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In last year's Annual Report I foreshadowed FoodWorks planned growth strategy and the bold endeavour we were embarking on to shatter industry norms, fundamentally restructure our Company and raise the required capital to further grow our business.

Twelve short months later and those plans are the stuff of reality.

With the unwavering support of you, our retail members, we have pushed aside what once seemed insurmountable barriers and confidently thrust FoodWorks onto centre stage in the Australian supermarket sector.

The proud, independent traditions of our heritage, harnessed to a modern, challenging strategic blueprint and a team driven to succeed has seen us achieve not only all our strategic objectives, but accomplish this in an environment where our business continued to deliver on a daily basis with industry leading like for like sales growth and financial performance above plan.

The achievements of this year were only possible with the support and input from our retail membership. Every opportunity was taken during the year to involve and include our members in the strategic development, planning and execution of this most significant of events in our history. This inclusiveness was amply rewarded with the member support and input that saw us achieve all our objectives.

FoodWorks is now in a unique position; we have built a modern company that continues to display the great hallmarks of our co-operative heritage and yet is Balance Sheet strong and structurally flexible. We are perfectly placed to execute our collective plans and deliver the rewards of our growth strategy.

On behalf of the Board and staff team, I thank our shareholders for their continuing confidence in the Company and steadfast support of the pursuit of our shared vision for the future of FoodWorks.



John Bridgfoot
Chairman

CEO's Report

The last 12 months has seen some dramatic changes for FoodWorks and our retail members as we continue to consolidate, develop and implement our retail strategy.

The achievements of the past 6 months in particular (January to June 2007) are unprecedented in the independent supermarket industry. Although part of a longer journey which commenced almost two years ago, FoodWorks has in a very short timeframe:

- Secured the majority of its business on longer term 6 year Unity Agreements with first and last rights of refusal – strengthening the foundations of the business and effectively mitigating one of the most significant risks to the business and a major impediment to crystallising and growing the value of the business. Unity Agreements have been voluntarily signed by 380 stores;
- Changed, with the almost unanimous consent of its retailer members, the constitutional impediments to raising capital – introducing the capacity to augment the share register with an additional, substantial share class with superior rights to the pre-existing nominal value share classes and formally extending membership to members' related parties and ultimately to nominated FoodWorks staff; and
- Raised the \$10.4 million in capital assessed as necessary to fund the key Growth Strategy elements entirely from within the small population of registered members, without the luxury of an underwriter or trade investor.

Financial Performance

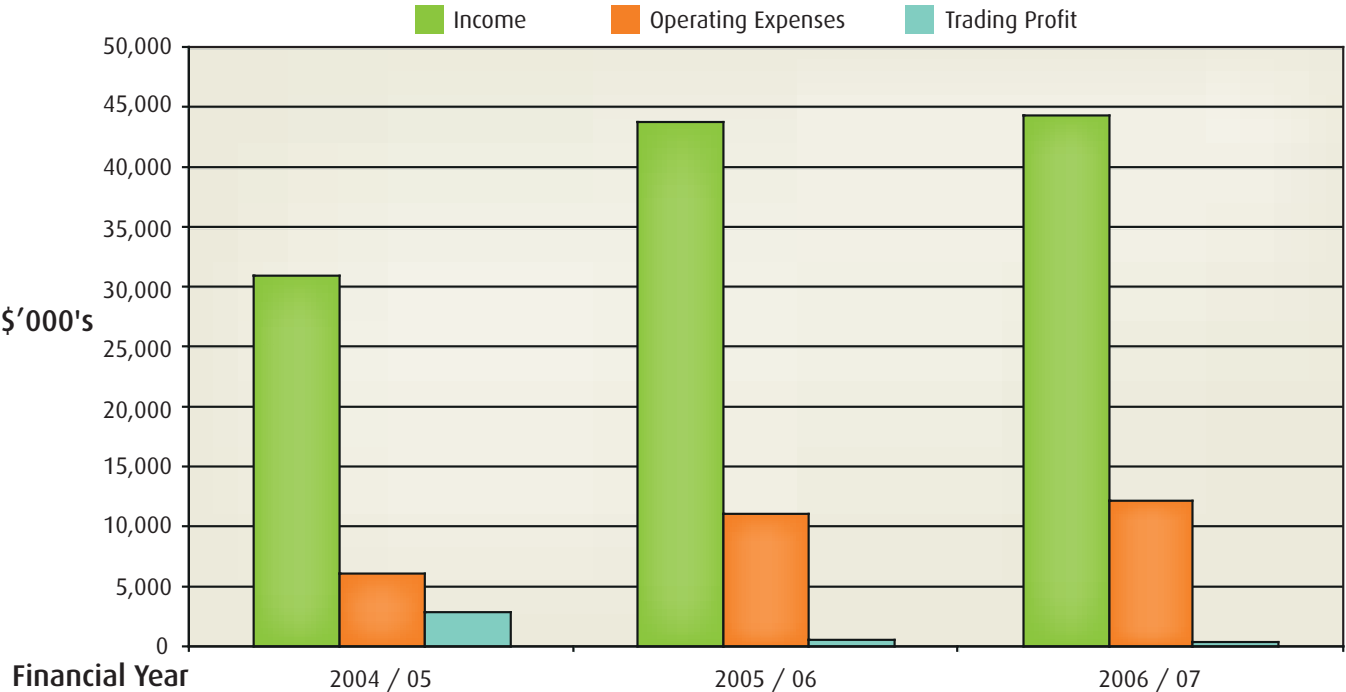
The company delivered a trading profit of \$1,023,000 against the budgeted \$100,000 for the financial year 2006/2007. Additional expenses of \$857,000 were incurred in regard to capital raising, and future state initiatives which are outlined in the financial statements contained in this report.

Income was ahead of plan reflecting solid volume throughout and strong supplier support for the FoodWorks business.

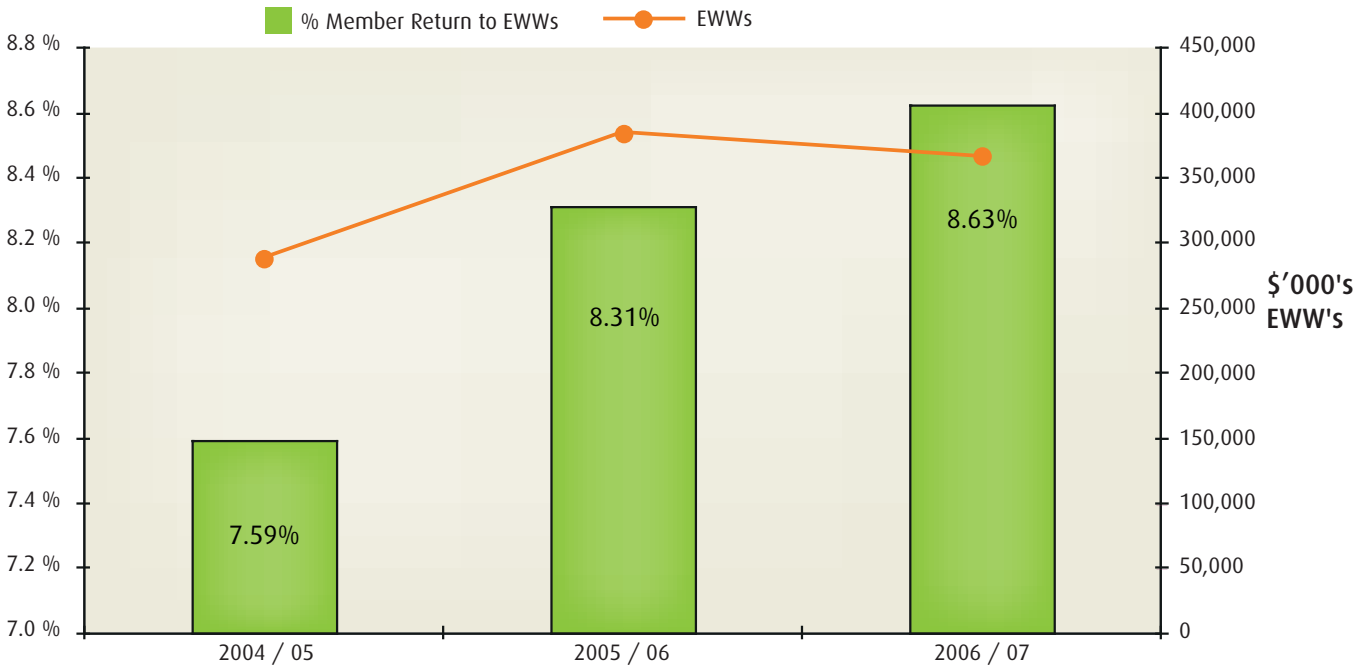
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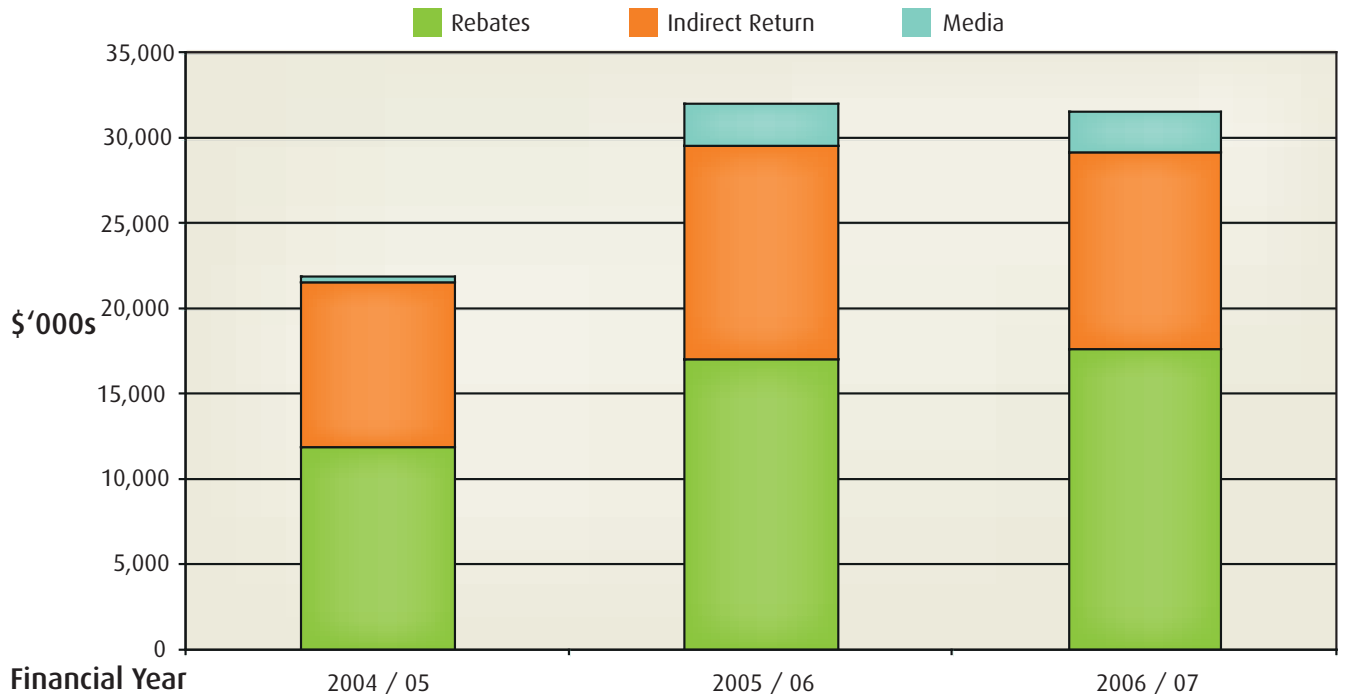
Financials



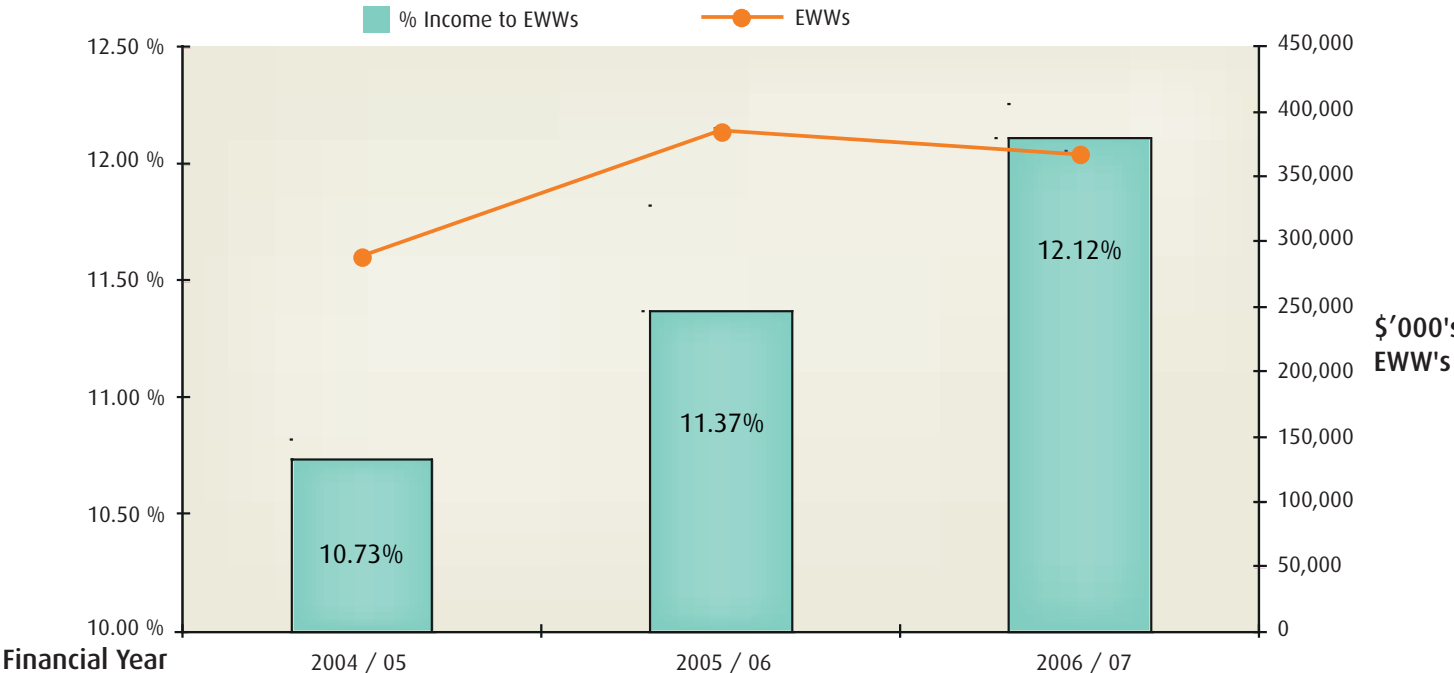
Member Returns to EWWs



Member Returns



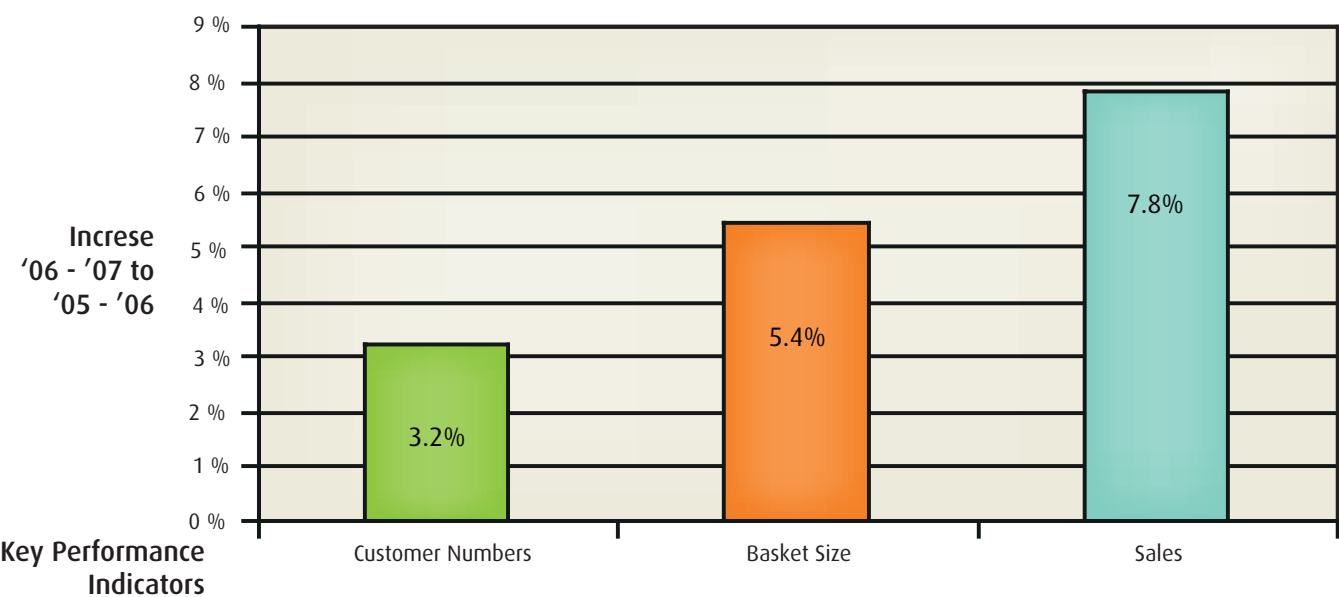
Income to EWWs



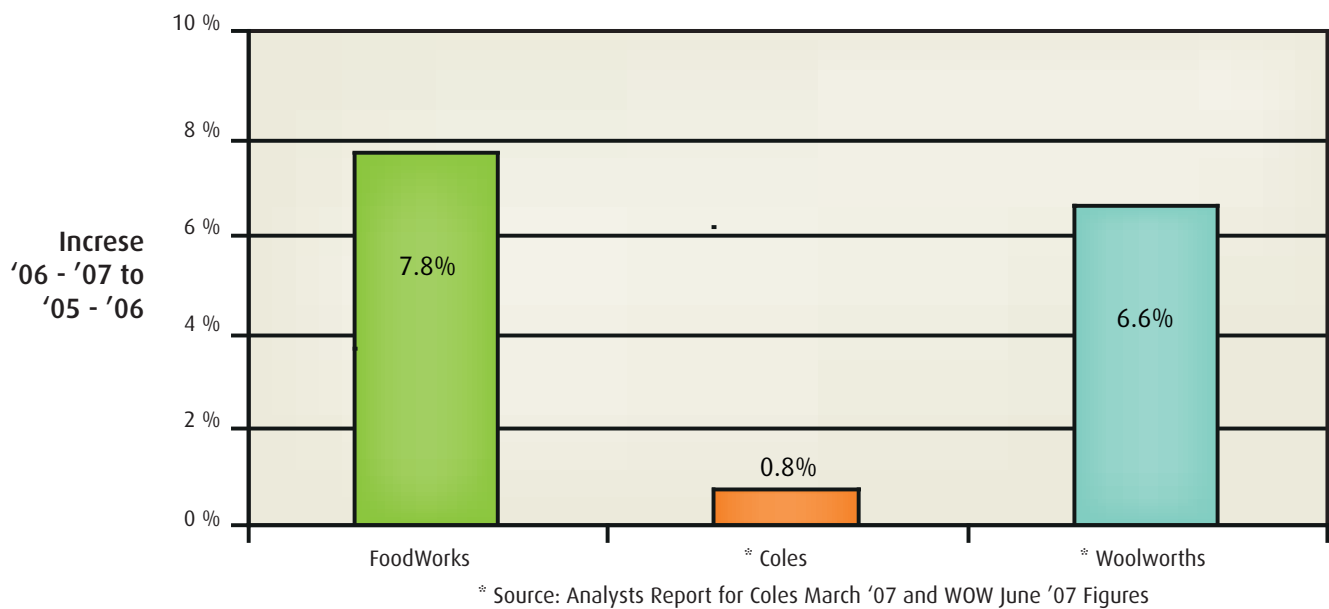
CEO's Report

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Store Performance



Network Sales Growth



Finance

The focus of finance has been to provide timely and accurate financial and management reports, to best enable the Board and management to take commercially sound decisions, which in turn maximise the delivery of member services and rebate returns to shareholders.

Given extra focus, our chargeback system delivered an excellent 45% lift in volume to \$40 million. This centralised payment system assists members in reducing administration costs as well as generating income for both members and the company.

The successful capital raise was an outcome of considerable financial analysis and forecasting for the planned initiatives.

Information Technology

The ScanWorks data retrieval system continues to realise significant benefits for both the support office and member stores. Data is being retrieved from over 310 branded stores on a daily basis and is providing vital information for our category and business development teams to effectively manage and monitor stores' progress. The in-store reporting module provides stores with core range and benchmarking data to assist in business making business decisions.

The "Connect" telecommunications initiative is providing FoodWorks stores with the best available deals from Telstra and the Commonwealth Bank (CBA) in relation to fixed and mobile telephone plans, telephony systems and EFTPOS. There are over 470 member stores now subscribing to the FoodWorks/CBA EFTPOS deal.

Marketing

Throughout 2006/2007 the foundations established in the previous year were built upon with the recruitment of an expanded team of specialist marketing professionals. The broad disciplines FoodWorks is now equipped to support members with include:

Graphic Design and Print Production – enabling FoodWorks to have greater control, consistency and output of all branded materials including newsletters, brochures, local area marketing materials and catalogue design;

Store Local Area Marketing and Promotions – members are provided with a toolkit of professionally produced, customisable marketing materials which can be tailored to their local communities while retaining a consistent tone, style and message to our national campaigns;

CEO's Report

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Public Relations and Communication – delivers internal and external publicity for the Brand. Members are provided with a regular, comprehensive newsletter including stories of interest about store initiatives, changes, developments and achievements. They are also supported with an in house resource for Press Release development and crisis management services.

Advertising and Media – assisting members to create, manage and deliver local advertising campaigns ranging from out of home to radio and television. Existing media schedules can now be reviewed against objectives and benchmarks, driving greater value for members' advertising dollars.

The FoodWorks marketing team also supports members through the development, management and provision of a number of proprietary programs and initiatives including Delbeato Young StoreCheck consumer research and the EDGE business performance improvement initiative.

During 2006 / 2007, the Marketing team committed significant resources to the development and production of the May 2007 Prospectus. Activities ranging from the research and development of the marketing specific initiatives contained in FoodWorks Growth Strategy through to copy writing and design and production of the published document occupied much of the year. This exercise was complemented with an extensive internal and external public relations program that promoted the merits of the capital raising to members and culminated with announcements of our ultimate success.

Merchandising

On behalf of its Members, the FoodWorks merchandising team establishes and implements:

Supplier Agreements - FoodWorks manages the supply arrangements for over 20,000 product lines on behalf of its Members. In particular, FoodWorks Members enjoy the benefits of a comprehensive long-term supply agreement with Metcash. The agreement is based on national access to an extensive product range of grocery, perishable, general merchandise, tobacco and packaged liquor items.

A Private Label Program - FoodWorks' Private Label program is intended to differentiate the Company from competitors, build customer loyalty and deliver Members with new sales opportunities, strong gross margins, a quarterly ranging rebate and competitive recommended retail pricing.

The FoodWorks Private Label program continued its momentum this year. The Best Buy range of products achieved in excess of \$22 million in retail sales.

Best Buy bread, milk, ice-cream, water and bacon continued to be successful whilst many new products such as spreads, oils, canned lines, sugar, cookies, frozen vegetables, eggs, flour, dry dog food, cheese and cakes were developed and launched into the FoodWorks network. The range now stands at 84 products.

During the year, a new art house, Pinpoint Design, was appointed to reinvigorate the Best Buy brand identity. Feedback from stores has been positive on the new packaging formats launched. Competitive pricing, quality ingredients and on pack appetite appeal continue to be the key focus for Best Buy.

Best Buy specific media releases were communicated to trade, which improved Brand recognition. Where possible, existing and new products were included in space planning planograms and regularly promoted in the weekly handbill.

The Black and Gold entry level product range grew by 19% this financial year and approximately \$35 million in retail sales were reached. The Black and Gold growth achieved was mainly attributed to an improved promotional program and will continue as a new core range is released for small, medium and large stores.

Planning for FoodWorks new private label brands has commenced, principally for liquor, bakery, fresh produce and general merchandise.

Category Specific Initiatives - LiquorLink and TobaccoLink are FoodWorks' innovative, value added merchandising and promotional programs which match regular competitive pricing and promotions support from Liquor and Tobacco suppliers with retailer commitments to meet merchandising expectations of suppliers' products. Both services are optional to Members, and require additional contractual commitments in the form of LiquorLink or TobaccoLink Agreements which are monitored from time to time by the respective suppliers.

TobaccoLink continued as a major driver for the group with like for like Tobacco Category sales increasing by 6% for the year.

This exceptional result from what is at best a static market was due to the ongoing high level support from all suppliers and a focused commitment to the category by group members.

All suppliers have again demonstrated their confidence in TobaccoLink by substantially increasing their activities with the group throughout 2007 and 2008.

In the highly competitive Liquor category, FoodWorks has continued to demonstrate impressive performances. The FoodWorks Liquor group has achieved year on year, like for like sales growth of 5.7% for 2006/2007.

Further to this success, the internal promotional group LiquorLink which was created in 2005 has continued its strong performance with sales growth over the same period of 7.1%. The group of stores within LiquorLink has now grown to 50 strong. LiquorLink has also seen the advent of the Wine of the Month and Beer of the Month programs, helping to lift both retailer and consumer awareness of product attributes and benefits.

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These strong results in 2006/2007 have also been underpinned with a number of retailer exclusive promotions and consumer exclusive competitions helping to continue the development of the FoodWorks Liquor category.

Product Price File Hosting - Members with appropriate point of sale and back office systems can elect to have FoodWorks host their product price files in order to save substantial time and effort during promotional periods and manage price changes.

Space Management - FoodWorks provides Branded store owners with product and category range planograms and consumer-focused floor plans to improve store flow and product category footage allocations.

Business Development

FoodWorks' Business Development encompasses a range of operations from investigating and planning new business opportunities through to designing layouts and store fit-outs and providing individual stores with specialised business plans and advice.

Over the 2006/2007 financial year the Business Development team has signed 24 New to FoodWorks stores, and 15 New to Industry stores to the FoodWorks group. In addition they have undertaken 2 fresh foods upgrades, 16 minor and 7 major store upgrades. A total of 220 market assessments have been undertaken on both existing and potential sites and 237 Business Plans have been completed for branded stores.

Overall, these activities have added approximately 19,000 square metres of supermarket space to the network. Negotiations are currently underway for an additional 22 potential new sites.

People and Performance

FoodWorks has established a People and Performance team which is dedicated to developing the capability of FoodWorks support office staff and providing selected human resources related services to Members.

The People and Performance team provided strategic direction in relation to the capability and development of FoodWorks support staff. The team develops and maintains the Company's human resources policies to ensure compliance with various state and federal legislation, to provide effective governance and to assist in attracting and retaining staff.

This team is responsible for the attraction, recruitment, induction, development, remuneration and performance management activities for FoodWorks support staff. They are also responsible for determining which of these activities could be provided or co-ordinated effectively on behalf of Members and for establishing relationships with appropriate human resource service providers.

The People & Performance team in the 2006/2007 financial year has:

- Successfully retained the Registered Training Office status in Victoria;
- Successfully ensured that all Queensland members followed new state legislation in the Food Safety Act and complicated training in Food Safety;
- Implemented a store based Induction CD with state of the art on-line compliance testing;
- Implemented a store based Occupational Health and Safety CD, covering all states and territories;
- Implemented The Answer CD to all branded stores;
- Strengthened relationships with our industrial associations;
- Ensured all staff have completed performance reviews, development plans and stretch objectives;
- Written and implemented policies and procedures for the FoodWorks support office;
- Established a representative Learning and Development Committee for members; and
- Established a rigorous and fair salary review system for support office staff.

As Chief Executive Officer I am proud of FoodWorks achievements this year. I extend my thanks to our retailers and their teams, support office staff and our Board for their efforts, commitment and belief in our future. I look forward to reporting in twelve months time, on an even greater year of success.



P Noble
CEO

Corporate Governance Statement

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The Board has continued to refine the Company's corporate governance practices in the latest reporting period, particularly having regard to the capital raising. The Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council (second edition) (ASX Principles) continue to serve as a model in this process.

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

The main corporate governance policies and practices of the Company are set out in the statement below. We expect they will continue to evolve further as the Company moves forward on its growth path.

Recognising 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 latest year has again been very important in the continuing development of relationships for our rapidly growing company. Testing the views of members and obtaining feedback on important directions under consideration are important elements in ensuring we are in-step with the aspirations of our membership. As well as member testing of various initiatives related to retailing, the outstanding development in the year under review was the strong feedback and support from members at various meetings to create residual value for the Company, primarily through a capital raising from existing members.

The Foodworks Newsletter continues to be important and topical in keeping members informed of current events and developments. In addition, Regional member meetings, the Foodworks annual conference (held at Coolumb in 2006 and proposed for Cairns in 2007) which is attended by management, staff and directors, provide good opportunities for members and other stakeholders to exchange views with senior management and directors on a wide range of issues. The annual meeting of members (AGM) is a further opportunity for members to ask questions of the Board, to express views and vote on the various matters of business on the agenda. The Annual Report is also available on our website to all members and is distributed in hard copy to members where requested.

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 Company welcomes opportunities to assist members in their local communities in supporting charitable and worthwhile community based initiatives.

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 it 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 has entered into a Deed of Indemnity, Insurance and Access with each director.

Corporate Governance Statement

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Board Structure and Processes

The constitution of the Company, approved by members, sets out the composition of the Board for the initial three years to the 2007 AGM. During this period the Company shall have 10 directors, five of whom (the “AUG-nominated directors”) shall have been members of Australian United Grocers Pty Ltd (AUG) and nominated by AUG and five of whom (the “FSG-nominated directors”) shall have been nominated by the Company (previously named FoodWorks Supermarket Group Ltd (FSG)) 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, and for the first such vacancy only, an Independent Director shall be appointed. 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.

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.

The current Board structure was only intended to apply in the initial 3 year period following the 2004 merger. Consequently, the 2007 AGM will be invited to approve changes to the Board structure relevant to the Company’s new status as a significantly capitalised entity, in its anticipated commercial landscape. Subject to AGM approval the Board will have a maximum of 10 directors of whom at least 4 will be Retail Directors.

Neil Osborne was appointed as an independent non-executive director in November 2006 to fill a vacancy and Michael Timothee resigned as a retailer non-executive director in March 2007. At 30 June 2007 Board membership was 9, including 4 retailer non-executive directors and the Chief Executive Officer. Gary Aberdeen resigned as a retailer non-executive director in July 2007.

During the course of its annual program, which included 11 scheduled meetings in the current year, the Board examines strategic issues. It 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 provides for evaluation of its own performance and that of directors.

To assist in the execution of its responsibilities, the Board has appointed three Board committees - an Audit and Risk Committee, a Remuneration and Nomination Committee, and a Supply Chain 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. Committees 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.

Following the recent capital raising the Company has formalised a Securities Trading Policy for directors and staff.

Refer to www.foodworks.com.au for the full Code of Conduct and the Securities Trading Policy.

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 during the year were Don Howell (Chair), Gary Aberdeen, John Bridgfoot (ex officio), Wayne Pattison, Michael Reddrop and Michael Timothee (until his resignation on 23 March 2007). The Committee met 9 times in the year to 30 June 2007.

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 three year period to the 2007 AGM. Pursuant to those constitutional requirements, it developed a profile for appointment of an independent non-executive director, using an external consultant to screen candidates. Neil Osborne was appointed following this process.

The resignations as directors of Michael Timothee in March 2007 and Gary Aberdeen in July 2007 have created fresh vacancies on the Board.

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The Committee has therefore co-ordinated a new search for an appropriately skilled and experienced independent non-executive director, again using an external consultant to screen candidates. An appointment is expected to be made shortly following the successful conclusion of this process. Additionally, it is proposed in early September to appoint a suitably experienced store owner to fill the remaining vacancy on the Board.

Members of the Committee are Jack Scanlan (Chair), John Bridgfoot (ex officio), and Deborah Smith. The Committee held 2 meetings in the year to 30 June 2007, and has communicated informally on several other occasions.

Supply Chain Committee

The Supply Chain Committee was established during the year. Its terms of reference include identifying the benefits, costs and reasons for the current supply chain and identifying ways in which the current supply chain can be improved.

Members of the Committee are Neil Osborne (Chair), John Bridgfoot (ex officio), Jack Scanlan, Peter Noble (ex officio), Michael Reddrop and Debbie Smith. The Committee met on 5 occasions during the year.

Financial Reporting

Prior to the issuing of the C Class redeemable preference shares in June 2007 following the capital raising under the prospectus, the nature of the Company's membership and shares were 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) were not relevant to the Company. For this reason the Australian Securities and Investments Commission had exempted the Company from compliance with "continuous disclosure" and half yearly reporting obligations applicable to listed public companies.

However, following the issuing of the C Class shares the Company is now subject to the "continuous disclosure" obligations prescribed in the Corporations Act.

The full Continuous Disclosure policy can be found at www.foodworks.com.au.

Preparation of the Company's annual financial reports is 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. In addition, the integrity of the company's risk management and internal compliance and control systems are certified.

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 previous year, under the direction of the Audit & Risk Committee, the Company had engaged Marsh as independent risk professionals to conduct a comprehensive risk analysis and assessment of the Company's activities and exposures. This resulted in the assessment, categorisation and prioritising of all identified risks, following which they have been systematically addressed.

Marsh were engaged again in February 2007 to review the Company's progress on their earlier risk analysis and assessment. Their report indicated there had been a significant improvement in the risk profile of the Company. The introduction of the Unity Agreement to branded members and the successful capital raising were important elements in this mitigation of risk.

This increasingly favourable risk profile has assisted continuation of the trend towards a more comprehensive and effective insurance coverage program at lower cost.

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 financial year ended 30 June 2007 and auditors report thereon. This financial report has been prepared in accordance with Australian Equivalents of International Financial Reporting Standards. Compliance with AIFRS ensures compliance with International Financial Reporting Standards (IFRSs).

Director’s Names

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

- J Bridgfoot
- J Scanlan
- D Smith
- P Noble
- D Howell
- M Reddrop
- G Aberdeen (Resigned 30 July 2007)
- W Pattison
- N Osborne (Appointed 21 November 2006)
- M Timothee (Resigned 23 March 2007)

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

Results

The loss of the economic entity for the financial year after providing for income tax and eliminating outside equity interests amounted to \$894,900.

The economic entity’s core trading result for the year ended 30 June 2007, as follows:

	\$ 000’s	\$ 000’s
Consolidated Loss		(895)
Add back non-trading costs		
Income tax expense	542	
Capital raising costs	661	
Future state initiatives	196	
New store rebranding costs	519	1,918
Trading profit for the year ended 30 June 2007		1,023

Review of Operations

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

Significant Changes in State of Affairs

Significant changes in the state of affairs of the economic entity during the financial year, were as follows: During the financial year the company successfully raised additional capital from its existing shareholders. On 15 June 2007, 11,559,800 Class C Redeemable Preference Shares were issued raising a total of \$10,349,000, against a prospectus target of \$10,000,000.

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

No 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, Recommended, and Declared

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

Directors' Report

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Information on Directors

J Bridgfoot	-	Independent Non Executive Chairman
Qualifications	-	Exec. M.B.A. (Washington State) B.A. (La Trobe University) M.A.I.C.D.
Experience	-	John was appointed as a director on 22 September 2001 of AUG Pty Ltd. He is currently the Managing Director of Pacific Rim Securities. John was previously an independent storeowner and operator from 9 January 1999 until March 2006.
Special Responsibilities	-	Member of Audit & Risk Committee, Member of Remuneration & Nomination Committee, Member of Supply Chain Committee
J Scanlan	-	Independent Non Executive Deputy Chairman
Qualifications	-	Bachelor of Laws (Melbourne University) Barrister & Solicitor of the Supreme Court of Victoria
Experience	-	A director and chairman of Australian United Retailers (AUR) 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	-	Chairman of Remuneration & Nomination Committee, Member of Supply Chain Committee
D Smith	-	Non Executive Director
Qualifications	-	Dip. Ed. (Townsville) Graduate Certificate of Management (University of New England) Diploma of Management (University of New England) M.A.I.C.D.
Experience	-	A director since 4 October 2003, Deborah has been an independent storeowner and operator since 1996. Deborah is a Director of Master Grocers of Australia.
Special Responsibilities	-	Member of Remuneration & Nomination Committee, Member of Supply Chain Committee
P Noble	-	Independent Executive Director
Qualifications	-	Bachelor of Applied Science (Queensland University)

Experience	-	M.A.I.C.D. 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, Member of Supply Chain Committee
D Howell	-	Independent Non Executive Director
Qualifications	-	Certified Practising Accountant M.A.I.C.D.
Experience	-	Don has been an independent Non-Executive Director of AUR Ltd since 23 July 1997. Don brings to the Company over 23 years experience in senior positions including Senior Vice President of Mattel Inc and CEO of Mattel Australia.
Special Responsibilities	-	Chairman of Audit & Risk 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) Certified Practising Accountant (USA) Candidate Level II : Chartered Financial Analyst M.A.I.C.D.
Experience	-	Michael was appointed as a director of AUR Ltd in November 2000. Michael is the CEO of Reddrop Management Group and 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. Michael is currently also the CFO of Global Mart (Shanghai) Co Ltd.
Special Responsibilities	-	Member of Audit & Risk Committee, Member of Supply Chain Committee
G Aberdeen	-	Non Executive Director
Qualifications	-	M.A.I.C.D.
Experience	-	Gary was appointed a director of AUG Pty Ltd on 22 August 2000. For the past 12 years Gary has been the General Manager/Company Secretary of the Goondiwindi Co-operative Society Limited and has won the Retailer of the Year Supermarket Category on numerous occasions. Gary has over 27 years experience in the retail industry. Gary resigned as a director on 30 July 2007.
Special Responsibilities	-	Member of Audit & Risk Committee

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W Pattison	-	Non Executive Director
Qualifications	-	M.A.I.C.D.
Experience	-	Wayne has been a director since 4 October 2003 and he has 24 years experience in the retail industry in Victoria. Wayne is a shareholder of two independent retail stores in Victoria. He has been a member of Cheers Liquor Group committee for 18 years, including 10 years as Chairman.
Special Responsibilities	-	Member of Audit & Risk Committee
N Osborne	-	Independent Non Executive Director
Qualifications	-	Fellow Australian Institute of Company Directors (FAICD) Bachelor of Commerce Certified Practising Accountant
Experience	-	Company Directors Course Diploma (Australian Institute of Company Directors) With over 17 years experience in the retail industry, Neil was appointed as a director in November 2006. He is also a director of Colorado Group, and Fone Zone. Neil has held a variety of senior executive positions with Myer Grace Bros and Coles Myer Ltd, as well as being a former partner of Accenture.
Special Responsibilities	-	Chairman of Supply Chain Committee
M Timothee	-	Non Executive Director
Qualifications	-	M.A.I.C.D.
Experience	-	A director since 26 February 2003, Michael has been an independent storeowner and operator since 1989. Michael resigned as a director on 23 March 2007.
K Sleep	-	Company Secretary
Qualifications	-	Bachelor of Economics (Monash) FCPA FCIS
Experience	-	Ken joined AUR Ltd in December 2004 as Company Secretary, with responsibility for all Board matters, share register, corporate governance and regulatory compliance generally. Previously, Ken was with the Mayne Nickless Group for 31 years, where he held administration, finance and company secretarial responsibilities, and spent the last nine years as Group Company Secretary, with wide ranging secretarial responsibilities for the holding company and all subsidiaries. In the period since, Ken has provided significant consultancy to a top ASX 100

company on company secretarial, corporate governance and superannuation matters, with limited similar consultancies to other public companies.

Meetings of Directors

Directors	Committee Meetings							
	Directors’ Meetings		Audit Committee		Remuneration & Nomination Committee		Supply Chain 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	16	16	9	3	2	2	5	4
J Scanlan	16	15	-	-	2	2	5	5
D Smith	16	15	-	-	2	2	1	1
P Noble	16	16	-	-	-	-	5	5
D Howell	16	15	9	9	-	-	-	-
M Reddrop	16	16	9	8	-	-	5	5
G Aberdeen (Resigned 30 July 2007)	16	15	9	8	-	-	-	-
W Pattison	16	15	9	7	-	-	-	-
N Osborne (Appointed 21 November 2006)	10	10	-	-	-	-	5	5
M Timothee (Resigned 23 March 2007)	10	9	6	5	-	-	-	-

Options

No options over unissued shares or interests in the economic entity were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

Indemnification of Officer

During or since the end of the financial year, the economic entity entered into a Deed of Indemnity, Insurance and Access with Neil Osborne. All other directors entered into a similar deed in the previous financial year. Apart from this, no other indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer of the economic entity.

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.

Auditor's Independence Declaration

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

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 Board of Directors:



Director
D Howell

A handwritten signature in black ink.



Director
P Noble

A handwritten signature in black ink.

Dated this 14th day of August 2007

To the Directors of Australian United Retailers Ltd

In relation to the independent audit for the year ended 30 June 2007, 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
Melbourne

A handwritten signature in black ink.

G E WALSH
Partner

30th August 2007

Income Statement For The Year Ended 30 June 2007

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

		Economic Entity		Parent Entity	
	Notes	2007	2006	2007	2006
		\$	\$	\$	\$
Sales Revenue		43,800,403	42,994,266	43,800,903	42,994,266
Other income	4	<u>1,010,484</u>	<u>991,564</u>	<u>1,010,484</u>	<u>988,059</u>
		44,811,387	43,985,830	44,811,387	43,982,325
Distribution to members		(17,642,041)	(17,032,461)	(17,642,041)	(17,032,461)
Merchandising expenses		(6,347,622)	(6,953,379)	(6,347,622)	(6,953,379)
Marketing expenses		(9,220,202)	(8,191,752)	(9,220,202)	(8,191,752)
Business development expenses		(3,608,930)	(1,428,429)	(3,608,930)	(1,428,429)
Administrative expenses		(4,554,666)	(4,673,611)	(4,554,666)	(4,673,611)
Retail operations expenses		(831,860)	(3,303,144)	(831,860)	(3,303,144)
Store rebranding expenses		(519,152)	(5,026,548)	(519,152)	(5,026,548)
Future state initiatives		(196,098)	-	(196,098)	-
Capital raising expenses		(660,425)	-	(660,425)	-
Other expenses		<u>(1,359,076)</u>	<u>(995,751)</u>	<u>(1,359,076)</u>	<u>(995,491)</u>
		(44,940,072)	(47,605,075)	(44,940,072)	(47,604,815)
Finance costs	5	<u>(224,628)</u>	<u>(131,928)</u>	<u>(224,628)</u>	<u>(131,928)</u>
Loss before income tax		(353,313)	(3,751,173)	(353,313)	(3,754,418)
Income tax benefit (income tax expense)	6	<u>(541,587)</u>	<u>1,043,291</u>	<u>(460,581)</u>	<u>1,044,264</u>
Loss from continuing operations		<u>(894,900)</u>	<u>(2,707,882)</u>	<u>(813,894)</u>	<u>(2,710,154)</u>

The accompanying notes form part of these financial statements.

Balance Sheet as at 30 June 2007

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

		Economic Entity		Parent Entity	
	Notes	2007	2006	2007	2006
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	7	7,439,086	1,684,990	7,439,086	1,684,990
Trade receivables	8	14,300,879	14,711,745	14,299,771	14,710,641
Inventories	9	65,000	386,268	65,000	386,268
Other	10	<u>1,623</u>	<u>323,162</u>	<u>1,623</u>	<u>323,059</u>
TOTAL CURRENT ASSETS		<u>21,806,588</u>	<u>17,106,165</u>	<u>21,805,480</u>	<u>17,104,958</u>
NON-CURRENT ASSETS					
Plant and equipment	11	875,115	1,156,083	875,115	1,156,083
Deferred tax assets	6	<u>1,113,860</u>	<u>1,556,306</u>	<u>1,113,860</u>	<u>1,475,300</u>
TOTAL NON-CURRENT ASSETS		<u>1,988,975</u>	<u>2,712,389</u>	<u>1,988,975</u>	<u>2,631,383</u>
TOTAL ASSETS		<u>23,795,563</u>	<u>19,818,554</u>	<u>23,794,455</u>	<u>19,736,341</u>
CURRENT LIABILITIES					
Trade and other payables	12	16,439,488	17,741,124	17,089,337	18,390,974
Short term borrowings	13	610,409	1,753,353	610,409	1,753,353
Provisions	14	<u>1,695,182</u>	<u>1,072,381</u>	<u>1,695,182</u>	<u>1,072,381</u>
TOTAL CURRENT LIABILITIES		<u>18,745,079</u>	<u>20,566,858</u>	<u>19,394,928</u>	<u>21,216,708</u>
NON-CURRENT LIABILITIES					
Payables	12	350	354	350	354
Long term borrowings	13	544,178	-	544,178	-
Provisions	14	<u>334,785</u>	<u>253,360</u>	<u>334,785</u>	<u>253,360</u>
TOTAL NON-CURRENT LIABILITIES		<u>879,313</u>	<u>253,714</u>	<u>879,313</u>	<u>253,714</u>
TOTAL LIABILITIES		<u>19,624,392</u>	<u>20,820,572</u>	<u>20,274,241</u>	<u>21,470,422</u>
NET ASSETS		<u>4,171,171</u>	<u>(1,002,018)</u>	<u>3,520,214</u>	<u>(1,734,081)</u>
EQUITY					
Share capital	15	6,068,877	688	6,068,877	688
Accumulated losses	16	<u>(1,897,706)</u>	<u>(1,002,806)</u>	<u>(2,548,663)</u>	<u>(1,734,769)</u>
Parent entity interest		4,171,171	(1,002,118)	3,520,214	(1,734,081)
Minority interest	17	-	100	-	-
TOTAL EQUITY		<u>4,171,171</u>	<u>(1,002,018)</u>	<u>3,520,214</u>	<u>(1,734,081)</u>

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the Year Ended 30 June 2007

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

Notes	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Total equity at the beginning of the financial year	<u>(1,002,018)</u>	<u>1,705,871</u>	<u>(1,734,081)</u>	<u>976,080</u>
Loss for the year	<u>(894,900)</u>	<u>(2,707,882)</u>	<u>(813,894)</u>	<u>(2,710,154)</u>
Total recognised income and expense for the year	<u>(894,900)</u>	<u>(2,707,882)</u>	<u>(813,894)</u>	<u>(2,710,154)</u>
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity net of transaction costs	6,068,284	118	6,068,284	118
Buy-back of shares	(95)	(125)	(95)	(125)
Changes in outside equity interest	<u>(100)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>6,068,089</u>	<u>(7)</u>	<u>6,068,189</u>	<u>(7)</u>
Total equity at the end of the financial year	<u>4,171,171</u>	<u>(1,002,018)</u>	<u>3,520,214</u>	<u>(1,734,081)</u>

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the Year Ended 30 June 2007

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

Notes	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts from customers	49,895,709	49,131,982	49,895,709	48,989,328
Payments to suppliers and employees	(49,623,581)	(52,593,045)	(49,623,581)	(52,616,587)
Interest received	168,553	189,284	168,553	161,829
Borrowing costs	(68,564)	(95,944)	(68,564)	(95,944)
Income tax (paid)/refunded	<u>178,480</u>	<u>(1,117,767)</u>	<u>178,480</u>	<u>(1,288,436)</u>
Net cash provided by/(used in) operating activities	18 (b) <u>550,597</u>	<u>(4,485,490)</u>	<u>550,597</u>	<u>(4,849,810)</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment	13,364	18,452	13,364	18,452
Payment for property, plant and equipment	<u>(123,220)</u>	<u>(978,263)</u>	<u>(123,220)</u>	<u>(978,263)</u>
Net cash used in investing activities	<u>(109,856)</u>	<u>(959,811)</u>	<u>(109,856)</u>	<u>(959,811)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from share issue	6,068,185	9	6,068,185	9
Proceeds from borrowings	886,624	1,753,353	886,624	1,753,353
Repayment of borrowings	(1,500,000)	(35,984)	(1,500,000)	(35,984)
Drawdowns of related party loans	-	-	-	421,702
Hire purchase payments	<u>(141,454)</u>	<u>(10,806)</u>	<u>(141,454)</u>	<u>(10,806)</u>
Net cash provided by financing activities	<u>5,313,355</u>	<u>1,706,572</u>	<u>5,313,355</u>	<u>2,128,274</u>
Net increase/(decrease) in cash held	5,754,096	(3,738,729)	5,754,096	(3,681,347)
Cash at beginning of financial year	<u>1,684,990</u>	<u>5,423,719</u>	<u>1,684,990</u>	<u>5,366,337</u>
Cash at end of financial year	18 (a) <u>7,439,086</u>	<u>1,684,990</u>	<u>7,439,086</u>	<u>1,684,990</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the Year Ended 30 June 2007

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 Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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

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) Basis of preparation of the financial report

Compliance with IFRS

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRSs). Compliance with AIFRS ensures compliance with International Financial Reporting Standards (IFRSs).

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) Principles of Consolidations

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which Australian United Retailers Ltd has the power to control the financial and operating policies so as to obtain benefits from its activities. Details of the controlled entities are contained in Note 20.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Minority interests in the result of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Income Tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(d) Finance Costs

Finance 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.

Finance costs are expensed as incurred.

(e) Impairment of Assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

Notes to the Financial Statements for the Year Ended 30 June 2007

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Comparative Figures

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

(g) Revenue

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

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

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

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).

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Merchandising signage - purchase cost on a first-in-first-out basis

(i) 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.

Depreciation

The depreciable amount of all fixed assets are depreciated over their estimated useful lives to the company 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements	16.67 - 25 %	Straight Line
Plant and equipment	12.5 - 33 %	Straight Line
Motor Vehicles	22.5 %	Diminishing Value
Furniture, Fixtures and Fittings	7.5 - 20 %	Straight Line
Computer Equipment	33.3 %	Straight Line

(j) Employee Benefits

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Contributions made by the company to an employee superannuation fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

(k) Financial Instruments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Non-interest bearing loans and receivables are designated as receivable 'at call' and are therefore carried at face value.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Non-interest bearing loans and payables are payable on demand and are therefore carried at face value.

Notes to the Financial Statements for the Year Ended 30 June 2007

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) 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.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

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.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are based on past performance and management's expectation for the future.

The group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results.

The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events which could have a material impact on the assets and liabilities in the next financial year are discussed below:

(a) *Income taxes*

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(b) *Employee benefits*

Calculation of long term employment benefits requires estimation of the retention of staff, future remuneration levels and timing of the settlement of the benefits. The estimates are based on historical trends.

NOTE 3: FINANCIAL RISK MANAGEMENT

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to and from subsidiaries. The main purpose of non-derivative financial instruments is to raise finance for group operations.

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

The group does not have any derivative instruments.

Financial risks

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

Cash deposits and interest bearing debt attract interest at the prevailing floating interest rate. See Note 24.

Foreign currency risk

The group is not exposed to any material fluctuations in foreign currencies.

Liquidity risk

The group manages liquidity risk by forecasting and monitoring cash flows on a continual basis.

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

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

	Notes	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
NOTE 4: REVENUE					
OPERATING ACTIVITIES					
- sale of goods		43,800,903	42,994,226	43,800,903	42,994,266
- interest	4(a)	168,553	189,284	168,553	185,924
- rent		-	22,800	-	22,800
- other revenue		841,931	779,480	841,931	779,335
Total Revenue		<u>44,811,387</u>	<u>43,985,830</u>	<u>44,811,387</u>	<u>43,982,325</u>
(a) Interest from:					
- other persons		<u>168,553</u>	<u>189,284</u>	<u>168,553</u>	<u>185,924</u>
		<u>168,553</u>	<u>189,284</u>	<u>168,553</u>	<u>185,924</u>

Notes to the Financial Statements for the Year Ended 30 June 2007

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

		Economic Entity		Parent Entity	
	Notes	2007	2006	2007	2006
		\$	\$	\$	\$
NOTE 5: LOSS FROM CONTINUING ACTIVITIES					
Loss from continuing operations before income tax has been determined after the following specific expenses:					
Employee benefits expense					
Wages and salaries		7,922,364	7,142,246	7,922,364	7,142,246
Workers' compensation costs		17,724	29,417	17,724	29,417
Superannuation costs		<u>587,950</u>	<u>563,570</u>	<u>587,950</u>	<u>563,570</u>
Total employee benefits expense		<u>8,528,038</u>	<u>7,735,233</u>	<u>8,528,038</u>	<u>7,735,233</u>
Finance costs expensed					
Other parties		181,940	130,986	181,940	130,986
Hire purchase charges		<u>42,688</u>	<u>942</u>	<u>42,688</u>	<u>942</u>
Total finance costs expensed		<u>224,628</u>	<u>131,928</u>	<u>224,628</u>	<u>131,928</u>
Depreciation of non-current assets					
Leasehold improvements		148,091	48,031	148,091	48,031
Plant and equipment		10,648	10,288	10,648	10,288
Motor vehicles		-	3,357	-	3,357
Office Equipment		149,789	124,273	149,789	124,273
Furniture, fixtures and fittings		<u>11,529</u>	<u>6,205</u>	<u>11,529</u>	<u>6,205</u>
Total depreciation of non-current assets		<u>320,057</u>	<u>192,154</u>	<u>320,057</u>	<u>192,154</u>

		Economic Entity		Parent Entity	
	Notes	2007	2006	2007	2006
		\$	\$	\$	\$
NOTE 5: LOSS FROM CONTINUING ACTIVITIES (Continued)					
Other expenses					
Provision for stock obsolescence		288,604	-	288,604	-
Bad Debts		16,582	-	16,582	-
Doubtful Debts		32,000	63,995	32,000	63,995
Net loss on disposal of plant and equipment		<u>70,767</u>	<u>12,701</u>	<u>70,767</u>	<u>12,701</u>
		<u>407,953</u>	<u>76,696</u>	<u>407,953</u>	<u>76,696</u>

Notes to the Financial Statements for the Year Ended 30 June 2007

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

	Notes	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
NOTE 6: INCOME TAX					
Income tax expense:					
Current tax		-	-	-	-
Deferred tax		541,587	(970,779)	460,581	(971,752)
Over provision in prior years		<u>-</u>	<u>(72,512)</u>	<u>-</u>	<u>(72,512)</u>
		<u>541,587</u>	<u>(1,043,291)</u>	<u>460,581</u>	<u>(1,044,264)</u>
Deferred income tax revenue included in income tax expense comprises:					
(Increase) / Decrease in deferred tax assets		<u>541,587</u>	<u>(970,779)</u>	<u>460,581</u>	<u>(971,752)</u>
		<u>541,587</u>	<u>(970,779)</u>	<u>460,581</u>	<u>(971,752)</u>
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:					
Prima facie income tax payable on profit before income tax at 30% (2006 - 30%)		(105,994)	(1,125,352)	(105,994)	(1,126,325)
Add:					
Tax effect of:					
- correction of opening deferred tax balances		839,998	154,423	758,992	154,423
- other non-allowable items		<u>2,165</u>	<u>150</u>	<u>2,165</u>	<u>150</u>
		736,169	(970,779)	655,163	(971,752)

	Notes	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
NOTE 6: INCOME TAX (Continued)					
Less:					
Tax effect of:					
- Tax losses deducted		194,582	-	194,582	-
Over provision for income tax in prior year		<u>-</u>	<u>72,512</u>	<u>-</u>	<u>72,512</u>
Income tax expense attributable to profit		<u>541,587</u>	<u>(1,043,291)</u>	<u>460,581</u>	<u>(1,044,264)</u>
Amounts recognised directly in equity:					
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:					
Net deferred tax - debited/ (credited) directly to equity		<u>(99,141)</u>	<u>-</u>	<u>(99,141)</u>	<u>-</u>
		<u>(99,141)</u>	<u>-</u>	<u>(99,141)</u>	<u>-</u>

Notes to the Financial Statements for the Year Ended 30 June 2007

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

Notes	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 6: INCOME TAX (Continued)				
Deferred tax assets:				
The balance comprises:				
- Tax losses carried forward	-	774,919	-	698,523
- Doubtful debts	72,600	63,000	72,600	63,000
- Provision for stock obsolescence	86,581	-	86,581	-
- Employee benefits	608,990	397,722	608,990	397,722
- Capital raising costs	79,313	-	79,313	-
- Non deductible accruals	<u>266,376</u>	<u>320,665</u>	<u>266,376</u>	<u>316,055</u>
	<u>1,113,860</u>	<u>1,556,306</u>	<u>1,113,860</u>	<u>1,475,300</u>
Future income tax benefits not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in the accounting policies note occur.				
Tax losses	<u>2,174,309</u>	<u>-</u>	<u>2,093,303</u>	<u>-</u>

Recognition of deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Notes	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 7: CASH AND CASH EQUIVALENTS				
Cash on hand	1,699	2,600	1,699	2,600
Cash at bank	7,436,799	1,681,562	7,436,799	1,681,562
Cash on deposit	<u>588</u>	<u>828</u>	<u>588</u>	<u>828</u>
	<u>7,439,086</u>	<u>1,684,990</u>	<u>7,439,086</u>	<u>1,684,990</u>

NOTE 8: RECEIVABLES**CURRENT**

Trade debtors	13,005,103	13,798,544	13,005,103	13,798,544
Provision for doubtful trade debtors	<u>(242,000)</u>	<u>(210,000)</u>	<u>(242,000)</u>	<u>(210,000)</u>
	<u>12,763,103</u>	<u>13,588,544</u>	<u>12,763,103</u>	<u>13,588,544</u>
Sundry debtors and accrued income	1,537,776	1,123,101	1,536,668	1,122,097
Loans to 4 Square	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>
	<u>14,300,879</u>	<u>14,711,745</u>	<u>14,299,771</u>	<u>14,710,641</u>

NOTE 9: INVENTORIES**CURRENT**

Merchandising signage at cost	353,604	386,268	353,604	386,268
Less provision for obsolescence	<u>(288,604)</u>	<u>-</u>	<u>(288,604)</u>	<u>-</u>
	<u>65,000</u>	<u>386,268</u>	<u>65,000</u>	<u>386,268</u>

NOTE 10: OTHER ASSETS**CURRENT**

Prepayments	1,623	5,081	1,623	5,081
Income tax refundable	<u>-</u>	<u>318,081</u>	<u>-</u>	<u>317,978</u>
	<u>1,623</u>	<u>323,162</u>	<u>1,623</u>	<u>323,059</u>

Notes to the Financial Statements for the Year Ended 30 June 2007

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

Notes	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 11: PLANT AND EQUIPMENT				
Leasehold Improvements				
At cost	842,454	825,433	842,454	825,433
Less accumulated depreciation	<u>(188,409)</u>	<u>(75,879)</u>	<u>(188,409)</u>	<u>(75,879)</u>
	<u>654,045</u>	<u>749,554</u>	<u>654,045</u>	<u>749,554</u>
Plant and Equipment				
Plant and equipment				
At cost	43,687	80,795	43,687	80,795
Less accumulated depreciation	<u>(14,134)</u>	<u>(16,194)</u>	<u>(14,134)</u>	<u>(16,194)</u>
	29,553	64,601	29,553	64,601
Motor vehicles				
At cost	-	11,997	-	11,997
Less accumulated depreciation	<u>-</u>	<u>(1,213)</u>	<u>-</u>	<u>(1,213)</u>
	-	10,784	-	10,784
Computer equipment				
At cost	559,205	523,569	559,205	523,569
Less accumulated depreciation	<u>(402,625)</u>	<u>(233,389)</u>	<u>(402,625)</u>	<u>(233,389)</u>
	156,580	290,180	156,580	290,180
Furniture, fixtures and fittings				
At cost	81,119	76,253	81,119	76,253
Less accumulated depreciation	<u>(46,182)</u>	<u>(35,289)</u>	<u>(46,182)</u>	<u>(35,289)</u>
	34,937	40,964	34,937	40,964
Total plant and equipment	<u>221,070</u>	<u>406,529</u>	<u>221,070</u>	<u>406,529</u>
Total property, plant and equipment	<u>875,115</u>	<u>1,156,083</u>	<u>875,115</u>	<u>1,156,083</u>

NOTE 11: 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 year.

	Leasehold Improvements		Plant & Equipment	
	Economic Entity	Parent Entity	Economic Entity	Parent Entity
	\$	\$	\$	\$
2007				
Balance at the beginning of the year	749,554	749,554	64,601	64,601
Additions	52,582	52,582	8,264	8,264
Disposals	-	-	(32,664)	(32,664)
Depreciation expense	<u>(148,091)</u>	<u>(148,091)</u>	<u>(10,648)</u>	<u>(10,648)</u>
Carrying amount at end of year	<u>654,045</u>	<u>654,045</u>	<u>29,553</u>	<u>29,553</u>
2006				
Balance at the beginning of the year	10,550	10,550	58,716	58,716
Additions	784,793	784,793	16,336	16,336
Disposals	(2,340)	(2,340)	(162)	(162)
Additions through acquisition of entity	4,582	4,582	-	-
Depreciation expense	<u>(48,031)</u>	<u>(48,031)</u>	<u>(10,289)</u>	<u>(10,289)</u>
Carrying amount at the end of the year	<u>749,554</u>	<u>749,554</u>	<u>64,601</u>	<u>64,601</u>

Notes to the Financial Statements for the Year Ended 30 June 2007

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

	Leased Plant and Equipment		Motor Vehicles	
	Economic Entity	Parent Entity	Economic Entity	Parent Entity
	\$	\$	\$	\$
NOTE 11: PLANT AND EQUIPMENT (Continued)				
2007				
Balance at the beginning of the year	-	-	10,784	10,784
Disposals	-	-	(10,784)	(10,784)
Carrying amount at the end of the year	-	-	-	-
2006				
Balance at the beginning of the year	4,582	4,582	24,443	24,443
Additions	-	-	11,997	11,997
Disposals	-	-	(22,299)	(22,299)
Additions through acquisition of entity	(4,582)	(4,582)	-	-
Depreciation expense	-	-	(3,357)	(3,357)
Carrying amount at the end of the year	-	-	10,784	10,784

	Furniture, Fixtures & Fittings		Computer Equipment	
	Economic Entity	Parent Entity	Economic Entity	Parent Entity
	\$	\$	\$	\$
NOTE 11: PLANT AND EQUIPMENT (Continued)				
2007				
Balance at the beginning of the year	40,964	40,964	290,180	290,180
Additions	6,817	6,817	55,557	55,557
Disposals	(1,315)	(1,315)	(39,368)	(39,368)
Depreciation expense	(11,529)	(11,529)	(149,789)	(149,789)
Carrying amount at the end of the year	34,937	34,937	156,580	156,580
2006				
Balance at the beginning of the year	36,556	36,556	266,280	266,280
Additions	10,613	10,613	154,526	154,526
Disposals	-	-	(6,353)	(6,353)
Depreciation expense	(6,205)	(6,205)	(124,273)	(124,273)
Carrying amount at the end of the year	40,964	40,964	290,180	290,180

NOTE 12: PAYABLES

CURRENT

Unsecured liabilities

Trade creditors	12,677,273	14,579,153	12,677,273	14,579,153
Sundry creditors and accruals	3,762,215	3,161,971	3,762,214	3,161,971
Loans from associates	-	-	649,850	649,850
	<u>16,439,488</u>	<u>17,741,124</u>	<u>17,089,337</u>	<u>18,390,974</u>

NON-CURRENT

Redeemable preference shares comprising:

- Class B Redeemable Preference Shares	<u>350</u>	<u>354</u>	<u>350</u>	<u>354</u>
	<u>350</u>	<u>354</u>	<u>350</u>	<u>354</u>

Notes to the Financial Statements for the Year Ended 30 June 2007

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

Notes	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 13: BORROWINGS				
CURRENT				
Secured liabilities				
Bank loans	500,000	1,000,000	500,000	1,000,000
Short term bank facility	-	753,353	-	753,353
Equipment loan	21	<u>110,409</u>	<u>-</u>	<u>110,409</u>
		<u>610,409</u>	<u>1,753,353</u>	<u>1,753,353</u>
NON-CURRENT				
Secured liabilities				
Equipment loan	21	<u>544,178</u>	<u>-</u>	<u>544,178</u>

(a) 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 \$3,200,000 given by Australian United Grocers Pty Ltd.
- First Registered Mortgage Debenture over the whole of the assets including goodwill and uncalled capital and called but unpaid capital of Australian United Grocers Pty Ltd with relevant insurance assigned to the Bank.
- Lease purchase agreements.

NOTE 14: PROVISIONS

CURRENT				
Employee benefits	(a)	<u>1,695,182</u>	<u>1,072,381</u>	<u>1,695,182</u>
		<u>1,695,182</u>	<u>1,072,381</u>	<u>1,072,381</u>
NON-CURRENT				
Employee benefits	(a)	<u>334,785</u>	<u>253,360</u>	<u>334,785</u>
		<u>334,785</u>	<u>253,360</u>	<u>253,360</u>
(a) Aggregate employee benefits liability		<u>2,029,967</u>	<u>1,325,741</u>	<u>2,029,967</u>

Notes	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 15: SHARE CAPITAL				
Issued and paid up capital				
11,559,800 : (2006 : -) Class C Redeemable preference shares	15(b)	6,068,170	-	6,068,170
707 : (2006 : 688) Class A Redeemable preference shares	15(c)	<u>707</u>	<u>688</u>	<u>707</u>
		<u>6,068,877</u>	<u>688</u>	<u>6,068,877</u>

(a) At balance date there were 5,400,000 Class C Redeemable preference shares issued at \$1.12 each called and paid to \$0.37. Future calls are due in April 2008 and April 2009.

(b) Class C Redeemable Preference Shares

At the beginning of the reporting period	-	-	-	-
Shares issued during the year				
- 4,301,500 on 18 June 2007	4,301,500	-	4,301,500	-
- 5,400,000 on 18 June 2007	1,998,000	-	1,998,000	-
- 1,858,300 on 18 June 2007	-	-	-	-
Transaction costs relating to share issues	<u>(231,330)</u>	<u>-</u>	<u>(231,330)</u>	<u>-</u>
At reporting date	<u>6,068,170</u>	<u>-</u>	<u>6,068,170</u>	<u>-</u>

	No.	No.	No.	No.
At the beginning of reporting period	-	-	-	-
Shares issued during year				
- fully paid on 18 June 2007	4,301,500	-	4,301,500	-
- partly paid on 18 June 2007	5,400,000	-	5,400,000	-
- bonus shares on 18 June 2007	<u>1,858,300</u>	<u>-</u>	<u>1,858,300</u>	<u>-</u>
At reporting date	<u>11,559,800</u>	<u>-</u>	<u>11,559,800</u>	<u>-</u>

Notes to the Financial Statements for the Year Ended 30 June 2007

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

Notes	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 15: SHARE CAPITAL (Continued)				
(c) Class A Redeemable preference shares				
At the beginning of the reporting period	688	695	688	695
Shares issued during the year	114	118	114	118
Shares bought back during the year	(95)	(125)	(95)	(125)
At reporting date	<u>707</u>	<u>688</u>	<u>707</u>	<u>688</u>
	No.	No.	No.	No.
At the beginning of reporting period	688	695	688	695
Shares issued during the year	114	118	114	118
Shares bought back during the year	(95)	(125)	(95)	(125)
At reporting date	<u>707</u>	<u>688</u>	<u>707</u>	<u>688</u>
NOTE 16: RETAINED PROFITS				
Retained profits/(accumulated losses) at the beginning of the financial year	(1,002,806)	1,705,076	(1,734,769)	975,385
Net profit/(loss) attributable to members of the entity	<u>(894,900)</u>	<u>(2,707,882)</u>	<u>(813,894)</u>	<u>(2,710,154)</u>
Accumulated losses at the end of the financial year	<u>(1,897,706)</u>	<u>(1,002,806)</u>	<u>(2,548,663)</u>	<u>(1,734,769)</u>

Notes	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 17: OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES				
Outside equity interest comprises:				
Contributed equity	-	100	-	-
(a) Outside equity interests in issued and paid-up capital of controlled entities				
AUR Marketing Pty Ltd	-	100	-	-

NOTE 18: CASH FLOW INFORMATION**(a) Reconciliation of cash**

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.

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	1,699	2,600	1,699	2,600
Cash at bank	7,436,799	1,681,562	7,436,799	1,681,562
At call deposits with financial institutions	<u>588</u>	<u>828</u>	<u>588</u>	<u>828</u>
	<u>7,439,086</u>	<u>1,684,990</u>	<u>7,439,086</u>	<u>1,684,990</u>

Notes to the Financial Statements for the Year Ended 30 June 2007

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

Notes	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 18: CASH FLOW INFORMATION (Continued)				
(b) Reconciliation of cash flow from operations with profit from ordinary activities after income tax				
Profit from ordinary activities after income tax	(894,900)	(2,707,882)	(813,894)	(2,710,154)
Non-cash flows in profit from ordinary activities				
Depreciation and amortisation	320,057	192,154	320,057	192,154
Doubtful debts	32,000	63,995	32,000	63,995
Loss on disposal of property, plant and equipment	70,767	12,701	70,767	12,701
Repayment of bank borrowings	113,376	35,984	113,376	35,984
Equipment loan interest	42,688	-	42,688	-
Interest expense not actually paid	-	114	-	114
Changes in assets and liabilities				
Decrease in receivables	793,441	911,828	793,441	775,477
(Increase)/decrease in other assets	(411,216)	44,987	(411,113)	(9,142)
(Increase)/decrease in inventories	321,268	(386,268)	321,268	(386,268)
Decrease in payables	(1,301,637)	(634,647)	(1,301,637)	(634,573)
Increase/(decrease) in income tax payable	318,081	(1,190,279)	317,978	(1,360,948)
(Increase)/decrease in deferred taxes	442,446	(970,779)	361,440	(971,752)
Increase in provisions	704,226	142,602	704,226	142,602
Cash flows from operations	<u>550,597</u>	<u>(4,485,490)</u>	<u>550,597</u>	<u>(4,849,810)</u>
(c) Credit Standby Arrangements with Banks				
Credit facility	15,891,237	15,283,000	15,891,237	15,283,000
Amount utilised	(1,409,615)	(1,753,353)	(1,409,615)	(1,753,353)
Unused credit facility	<u>14,481,622</u>	<u>13,529,647</u>	<u>14,481,622</u>	<u>13,529,647</u>

NOTE 18: CASH FLOW INFORMATION (Continued)

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

\$2,750,000 variable interest rate facility provided by the National Australia Bank.

Business Card Facility

\$250,000 variable interest rate facility provided by the National Australia Bank.

Bank Guarantee

\$200,000 facility provided by the National Australia Bank.

Equipment Loan

\$691,237 fixed interest rate facility provided by the National Australia Bank.

Notes	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 19: AUDITOR'S REMUNERATION				
Amounts received or due and receivable by Pitcher Partners for:				
- audit services	67,670	38,000	67,670	38,000
- other financial services	<u>49,585</u>	<u>18,820</u>	<u>49,585</u>	<u>18,820</u>
	<u>117,255</u>	<u>56,820</u>	<u>117,255</u>	<u>56,820</u>

Notes to the Financial Statements for the Year Ended 30 June 2007

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

NOTE 20: CONTROLLED ENTITIES**(a) Controlled entities**

	Country of Incorporation	Percentage Owned (%)	
		2007	2006
Parent Entity:			
Australian United Retailers Ltd	Australia		
Subsidiaries of Australian United Retailers Ltd:			
Australian United Grocers Pty Ltd	Australia	100	100
AUR Services Pty Ltd	Australia	-	100
Best-Buy Products Pty Ltd	Australia	-	100
AUR Marketing Pty Ltd	Australia	-	67
National Retailers Group Pty Ltd	Australia	100	100

(b) Controlled entities changes

Final board meetings for AUR Services Pty Ltd, Best Buy Products Pty Ltd, and AUR Marketing Pty Ltd were held on 21 December 2006 to confirm the formal liquidation of the companies which was completed on 21 March 2007.

Notes	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$

NOTE 21: CAPITAL AND LEASING COMMITMENTS**(a) Equipment Loan**

Payable				
- not later than one year	154,487	-	154,487	-
- later than one year and not later than five years	617,950	-	617,950	-
- later than five years	<u>12,874</u>	<u>-</u>	<u>12,874</u>	<u>-</u>
Minimum equipment loan payments	785,311	-	785,311	-
Less future finance charges	<u>(130,724)</u>	<u>-</u>	<u>(130,724)</u>	<u>-</u>
Total equipment loan liability	<u>654,587</u>	<u>-</u>	<u>654,587</u>	<u>-</u>
Represented by:				
Current liability	13	110,409	-	110,409
Non-current liability	13	<u>544,178</u>	<u>-</u>	<u>544,178</u>
		<u>654,587</u>	<u>-</u>	<u>654,587</u>

(b) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable				
- not later than one year	677,291	868,895	677,291	868,895
- later than one year and not later than five years	1,668,209	1,967,532	1,668,209	1,967,532
- later than five years	<u>-</u>	<u>273,978</u>	<u>-</u>	<u>273,978</u>
	<u>2,345,500</u>	<u>3,110,405</u>	<u>2,345,500</u>	<u>3,110,405</u>

Notes to the Financial Statements for the Year Ended 30 June 2007

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

NOTE 21: CAPITAL AND LEASING COMMITMENTS (Continued)

The first Victorian property lease is a non-cancellable lease with a six 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 3.25% per annum. Market rent valuations may also be undertaken after four years.

The second Victorian property lease is a non-cancellable lease with a six 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 3.25% on the first, second, third and fifth anniversaries of the commencement date.

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 3 years. Assets that are the subject of operating leases include motor vehicles and items of small machinery and office equipment.

NOTE 22: 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 2007 (2006: \$nil).

(b) Other transactions with directors and director related entities

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:

Michael Reddrop
Wayne Pattison
Michael Timothee
Gary Aberdeen
Deborah Smith

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 \$176,278 (2006: \$468,191). The aggregate amount of rebates paid or payable and included in the result for the year is \$1,347,232 (2006: \$1,303,609).

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

Michael Reddrop
Peter Noble
Jack Scanlan

Notes to the Financial Statements for the Year Ended 30 June 2007

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

NOTE 22: RELATED PARTY TRANSACTIONS (Continued)

(c) Directors' Shareholdings

Aggregate number of shares held at the date of this report:

"A" Class redeemable non-cumulative preference shares:

Michael Reddrop	5 shares (2006: 4 shares)
Wayne Pattison	2 shares (2006: 2 shares)
Gary Aberdeen	1 share (2006: 1 share)
Deborah Smith	1 share (2006: 1 share)
Michael Timothee	1 shares (2006: 1 share)

"B" Class redeemable non-cumulative preference shares:

Michael Reddrop	5 shares (2006: 4 shares)
Wayne Pattison	2 shares (2006: 2 shares)
Gary Aberdeen	1 share (2006: 1 share)
Deborah Smith	1 share (2006: 1 share)
Michael Timothee	1 shares (2006: 1 share)

"C" Class redeemable preference shares:

Michael Reddrop	720,000 shares (2006: no shares)
Wayne Pattison	198,000 shares (2006: no shares)
Gary Aberdeen	108,000 shares (2006: no shares)
Deborah Smith	150,000 shares (2006: no shares)
Jack Scanlan	240,000 shares (2006: no shares)
Peter Noble	120,000 shares (2006: no shares)

NOTE 22: RELATED PARTY TRANSACTIONS (Continued)

Aggregate number of shares acquired during the period:

"A" Class redeemable non-cumulative preference shares:

Michael Reddrop	1 share
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"B" Class redeemable non-cumulative preference shares:

Michael Reddrop	1 share
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"C" Class redeemable preference shares:

Michael Reddrop	720,000 shares
Wayne Pattison	198,000 shares
Gary Aberdeen	108,000 shares
Deborah Smith	150,000 shares
Jack Scanlan	240,000 shares
Peter Noble	120,000 shares

In addition to the interest listed above, Michael Reddrop is director of an entity, Superate Pty Ltd, which controls a trust that owns 5 FoodWorks stores, and hence owns both 5 Class A Shares and 5 Class B Shares. Further, entities associated with Michael Reddrop, Peter Noble and Jack Scanlan own units in the relevant trust. The entity Superate Pty Ltd acquired 498,000 Class C shares during the year ended 30 June 2007.

Notes to the Financial Statements for the Year Ended 30 June 2007

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

NOTE 23: DIRECTORS' AND EXECUTIVES' COMPENSATION

(a) Details of Key Management Personnel

(i) The names of directors who have held office during the financial year are:

J Bridgfoot	M Reddrop
J Scanlan	G Aberdeen
D Smith	W Pattison
P Noble	N Osborne
D Howell	M Timothee

(ii) The executives of the parent entity during the financial year are:

B Hyde	S Thompson
G Longmuir	L Burke
W Vermeend	P Reed
S Meehan	

(b) Compensation of Key Management Personnel

The remuneration committee reviews the remuneration packages of all directors and key management personnel 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.

(c) Grants of performance-related bonuses

Key management personnel have received performance-related bonuses during the period totalling \$205,061 (2006: \$148,903).

The criteria used to determine the amount of compensation is based on key company milestones as determined by the Board.

NOTE 23: DIRECTORS' AND EXECUTIVES' COMPENSATION (Continued)

2007	Short-term			Post Employment			Equity	Other Benefits \$	Total \$
	Salary & Fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Prescribed benefits \$	Other \$	Options \$		
Directors									
J Bridgfoot	150,000	-	-	-	-	-	-	-	150,000
J Scanlan	100,000	-	-	-	-	-	-	-	100,000
D Smith	50,000	-	-	-	-	-	-	-	50,000
P Noble	365,467	99,404	28,038	35,988	-	-	-	-	528,897
D Howell	50,000	-	-	-	-	-	-	-	50,000
M Reddrop	50,000	-	-	-	-	-	-	-	50,000
G Aberdeen	-	-	-	50,000	-	-	-	-	50,000
W Pattison	-	-	-	50,000	-	-	-	-	50,000
N Osborne*	29,167	-	-	-	-	-	-	-	29,167
M Timothee*	15,291	-	-	22,209	-	-	-	-	37,500
Total	809,925	99,404	28,038	158,197	-	-	-	-	1,095,564
Key Management Personnel									
B Hyde	135,211	15,375	-	24,689	-	-	-	-	175,275
G Longmuir	241,568	35,029	2,926	22,588	-	-	-	-	302,111
W Vermeend	138,617	22,960	19,469	27,194	-	-	-	-	208,240
S Meehan*	54,164	11,284	-	2,179	-	-	-	-	67,627
S Thompson	185,899	21,009	20,669	18,622	-	-	-	-	246,199
L Burke*	131,009	-	-	11,791	-	-	-	-	142,800
P Reed*	103,211	-	-	9,289	-	-	-	-	112,500
Total	989,679	105,657	43,064	116,352	-	-	-	-	1,254,752

* Amounts refer to only part of the financial year.

Notes to the Financial Statements for the Year Ended 30 June 2007

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

NOTE 23: DIRECTORS' AND EXECUTIVES' COMPENSATION (Continued)

2006	Short-term			Post Employment			Equity	Other Benefits \$	Total \$
	Salary & Fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Prescribed benefits \$	Other \$	Options \$		
Directors									
J Bridgfoot	100,000	-	-	-	-	-	-	-	100,000
J Scanlan	78,750	-	-	-	-	-	-	-	78,750
D Smith	50,000	-	-	-	-	-	-	-	50,000
P Noble	351,413	49,753	26,960	-	36,105	-	-	-	464,231
D Howell	41,667	-	-	8,333	-	-	-	-	50,000
M Timothee	45,872	-	-	4,128	-	-	-	-	50,000
G Aberdeen	-	-	-	50,000	-	-	-	-	50,000
W Pattison	15,000	-	-	35,000	-	-	-	-	50,000
M Reddrop	50,000	-	-	-	-	-	-	-	50,000
B Ryan*	15,291	-	-	1,376	-	-	-	-	16,667
Total	747,993	49,753	26,960	98,837	36,105	-	-	-	959,648
Key Management Personnel									
B Hyde	130,520	16,932	-	23,147	-	-	-	-	170,599
G Elliott*	76,803	25,352	5,467	12,608	-	189,228	-	-	309,458
G Longmuir	235,092	20,548	-	23,008	-	-	-	-	278,648
S Meehan	117,728	5,260	-	11,069	-	-	-	-	134,057
S Thompson	158,633	15,277	19,874	15,652	-	-	-	-	209,436
W Vermeend	130,284	15,781	8,850	24,866	-	-	-	-	179,781
Total	849,060	99,150	34,191	110,350	-	189,228	-	-	1,281,979

* Amounts refer to only part of the financial year.

NOTE 24: 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:

2007 Financial Instruments	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Fixed interest rate maturing in: Over 1 to 5 years	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	\$	\$	\$	\$	\$	%
(i) Financial assets						
Cash	7,437,387	-	-	1,699	7,439,086	5.3
Trade and other receivables	-	-	-	14,300,879	14,300,879	-
Total financial assets	7,437,387	-	-	14,302,578	21,739,965	
(ii) Financial liabilities						
Trade creditors	-	-	-	12,677,273	12,677,273	-
Bank and other loans	-	500,000	-	350	500,350	6.6
Equipment loan	-	110,409	544,178	-	654,587	7.3
Total financial liabilities	-	610,409	544,178	12,677,623	13,832,210	

Notes to the Financial Statements for the Year Ended 30 June 2007

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

NOTE 24: FINANCIAL INSTRUMENTS (Continued)

2006 Financial Instruments	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Fixed interest rate maturing in: Over 1 to 5 years	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	\$	\$	\$	\$	\$	%
(iii) Financial assets						
Cash	1,681,562	828	-	2,600	1,684,990	5.3
Trade and other receivables	-	-	-	14,711,645	14,711,645	-
Receivables - other related parties	-	-	-	100	100	-
Total financial assets	1,681,562	828	-	14,714,345	16,396,735	
(iv) Financial liabilities						
Trade creditors	-	-	-	14,579,153	14,579,153	-
Short term bank facility	-	753,353	-	-	753,353	7.5
Bank and other loans	-	1,000,000	-	354	1,000,354	5.9
Total financial liabilities	-	1,753,353	-	14,579,507	16,332,860	

(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, as disclosed in the statement of financial position and notes to the financial statements.

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

(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 25: ECONOMIC DEPENDENCE

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

NOTE 26: ECONOMIC ENTITY DETAILS

The registered office of the company is:

Australian United Retailers Ltd

Level 1

1601 Malvern Road

Glen Iris Victoria 3146

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 25 to 62, 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 2007 and performance for the financial year ended on that date of the 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
D Howell

A handwritten signature in black ink, appearing to read 'D Howell'.



Director
P Noble

A handwritten signature in black ink, appearing to read 'P Noble'.

Dated this 14th day of August 2007

Independent Audit Report to the Members of Australian United Retailers Ltd

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

We have audited the accompanying financial report of Australian United Retailers Ltd and controlled entities. The financial report comprises the Balance Sheet as at 30 June 2007, and the Income Statement, Balance Sheet and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration 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.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Independent Audit Report to the Members of Australian United Retailers Ltd

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion,

- (a) the financial report of Australian United Retailers Ltd is in accordance with 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 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



G E Walsh
30th August 2007

PITCHER PARTNERS
Melbourne