<sup>27</sup> in September each year. CSA will derive revenue by adding a margin to the terms negotiated with suppliers. Such arrangements will be set on a case by case basis with suppliers through the terms and conditions agreed by CSA and offered through the CSA order interface.

The Foundation Board policy is that:

- The Membership Fee for "CSA Year 1" (ending 31 December 2020) will be based on budgeted cash expenditure to 31 December 2020, to be recouped with one payment, paid by 30 September 2020. That is designed to ensure an appropriate cash position for year 2 quarter 1, reliant on the capital funds from the Foundation CCU's.
- Budgeted outgoings are to be designed to be within expected receipts (primarily from Foundation CCUs and Membership Fees) which may include in Year 1. The

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<sup>25</sup> By-laws will be established to address the rules, including considerations for CCU's allowing to mature on the sale of an Associated Controller's last store – the starting position should assume forfeiture, but policy considerations may allow relaxation for when store are kept within the CSA network through succession or sale for the duration of the CCU.

<sup>26</sup> On establishment of the Trading Terms, disclosure will be made to Members.

<sup>27</sup> The Co-operative Financial Year is intended to be by Calendar Year not the traditional tax year.

projections contained in this disclosure are based on actual anticipated applications and excluding applicants who might contribute the value of any "in kind" value offset for CCU's (see footnote 8).

- As trade volumes and membership progresses, operating costs will become funded through the activities of Member trading through the CSA Systems.
- Delivery of cost savings benefit to members through direct delivery of low price and transparent pricing on cost of goods and services is preferred to charging substantive fees to Members or by accumulating, then returning value by rebate.

The apportionment of budgeted cash expenditure through Membership Fees shall be "per Member" (effectively "per store")<sup>28</sup>. Revenue derived by "margin" will naturally be based on volume.

Changes to this start-up strategy shall be notified to Members through disclosure once the systems and operational norms are established.

The Rules of CSA recognise that many stores are owned within a "Group", a "Group" being defined according to common beneficial ownership. Each eligible store within a "Group" must have a nominated "Member". The Rules allow an "Associated Controller" of a Store (ie the owner of the Store) to nominate a person to be "Proxy Representative" of the Member, and hence an "Associated Controller" can control the votes derived from multiple memberships, but the Rules limit a person from controlling more than 20% of the total available votes.

Failure to maintain active membership may lead to cancellation of membership (see rule 15) and that may lead to the forfeiture of Qualifying CCUs and DSC Shares.

Membership remains dependent on:

- the Associated Controller remaining eligible (including discharging its liability for its Trading Account and not being subject to a change of control); and
- the Member remaining the manager of an eligible Associated Member Business nominated by that business' Associated Controller.

### 3.2 Application for membership and shares

Applications for Membership must be lodged at the registered office in the application form approved by the Board<sup>29</sup>, and should be accompanied by payment of a Qualifying CCU, in this case, under this Disclosure Statement, a Foundation CCU.

The price for the issue of a Foundation CCU is \$5,000<sup>30</sup> or \$5,500 for stores that have not contributed to fund Stone Advisory for the period July 2019 to December 2019, see paragraph 2.3 above), which is repayable after 5 years, but apt to be forfeited if the

<sup>28</sup> That apportionment is to be set through Board policy, not through the Rules and may be subject to change with appropriate notification to members and through disclosure statements.

<sup>29</sup> Foundation Members will be invited to join by direct invitation and once established, Application (with published disclosure documents) may be made through the CSA website.

<sup>30</sup> See footnote 5 for circumstances where the face value of the Foundation CCU may be reduced.

Associated Member Business ceases to have an associated Member prior to the maturity of the Unit (5 years).

Members must also contribute (per store) towards the Annual Operating Budget. That budget is set annually in advance, with contributions made substantially in arrears.<sup>31,32</sup>

Every Application for Membership must be in the form approved by the Board (to be available on application and through the website of CSA which is yet to be established) and must be tabled for consideration by the Board. Initial membership will be established by invitation, but the requirements will be published through the CSA website, once established.

A class of share will be issued known as a DSC Share. This DSC Share qualifies the holder to vote on the appointment to the Board of candidates selected by a Director Selection Committee, which committee has the right to fill casual vacancies of the Board and to fill vacancies in the office of Foundation Directors. The DSC Shares may only be held by a Foundation Director and are transferrable only on succession of Foundation Directors. These DSC Shares will be issue for \$100 fully paid, they will carry no right to a dividend and no right to capital beyond a return of their issue price; they carry no right to vote at a meeting of Members. These shares simply qualify the holder to vote on those Board appointments reserved for Director Selection Committee candidates and to participate in the appointment of the Director Selection Committee itself.

Membership is not transferable and Foundation CCUs are not transferrable. DSC Shares are not transferrable except as between outgoing and incoming Foundation Directors.

Every Membership must be attached to:

- an Associated Business Account (the Trading Account with CSA);
- an Associated Member Business;
- a Qualifying CCU; and
- an Associated Controller, which is the entity who beneficially owns the Associated Member Business and holds the Associated Business Account and who also becomes liable to ensure the compliance of their associated Members and meet the Membership Fees of their associated Members.

If the Board approves of the application, then:

- the applicant's name;
- the street address and name of the Associated Member Business;
- the Associated Controller;
- the Proxy Representative of the Member (if any, who must in turn be a Member), if any; and

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<sup>31</sup> At the end of the third financial quarter, at 30 September annually.

<sup>32</sup> The rules for determining the Membership Fees are to be set by the Board. See section 3.1 for the policies of the Board.

- such other information required under the Application Form and by the Law;

must be entered in the register of Members within 28 days of the Board's approval.

The applicant must be notified, in writing, of the entry in the register and the applicant is then entitled to the privileges attaching to membership.

The Board:

- need not assign reasons for the refusal of an application and is entitled to inform itself and make its own inquiry in relation to the applicant and circumstances of the application as it sees fit, without being obligated to do so; and
- may impose such conditions as it sees fit for the grant of credit terms to the Associated Controller of an Applicant, including without limit, the requirement for Security Interests, bonds or guarantees.

On refusal of an application any amounts accompanying the application for membership must be refunded within 28 days without interest.

### 3.3 Rights and liabilities attaching to membership and shareholding

The privileges of membership are:

- The right to acquire goods and services through arrangements struck with suppliers by CSA. Those goods and services shall be available to Members at a standing offer, list price, on the same basis to all Members.
- The right to participate in retail promotions<sup>33</sup> organised through:
  - CSA in conjunction with suppliers with whom CSA has made arrangements;
  - Suppliers with whom CSA has made arrangements.
- The right to receive industry information through CSA.
- The right to attend and vote at meetings of CSA, both at regional and national levels, noting the current intention is for 'regionally' based councils to be established based on member store locations, which do not necessarily coincide with State or Territory boundaries. These regions will be determined by the Board in consultation with membership for convenience of the majority, and member densities.
- The right to receive annual financial information concerning the operations of CSA.

The duties and liabilities of Membership are:

- To acquire at least one CCU per member (per store), for the time being at \$5,000 per Unit or \$5,500 for Stores that have not contributed, through the State Boards of the IGA network to fund Stone Advisory for the period July 2019 to December 2019 for Foundation CCUs (see paragraph 2.3 above).

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<sup>33</sup> The capacity of an Associated Member Business to participate in a given promotion will depend on the character of the business and its capacity to conform to the requirements and the requirements of the supplier.

- To have an Associated Business Account through which trade is conducted through CSA.
- To be an Active Member (as defined by the *Cooperative National Law s.145*).
- To pay the Membership Fee by its due date:
  - the Membership Fee is a levy applying to all Members based on contributions to the Annual Operating Budget (set annually in advance), with member liability accruing substantially in arrears;
  - the division of the Annual Operating Budget across the Membership is set by the Board and will be based<sup>34</sup> per Member, noting a member must give not less than three months written notice to resign.
- To have the Member's Associated Controller assure the payment of the Trading Account and that Associated Controller's associated Member's liabilities to CSA paid and obligations discharged.
- To attend not less than 3 Regional Meetings and one General Meeting, in person or by proxy, annually.
- To remain a Member for a minimum period of three (3) years with a maximum contribution requirement of \$5,000.00 per year, per member.
- In order to participate in those benefits (rebates, co-op distributions are the like) derived from "promotions", a Member must adhere to the requirements published with that promotion.

Through the Application Form, the Associated Controller is required to assure to CSA that the Member's liability to CSA will be paid and their obligations performed (see also Rule 5.1(c)).

### 3.4 Voting rights of members

Each Member is entitled to one vote<sup>35</sup> able to be cast on resolutions posed at regional meetings and at General (National) Meetings.

The Rules allow an "Associated Controller" (ie; the owner of the Associated Member Business) to nominate a person to be "Proxy Representative" of the Member, and hence an "Associated Controller" can control the votes derived from multiple memberships. Those arrangements exist between the Associated Controller and the Member, but are recorded in the Members' Register maintained by CSA.

The Rules and the CNL limit a person from controlling more than 20% of the total available votes.

A Member can appoint a proxy to attend and vote on their behalf; the proxy must be another Member.

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<sup>34</sup> For the time being, unless revised by the Board.

<sup>35</sup> Governed by section 228 of the CNL.

The First Board is expected to serve for the period of five years, in order to establish the business and vision held for CSA. Following that period, the Board is intended to comprise the best Retailer Managers from within the CSA Membership and with independent and supplementary skill sets drawn through a process of identification by a Director Selection Committee. It is in this space that the Director Selection Committee, appointed by the DSC Shareholders has its purpose.

After five years, the Members are entitled to elect a majority of the Board seats, namely seven (7) Directors<sup>36</sup>. The balance of six (6) seats is allocated to the originators of the vision for CSA who will hold their seats for a period of up to 8 years, then becoming subject to appointment and replacement by the Director Selection Committee.

The Director Selection Committee is responsible to replace Directors whose seats become casually vacant; where an ordinary Director seat becomes vacant, then the casual vacancy is filled until the next AGM, whereupon the Board will call for nominees and Membership will ultimately vote if there are more nominees than vacancies. A Foundation Director seat falling vacant is also filled by the Director Selection Committee, with the Director Selection Committee making a new formal appointment of a Foundation Director based on the three of the five remaining Foundation Directors approving a person who has not less than two years recent CSA Board experience, again to be appointed at the next AGM.

The DSC Share serves no other purpose than to define eligibility to be, and be a participant in the appointment of, a Foundation Director, it gives no rights to dividends or return of capital (above its issue price); it gives no membership vote.

Thus, after five (5) years the make-up of the Board shall be:

- seven Member elected Directors; and
- up to Six Directors appointed by DSC Shareholders whose the candidates are to be determined by a Director Selection Committee (Foundation Directors).

This Board structure is designed to deliver long term adherence to the original Co-operative vision, with a majority of the Board drawn from the Members.

The final position is reserved to the Chair, who could be, but is not required to be a professional appointee under contract, but in all cases will be by appointment through the Board.

Note that the Board is unable to contract to sell either the whole or a substantial part of the undertaking of Co-operative without first seeking the approval of the material terms of the contract of sale, to be given by a majority of 75% of the Members at a duly convened general meeting of Members (see Rule 53).

### 3.5 Ceasing membership and forfeiture of shares

A Member may cease to be a Member by giving not less than three calendar months' notice in writing to CSA. Note the "Membership Fee" accrues in arrears and hence arrears shall fall due to the end of the notice period. The fees shall form a debt due, once the fees are struck.

By operation of the Rules a Member shall cease to be a Member if:

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<sup>36</sup> Members become entitled to vote to fill vacancies within the 5 years, noting that eligibility requires nominees to be Founding members or have 5 years membership.



- they cease to meet the qualifications to be a Member, namely:
  - being a Manager of a Nominated Australian Independent Retail Grocery Store;
  - being endorsed by the Associated Controller as the manager of the Associated Member Business; and
  - not being the subject of an unmet demand for the payment of arrears of any Membership Fees which are due and payable to CSA by the Member;
- they cease to be a “Financial Member”, namely that the Members has not been the subject of a determination by the Board that either:
  - their fees due under the Rules are in arrears; or
  - their Associated Business Account (the Trading Account associated with the Member) is in arrears;
- their Associated Controller ceases to be the proprietor, owner or controller of their Associated Member Business;
- their Associated Controller is subject to a 50% change of beneficial ownership or control in a twelve month period;
- CNL s.117 applies, namely:
  - if the Member's membership is cancelled under Part 2.6 (failing to adhere to the Active Membership Test;
  - if the Member is expelled or resigns under the rules of the co-operative;
  - if:
    - the Member becomes bankrupt or the Associated Controller becomes insolvent; or
    - the Member's property becomes subject to control under the law relating to bankruptcy;
  - if the contract of membership is rescinded on the ground of misrepresentation or mistake;
- If CNL s.118 applies, where Shares are redeemed, assigned or forfeited.

Membership is for a minimum period of three (3) years with a maximum contribution requirement of \$5,000.00 per year, per member.

#### **4. PRIMARY ACTIVITY AND ACTIVE MEMBERSHIP**

##### **4.1 Primary activities**

For the purposes of Part 2.6 of the Law, the primary activities of the Co-operative are:

- (a) the exploration and negotiation of opportunities to address the costs of operation and long term sustainability of Australian Independent Retail Supermarket Stores;

- (b) the representation of Members and negotiation with stakeholders of all kinds including, without limit, Governments and their agencies to address costs and benefits affecting the retail and wholesale grocery industry in Australia;
- (c) research and the accumulation of information concerning the retail and wholesale grocery industry in Australia and delivery and use of such information for the benefit of Members; and
- (d) organisation and coordination of supply of labour, goods and services of all kinds to Associated Member Businesses.

## 4.2 Active membership

Each "Member" is admitted to membership in its capacity as a representative of an Associated Member Business. To establish and maintain active membership of the Co-operative a Member must:

- (a) be involved in the management of an Australian Independent Retail Grocery Store which:
  - (i) has nominated the Member as its representation as Member for the purpose of these Rules;
  - (ii) has acquired goods or services under the Co-operative Terms and Conditions at least:
    - A. once in each rolling 2 month period; and
    - B. to the minimum value or volume, if any, set by the Board from time to time over that rolling period;
- (b) continue to represent the Australian Independent Retail Grocery Store nominated by the Associated Controller of that store as their Associated Member Business in the Application Form by which the person became a Member;
- (c) be a Financial Member for the time being (keeping their Trading Account and Annual Fees up to date); and
- (d) devote such time as may be required by the By-laws to "collective work" in the Co-operative's business (presently there is no commitment requirement and any commitment requirements will be subject to disclosure, introduced over time as the systems and operational norms of the Co-operative are established). The commitment will not exceed the amount of time determined by the Members by a two thirds majority, as the Rules provide.

## 5. OPERATION OF THE CO-OPERATIVE

### 5.1 Carrying on primary and other activities

The first budget for CSA addresses the establishment of an office from which the business of CSA shall be conducted.

The business conducted will be:

- (a) establishment of the web based membership communication for:

- (i) the delivery of information between CSA and the Members;
- (ii) ordering and tracking of orders with direct to member suppliers;
- (b) negotiation and establishment of terms with direct to member suppliers;
- (c) administrative and member promotion:
  - (i) establishment of terms for the Trading Accounts;
  - (ii) establishment of staff and administrative systems;
  - (iii) member recruitment;
  - (iv) new membership information, admission and processing;
- (d) establishment of insurances including workers compensation; and
- (e) establishment of accounts and payment systems.

The initial management plan is to build to a staff over time as capacity and budget permit. The forecast structure shall consist of:

- (a) Senior Executive Officer; whether Executive Chairperson or CEO the first of whom will be Warwick White;
- (b) Head of Directs Victoria;
- (c) Head of Directs NSW;
- (d) Head of Directs Qld;
- (e) Finance, IT and Distribution Manager; and
- (f) Administrative support;
- (g) Finance Manager/ IT officer; and
- (h) Administrative support.

But initial operations to which the Budget attached is addressed will commence with;

- (a) Senior Executive Officer;
- (b) Head of Directs Victoria;
- (c) Administrative support

Resources will consist of the establishment of an IT system, business equipment and furniture. Office space for operations for the foreseeable future is supplied by one of the Promoters without cost and will not require additional "fitout" (the space to be identified with that criteria in mind) or basic furniture, basic copiers and the like. Additional IT identified and will be finance leased.

Travel for staff will be through 'travel allowance' (presentation of invoice for redemption) and interstate travel through accounts held with services suppliers.

The establishment of supplier terms will be the role of the executive staff, with approval from the Board. Establishment of the web based Member interface will be contracted.

The “collective work” to be delivered to CSA by Members (under the Active membership requirements) will be on “projects”, the subject matter being guided by the Board with Member input. Such projects will range across the gamut of retailer needs to identify services and goods to be targeted for delivery to Members, through to product placement and promotion and marketing issues and market intelligence.

## 5.2 Details of any pre-registration contracts that have been or will be entered into before registration of the co-operative

All arrangements shall be contingent on the formation of CSA. Pre-registration expenses are funded through Stone Advisory by the IGA State Boards, noting that Stone Advisory has been mandated to establish CSA. Stone Advisory has committed to provide an open working capital balance of \$100,000 for CSA.

## 5.3 Detail any contracts members will have to enter into with the Co-operative

There are no contracts with proposed members or Associated Controllers, other than for the Promoters to become Foundation Members. Each Member must:

- (a) have an Associated Business Accounts through which the Associated Controller shall become liable for the goods and services transacted through CSA;
- (b) acquire at least one Qualifying CCU of face value of \$5,500<sup>37</sup>, presently being the issue price of a Foundation CCU if issued outside the funding support afforded to Stone Advisory by the Applicant's State Board of the IGA Network;
- (c) be liable for a share of the Annual Operating Budget, payable substantially in arrears based on a “per Member” apportionment.

## 5.4 Contracts with promoters or other parties

The Promoters of CSA are the persons listed in Clause 5.5, who have committed the managers of those stores that are listed in annexure B to become Members of CSA, joining those Associated Controllers listed in annexure B to become Associated Business Account holders with CSA.

## 5.5 Details of any interest of proposed directors or members in any contract or proposed contract

The following Promoters of CSA shall have the following remunerated roles within CSA:

Proposed Role	Function of Role
Chair	Executive Chairperson

Mr Warwick White has been appointed to that role.

<sup>37</sup> Future Disclosure may alter this sum.

The following Promoters of CSA shall have the following non- remunerated roles within CSA:

Vasilli Karellas	Director
Ian Ashcroft	Director
Terry Karkazis	Director
Warren Mason	Director
Fred Harrison	Director
Jeff Harper	Director
Mick Daly	Director
Nick Nikitaras	Director
Brad Hopper	Director
Ben Ryan	Director
Rob Outridge	Director

## 6. MANAGEMENT OF THE CO-OPERATIVE

### 6.1 Board of directors

The First Board of Directors will comprise eleven (11) Promoters and a Chair, with the capacity to introduce up to two additional Directors. The Promoters shall each be Members, but the Chair and any independent directors need not be.

The First Board is expected to hold office for the first five (5) years following the official launch. The six Foundation Directors will hold office for up to 10 years following launch. This is to ensure continuity of vision in the establishment of CSA, after which the processes of election and appointment under the Rules shall apply.

Member Directors (which includes the Foundation Directors) will not receive sitting fees, but will be entitled to travel and accommodation expenses (on presentation of receipts) when attending to Board duties, subject to such rules and scrutiny as the Board sees fit.

Independent Director appointments and special appointments may attract sitting fees, as negotiated and approved by the Board, as it sees fit. At this time no persons have been identified as Independent Directors.

In addition to the Members' rights to remove directors under the CN, a 75% majority of the Board can resolve that the Director has not met the performance criteria for the Board (set by the Board); the Director concerned is afforded written notice of the allegations and an opportunity to be heard. Further, the office of director is regarded as vacated if a Director is absent from three consecutive scheduled Directors meetings (for clarity, excluding urgently called meetings).

## 6.2 Election of directors

The process for election and appointment of Directors other than Foundation Directors commences with vacancies under the Rules, noting that to be eligible to hold a Member Board position, the person must be a Foundation Member or have five (5) years continuous active membership of the Co-operative. Casual vacancies stand down at the next AGM, with seats to be filled by member election.

The Initial Member Directors will serve a five year term, but elected thereafter will serve three year terms. Initial Foundation Directors will serve a ten year term and subsequent appointees a three year term.

The Chair will be appointed by the Board under contract and Independent Directors will hold office under contract capable of termination on 30 days' notice. Chair is a remunerated position and may be held by a contracted professional Chairperson. The term of the Chair is subject to contract.

## 6.3 First directors and officers

Name	Office	Associated Controller
Vasilli Karellas	Director	Karellas Investments Pty Ltd
Ian Ashcroft	Director	Ashcrofts Supa IGA Pty Ltd
Terry Karkazis	Director	Karkazis Bros Pty Ltd
Warren Mason	Director	Woonona Supermarket Pty Ltd
Fred Harrison	Director	Ritchies Stores Pty Ltd
Jeff Harper	Director	Bayview Pty Ltd
Mick Daly	Director	MA Daly No.2 Pty Ltd atf Michael Daly Family Trust No. 2 and PC Daly No.2 Pty Ltd atf Peter Daly Family Trust No.2
Nick Nikitaras	Director	Hill Street Grocer
Brad Hopper	Director	HG Retail Pty Ltd
Ben Ryan	Director	Ryans IGA Supermarkets
Rob Outridge	Director	Maleny IGA
Warwick White	Chair	None

## 6.4 Day to day management

The initial management plans to build an initial staff consisting of:

- Executive Chairperson;
- Head of Directs Victoria;
- Head of Directs NSW;
- Head of Directs Qld;
- Finance, IT and Distribution Manager; and
- Administrative support.

The people to fill these positions shall be identified and appointed by the Promoters of CSA. It is not expected that appointments will be made until after incorporation and subject to the securing of funds to match forecast expenditure.

## 7. FINANCIAL INFORMATION

### 7.1 Start-up funds

The membership derived from the Promoters of CSA give:

- a pool of funds following incorporation of \$605,000 from Foundation CCUs; this is based on the persons who have authorised their name to be used in association with this Disclosure Statement and those who have advised Stone Advisory that they will take up membership if invited.

It is desired that the membership base will grow to 180 members during the period following incorporation to 31 March 2020 and hence the initial capital could grow to \$900,000 CCU derived cash as its commencement working capital.

The Promoters of CSA proposed operating CSA in a manner which has the membership funding the operational costs during its formative years, with the intent that the Board will approve an Annual Operating Budget in advance and charge that sum back. This "Membership Fee" is to be apportioned according to the numbers of Members<sup>38</sup>.

The intent is that the operational cost of CSA is funded by the membership, such that CSA does not charge a "profit" component to the facilitation of the goods, services and support to Members. Each Member becomes liable for the Annual Operating Budget, divided across the number of Members, less any retained earnings of CSA after provisioning for Tax and accrued outgoings. This will be mitigated by revenues earned through margins applied to trade prices available through the CSA Order Interface; the desire is to raise funds through that means to cover outgoings after the first two to three years, if not earlier.

The Business model for CSA is one under which an Annual Operating Budget is set in advance, and paid substantially in arrears, mitigated by the margin on trades. Members must contribute to the Annual Operating Budget by September 30 each year, noting that

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<sup>38</sup> That could be modified prior to the formal invitation to open memberships beyond the Foundation

the CCU pool of funds shall be applied as working capital to defray cashflow shortfall. Operating costs could be defrayed by a service charge of transactions through the CSA system, of a level to be determined, but the current intention is to demonstrate the "price benefit" of collective behaviour.

Through this, the start-up strategy is to demonstrate and maximise price benefits able to be passed to Members in the supply terms of goods and services.

In the course of arrangements, CSA may earn income from suppliers of goods or services in the course of their supply to Members, and CSA could use that source to fund costs, but that is not the proposed start-up operational model for CSA.

## 7.2 Formation expenses

The establishment of CSA and the costs associated with applying to the ACCC for s.88 Authorisation is funded by Stone Advisory, with no obligation on CSA to remit payment to Stone Advisory. Part of Stone Advisory's commitment is to leave ensure adequate start-up capital for CSA and it has committed to fund an opening balance for CSA of \$100,000 without any obligation to repay.

The balance of formation costs relate to commencing business operations.

Topic	Description	Allowance incl GST	
Legal	Legal costs of establishment have been born by Stone Advisory. Expending quoted in the budget annexed address terms of engagement and contractual review:  preparing trading terms, employment terms, appointment documents and incidental matters	\$50,000	
Accounting	Establishment of a Chart of Accounts and financial reporting system - will be guided by external accounts.	\$20,000	
Office/Rent	A short term right of occupation has been agreed with a CSA Member at no cost, which shall be furnished office space. Incidental furniture, stationary and has been given an	\$0	



	allowance		
Corporate Image	preparation of logo, corporate imagery	\$25,000	
Information Technology	Establishment of website and order system	\$65,000	
Website	Framework and hosting	\$25,000	
		\$185,000.00	

### 7.3 Returns to members

Returns to members shall be in the form of:

- price of the supplier of goods and services to be made available through CSA;
- the opportunity to participate, from time to time, in promotions arrangement with suppliers; and
- the benefit of independent information concerning the industry and industry risk.

Each Member will have to assess for itself whether the prices and benefits available through CSA justify contributing to CSA's cost of operation and the risk of CCU forfeiture; CSA is intended to deliver benefits through a transparent, flat volumetric basis on purchase volume and participation.

### 7.4 Accounting and auditing

CSA proposes to have a financial year that runs from 1 January to 31 December each year. The first "budget year" will be from formation, expected in early September 2019 through to 31 December 2020.

CSA shall maintain an internal bookkeeper and an external compliance accountant.

The accounts of CSA shall be audited by an appropriately qualified auditor, to be appointed.

## 8. RISKS

The Board does not intend to issue Shares or CCU's other than fully paid. As such the paid up capital of each Share and CCU is at risk of loss on a winding-up and of forfeiture:

- in the event of a winding up, where the value will only be repaid from a surplus of assets to liabilities, with:
  - CCU's having priority over shares for the face value of issue;
  - shares having priority over returns to members;

- the balance distributed amongst the Members on an average trading value over 2 years; and

- if the Associated Member Business ceases to have an associated Member prior to the maturity of the Unit (5 years).

Other risks of Membership include:

- Liability for the share of the Annual Operating Budget, payable substantially in arrears, noting that a member may resign by giving three months written notice.

If there is a shortfall in assets to liability on a winding up, any return of capital made within two years of the Co-operative being wound up is apt to be returned to the Liquidator.

The initial Cashflow Budget is attached as Annexure A.

## 9. LIST OF ANNEXURES

Annexure A	Projected income and expenditure Statement and Cash Flow Budget
Annexure B	List of Promoters and Committed Stores

## 10. FURTHER INVESTIGATION

CSA confirms that each the following persons have consented in writing to their name being used in this Disclosure Statement and to the context of the use of their name:

- each of the Listed Directors;
- the Chair;
- each of the Promoters; and
- Stone Advisory Pty Limited.

### DISCLAIMER OF LIABILITY

This disclosure statement has been approved by the Registrar of Co-operatives for the purpose of section 25(4) of the Co-operatives National Law (NSW) (the CNL). This approval is not to be taken in any way as an indication that the disclosure statement sets out all information that may be relevant to the proposal.

Approval does not relate in any way to the merits or otherwise of the co-operative's proposed activities. No responsibility as to the contents of the disclosure statement and attachments and annexures that form part of this document and the associated Rules which collectively make up the formation documentation, is to be taken by the Registrar, NSW Fair Trading or by any of its servants or agents.


The responsibility for ensuring that the CNL has been complied with in the preparation of the disclosure statement lies with those issuing the statement. Persons making false or misleading statements in a disclosure statement may be liable for criminal penalties and expose themselves to civil liability to anyone who suffers loss as a consequence.

CERTIFICATION

We the undersigned, certify that this is a copy of the disclosure statement which was presented to the formation meeting on 14/10/2019 for the purpose of forming a co-operative to be known as:

Co-Operative Supermarkets Australia Limited

Signature  Chairperson of formation meeting

Signature  Secretary of formation meeting

*Note: This certification is signed at the Formation meeting which is held after the draft formation documentation which includes the Rules and the Disclosure Statement that have been approved by Registry Services and returned to the sponsors of the proposed co-operative.*

**PROJECTED INCOME AND EXPENDITURE STATEMENT****CO-OPERATIVE SUPERMARKETS AUSTRALIA LIMITED**

FOR THE PERIOD TO 30 June 2020

Sales and Membership Fees based on 180 members	\$900,000	
Plus Working Capital grant from Stone Advisory	\$100,000	
Less		
• Executive staff:		\$600,000
• Administrative Support		\$90,000
• Rent, insurance, audit, legals		\$100,000
• Travel		\$50,000
• PR		\$40,000
• IT		\$90,000
Less Contingency		\$30,000
Projected Profit:	\$0	
Projected Dividends or Rebates	\$0	
	<b>\$1,000,000</b>	<b>\$1,000,000.00</b>

This statement:

- assumes no margin being taken on goods or services traded through CSA, understating the potential revenue, yet it is proposed as policy to use at least part of that margin to address operating costs and reduce Annual Membership Fees, hence this approximates a "net" position as regards "margin".
- Treats working capital raised by Qualifying CCU's as capital, using the base issue price at \$5,000 per CCU, hence not accounting for post "Sunset Date" increases in capital contribution.

**CO-OPERATIVE SUPERMARKETS AUSTRALIA LIMITED**

FOR THE PERIOD TO 31 December 2020

ESTIMATES FOR YEAR 2020

<b>Income</b>		
<b>Cash</b>		
Opening Balance		\$100,000
Foundation CCU's		\$900,000
Loans		\$0
Membership Fee and Income* recouped in arrears.		\$900,000
<b>Total Cash Receipts</b>		<b>\$1,900,000.00</b>

<b>Expenditure (net of GST)</b>		
<b>Executive staff:</b>		<b>\$600,000</b>
Administrative Support		\$90,000
Rent		\$0
Insurance, audit, legals		\$100,000
Travel		\$50,000
IT		\$90,000
PR		\$40,000
Contingency		\$30,000
Tax (assuming contingency is spent)		\$0
<b>Total Outgoings</b>		<b>\$1,000,000.00</b>
<b>CLOSING BANK BALANCE<sup>39</sup></b>		<b>\$900,000</b>

<sup>39</sup> The Cash balance will be adjusted down by any "in kind" assets received in lieu of Foundation CCU face value, but noting the intention is that in kind contribution of operational assets will be: a) at value; and b) not repayable – hence adding to the balance sheet value.

	<b>Promoter</b>	<b>Associated Controller</b>	<b>Business Store</b>	<b>Business Address</b>
1.	Fred A Harrison	Ritchies Stores Pty Ltd	Amberley Park	245 Ormond Road, NARRE WARREN SOUTH VIC 3805
2.	Fred A Harrison	Ritchies Stores Pty Ltd	Ararat	58-66 Vincent Street, ARARAT VIC 3377
3.	Fred A Harrison	Ritchies Stores Pty Ltd	Aspendale Gardens	Shop 1, 11 Narelle Drive, ASPENDALE GARDENS VIC 3195
4.	Fred A Harrison	Ritchies Stores Pty Ltd	Bairnsdale	30 Howitt Avenue, EASTWOOD VIC 3875
5.	Fred A Harrison	Ritchies Stores Pty Ltd	Balnarring	1 Russell Street, BALNARRING VIC 3926
6.	Fred A Harrison	Ritchies Stores Pty Ltd	Beach St	207-211 Beach Street, FRANKSON VIC 3199
7.	Fred A Harrison	Ritchies Stores Pty Ltd	Beechworth	24 Loch Street, BEECHWORTH VIC 3747
8.	Fred A Harrison	Ritchies Stores Pty Ltd	Bright	16 Ireland Street, BRIGHT VIC 3741
9.	Fred A Harrison	Ritchies Stores Pty Ltd	Camperdown	139 Manifold Street, CAMPERDOWN VIC 3260
10.	Fred A Harrison	Ritchies Stores Pty Ltd	Carrum Downs	Shop 9, 1095 Frankston Dandenong Road, CARRUM DOWNS VIC 3201
11.	Fred A Harrison	Ritchies Stores Pty Ltd	Churchill	Hazelwood Shopping Centre, 5-8 Georgina Way, CHURCHILL VIC 3842
12.	Fred A Harrison	Ritchies Stores Pty Ltd	Cobden	24 Curdie Street COBDEN VIC 6266
13.	Fred A Harrison	Ritchies Stores Pty Ltd	Cobram	47 Bank Street, COBRAM VIC 3644
14.	Fred A Harrison	Ritchies Stores Pty Ltd	Cranbourne	23 High Street, CRANBOURNE VIC 3977
15.	Fred A Harrison	Ritchies Stores Pty Ltd	Diamond Creek	64 Main Hurstbridge Bridge, DIAMOND CREEK VIC 3089
16.	Fred A Harrison	Ritchies Stores Pty Ltd	Dromana	Cnr O'Donohue Street & Point Nepean Road, DROMANA VIC 3936
17.	Fred A Harrison	Ritchies Stores Pty Ltd	East Bentleigh	10-16 Heather Street, EAST BENTLEIGH VIC

## Annexure B

				3165
18.	Fred A Harrison	Ritchies Stores Pty Ltd	Emerald	342 Belgrave-Gembrook Road, EMERALD VIC 3782
19.	Fred A Harrison	Ritchies Stores Pty Ltd	Griffith	Shop 1, 10-12 Yambil Street, GRIFFITH NSW 2680
20.	Fred A Harrison	Ritchies Stores Pty Ltd	Hamilton	72 Lonsdale Street, HAMILTON VIC 3300
21.	Fred A Harrison	Ritchies Stores Pty Ltd	Hastings	Cnr High & Salmon Street, HASTINGS VIC 3915
22.	Fred A Harrison	Ritchies Stores Pty Ltd	Irymple	2109-2111 Fifteenth Street, IRYMPLE VIC 3498
23.	Fred A Harrison	Ritchies Stores Pty Ltd	Kyabram	24 Albion Street, KYABRAM VIC 3620
24.	Fred A Harrison	Ritchies Stores Pty Ltd	Maffra	102 Johnson Street, MAFFRA VIC 3860
25.	Fred A Harrison	Ritchies Stores Pty Ltd	Merbein	100/106 Commercial Street, MERBEIN VIC 3505
26.	Fred A Harrison	Ritchies Stores Pty Ltd	Mildura	103-123 Deakin Street, MILDURA VIC 3500
27.	Fred A Harrison	Ritchies Stores Pty Ltd	Miners Rest	181-183 Howe Street, MINERS REST VIC 3352
28.	Fred A Harrison	Ritchies Stores Pty Ltd	Mt Eliza	89 Mt Eliza Way, MT ELIZA VIC 3930
29.	Fred A Harrison	Ritchies Stores Pty Ltd	Mt Martha	8-16 Lochiel Avenue, MT MARTHA VIC 2930
30.	Fred A Harrison	Ritchies Stores Pty Ltd	Mt Waverley	283 Stephenson's Road, MT WAVERLEY VIC 3149
31.	Fred A Harrison	Ritchies Stores Pty Ltd	Narre Warren	14 Webb Street, NARRE WARREN VIC 3805
32.	Fred A Harrison	Ritchies Stores Pty Ltd	Paynesville	3-5 Wellington Street, PAYNESVILLE VIC 3880
33.	Fred A Harrison	Ritchies Stores Pty Ltd	Red Cliffs	1-13 Ilex Street, RED CLIFFS VIC 3496
34.	Fred A Harrison	Ritchies Stores Pty Ltd	Ringwood Nth	204 Warrandyte Road, RINGWOOD NTH VIC 3134
35.	Fred A Harrison	Ritchies Stores Pty Ltd	Robinvale	1-12 Latje Road, ROBINVALE VIC 3549
36.	Fred A Harrison	Ritchies Stores Pty Ltd	Rowville	Shop 18, 110 Wellington Road, ROWVILLE VIC 3178
37.	Fred A Harrison	Ritchies Stores Pty Ltd	Sale	177-197 York Street, SALE VIC 3850

## Annexure B

38.	Fred A Harrison	Ritchies Stores Pty Ltd	Seaford	280 Seaford Road, SEAFORD VIC 3198
39.	Fred A Harrison	Ritchies Stores Pty Ltd	Somerville	2 Eramosa Road East, SOMERVILLE VIC 3912
40.	Fred A Harrison	Ritchies Stores Pty Ltd	Sorrento	108 Ocean Road, SORRENTO VIC 3943
41.	Fred A Harrison	Ritchies Stores Pty Ltd	Stawell	126-130 Main Street, STAWELL VIC 3380
42.	Fred A Harrison	Ritchies Stores Pty Ltd	Tatura	2-4 Walshe Street, TATURA VIC 3616
43.	Fred A Harrison	Ritchies Stores Pty Ltd	Timboon	27 Main Street, TIMBOON VIC 3268
44.	Fred A Harrison	Ritchies Stores Pty Ltd	Towerhill	Cnr Golf Links/Hastings Roads, FRANKSTON VIC 3199
45.	Fred A Harrison	Ritchies Stores Pty Ltd	Wantirna	29 The Mall Shopping Centre, Mountain Hwy, WANTIRNA VIC 3152
46.	Fred A Harrison	Ritchies Stores Pty Ltd	Warracknabeal	141 Scott Street, WARRACKNABEAL VIC 3393
47.	Fred A Harrison	Ritchies Stores Pty Ltd	Wentworth	11-13 Sandwych Street, WENTWORTH NSW 2648
48.	Fred A Harrison	Ritchies Stores Pty Ltd	Wonthaggi	160 Graham Street, WONTHAGGI VIC 3995
49.	Fred A Harrison	Ritchies Stores Pty Ltd	Yarra Glen	Shop 1, 38 Bell Street, YARRA GLEN VIC 3775
50.	Fred A Harrison	Ritchies Stores Pty Ltd	Yarrawonga	2-10 Belmore Street, YARRAWONGA VIC 3730
51.	Fred A Harrison	Ritchies Stores Pty Ltd	Ballina	44 Pacific Highway, BALLINA NSW 2478
52.	Fred A Harrison	Ritchies Stores Pty Ltd	Boonah	58 High Street, BOONAH QLD 4310
53.	Fred A Harrison	Ritchies Stores Pty Ltd	Daisy Hill	Shop M1, 3-5 Cupania Street, DAISY HILL QLD 4127
54.	Fred A Harrison	Ritchies Stores Pty Ltd	Evans Head	39-41 Woodburn Street, EVANS HEAD NSW 2473
55.	Fred A Harrison	Ritchies Stores Pty Ltd	Inverell	99-119 Byron Street, INVERELL NSW 2360
56.	Fred A Harrison	Ritchies Stores Pty Ltd	Kyogle	Shop 5 / 17-31 Summerland Way, KYOGLA NSW 2474
57.	Fred A Harrison	Ritchies Stores Pty Ltd	Logan Discount Warehouse	Logan City Shop Centre/ Cnr Wembley & Kingston Rd, LOGAN CENTRAL QLD



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58.	Fred A Harrison	Ritchies Stores Pty Ltd	Boambee	Cnr Lynden and Bruce King Drive, BOAMBEE NSW 2452
59.	Fred A Harrison	Ritchies Stores Pty Ltd	Coffs Harbour	Park Beach Plaza 5/253 Pacific Highway, COFFS HARBOUR NSW 2450
60.	Fred A Harrison	Ritchies Stores Pty Ltd	Harrington Waters	Harbour Blvd, Harrington Waters Estate, HARRINGTON NSW 2427
61.	Fred A Harrison	Ritchies Stores Pty Ltd	Nambucca Heads	Shop 25, 2191 Giinagay Way, NAMBUCCA HEADS NSW 2448
62.	Fred A Harrison	Ritchies Stores Pty Ltd	Port Macquarie	Shop M2, 40 Horten Street, PORT MACQUARIE NSW 2444
63.	Fred A Harrison	Ritchies Stores Pty Ltd	Taree	24-32 Manning Street, TAREE NSW 2430
64.	Fred A Harrison	Ritchies Stores Pty Ltd	Bateau Bay	Shop 2/161-173 Cresthaven Ave, BATEAY BAY NSW 2261
65.	Fred A Harrison	Ritchies Stores Pty Ltd	Broadmeadow	12 Ailsa Road, BROADMEADOW NSW 2292
66.	Fred A Harrison	Ritchies Stores Pty Ltd	Cessnock	2A/195-200 Woolombi Road, CESSNOCK NSW 2325
67.	Fred A Harrison	Ritchies Stores Pty Ltd	Elmore Vale	Shop 1-137 Croudace Road, ELERMORE NSW 2287
68.	Fred A Harrison	Ritchies Stores Pty Ltd	Erina	Shop 3, 216-218 The Entrance Road, ERINA NSW 2250
69.	Fred A Harrison	Ritchies Stores Pty Ltd	Erina Heights	375 The Entrance Road, ERINA HEIGHTS NSW 2260
70.	Fred A Harrison	Ritchies Stores Pty Ltd	Kurri Kurri	178 Lang Street, KURRI KURRI NSW 2327
71.	Fred A Harrison	Ritchies Stores Pty Ltd	New Lambton	73 Regent Street, NEW LAMBTON NSW 2305
72.	Fred A Harrison	Ritchies Stores Pty Ltd	North Ryde	Shop 16 / 203-211 Cox's Road, NORTH RYDE NSW 2113
73.	Fred A Harrison	Ritchies Stores Pty Ltd	Singleton Plaza	U11 Singleton Plaza cnr John & Gowrie Street, SINGLETON NSW 2330

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74.	Fred A Harrison	Ritchies Stores Pty Ltd	Spit Junction	Bridge Point Shopping Centre, Brady Street, SPIT JUNCTION NSW 2088
75.	Fred A Harrison	Ritchies Stores Pty Ltd	Taren Point	123 Parraweena Road, TAREN POINT NSW 2229
76.	Michael Andrew Daley	MA Daly No.2 Pty Ltd atf Michael Daly Family Trust No. 2 and PC Daly No.2 Pty Ltd atf Peter Daly Family Trust No.2	Daly's IGA - Heywood	60-64 Edgar Street HEYWOOD VIC 3004
77.	Michale Andrew Daley	MA Daly No.2 Pty Ltd atf Michael Daly Family Trust No. 2 and PC Daly No.2 Pty Ltd atf Peter Daly Family Trust No.2	Daly's IGA & Liquor - Koroit	150 Commercial Road, KOROIT VIC 3282
78.	Michale Andrew Daley	Kevmille Pty Ltd	Daly's SUPA IGA & Liquor - Portland	22-24 Percy Street, PROTLAND VIC 3282
79.	Ian Ashcroft	Ashcrofts Supa IGA Pty Ltd	Ashcroft's IGA Dubbo	95 Tamworth Street DUBBO NSW 2830
80.	Ian Ashcroft	Ashcrofts Supa IGA Pty Ltd	Ashcroft's SUPA IGA Orange	210 Peisley Street ORANGE NSW 2800
81.	Ian Ashcroft	Ashcrofts Supa IGA Pty Ltd	Ashcroft's SUPA IGA Orange	82-104 Summer Street ORANGE NSW 2800
82.	Ian Ashcroft	Ashcrofts Supa IGA Pty Ltd	Ashcroft's SUPA IGA Moss Vale	11-13 Clarence Street MOSS VALE NSW 2577
83.	Ian Ashcroft	Ashcrofts Supa IGA Pty Ltd	Ashcroft's IGA Erskine Park	Cnr Peppertree & Swallow Street ERSKINE PARK NSW 2759
84.	Warren Mason	Woonona Supermarket Pty Ltd	IGA Woonona	4-10 Russell Street, WOONONA NSW 2517
85.	Bradley Charles Hopper	Lunar Investments Pty Ltd	IGA Milton	12 Baroona Road, MILTON QLD 4064
86.	Bradley Charles Hopper	Lunar Investments Pty Ltd	IGA Marketplace Brunswick St	562 Brunswick Street, NEW FARM QLD 4005
87.	Bradley Charles Hopper	QWA Investments Pty Ltd	IGA Marketplace Cleveland	Cnr Shore St W & Wellington Street, CLEVELAND QLD 4163
88.	Bradley Charles Hopper	Nocturnal Investments Pty Ltd atf The Daylight	IGA East Brisbane	33 Lytton Road, EAST BRISBANE QLD 4169

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		Trust		
89.	Bradley Charles Hopper	Nocturnal Investments Pty Ltd atf The Daylight Trust	IGA Marketplace Greenslopes	620 Logan Road, GREENSLOPES QLD 4120
90.	Bradley Charles Hopper	Orbit Holdings Pty Ltd	IGA Marketplace St Lucia	240 Hawken Drive, ST LUCIA QLD 4067
91.	Bradley Charles Hopper	Hofe Supermarkets Pty Ltd	IGA Marketplace Wises Rd	32 Wises Road, MAROOCHYDORE QLD 4558
92.	Bradley Charles Hopper	Hook Supermarkets Pty Ltd	IGA Maroochydore	1/69 Maud Street, MAROOCHYDORE QLD 4558
93.	Vasilli Karellas	Karellas Investments Pty Ltd	SUPA IGA Blaxland	152 Great Western Highway, BLAXLAND NSW 2774
94.	Vasilli Karellas	Karellas Investments Pty Ltd	SUPA IGA Cremorne	287-305 Military Road, CREMORNE NSW 2090
95.	Vasilli Karellas	Karellas Investments Pty Ltd	SUPA IGA Pyrmont	63 Miller Street, PYRMONT NSW 2009
96.	Vasilli Karellas	Karellas Investments Pty Ltd	Supamart Tramsheds	1 Dalgai Way, FOREST LODGE NSW 2037
97.	Vasilli Karellas	Karellas Investments Pty Ltd	Supamart IGA Pennant Hills	Cnr Ramsay & Hill Crest Roads, PENNANT HILLS NSW 2120
98.	Vasilli Karellas	Andmar Pty Ltd	Supamart IGA Lindfield	27 Lindfield Avenue, LINDFIELD NSW 2070
99.	Vasilli Karellas	Andmar Pty Ltd	Supamart IGA Rose Bay	1-5 Dover Road, ROSE BAY NSW 2029
100.	Jeff Harper	Bayview Pty Ltd	Southbank IGA Express	89-91 City Road, SOUTHBANK VIC 3006
101.	Jeff Harper	Bayview Pty Ltd	Ashburton IGA	219 High Street ASHBURTON VIC 3147
102.	Ben Ryan	Ryans IGA Supermarkets	IGA Northway	Cnr Norman & Doveton Streets, BALLARAT NORTH VIC 3350
103.	Ben Ryan	Ryans IGA Supermarkets	IGA Midvale	1168-1174 Geelong Road, MT CLEAR 3350
104.	Ben Ryan	Ryans IGA Supermarkets	IGA Pleasant Park	Cnr Surt & Pleasant Streets, BALLARAT VIC 3350
105.	Ben Ryan	Ryans IGA Supermarkets	IGA Torquay	1-17 Gilbert Street, TORQUAY VIC 3228
106.	Ben Ryan	Ryans IGA Supermarkets	IGA Beaufort	39 Neill Street, BEAUFORT VIC 3373

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107.	Terry Karkazis	Karkazis Bros Pty Ltd	Drakeford IGA	U10 13/9 Jenke Circuit, KAMBAH ACT 2902
108.	Terry Karkazis	Karkazis Bros Pty Ltd	Nicholls IGA	88 Kelleway Avenue, NCHOLLS ACT 2913
109.	Terry Karkazis	Karkazis Bros Pty Ltd	Deakin IGA	2-4 Duff Place, DEAKIN ACT 2600
110.	Nick Nikitaras	Hill Street Grocer	Blackmans Bay	5 Opal Drive Blackmans Bay TAS 7052
111.	Nick Nikitaras	Hill Street Grocer	Lauderdale	528 South Arm Road Lauderdale TAS 7021
112.	Nick Nikitaras	Hill Street Grocer	South Hobart	362 Macquarie Street South Hobart TAS 7004
113.	Nick Nikitaras	Hill Street Grocer	Dodges Ferry	60 Carlton Beach Road Dodges Ferry TAS 7173
114.	Nick Nikitaras	Hill Street Grocer	New Town	2 Augusta Road Newtown TAS 7008
115.	Nick Nikitaras	Hill Street Grocer	West Hobart	70 Arthur Street West Hobart TAS 7000
116.	Nick Nikitaras	Hill Street Grocer	Devonport	48-54 Oldaker Street Devonport TAS 7310
117.	Nick Nikitaras	Hill Street Grocer	Longford	7a Wellington Street Longford TAS 7301
118.	Nick Nikitaras	Hill Street Grocer	Hill Street Latrobe	108-114 Gilbert Street Latrobe TAS 7307
119.	Nick Nikitaras	Hill Street Grocer	Hill Street Sandy Bay	2 Churchill Avenue Sandy Bay TAS 7005
120.	Rob Outridge	Maleny Fresh Foods Pty Ltd ATF Maleny Fresh Foods Trust	Maleny IGA	26 Maple Street Maleny QLD 4552
121.	Rob Outridge	Maleny Fresh Foods Pty Ltd ATF Maleny Fresh Foods Trust	Mundubbera IGA	48-50 Lyons Street Mundubbera Qld 4626