

FOODWORKS

What can we do for you today?



Australian United Retailers Limited
Annual Report 2005

Chairman's Report

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

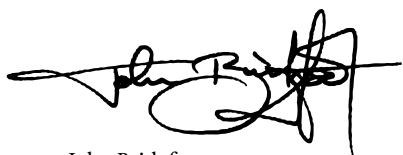
We will remember the 2004/2005 year as the time in which hundreds of independent retailers on the Australian eastern seaboard took a bold step towards securing their future. As the last remaining significant independent retail groups, the former FoodWorks Supermarket Group (FSG) and Australian United Retailers (AUR) had long been rivals – sometimes bitter rivals. This year though, the members agreed that the things that unite independent retailers are far stronger and more important than the things that in the past have divided us.

The 2004 calendar year began with the Boards of FSG and AUR agreeing that, in principle, a future together offered more promise than either group could contemplate alone. Jointly they engaged world renowned consultants Booz Allen Hamilton (BAH) to assist the Boards to objectively analyse the future for independent retailers in the face of a rapidly restructuring industry. From this process emerged the report *The Case For Change*, an utterly compelling argument that only together could the groups secure a strong and viable future for their members in the industry.

Following a process of due diligence and disclosure which was facilitated by BAH, in August 2004 the FSG and AUR Boards agreed in principle to merge the companies, subject to member approval. A Memorandum of Understanding was signed and each organization embarked upon a series of member meetings to explain the case for change. On the fourteenth of October the companies released a very detailed Offer Information Statement to all members, which spelled out the rationale of the proposed merger and disclosed the expected outcomes, financial and otherwise, for the first few years of the merged company.

In excess of 98% of the members of FSG and AUR voted in favour of a merger of the groups at meetings held on the twenty-eighth of October 2004. From this overwhelming expression of desire for a united future was born the company Australian United Retailers Limited and the reinvigorated retail brand, Foodworks.

This Annual Report chronicles the achievements of our new group in its early days. It is a report of significant positive outcomes which I believe justifies the optimism and the boldness of the many hundreds of members who voted to create a new company and a new truly independent force in Australian retailing. On behalf of the Board of Directors and the staff of Australian United Retailers Limited, I thank the shareholders for their support and congratulate them for daring to aggressively shape their futures together.



John Bridgfoot
CHAIRMAN

CEO's Report

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

The collective efforts of our Board, support staff and retailer members during the past 12 months have positioned the Company well for the future. The merger of AUR and FoodWorks has created a sound base for continued growth and improvement in building the wealth of our shareholders. Highlights of the financial performance of the business include:

- Overall financial results of the business above plan
- EWW volume and revenue collection above plan
- Costs contained at planned levels
- Net profit before tax of \$238,558 (above plan)
- Shareholder returns (dividend of 46.9% direct cash rebate, and 18.5% in non-cash dividend for a total of 65.4% revenue return to shareholder).

The strategic agenda for the year was dominated by moving the new merged entity from concept to operation through to completed consolidation of the pre-merger AUR and FoodWorks corporate entities. The business has 695 shareholders, including 338 bannered (branded) stores as at 30 June 2005.

All Directors, Staff and Shareholders of FoodWorks commit to work as a team by:

- Creating a commercially focused performance driven work environment in which people learn, grow and respect each other.
- Being accountable for meeting all their responsibilities and doing what they say.
- Creating a culture of continuous improvement in the standards, performance and quality of the business.
- Acting with honesty and integrity in all personal and commercial dealings with others.

At FoodWorks we embrace the future and move forward confidently as we continue to evolve and develop our business model to the ever changing needs of our retail members and consumers.

STRATEGY IMPLEMENTATION

Brand

The new FoodWorks brandmark and store design was born out of the merger in late 2004 of the former FoodWorks and AUR groups. It was decided by shareholders that in moving forward the group would be united under a single brand named FoodWorks.

The new store livery and brandmark design was created by leading brand specialists R-Co, whose portfolio of work includes the 2006 Commonwealth Games logo, 2000 Sydney Olympics, National Australia Bank, ANZ and Brandsmart. The new brand and its representation in store are seen as a rallying point under which the new customers will unite and engage the future with the utmost confidence.

The culmination of our new FoodWorks brand development is embraced by a new detailed Brand Identity Design Manual that will facilitate consistent use of the brand mark and all of its applications throughout the FoodWorks network. As part of the brand development our new business has further developed the website, in particular the contents within the password protected member's section.



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Project Unite

The mammoth rebranding program that was born out of the merger of AUR and FoodWorks was named Project Unite. More than just another 'paint up' the new brandmark and store livery design signifies a fresh beginning for this growing group of nearly 700 independent supermarket and convenience stores across Australia.

We are very excited and proud of our new brand. The new brand identity is a tangible expression of who we are, what we stand for and embraces the strength of our future positioning in the market. Our new look is clear, confident, memorable and distinctive and reflects our vision for FoodWorks.

From the initial design stage the concept was then prototyped at two locations to further refine the store livery and test the design intent in a real life situation. From there a national tender for the project was carried out.

The physical roll out of Project Unite converts stores by television media regions, so once an area's rebranding was completed this could be followed by a television, radio and mobile billboard campaign.

Project Unite will be completed by December 2005.

Marketing

'What can we do for you today?'

The centerpiece of the FoodWorks advertising campaign is the tagline "What can we do you today?" However, this is not just some abstract advertising idea, it's a platform that the entire FoodWorks organisation, from stores to support offices, can use and benefit from.

It is a platform that perfectly encapsulates the thinking behind our Customer Value Proposition that 'we're closer to our customers' because rather than sounding like a brand talking to the masses, it sounds like a personal exchange between two people.

'What can we do for you today?' is colloquial and personal. Many of our competitors couldn't say it to you, because they're not capable of genuinely personal, individual service. Of really understanding what you as an individual (as opposed to a demographic) want.

It positions FoodWorks as an organisation that is 'closer to its customers' because our people react to the individual...we can and do offer personal service.

It communicates that FoodWorks as a store or an organisation is there for you every day. The 'today' element of the positioning serves a very real purpose: to let people know that we're the sort of place you can feel comfortable using every day. It also acknowledges that your daily needs do change and it reinforces that we're prepared to adapt to meet your changing needs... today it might be individual service, responsiveness and a bright clean store environment. As we move forward it might be great value, quality private label products, greater range of fresh produce and a community support program. The possibilities for 'What can we do for you today' are only limited by the needs of our customers.



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Importantly, 'What can we do for you today?' isn't a statement, it's an invitation. It doesn't just passively sit there on the bottom of the page, it invites you into our stores and asks you to help 'shape' the FoodWorks brand and promise.

As the advertising campaign elements demonstrate, it's a brand-building positioning. But it's more than that... 'What can we do for you today?' is a deliverable positioning that resonates clearly with our customers, store owners and staff; it is the new FoodWorks mantra.

Advertising Campaign

A new FoodWorks advertising campaign made up of TV, radio and mobile billboards has been launched, as each media region's store rebranding is completed.

The campaign program was presented to members at a series of meetings based on media regions, along the eastern seaboard of Australia. We have been delighted with the response to the campaign from our members including strong support for our tagline "What can we do for you today?". Additionally, we have had the opportunity to conduct consumer/customer focus groups which have also been positive in regard to the key advertising campaign messages being communicated to consumers in the marketplace.

The campaign was developed by FoodWorks' advertising agency – Smart and features four television commercials, two radio advertisements and two mobile billboards executions. Accompanying material also includes new handbill design, local press templates, point of sale tickets and a new uniform wardrobe.

Additional local area marketing materials for the stores has also been prepared for the network to clearly communicate to customers about the changes taking place including press releases, local press templates and other assorted collateral.

Merchandising

The merchandising function has worked to position our business strongly across our supplier base and with our warehouse supplier Metcash Trading Australasia Ltd. Key merchandising drivers are to build store sales, grow store income, lift compliance levels, assess the requirements for a new pricing strategy, develop an appropriate core product range across multiple store tierings and lift the overall capacity of the merchandising function consistent with a highly competitive marketplace.

Best Buy

FoodWorks' private label products are marketed under the Best Buy brand. The range consists of quality products in terms of both product content and packaging design. All products in the range are sold exclusively through the Australian United Retailer Limited network of stores.

From a customer perspective the emphasis of the Best Buy brand is on increased customer value, being of equal quality as national branded products on the market but at a more competitive price point. Identifying the Best Buy customer as a savvy and more discerning shopper, who knows they don't have to sacrifice quality when purchasing products carrying the Best Buy label.

Our customers will feel they have made a considered, smart choice in selecting to purchase Best Buy products.



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From a retailer member's perspective the Best Buy range provides improved gross profit, a competitive offer and an exclusive brand not available at competitor's stores – a genuine point of difference.

The Best Buy program is supported by both strong point of sale and regular consumer promotions to drive customer trial of the product.

Plus where ever and when ever feasible we will also work towards sourcing our Best Buy range from Australian manufacturers and ingredients.

Private Label brands are now perceived as an established part of the supermarket and convenience store offer and an important strategic platform in building the FoodWorks brand as the brand of first choice for customers.

Organisation Re-engineering

During the early stages of our new business operation we conducted an overview of the requirements of the support offices in regard to peoples experience, skills and capacity in meeting the new businesses requirements. This was done using a very structured process by Futurestep, one of Australia's leading organisational development consultants. Existing staff members were put through a formal review process where they competed for positions that were available in the new business entity.

A decision was taken early in the operation phase that we would recruit high calibre individuals to fill all of the management team positions. It was also decided that the field operations team would not go through this review process until after the merger consolidation so that continuity between the support offices and our retail members would remain strong and consistent throughout the merger process.

The process of re-engineering the organisation has continued with merchandising going through a comprehensive review in the third quarter of the financial year, followed by business development. It is the intention to complete the Operation field team review prior to the end of December 2005. Primary in our People & Culture strategies is cementing the strong values which have been endorsed by our Board and also moving all members of the support staff to a higher level of performance management directly linked to business income streams and retailer store growth and profitability.

Operations

The operational field team has concentrated their efforts on facilitating the store re-branding program, together with signing up and implementing the ScanWorks initiative and the comprehensive roll-out of the Delbeato Young store-based customer research program.

This customer research forms the basis of ongoing store business planning that has commenced roll-out. The operations team has continued to play a key role in facilitating the relationship with our retail members to ensure that growth opportunities are taken up in individual store demographics.



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Finance

The focus of finance has been to provide timely and accurate financial and management reports to better enable the Board and management team to take commercially sound decisions, optimising the profitability and return to shareholders, within the capacity of the Company.

Finance has completed a wide range of project based activity during both the operation and consolidation phases of our business. These have included rationalisation of the general ledger system into a modern, stable and secure platform, together with a rationalisation of existing office accommodation. As well as these initiatives, finance has provided rationalisation of professional services, other operating costs, credit and charge cards across the business and worked to streamline the financial flows within the EasyPay system and the charge-back system. Significant work has been completed in regard to the business's audit and taxation services and a new profile for risk based understanding of strategic issues across the business.

Metcash

Detailed discussions have been held with our warehouse supplier at regular intervals to ensure that operational benchmarks are met continually. In regard to strategic partnership and the future, the business has embraced the warehouse and the significance and outcome of the ongoing rationalisation of the supermarket industry, in particular the independent sector.

The discussions with the warehouse are based on AURL continuing to play its role in both industry rationalisation and as an outcome securing a positive future for our retailer shareholders.

The relationship with Metcash remains strong, with intent on both sides to enhance further the existing relationship.



Corporate Governance Statement

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(Links to the Company's website indicated in this statement will be found in the Governance section at www.foodworks.com.au.)

With the restructuring of the Company following the merger of the Foodworks Supermarket Group Limited (FSG) and Australian United Retailers Limited (renamed Australian United Grocers Limited (AUG)) late in 2004, the Board was keen to strengthen the corporate governance regime for the significantly enlarged company (renamed Australian United Retailers Limited (AURL)).

This has been done, with the 10 Principles of Good Corporate Governance and 28 Best Practice Recommendations of the ASX Corporate Governance Council (ASX Principles) serving as a model.

These ASX Principles are primarily intended to provide guidance for listed companies. Nevertheless, apart from some areas which are not relevant to unlisted entities, they provide a good basis for the establishment of sound governance principles in companies such as AURL, and the Board has therefore followed the ASX Principles wherever practicable.

The main corporate governance policies and practices of the Company as set out in the statement below have been progressively developed since the merger, and will evolve further over coming months as operational structures continue to be refined.

Recognizing the interests of our stakeholders

The Company is very aware of its important relationships with its many stakeholders – including shareholders, employees, suppliers and service providers, customers of its retailer members, and the wider community where its members operate. The Company regards its governance responsibilities to each of these groups very seriously.

The year has been a very important one in developing and growing relationships for our new merged entity. This has included explaining the proposed merger to groups of member retailers of AUG and FSG and subsequently holding meetings of members of AURL at different times and in different locations to test reactions, obtain feedback and measure how we are doing in our new business. The re-branding project has provided significant opportunity for interaction with each member, service providers and others as we set about setting new and enhanced standards of identity and presentation for members and their customers. Major new contracts have been consummated with important suppliers, all designed to improve value, efficiency and transparency.

The Company has identified in numerous ways with the communities in which its members operate and has been a facilitator in channeling community support for deserving causes. The outstanding example of this during the year was the Company's prompt response to the Asian Tsunami tragedy, with donations totaling \$250,000 provided to Australian Red Cross and World Vision.

In addition to the opportunities members have had to quiz management and directors at the meetings referred to above, and interaction at the Metcash Expo and Foodworks conference in Fiji, the annual meeting of members to be held in November will provide further opportunity for members to hear the Chief Executive Officer and Chairman provide updates on Company performance, ask questions of the Board, and to express views and vote on the various matters of business on the agenda. The Annual Report is also distributed to all members.

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The Company's internet website at www.foodworks.com.au is regularly updated and provides a range of information under the Governance section of the Member's Area.

Board and management roles

The Board has determined those matters which are reserved for itself and has determined the authority of the Chief Executive Officer (CEO).

In summary, the principal matters reserved for the Board include:

- Appointment of the CEO and Company Secretary, approval of the appointment of Executive Staff upon the recommendation of the CEO, recommendations regarding appointment and removal of the auditor, appointment of directors to fill casual Board vacancies;
- Delegations of authority to the CEO;
- Membership and terms of reference of board committees;
- Assessment of performance of the Company, CEO and Board;
- Succession planning for the CEO and Board members;
- Approval of remuneration and incentive policies and individual executive employment contracts;
- Dividend policy;
- Approval of the annual financial reports, accounting policies and the internal audit plan;
- Approval of any borrowings, and financial arrangements and policies;
- Approval of strategic objectives, the strategic plan and the business plan;
- Approval of proposals for major expansion or changes to the Company's structure or relationships;
- Approval of the capital expenditure budget and major individual expense items and contracts; and
- Risk management policies and risk assessment and insurance policies.

Refer to www.foodworks.com.au for the full Statement of Matters Reserved for the Board.

A contract of engagement has been entered into with the CEO, setting out the terms and conditions of his appointment. In addition, the Company proposes to enter into a Deed of Indemnity, Insurance and Access with each non-executive director.

Board structure and processes

The constitution of the Company, approved by members, sets out the composition of the Board for the initial three years of the merged entity. During this period the Company shall have 10 Directors, five of whom (the "AUG-nominated Directors") shall have been members of AUG and nominated by AUG and five of whom (the "FSG-nominated Directors") shall have been nominated by the Company before adoption by it of this constitution.

If an AUG-nominated Director's office is vacated, the Directors shall appoint in that Director's place a director nominated by the remaining AUG-nominated Directors. If a FSG-nominated Director's office is vacated, the Directors shall appoint in that Director's place a director nominated by the remaining FSG-nominated Directors, and for the first such vacancy only in each case, an Independent Director shall be appointed.

The constitution of the Company defines an Independent Director as one who is regarded as independent in accordance with the ASX Principles as they may exist from time to time.

Half of the Directors shall retire at the 2007 annual general meeting of the Company and the other half at the 2008 annual general meeting, but if eligible, any retiring Director may offer for re-election.

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The current Board comprises 2 independent non-executive directors, 7 retailer non-executive directors and the Chief Executive Officer.

During the course of its annual program of at least 11 scheduled meetings, the Board reviews and approves the Strategic Plan and Financial Budget and systematically reviews all material areas of the Company's activities, including regularly receiving reports and presentations from senior management. This annual program includes evaluation of its own performance and that of directors.

To assist in the execution of its responsibilities, the Board has appointed two Board committees - an Audit and Risk Committee and a Remuneration and Nomination Committee. These committees have written terms of reference, which are subject to ongoing review. Matters addressed by Board Committees are reported to the Board following each committee meeting. They have no executive powers regarding their findings and recommendations. The Chairman of each Committee is an independent non-executive director. Details of members and their attendance at committee meetings during the year are set out in the Directors' Report.

Ethical and responsible decision making

The Board has adopted as its Code of Conduct, the Code of Conduct of the Australian Institute of Company Directors. This Code sets out the conduct that members would reasonably expect from their Board of Directors - including honesty and good faith, care and diligence, no misuse or abuse of the office of director, independent judgement, confidentiality, and compliance with the letter and spirit of the law and this Code. Refer to www.foodworks.com.au for the full Code of Conduct.

Audit & Risk Committee

The Audit & Risk Committee is responsible for reviewing the integrity of the company's financial reporting, assessing risks arising from the operations and the adequacy of measures taken to moderate those risks, and overseeing the independence of the external auditors. The terms of reference of the Audit & Risk Committee can be found at www.foodworks.com.au.

Members of the Committee are Don Howell (Chair), Gary Aberdeen, John Bridgfoot (ex officio), Wayne Pattison, Michael Reddrop and Michael Timothee. The Committee has met 7 times in the period to 30 June 2005.

Remuneration & Nomination Committee

In relation to the remuneration aspects of its responsibilities, the role of the Remuneration & Nomination Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees and ensuring appropriate salary budgets are adopted by the Company. The terms of reference of the Committee regarding its remuneration responsibilities can be found at www.foodworks.com.au.

Regarding the nomination aspects of its responsibilities, the Committee has had regard to the Company's constitution which sets out the Board structure for the first three years. It has given preliminary consideration to the preferred skill sets of Directors and the preferred Board size after this period. However, more detailed consideration will be given to these matters at a time closer to the appointment of a new director.

Members of the Committee are Jack Scanlan (Chair), John Bridgfoot (ex officio), Ben Ryan, and Deborah Smith. The Committee has met once in the period to 30 June 2005.

Financial Reporting

The nature of the Company's membership and shares are such that the rules applicable to listed public companies regarding "continuous disclosure" (whereby share-price-sensitive information is required to be disseminated to the market immediately) are not relevant to the Company. For this reason the Australian Securities and Investments Commission has exempted the Company from compliance with "continuous disclosure" and half yearly reporting obligations applicable to listed public companies.

Corporate Governance Statement

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Preparation of the Company's annual financial reports are in compliance with all relevant corporate legislation and accounting standards. A pre-condition of consideration of these reports and their recommendation by the Audit & Risk Committee is the Committee's review of a statement in writing to the Board signed by the Chief Executive Officer and Chief Financial Officer. The statement certifies that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

The external auditor will be available at the annual meeting of shareholders in November to answer questions regarding the conduct of the audit, the preparation of the audit report, questions regarding accounting policies adopted by the Company in relation to the preparation of the financial statements, and the independence of the auditor in relation to the conduct of the audit.

Risk Management

The Board, through the Audit & Risk Committee, oversees the establishment, implementation and ongoing review of the Company's risk management and internal control system.

During the year, under the direction of the Audit & Risk Committee, a comprehensive and detailed review of the Company's insurance coverages was undertaken, resulting in enhancements and improved coverage in several important areas. An even more rigorous insurance evaluation process is planned ahead of the next renewal period.

In addition, following the year end, the Company has engaged the services of independent risk professionals to conduct a comprehensive risk analysis and assessment of the Company's activities and exposures in conjunction with the Board and senior management. This project is expected to extend over a considerable period, to ensure that all risks are properly identified, assessed, categorized and appropriately addressed.

Directors' Report

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The directors present their report together with the financial report of Australian United Retailers Ltd ("the Company") and of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2005 and the auditor's report there on.

The names of directors in office at any time during or since the end of the financial year are:

J Bridgfoot (Appointed 29 November 2004)

J Scanlan

D Smith (Appointed 29 November 2004)

P Noble

D Howell

M Timothee (Appointed 29 November 2004)

G Aberdeen (Appointed 29 November 2004)

W Pattison (Appointed 29 November 2004)

B Ryan

M Reddrop

R Cunnack (Resigned 29 November 2004)

D Williamson (Resigned 29 November 2004)

A Ng (Resigned 29 November 2004)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

OPERATING RESULTS

The consolidated profit of the economic entity for the financial year after providing for income tax and eliminating outside equity interests amounted to \$153,621.

Items of significance included in this result are:

- Gain on the acquisition of Australian United Grocers Limited and controlled entities of \$456,819; and
- Additional taxation accounting provisions for 2001 - 2003 of \$236,888 and 2004 of \$221,520 to eliminate the effect of mutuality.

The Australian Taxation Office (ATO) is currently reviewing the taxation returns of Australian United Retailers Limited for the periods including 2001 to 2003. The Company received a Position Statement from the ATO, on 23 September 2005, regarding the application of the mutuality principle to certain items of income. This statement indicated that the mutuality principle did not apply. The Company's taxation advisors are of the view that the principle of mutuality does apply and that inclusion of the principle in the Company's tax returns is appropriate.

The directors have however determined to provide for the potential additional tax liability of \$236,888 for 2001 to 2003 and to exclude the mutuality principle in later years taxation provisioning following receipt of the ATO position statement. The directors believe this is an appropriately conservative position to reflect in the accounts given the ATO position, however the Company is in discussion with its tax advisors regarding a challenge to the ATO interpretation of the mutuality principle regarding the Company's situation.

REVIEW OF OPERATIONS

The economic entity continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

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SIGNIFICANT CHANGES IN AFFAIRS

Significant changes in the economic entity's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report are as follows:

On 28 November 2004, Australian United Retailers Limited acquired one B-class share representing 50% + 1 of the voting rights of Australian United Grocers Limited, an unlisted public company based in Australia specialising in the provision of marketing services to its members.

In addition, almost all of the members of Australian United Grocers Limited became members of the Company, trebling its membership.

During the financial year, the contributed equity of the economic entity decreased by \$142.

Details of this movement are disclosed in Note 16 to the financial statements.

PRINCIPAL ACTIVITIES

The principal activity of the economic entity during the financial year was the provision of marketing services to members.

No significant change in the nature of these activities occurred during the year.

AFTER BALANCE DATE EVENTS

The Company received a Position Statement from the Australian Taxation Office, on 23 September 2005, regarding the application of the mutuality principle to certain items of income. This statement indicated that the mutuality principle did not apply to the Company.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

LIKELY DEVELOPMENTS

The economic entity expects to maintain the present status and level of operations.

ENVIRONMENTAL ISSUES

The economic entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

DISCLOSURE RELIEF

ASIC have granted exemption from continuous disclosure obligations and the lodging of half yearly reports.

Directors' Report

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INFORMATION ON DIRECTORS

J Bridgfoot	- Non Executive Chairman
Qualifications	- Exec. M.B.A. ; B.A. ; M.A.I.C.D.
Experience	- A director of AUG Ltd (formerly Australian United Retailers Ltd) from 22 September 2001. Has been an independent storeowner and operator since 9 January 1999.
Special Responsibilities	- Member of Audit & Risk Committee, Member of Nomination Committee
J Scanlan	- Independent Non Executive Director
Qualifications	- Bachelor of Laws (Melbourne University) Barrister & Solicitor of the Supreme Court of Victoria Barrister & Solicitor of the Federal Court of Australia
Experience	- A director and chairman of AUR Ltd (formerly FoodWorks Supermarket Group Ltd) since 22 May 1997, Jack was previously a Partner in the firm Scanlan Carroll Commercial Lawyers (1969 - 2000) and since 2000 has been the principal of Charles Consultancy Group Pty Ltd.
Special Responsibilities	- Member of Remuneration Committee
D Smith	- Non Executive Director
Qualifications	- Dip. Ed. M.A.I.C.D.
Experience	- A director of AUG Ltd since 4 October 2003, Debbie has been an independent storeowner and operator since 1996.
Special Responsibilities	- Member of Remuneration Committee
P Noble	- Executive Director
Qualifications	- Bachelor of Applied Science (Queensland University)
Experience	- A director of AUR Ltd since 19 August 2002, Peter has 25 years experience with Shell Australia including 4 years as Managing Director of Shell SW Pacific.
Special Responsibilities	- Chief Executive Officer
D Howell	- Independent Non Executive Director
Qualifications	- Certified Practising Accountant
Experience	- Don has been an independent Non-Executive Director of AUR Ltd since 23 July 1997 and has held senior positions with Mattel Inc and Phillip Murphy Wines and Spirits.
Special Responsibilities	- Member of Audit & Risk Committee
M Timothee	- Non Executive Director
Qualifications	- M.A.I.C.D.
Experience	- A director of AUG Ltd since 26 February 2003, Michael has been an independent storeowner and operator since 1989.
Special Responsibilities	- Member of Audit & Risk Committee
G Aberdeen	- Non Executive Director
Qualifications	- M.A.I.C.D.
Experience	- Gary was appointed a director of AUG Ltd on 22 August 2000. He currently manages the Goondiwindi Co-op AUR Supermarket. Has held this position for 9 years and has been employed in retailing for 27 years.
Special Responsibilities	- Member of Audit & Risk Committee, Member of Nomination Committee

Directors' Report

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INFORMATION ON DIRECTORS (Continued)

W Pattison	- Non Executive Director
Qualifications	- M.A.I.C.D.
Experience	- Wayne has been a director of AUR since 4 October 2003 and he has 22 years experience in the retail industry in Victoria and currently owns 2 stores. He has been a member of Cheers Liquor Group committee for 18 years, including 10 years as its Chairman.
Special Responsibilities	- Member of Audit & Risk Committee, Member of Nomination Committee
B Ryan	- Non Executive Director
Qualifications	- Diploma in Management
Experience	- Ben was appointed to AUR Ltd's Board on 30 November 1998. The Ryan family currently own and operate 5 Supermarkets and 3 stand-alone liquor outlets. Ben has been involved in retailing since 1987.
Special Responsibilities	- Member of Remuneration Committee
M Reddrop	- Non Executive Director
Qualifications	- Bachelor of Business (Accounting) (Swinburne University of Technology) Associate of the Institute of Chartered Accountants in Australia (ACA)
Experience	- Michael is the CEO of Reddrop Management Group. Michael has served on AUR Ltd's Board for the past five years and he operates a group of regional supermarkets and other retail businesses located in North East Victoria. Michael spent more than 10 years as a Chartered Accountant and Business Consultant with KPMG in both Australia and the USA.
Special Responsibilities	- Member of Audit & Risk Committee
R Cunnack	- Non Executive Director
Qualifications	- Master of Arts (Oxford University)
Experience	- A member of the AUR Ltd board since 15 October 1997, Renny has 23 years experience with Ogilvy & Mather (Advertising) including latterly as Chairman (Australia), Regional Director (Australia and New Zealand) and Director (O&M Inc & O&M Worldwide). He was also Manager Director of ATV Channel 10 from 1988-89. He is presently the principal of The Cunnack Company Pty Ltd (Marketing & Communications).
D Williamson	- Non Executive Director
Experience	- Appointed to the AUR Ltd Board on 19 September 2002, David has been employed in all aspects of operation and management of family owned supermarkets since 1982. He is presently the Operations Manager at FoodWorks Gisborne and FoodWorks Riddell's Creek.
A Ng	- Non Executive Director
Qualifications	- Bachelor of Business Associate of Australian Society of Accountants
Experience	- Construction and operation of FoodWorks Bacchus Marsh from 1996 to present.

Directors' Report

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INFORMATION ON DIRECTORS (Continued)

MEETINGS OF DIRECTORS

Directors	Directors' Meetings		Committee Meetings					
			Audit & Risk Committee		Nomination Committee		Remuneration Committee	
	Number Eligible To Attend	Number Attended	Number Eligible To Attend	Number Attended	Number Eligible To Attend	Number Attended	Number Eligible To Attend	Number Attended
J Bridgfoot (Appointed 29 November 2004)	7	7	7	2	1	1	-	-
J Scanlan	11	11	-	-	-	-	1	1
D Smith (Appointed 29 November 2004)	7	7	-	-	-	-	1	1
P Noble	11	11	-	-	-	-	-	-
D Howell	11	11	7	7	-	-	-	-
M Timothee (Appointed 29 November 2004)	7	7	7	7	-	-	-	-
G Aberdeen (Appointed 29 November 2004)	7	7	6	5	1	1	-	-
W Pattison (Appointed 29 November 2004)	7	6	6	6	1	1	-	-
B Ryan	11	11	-	-	-	-	1	1
M Reddrop	11	11	7	7	-	-	-	-
R Cunnack (Resigned 29 November 2004)	4	4	-	-	-	-	-	-
D Williamson (Resigned 29 November 2004)	4	4	-	-	-	-	-	-
A Ng (Resigned 29 November 2004)	4	4	-	-	-	-	-	-

Directors' Report

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

INDEMNIFICATION OF OFFICERS

During the year the company has paid a premium in respect of an insurance contract to indemnify officers against liabilities that may arise from their position as officers of the company and its controlled entities.

Officers indemnified include the company secretary, all directors and all executive officers participating in the management of the company and its controlled entities.

Further disclosure required under section 300(9) of the Corporations Act 2001 is prohibited under the terms of the contract.

AUDITOR'S INDEPENDENCE DECLARATION

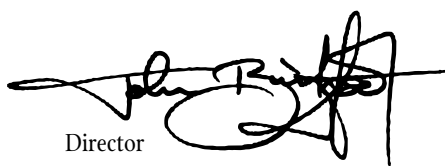
A copy of the auditor's declaration under section 307C in relation to the audit for the financial year is provided with this report.

PROCEEDINGS ON BEHALF OF THE COMPANY


No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the directors:



Director
J Bridgfoot



Director
P Noble

Dated this 30th day of September 2005

Auditor's Independence Declaration

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Australian United Retailers Ltd

In relation to the independent audit for the year ended 30 June 2005, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001.
- (ii) No contraventions of any applicable code of professional conduct.

PITCHER PARTNERS



G E WALSH
Partner

Melbourne 6th October 2005

Statement of Financial Performance for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

	Note	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
Revenues from ordinary activities	2				
Sales revenue	2	30,629,633	14,237,283	30,629,633	14,237,283
Other revenues from ordinary activities		955,132	62,900	498,313	62,900
		<u>31,584,765</u>	<u>14,300,183</u>	<u>31,127,946</u>	<u>14,300,183</u>
Expenses from ordinary activities, excluding borrowing costs expense					
Distribution to members		(11,863,768)	(5,844,792)	(11,863,768)	(5,844,792)
Merchandising expenses		(4,579,134)	-	(4,579,134)	-
Marketing expenses		(1,238,545)	(1,775,250)	(1,238,545)	(1,775,250)
Business development expenses		(2,508,699)	-	(2,508,699)	-
Administrative expenses		(3,612,339)	(3,803,697)	(3,612,339)	(3,803,697)
Brand and communications expenses		(2,910,548)	(1,095,984)	(2,910,548)	(1,095,984)
Retail operations expenses		(2,232,522)	(994,260)	(2,232,522)	(994,260)
Merger costs		(710,213)	-	(710,213)	-
Other expenses from ordinary activities		(1,235,954)	(444,789)	(1,233,620)	(444,789)
		<u>(30,891,722)</u>	<u>(13,958,772)</u>	<u>(30,889,388)</u>	<u>(13,958,772)</u>
Profit from ordinary activities before income tax expense (income tax revenue)		693,043	341,411	238,558	341,411
Income tax revenue (income tax expense) relating to ordinary activities		<u>(539,422)</u>	<u>-</u>	<u>(539,422)</u>	<u>-</u>
Net profit from ordinary activities after income tax	3	<u>153,621</u>	<u>341,411</u>	<u>(300,864)</u>	<u>341,411</u>
Net profit from ordinary activities after income tax expense attributable to the members of the parent entity		<u>153,621</u>	<u>341,411</u>	<u>(300,864)</u>	<u>341,411</u>
Total changes in equity other than those resulting from transactions with owners as owners	18	<u>153,621</u>	<u>341,411</u>	<u>(300,864)</u>	<u>341,411</u>

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

	Note	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
CURRENT ASSETS					
Cash assets	7	5,423,719	1,585,278	5,366,337	1,585,278
Receivables	8	15,696,100	2,349,182	15,504,516	2,349,182
Other	9	41,536	38,847	41,536	38,847
TOTAL CURRENT ASSETS		<u>21,161,355</u>	<u>3,973,307</u>	<u>20,912,389</u>	<u>3,973,307</u>
NON-CURRENT ASSETS					
Property, plant and equipment	10	207,900	200,184	401,127	200,184
Deferred tax assets	11	503,548	-	503,548	-
TOTAL NON-CURRENT ASSETS		<u>711,448</u>	<u>200,184</u>	<u>904,675</u>	<u>200,184</u>
TOTAL ASSETS		<u>21,872,803</u>	<u>4,173,491</u>	<u>21,817,064</u>	<u>4,173,491</u>
CURRENT LIABILITIES					
Payables	12	18,375,771	2,337,502	18,603,845	2,337,502
Interest-bearing liabilities	13	10,692	-	10,692	-
Current tax liabilities	14	872,198	-	1,042,970	-
Provisions	15	952,546	496,458	952,546	496,458
TOTAL CURRENT LIABILITIES		<u>20,211,207</u>	<u>2,833,960</u>	<u>20,610,053</u>	<u>2,833,960</u>
NON-CURRENT LIABILITIES					
1,033	-	1,033	-		Payables12
Provisions	15	230,593	63,140	230,593	63,140
TOTAL NON-CURRENT LIABILITIES		<u>231,626</u>	<u>63,140</u>	<u>231,626</u>	<u>63,140</u>
TOTAL LIABILITIES		<u>20,442,833</u>	<u>2,897,100</u>	<u>20,841,679</u>	<u>2,897,100</u>
NET ASSETS		<u>1,429,970</u>	<u>1,276,391</u>	<u>975,385</u>	<u>1,276,391</u>
EQUITY					
Contributed equity	16	-	142	-	142
Retained profits	17	1,429,870	1,276,249	975,385	1,276,249
Parent entity interest		1,429,870	1,276,391	975,385	1,276,391
Outside equity interest		100	-	-	-
TOTAL EQUITY	18	<u>1,429,970</u>	<u>1,276,391</u>	<u>975,385</u>	<u>1,276,391</u>

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

		Economic Entity		Parent Entity	
	Note	2005	2004	2005	2004
		\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers		20,843,718	17,026,000	20,252,294	17,026,000
Payments to suppliers and employees		(16,497,969)	(16,144,548)	(16,362,847)	(16,144,548)
Interest received		156,242	62,900	156,242	62,900
Borrowing costs paid		(125,464)	-	(125,464)	-
Income tax paid		(170,772)	-	-	-
Net cash provided by operating activities	21(b)	<u>4,205,755</u>	<u>944,352</u>	<u>3,920,225</u>	<u>944,352</u>
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		8,000	-	8,000	-
Payment for property, plant and equipment		<u>(340,836)</u>	<u>(35,924)</u>	<u>(340,836)</u>	<u>(35,924)</u>
Net cash used in investing activities		<u>(332,836)</u>	<u>(35,924)</u>	<u>(332,836)</u>	<u>(35,924)</u>
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from share issue		891	2	891	2
Proceeds from borrowings		-	-	228,148	-
Hire purchase payments		<u>(35,369)</u>	<u>-</u>	<u>(35,369)</u>	<u>-</u>
Net cash provided by/(used in) financing activities		<u>(34,478)</u>	<u>2</u>	<u>193,670</u>	<u>2</u>
Net increase in cash held		3,838,441	908,430	3,781,059	908,430
Cash at beginning of year		<u>1,585,278</u>	<u>676,848</u>	<u>1,585,278</u>	<u>676,848</u>
Cash at end of year	21(a)	<u>5,423,719</u>	<u>1,585,278</u>	<u>5,366,337</u>	<u>1,585,278</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers Australian United Retailers Ltd as an individual parent entity and Australian United Retailers Ltd and controlled entities as an economic entity. Australian United Retailers Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Principles of Consolidations

A controlled entity is any entity controlled by Australian United Retailers Ltd. Control exists where Australian United Retailers Ltd has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Australian United Retailers Ltd to achieve the objectives of Australian United Retailers Ltd. Details of the controlled entities are contained in Note 22.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where a controlled entity has entered or left the economic entity during the year its operating results have been included from the date control was obtained or until the date control ceased.

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense shown is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Where members of a group are found to be dealing with each other on a mutual basis their contributions to the mutual concern will not be assessable income of the entity undertaking the group's activities.

This policy will be impacted by IFRS in 2005, refer to note 24 for further details.

(c) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and equipment

Plant and equipment is measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives received under operating leases are recognised as a liability. Lease payments received reduced the liability.

(e) Employee Benefits

Provision is made for the economic entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to an employee superannuation fund and are charged as expenses when incurred.

(f) Cash

Cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

(g) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(h) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking in to account the interest rates applicable to the financial assets.

Revenue from rendering of a service is recognised upon the delivery of the service to the customer.

Finance and insurance revenue is recognised when the right to receive finance and insurance revenue has been established.

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(i) Borrowing Costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

Borrowing costs are expensed as incurred.

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Acquisition of assets

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Acquired research and development is only recognised as a separate asset when future benefits are expected beyond any reasonable doubt to be recoverable.

(k) Recoverable Amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. The write-down is expensed in the reporting period in which it occurs. In determining recoverable amount, the expected net cash flows have not been discounted to their present value using a market determined risk adjusted discount rate.

This policy will be impacted by IFRS. Refer to note 24 for further details.

(l) Trade Debtors

Trade receivables are carried at full amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full amount is no longer probable.

	Note	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
NOTE 2: REVENUE					
Operating activities					
- sale of goods		30,629,633	14,237,283	30,629,633	14,237,283
- interest	(a)	156,242	62,900	156,242	62,900
- rent		13,344	-	13,344	-
- gain on acquisition of subsidiary		456,819	-	-	-
- other revenue		320,727	-	320,727	-
		<u>31,576,765</u>	<u>14,300,183</u>	<u>31,119,946</u>	<u>14,300,183</u>
Non-operating activities					
- proceeds on disposal of property, plant and equipment		8,000	-	8,000	-
		<u>8,000</u>	<u>-</u>	<u>8,000</u>	<u>-</u>
Total revenue		<u><u>31,584,765</u></u>	<u><u>14,300,183</u></u>	<u><u>31,127,946</u></u>	<u><u>14,300,183</u></u>
(a) Interest from:					
- Other interest income		<u>156,242</u>	<u>62,900</u>	<u>156,242</u>	<u>62,900</u>

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

Note	Economic Entity		Parent Entity	
	2005 \$	2004 \$	2005 \$	2004 \$
NOTE 3: PROFIT FROM ORDINARY ACTIVITIES				
Profit from ordinary activities before income tax expense has been determined after:				
(a)	Expenses:			
Depreciation of non - current assets				
- Leasehold improvements	11,843	11,233	11,843	11,233
- Plant and equipment	5,949	-	5,949	-
- Motor vehicles	7,097	12,514	7,097	12,514
- Office equipment	94,314	42,901	94,314	42,901
- Furniture, fixtures and fittings	5,416	4,319	5,416	4,319
Depreciation of property, plant and equipment	124,619	70,967	124,619	70,967
Amortisation of non-current assets:				
- capitalised leased assets	30,979	-	30,979	-
- goodwill on consolidation	2,333	-	-	-
Total amortisation	33,312	-	30,979	-
Total depreciation and amortisation	157,931	70,967	155,598	70,967
Bad and doubtful debts				
- bad debts written off - trade debtors	23,173	75,211	23,173	75,211
- movement in provisions for doubtful debts:				
- trade debtors	66,827	79,178	66,827	79,178
Net expense of bad and doubtful debts	90,000	154,389	90,000	154,389
Remuneration of the auditors of parent entity for:				
- auditing services	55,000	27,510	55,000	27,510
- other services	84,650	4,044	84,650	4,044
Net loss on disposal of non-current assets				
- Property, plant and equipment	20,469	10,275	20,469	10,275

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

Note	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
NOTE 4: INCOME TAX EXPENSE				
The prima facie income tax payable on profit from ordinary activities is reconciled to the income tax expense as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2004 - 30%)	207,913	102,424	71,567	102,424
Add:				
Tax effect of:				
- amortisation of goodwill	700	-	-	-
- benefit of tax losses and timing differences	-	9,083	-	9,083
- non deductible legal expenses	-	1,907	-	1,907
- non deductible merger expenses	56,922	-	56,922	-
- non deductible rebranding costs	226,307	-	226,307	-
Under provision for income tax in prior year	458,408	-	458,408	-
	<u>950,250</u>	<u>113,414</u>	<u>813,204</u>	<u>113,414</u>
Less:				
Tax effect of:				
- concept of mutuality	-	113,414	-	113,414
- non-taxable gain on acquisition of subsidiary	137,046	-	-	-
- correction of opening deferred tax balances	273,782	-	273,782	-
Income tax expense attributable to profit from ordinary activities	<u>539,422</u>	<u>-</u>	<u>539,422</u>	<u>-</u>

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

On the basis of tax advice prior years tax calculations have been prepared on the basis of mutuality. The principle of mutuality is that a person cannot make a profit out of himself.

A Position Statement from the Australian Taxation Office was received on 23 September 2005, regarding the application of the mutuality principle. This statement indicated that the mutuality principle did not apply to Australian United Retailers Limited.

The Company has decided to bring to account the estimated tax liability resulting from the mutuality principle position statement issued by the Australian Tax Office.

The amount of tax liability brought to account is as follows:

- Year ended 30 June 2004	\$221,520
- Year ended 30 June 2001 to year ended 30 June 2003	\$236,888

The Company's taxation advisors are of the view that the principle of mutuality does apply and that inclusion of the principle in the Company's tax returns is appropriate. Accordingly there is a possibility in future years of a reduction in the above liability brought to account for 30 June 2005. The amount of this possible reduction is not presently quantifiable. Any such reduction represents a contingent asset.

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

NOTE 6: REMUNERATION AND RETIREMENT BENEFITS

The specified directors of the parent entity who have held office during the financial year are:

J Bridgfoot (Appointed 29 November 2004)
J Scanlan
D Smith (Appointed 29 November 2004)
P Noble
D Howell
M Timothee (Appointed 29 November 2004)
G Aberdeen (Appointed 29 November 2004)
W Pattison (Appointed 29 November 2004)
B Ryan
M Reddrop
R Cunnack (Resigned 29 November 2004)
D Williamson (Resigned 29 November 2004)
A Ng (Resigned 29 November 2004)

The specified executives of the parent entity during the financial year are:

B Hyde (employed from 6 December 2004)
G Elliott (employed from 29 November 2004)
G Longmuir (employed from 31 January 2005)
S Meehan (employed from 11 April 2005)
S Thompson (employed from 17 January 2005)
W Vermeend

The remuneration committee reviews the remuneration packages of all specified directors and specified executives on an annual basis and makes recommendations to the board. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries, adjusted by a performance factor to reflect changes in the performance of the company.

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

NOTE 6: REMUNERATION AND RETIREMENT BENEFITS (Continued)

2005	Primary			Post Employment			Equity	Other Benefits	Total
	Salary & Fees	Bonus	Non - monetary	Super-an-nuation	Prescribed benefits	Other	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Specified Directors									
J Bridgfoot*	62,500	-	-	-	-	-	-	-	62,500
J Scanlan	69,375	-	-	-	-	-	-	-	69,375
D Smith*	28,670	-	-	2,580	-	-	-	-	31,250
P Noble	295,268	30,000	26,287	26,574	-	-	-	-	378,129
D Howell	-	-	-	40,625	-	-	-	-	40,625
M Timothee*	28,670	-	-	2,580	-	-	-	-	31,250
G Aberdeen*	-	-	-	31,250	-	-	-	-	31,250
W Pattison*	12,500	-	-	18,750	-	-	-	-	31,250
B Ryan	37,270	-	-	3,355	-	-	-	-	40,625
M Reddrop	40,625	-	-	-	-	-	-	-	40,625
D Williamson*	12,500	-	-	-	-	-	-	-	12,500
A Ng*	-	-	-	12,500	-	-	-	-	12,500
Total	587,378	30,000	26,287	138,214	-	-	-	-	781,879
Specified Executives									
B Hyde*	78,143	-	-	7,033	-	-	-	-	85,176
G Elliott*	107,280	-	9,334	14,710	-	-	-	-	131,324
G Longmuir*	96,448	-	-	8,680	-	-	-	-	105,128
S Meehan*	24,902	-	-	2,241	-	-	-	-	27,143
S Thompson*	64,175	-	3,109	5,776	-	-	-	-	73,060
W Vermeend	117,010	16,081	10,581	22,115	-	-	-	-	165,787
Total	487,958	16,081	23,024	60,555	-	-	-	-	587,618

* Amounts refer to only part of the financial year.

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

Note	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
NOTE 7: CASH ASSETS				
Cash on hand	2,591	1,302	2,591	1,302
Cash at bank	1,590,802	550,918	1,533,420	550,918
Deposits at call	3,830,326	1,033,058	3,830,326	1,033,058
	<u>5,423,719</u>	<u>1,585,278</u>	<u>5,366,337</u>	<u>1,585,278</u>
NOTE 8: RECEIVABLES				
CURRENT				
Trade debtors	14,710,372	1,994,885	14,574,021	1,994,885
Less provision for doubtful debts	(146,005)	(79,178)	(146,005)	(79,178)
	<u>14,564,367</u>	<u>1,915,707</u>	<u>14,428,016</u>	<u>1,915,707</u>
Sundry debtors and accrued income	1,131,633	433,475	1,076,500	433,475
Loan to 4 Square	100	-	-	-
	<u>15,696,100</u>	<u>2,349,182</u>	<u>15,504,516</u>	<u>2,349,182</u>
NOTE 9: OTHER ASSETS				
CURRENT				
Prepayments	<u>41,536</u>	<u>38,847</u>	<u>41,536</u>	<u>38,847</u>

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

	Note	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
NOTE 10: PLANT AND EQUIPMENT					
LEASEHOLD IMPROVEMENTS					
At cost		45,774	43,332	45,774	43,332
Less accumulated depreciation		(35,224)	(23,380)	(35,224)	(23,380)
Total leasehold improvements		<u>10,550</u>	<u>19,952</u>	<u>10,550</u>	<u>19,952</u>
PLANT AND EQUIPMENT					
Plant and equipment					
At cost		41,553	-	64,665	-
Less accumulated depreciation		(5,949)	-	(5,949)	-
		<u>35,604</u>	<u>-</u>	<u>58,716</u>	<u>-</u>
Leased plant and equipment					
Capitalised leased assets at cost		35,561	-	35,561	-
Less accumulated depreciation		(30,979)	-	(30,979)	-
		<u>4,582</u>	<u>-</u>	<u>4,582</u>	<u>-</u>
Motor vehicles					
At cost		52,541	71,338	52,541	71,338
Less accumulated depreciation		(28,098)	(28,235)	(28,098)	(28,235)
		<u>24,443</u>	<u>43,103</u>	<u>24,443</u>	<u>43,103</u>
Office equipment					
At cost		230,800	223,636	388,136	223,636
Less accumulated depreciation		(121,856)	(108,870)	(121,856)	(108,870)
		<u>108,944</u>	<u>114,766</u>	<u>266,280</u>	<u>114,766</u>
Furniture, fixtures and fittings					
At cost		52,861	46,031	65,640	46,031
Less accumulated depreciation		(29,084)	(23,668)	(29,084)	(23,668)
		<u>23,777</u>	<u>22,363</u>	<u>36,556</u>	<u>22,363</u>
Total plant and equipment		<u>197,350</u>	<u>180,232</u>	<u>390,577</u>	<u>180,232</u>
Total property, plant and equipment		<u>207,900</u>	<u>200,184</u>	<u>401,127</u>	<u>200,184</u>

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

Note	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$

NOTE 10: PLANT AND EQUIPMENT (Continued)

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Leasehold improvements		Plant & equipment	
	Economic Entity	Parent Entity	Economic Entity	Parent Entity
	\$	\$	\$	\$
2005				
Balance at the beginning of the year	19,952	19,952	-	-
Additions	2,240	2,240	64,665	64,665
Depreciation expense	(11,843)	(11,843)	(5,949)	(5,949)
Write offs	-	-	(23,112)	-
Carrying amount at end of year	<u>10,550</u>	<u>10,550</u>	<u>35,604</u>	<u>58,716</u>

	Leased plant and equipment		Motor vehicles	
	Economic Entity	Parent Entity	Economic Entity	Parent Entity
	\$	\$	\$	\$
2005				
Balance at the beginning of the year	-	-	43,103	43,103
Additions	35,561	35,561	-	-
Disposals	-	-	(11,563)	(11,563)
Depreciation expense	(30,979)	(30,979)	(7,097)	(7,097)
Carrying amount at the end of the year	<u>4,582</u>	<u>4,582</u>	<u>24,443</u>	<u>24,443</u>

	Office equipment		Furniture, fixtures & fittings	
	Economic Entity	Parent Entity	Economic Entity	Parent Entity
	\$	\$	\$	\$
2005				
Balance at the beginning of the year	114,766	114,766	22,363	22,363
Additions	263,006	263,006	19,609	19,609
Disposals	(17,178)	(17,178)	-	-
Depreciation expense	(94,314)	(94,314)	(5,416)	(5,416)
Write offs	(157,336)	-	(12,779)	-
Carrying amount at the end of the year	<u>108,944</u>	<u>266,280</u>	<u>23,777</u>	<u>36,556</u>

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

	Note	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
NOTE 11: DEFERRED TAX ASSETS					
NON CURRENT					
Future income tax benefit		<u>503,548</u>	<u>-</u>	<u>503,548</u>	<u>-</u>
The future income tax benefits comprise:					
Timing differences		<u>503,548</u>	<u>-</u>	<u>503,548</u>	<u>-</u>
		<u>503,548</u>	<u>-</u>	<u>503,548</u>	<u>-</u>
NOTE 12: PAYABLES					
CURRENT					
Unsecured liabilities					
Trade creditors		13,657,898	562,624	13,657,898	562,624
Sundry creditors and accruals		4,717,873	1,774,878	4,717,799	1,774,878
Loans from associates		<u>-</u>	<u>-</u>	<u>228,148</u>	<u>-</u>
		<u>18,375,771</u>	<u>2,337,502</u>	<u>18,603,845</u>	<u>2,337,502</u>
NON-CURRENT					
Redeemable preference shares comprising:					
- Class A Redeemable Preference Shares		695	-	695	-
- Class B Redeemable Preference Shares		<u>338</u>	<u>-</u>	<u>338</u>	<u>-</u>
		<u>1,033</u>	<u>-</u>	<u>1,033</u>	<u>-</u>
NOTE 13: INTEREST BEARING LIABILITIES					
CURRENT					
Secured liabilities					
Hire purchase liability	20	<u>10,692</u>	<u>-</u>	<u>10,692</u>	<u>-</u>
		<u>10,692</u>	<u>-</u>	<u>10,692</u>	<u>-</u>
Items held as security:					
- First Registered Mortgage Debenture over the whole of the assets including goodwill and uncalled capital and called but unpaid capital of Australian United Retailers Limited. With relevant insurance assigned to the Bank.					
- Guarantee & Indemnity for \$4,310,000 given by Australian United Grocers Limited.					
- First Registered Mortgage Debenture over the whole of the assets including goodwill and uncalled capital and called but unpaid capital of Australian United Grocers Limited. With relevant insurance assigned to the Bank.					
- Lease purchase agreements.					
NOTE 14: TAX LIABILITIES					
CURRENT					
Income tax		<u>872,198</u>	<u>-</u>	<u>1,042,970</u>	<u>-</u>

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

	Note	Economic Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
NOTE 15: PROVISIONS					
CURRENT					
Employee benefits	15(a)	952,546	496,458	952,546	496,458
NON-CURRENT					
Employee benefits	15(a)	230,593	63,140	230,593	63,140
(a) Aggregate employee benefits liability		1,183,139	559,598	1,183,139	559,598
(b) Number of employees at year end		81	35	81	35
NOTE 16: CONTRIBUTED EQUITY					
Paid up Capital					
- (2004: 142) Class A redeemable non-cumulative preference shares fully paid					
		-	142	-	142
(a) Class A redeemable non-cumulative preference shares					
At the beginning of the reporting period		142	140	142	140
Shares issued during the year		-	39	-	39
Shares bought back during the year		(142)	(37)	(142)	(37)
At reporting date		-	142	-	142

Preference shares

Class A preference shares participate in the proceeds on winding up of the parent entity in proportion to the number of Class A Preference Shares held and where shares are not fully paid pro rata to the amount paid up on such shares.

At shareholders meetings each preference share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

Note	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
NOTE 17: RETAINED PROFITS				
Retained profits at the beginning of the financial year	1,276,249	934,838	1,276,249	934,838
Net profit (loss) attributable to members of the entity	153,621	341,411	(300,864)	341,411
Retained profits at reporting date	<u>1,429,870</u>	<u>1,276,249</u>	<u>975,385</u>	<u>1,276,249</u>

NOTE 18: EQUITY

Total equity at the beginning of the financial year	1,276,391	934,978	1,276,391	934,978
Total changes in equity recognised in the Statement of Financial Performance	153,621	341,411	(300,864)	341,411
Transactions with owners as owners				
- Contributions of equity	-	39	-	39
- Reduction of Capital	(142)	(37)	(142)	(37)
Total changes in outside equity interest	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity at the reporting date	<u>1,429,970</u>	<u>1,276,391</u>	<u>975,385</u>	<u>1,276,391</u>

NOTE 19: OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES

Outside equity interest comprises:

Contributed equity	(a)	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>
(a) Outside equity interests in issued and paid-up capital of controlled entities					
AUR Marketing Pty Ltd		<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

	Note	Economic Entity			Parent Entity
		2005	2004	2005	2004
		\$	\$	\$	\$
NOTE 20: CAPITAL AND LEASING COMMITMENTS					
(a) Hire purchase commitments					
Payable					
- not later than one year		10,806	-	10,806	-
Minimum hire purchase payments		10,806	-	10,806	-
Less future finance charges		114	-	114	-
Total hire purchase liability		<u>10,692</u>	<u>-</u>	<u>10,692</u>	<u>-</u>
Represented by:					
Current liability	13	<u>10,692</u>	<u>-</u>	<u>10,692</u>	<u>-</u>
		<u>10,692</u>	<u>-</u>	<u>10,692</u>	<u>-</u>
(b) Operating Lease Commitments					
Non-cancellable operating leases contracted for but not capitalised in the accounts:					
Payable					
- not later than one year		738,384	151,336	738,384	151,336
- later than one year and not later than five years		405,114	133,089	405,114	133,089
- later than five years		318,888	-	318,888	-
		<u>1,462,386</u>	<u>284,425</u>	<u>1,462,386</u>	<u>284,425</u>

The first Victorian property lease is a non-cancellable lease with a five year term, with rent payable a month in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the higher of CPI or 3% per annum. An option exists to renew the lease at the end of the five year term for an additional term of three years.

The second Victorian property lease is a non-cancellable lease with a four year term, with rent payable a month in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by 3% per annum. An option exists to renew the lease at the end of the four year term for an additional term of four years.

The third Victorian property lease is a non-cancellable lease with a 17 month term, with rent payable a month in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the higher of CPI or 4% per annum.

The Queensland property lease is a non-cancellable lease with a ten year term, with rent payable a month in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the higher of CPI (capped at 7%) or 2% per annum. Market rent valuations may also be undertaken every three years. An option exists to renew the lease at the end of the ten year term for an additional term of five years.

Non-property operating leases have an average lease term of 5 years. Assets that are the subject of operating leases include motor vehicles and items of small machinery and office equipment.

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

Note	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
NOTE 21: CASH FLOW INFORMATION				
(a) Reconciliation of Cash				
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:				
Cash on hand	2,591	1,302	2,591	1,302
Cash at bank	1,590,802	550,918	1,533,420	550,918
At call deposits with financial institutions	3,830,326	1,033,058	3,830,326	1,033,058
	<u>5,423,719</u>	<u>1,585,278</u>	<u>5,366,337</u>	<u>1,585,278</u>
(b) Reconciliation of Cash Flow from operations with profit from ordinary activities				
Profit from ordinary activities after Income Tax	153,621	341,411	(300,864)	341,411
Non-cash flows in profit from ordinary activities				
Depreciation and amortisation	155,598	70,967	155,598	70,967
Doubtful Debts - subsidiaries	66,827	-	66,827	-
Charges to provisions	-	151,238	-	151,238
Write-off of capitalised expenditure	193,227	-	-	-
Loss on sale of property, plant and equipment	20,469	10,275	20,469	10,275
Movement in income taxes payable	872,198	-	1,042,970	-
Movement in deferred taxes payable	(503,548)	-	(503,548)	-
Interest expense not actually paid	1,887	-	1,887	-
Changes in assets and liabilities, net of effects of purchase and disposal of subsidiaries				
Increase in receivables	(12,715,487)	(50,135)	(12,579,136)	(50,135)
Increase/(decrease) in other assets	(700,847)	21,211	(645,714)	21,211
Increase in payables	16,038,269	320,207	16,038,195	320,207
Increase / decrease in provisions	623,541	79,178	623,541	79,178
Net Cash provided by operations	<u>4,205,755</u>	<u>944,352</u>	<u>3,920,225</u>	<u>944,352</u>

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

Note	Economic Entity		2005	Parent Entity 2004
	2005	2004		
	\$	\$	\$	\$

NOTE 21: CASH FLOW INFORMATION (Continued)

(c) Credit Standby Arrangements with Banks

Credit facility	16,000,000	51,000	16,000,000	51,000
Amount utilised	-	(11,605)	-	(11,605)
Unused credit facility	<u>16,000,000</u>	<u>39,395</u>	<u>16,000,000</u>	<u>39,395</u>

The major facilities are summarised as follows:

Direct Payment Facility
\$12,000,000 variable interest rate facility provided
by the National Australia Bank.

Commercial Bill Facility
\$4,000,000 variable interest rate facility provided
by the National Australia Bank.

NOTE 22: CONTROLLED ENTITIES

(a) Controlled entities

	Country of Incorporation	Percentage Owned (%)	
		2005	2004
Parent Entity:			
Australian United Retailers Ltd	Australia		
Subsidiaries of Australian United Retailers Ltd:			
Australian United Grocers Ltd	Australia	100	-
AUR Services Pty Ltd	Australia	100	-
Best-Buy Products Pty Ltd	Australia	100	-
AUR Marketing Pty Ltd	Australia	67	-

(b) Controlled entities acquired

On 28 November 2004, Australian United Retailers Limited acquired one B-class share representing 50% + 1 of the voting rights of Australian United Grocers Limited, an unlisted public company based in Australia specialising in the provision of marketing services to its members.

NOTE 23: ECONOMIC DEPENDENCE

A significant portion of all income derived results from the supply agreement held with Metcash Trading Ltd Australasia.

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

NOTE 24: IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

The entity has evaluated the key differences in accounting policies that are expected to arise from adopting AIFRS and the key differences in accounting policies that are expected to arise from adopting AIFRS are detailed below. The transition date for first-time adoption of AIFRS is 1 July 2004. A reconciliation of estimated adjustments to opening balances at 1 July 2004, together with restated results under AIFRS for the financial year to 30 June 2005, is provided in Note 25.

(i) Goodwill

Goodwill on consolidation will be recalculated to de-recognise intangible assets acquired in business combinations that do not meet the identifiability criteria under AIFRS, and to recognise deferred tax liabilities at the acquisition date under the balance-sheet method.

Amortisation of goodwill will cease on first-time adoption of AIFRS. Therefore on adoption of AIFRS, reported results for the financial year to 30 June 2005 will be adjusted for amortisation charges from 1 July 2004. However, amortisation charges prior to 30 June 2004 may not be reversed under the first-time adoption provisions. Under AIFRS, goodwill will be subject to annual impairment testing.

(ii) Impairment of Assets

The recoverable amount test under Australian GAAP will be replaced by impairment testing, whereby the recoverable amount is determined as the higher of fair value less costs to sell and value in use. Value in use incorporates the use of discounted cash flows.

The entity does not anticipate any additional write-downs for impairment of non-current assets on first-time adoption of AIFRS, nor in the year to 30 June 2005.

(iii) Income taxes

Under AIFRS, a balance sheet approach will be adopted under which temporary differences are identified for each asset and liability rather than accounting for the effect of timing and permanent differences between taxable income and accounting profit. In addition, a future income tax benefit must be recognized for tax losses where their realization is considered probable. Under current Australian accounting standards tax losses may only be recognized where realisation is considered to be virtually certain.

On first-time adoption of AIFRS, adjustments to the provision for deferred tax will be required for initial asset revaluations, foreign currency exchange provisions and tax losses.

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

NOTE 25 RECONCILIATION OF REPORTED AMOUNTS UNDER AUSTRALIAN ACCOUNTING STANDARDS TO AIFRS

(a) Reconciliation of Total Equity at 1 July 2004

	Economic Entity	Parent Entity
Total equity at 1 July 2004:	\$	\$
As reported under Australian Accounting Standards	1,276,391	1,276,391
Total equity at 1 July 2004 as restated under AIFRS	<u>1,276,391</u>	<u>1,276,391</u>

(b) Reconciliation of Operating Profit after Tax for the year ended 30 June 2005

	Economic Entity	Parent Entity
Operating profit after tax for the financial year to 30 June 2005:	\$	\$
As reported under Australian Accounting Standards	153,621	(300,864)
Goodwill on consolidation adjustments		
- Reversal of amortisation for the year	2,333	-
Net gain on acquisition of subsidiary not previously recognised in the financial statements during the year	273,206	-
Operating profit after tax as restated under AIFRS for the year ended 30 June 2005	<u>429,160</u>	<u>(300,864)</u>

(c) Reconciliation of Total Equity at 30 June 2005

	Economic Entity	Parent Entity
Total equity at 30 June 2005:	\$	\$
As reported under Australian Accounting Standards	1,429,970	975,385
Adjustments to operating profit for the year as described above	275,539	-
Total equity at 30 June 2005 as restated under AIFRS	<u>1,705,509</u>	<u>975,385</u>

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

NOTE 26: RELATED PARTY TRANSACTIONS

(a) Loans to and from directors and director related entities

There were no outstanding loans to and from directors and director related entities at 30 June 2005 (2004: \$NIL).

(b) Other transactions with directors and director related entities

Jack Scanlan, a director, is a principal of Charles Consultancy Group Pty Ltd. Australian United Retailers Ltd entered into transactions with Charles Consultancy Group Pty Ltd during the year. The services acquired included attending to board administration and general legal counsel. The services were based on normal commercial terms and conditions.

The total amount paid or payable to Charles Consultancy Group Pty Ltd was \$51,700 (2004: \$96,580).

Directors or director related entities who hold Australian United Retailers Ltd shares as store members enter into transactions with the company and may have outstanding balances at year end. The directors involved are:

Ben Ryan
Michael Reddrop
Alex Ng
David Williamson
Wayne Pattison
Michael Timothee
Gary Aberdeen
Deborah Smith
John Bridgfoot

These transactions are on the same terms and conditions as transactions with other members. The aggregate amount of banner support fees received or receivable and included in the result for the year are \$623,505 (2004: \$514,214). The aggregate amount of rebates paid or payable and included in the result for the year is \$1,853,970 (2004: \$1,542,643).

Director Michael Reddrop and former director Alex Ng are directors of an entity which controls an investment in a Trust. This Trust has four FoodWorks supermarkets as assets. Director related entities associated with the following directors have subscribed for units in the investment trust:

Michael Reddrop
Alex Ng
Peter Noble

(c) Directors' Shareholdings

Aggregate number of shares held at 30 June 2005:

"A" Class redeemable non-cumulative preference shares:

Ben Ryan - five shares (2004: five shares)

David Williamson - two shares (2004: two shares)

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

NOTE 26: RELATED PARTY TRANSACTIONS (Continued)

Michael Reddrop - three shares (2004: three shares)
Alex Ng - one share (2004: one share)
Wayne Pattison - two shares (2004: no shares)
Gary Aberdeen - one share (2004: no shares)
Michael Timothee - one share (2004: no shares)
Deborah Smith - one share (2004: no shares)
John Bridgfoot - one share (2004: no shares)

“B” Class redeemable non-cumulative preference shares:

Ben Ryan - five shares (2004: no shares)
David Williamson - two shares (2004: no shares)
Michael Reddrop - three shares (2004: no shares)
Alex Ng - one share (2004: no shares)
Wayne Pattison - two shares (2004: no shares)
Gary Aberdeen - one share (2004: no shares)
Michael Timothee - one share (2004: no shares)
Deborah Smith - one share (2004: no shares)
John Bridgfoot - one share (2004: no shares)

Aggregate number of shares acquired during the period:

“A” Class redeemable non-cumulative preference shares:

Ben Ryan - five shares
David Williamson - two shares
Michael Reddrop - three shares
Alex Ng - one share
Wayne Pattison - two shares
Gary Aberdeen - one share
Michael Timothee - one share
Deborah Smith - one share
John Bridgfoot - one share

“B” Class redeemable non-cumulative preference shares:

Ben Ryan - five shares
David Williamson - two shares
Michael Reddrop - three shares
Alex Ng - one share
Wayne Pattison - two shares
Gary Aberdeen - one share
Michael Timothee - one share
Deborah Smith - one share
John Bridgfoot - one share

Aggregate number of shares disposed of during the period:

“A” Class redeemable non-cumulative preference shares: NIL

“B” Class redeemable non-cumulative preference shares: NIL

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

NOTE 27: FINANCIAL INSTRUMENTS

(a) Interest rate risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

2005 Financial Instruments	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	\$	\$	\$	\$	%
(i) Financial assets					
Cash	1,593,393	3,830,326	-	5,423,719	5.0
Trade and other receivables	-	-	15,696,000	15,696,000	-
Receivables - other related parties	-	-	100	100	-
Total financial assets	1,593,393	3,830,326	15,696,100	21,119,819	

2005 Financial Instruments	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	\$	\$	\$	\$	%
(ii) Financial liabilities					
Trade creditors	-	-	13,657,898	13,657,898	-
Hire purchase	-	10,692	-	10,692	6.9
Total financial liabilities	-	10,692	13,657,898	13,668,590	

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

NOTE 27: FINANCIAL INSTRUMENTS (Continued)

2004 Financial Instruments	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	\$	\$	\$	\$	%
(iii) Financial assets					
Cash	809,415	772,045	3,818	1,585,278	4.7
Trade and other receivables	-	-	2,349,182	2,349,182	-
Total financial assets	<u>809,415</u>	<u>772,045</u>	<u>2,353,000</u>	<u>3,934,460</u>	

2004 Financial Instruments	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	\$	\$	\$	\$	%
(iv) Financial liabilities					
Trade creditors	-	-	562,624	562,624	-
Total financial liabilities	<u>-</u>	<u>-</u>	<u>562,624</u>	<u>562,624</u>	

Notes to the Financial Statements for the year ended 30 June 2005

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

NOTE 27: FINANCIAL INSTRUMENTS (Continued)

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

(c) Net Fair Values

The net fair value of financial assets and financial liabilities approximates their carrying values as disclosed in the statement of financial position and notes to the financial statements.

NOTE 28: SEGMENT REPORTING

The business operates in the retail food and liquor industry, predominantly in Australia.

NOTE 29: COMPANY DETAILS

The registered office of the company is:
Australian United Retailers Ltd
7 Business Park Drive
Notting Hill Victoria 3168

Directors' declaration

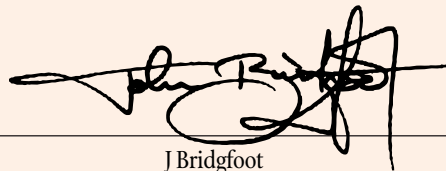
Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 34, are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2005 and performance for the year ended on that date of the company and economic entity.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

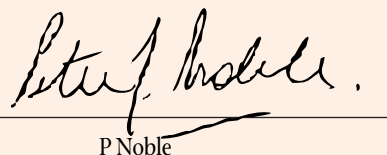
This declaration is made in accordance with a resolution of the Board of Directors.

Director



J Bridgfoot

Director



P Noble

Dated this 30th day of September 2005

Independent Audit report to the Members of Australian United Retailers Ltd

Australian United Retailers Ltd ABN 93 077 879 782 and controlled entities

Scope

We have audited the financial report of Australian United Retailers Ltd for the financial year ended 30 June 2005 comprising of the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements.

The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's and consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Australian United Retailers Ltd is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

PITCHER PARTNERS



G E WALSH
Partner
Melbourne

6th October 2005