

**Australian United Retailers Ltd
and Controlled Entities
ABN 93 077 879 782**

**Financial Report
For the half-year ended
31 December 2007**

This half-year financial report is be
read in conjunction with the financial
report for the year ended 30 June 2007

**Australian United Retailers Ltd
and Controlled Entities
Financial report for the half year ended 31 December 2007**

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**Australian United Retailers Ltd
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DIRECTOR'S REPORT

The directors present their report together with the condensed financial report of the consolidated entity consisting of Australian United Retailers Ltd and the entities it controlled, for the half-year ended 31 December 2007 and independent auditor's review report thereon.

Directors

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

J Bridgfoot	G Aberdeen (resigned 30 July 2007)
J Scanlan	W Pattison
D Smith	M Reddrop
P Noble	N Osborne
D Howell	J Kendall (appointed 31 August 2007)
J Ehrenfeld (appointed 1 September 2007)	

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

The consolidated loss of the group for the half-year after providing for income tax amounted to \$1,154,740. This compares favourably to a budgeted loss of \$4,547,921.

The economic entity's core trading result for the half year to December 2007 is as follows:

	<u>\$ 000's</u>	<u>\$ 000's</u>
Consolidated Loss		-1,155
Less: Income Tax expense	-191	
Future State Initiative (net)	-1,317	
New Store Rebranding Costs	-441	-1,949
Trading Profit for the half year to December 2007		<u>794</u>

This Trading result compares favourably to the budgeted \$328,874 loss.

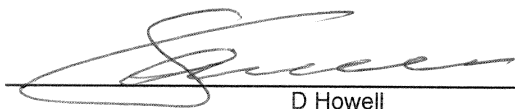
Items of significance during the half year included the recruitment of Western Australian retail members. These 23 members will account for approximately 10% of the total groups volume. The period also included the commencement of many growth initiatives as per the intentions outlined in the Prospectus dated 2nd April 2007. These initiatives will initially be cost outflows until they generate the additional volumes and subsequent income to the group. These initiatives although largely underway have been somewhat delayed, which has created the considerably favourable result to budget.

Auditor's Declaration


A copy of the auditor's declaration in relation to the review for the half-year is provided with this report.

Signed in accordance with a resolution of the directors:

Director


D Howell

Director


P Noble

Dated this 5th day of March 2008

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Australian United Retailers Ltd and controlled entities.

In relation to the half-year independent auditor's review for the six months to 31 December 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



K L BYRNE
Date 8 March 2008

**Australian United Retailers Ltd
and Controlled Entities
ABN 93 077 879 782**

**Condensed Consolidated Income Statement
For the half-year ended 31 December 2007**

	31 Dec 2007 \$	31 Dec 2006 \$
Revenue		
Sales revenue	24,798,202	21,720,638
Other income	319,809	505,935
	<u>25,118,011</u>	<u>22,226,573</u>
Distribution to Members	(10,010,195)	(8,886,449)
Merchandising expenses	(3,616,377)	(3,238,936)
Marketing expenses	(6,018,716)	(5,026,874)
Business development expenses	(1,347,335)	(1,944,378)
Administrative expenses	(2,597,316)	(2,252,601)
Retail operations expenses	(1,293,113)	(460,726)
Store rebranding costs	(440,723)	(507,537)
Other expenses	(734,971)	(600,256)
	<u>(26,058,746)</u>	<u>(22,917,757)</u>
Finance costs	(23,042)	(130,673)
Loss before income tax	<u>(963,777)</u>	<u>(821,857)</u>
Income tax expense	(190,963)	(759,996)
Net loss for the year	<u>(1,154,740)</u>	<u>(1,581,853)</u>
Loss attributable to members	<u>(1,154,740)</u>	<u>(1,581,853)</u>
Earnings per share (cents per share)		
- basic for profit for the half-year	(9.99)	-
- basic for profit from continuing operations	(9.99)	-
- diluted for profit for the half-year	(9.99)	-
- diluted for profit from continuing operations	(9.99)	-
Dividends paid per share	-	-
Proposed dividends per share	-	-

**Australian United Retailers Ltd
and Controlled Entities
ABN 93 077 879 782**

**Condensed Consolidated Balance Sheet
As at 31 December 2007**

	31 Dec 2007 \$	30 Jun 2007 \$
CURRENT ASSETS		
Cash and cash equivalents	4,997,605	7,439,086
Trade receivables	13,755,122	14,300,879
Inventories	74,067	65,000
Other	125,207	1,623
TOTAL CURRENT ASSETS	<u>18,952,001</u>	<u>21,806,588</u>
NON CURRENT ASSETS		
Property, plant and equipment	852,388	875,115
Deferred tax assets	922,063	1,113,860
TOTAL NON CURRENT ASSETS	<u>1,774,451</u>	<u>1,988,975</u>
TOTAL ASSETS	<u>20,726,452</u>	<u>23,795,563</u>
CURRENT LIABILITIES		
Trade and other payables	15,339,734	16,439,488
Short term borrowings	114,495	610,409
Provisions	1,367,876	1,695,182
TOTAL CURRENT LIABILITIES	<u>16,822,105</u>	<u>18,745,079</u>
NON CURRENT LIABILITIES		
Payables	316	350
Long term borrowings	485,891	544,178
Provisions	401,715	334,785
TOTAL NON CURRENT LIABILITIES	<u>887,922</u>	<u>879,313</u>
TOTAL LIABILITIES	<u>17,710,027</u>	<u>19,624,392</u>
NET ASSETS	<u>3,016,425</u>	<u>4,171,171</u>
EQUITY		
Issued capital	6,068,871	6,068,877
Accumulated losses	<u>(3,052,446)</u>	<u>(1,897,706)</u>
TOTAL EQUITY	<u>3,016,425</u>	<u>4,171,171</u>

**Australian United Retailers Ltd
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**Condensed Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2007**

	31 Dec 2007 \$	30 Jun 2007 \$
TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR	<u>4,171,171</u>	<u>(1,002,018)</u>
Loss for the period	<u>(1,154,740)</u>	<u>(894,900)</u>
Total recognised income and expense for the half-year	<u>(1,154,740)</u>	<u>(894,900)</u>
Transactions with equity holders in their capacity as equity holders:		
Issuance of shares, net of transaction costs	-	6,068,284
Redemption of shares	(6)	(95)
Changes in outside equity interest	<u>-</u>	<u>(100)</u>
	<u>(6)</u>	<u>6,068,089</u>
TOTAL EQUITY AT THE END OF THE HALF- YEAR	<u>3,016,425</u>	<u>4,171,171</u>

The accompanying notes form part of these financial statements.

**Australian United Retailers Ltd
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**Condensed Consolidated Statement of Cash Flows
For the half-year ended 31 December 2007**

	31 Dec 2007 \$	31 Dec 2006 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	28,322,912	24,169,707
Payments to suppliers and employees	(30,236,678)	(23,992,585)
Interest received	187,290	59,718
Borrowing costs	(23,042)	(112,196)
Net cash (used in)/provided by operations	<u>(1,749,518)</u>	<u>124,644</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	-	13,184
Payment for property, plant and equipment	(137,406)	(70,448)
Net cash used in investing activities	<u>(137,406)</u>	<u>(57,264)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issue	(356)	16
Proceeds from borrowings	-	500,179
Repayment of borrowings	(500,000)	-
Hire purchase payments	(54,201)	(65,155)
Net cash (used in)/provided by financing activities	<u>(554,557)</u>	<u>435,040</u>
 Net increase/(decrease) in cash and cash equivalents	 (2,441,481)	 502,420
Cash at beginning of half-year	7,439,086	1,684,990
Cash and cash equivalents at end of half-year	<u><u>4,997,605</u></u>	<u><u>2,187,410</u></u>

The accompanying notes form part of these financial statements.

**Australian United Retailers Ltd
and Controlled Entities
ABN 93 077 879 782**

**Notes to the Financial Statements
For the half-year ended 31 December 2007**

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2007 and any public announcements made by Australian United Retailers Ltd and controlled entities during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of preparation of the financial report

This general purpose half year financial report has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

(b) Summary of the significant accounting policies:

The half-year consolidated financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 30 June 2007.

(c) Principles of Consolidation

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 controlled from time to time during the year and at balance date.

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.

**Australian United Retailers Ltd
and Controlled Entities
ABN 93 077 879 782**

**Notes to the Financial Statements
For the half-year ended 31 December 2007**

	Notes	31 Dec 2007 \$	31 Dec 2006 \$
2 REVENUE AND EXPENSES FROM CONTINUING OPERATIONS			
(i) Individually significant items gain/(loss) charged in operating profit from ordinary activities before income tax expense			
REVENUE			
OPERATING ACTIVITIES			
Sale of Goods		24,453,699	21,720,638
Interest	(a)	187,290	59,718
Rent		-	
Other revenue		477,022	446,217
Total Revenue		<u>25,118,011</u>	<u>22,226,573</u>
 (a) Interest from:			
Other persons		187,290	59,718
		<u>187,290</u>	<u>59,718</u>
 LOSS FROM CONTINUING ACTIVITIES			
Loss from the continuing operations before income tax has been determined after the following specific expenses:			
Employee benefits expense:			
Wages and salaries		4,581,614	3,951,376
Workers' compensation costs		13,742	12,406
Superannuation costs		412,483	288,485
Total employee benefits expense		<u>5,007,839</u>	<u>4,252,267</u>
 Finance costs expensed			
Other parties		-	112,196
Hire purchase charges		23,042	18,477
Total finance costs expensed		<u>23,042</u>	<u>130,673</u>
 Depreciation of non-current assets			
Leasehold improvements		76,379	83,925
Plant and equipment		3,422	5,774
Motor Vehicles		-	-
Office Equipment		74,747	76,288
Furniture, fixtures and fittings		5,586	5,731
Total depreciation of non-current assets		<u>160,134</u>	<u>171,718</u>
 Other expenses			
Provision for stock obsolescence		-	-
Bad Debts		-	-
Doubtful Debts		18,000	-
Net Loss on disposal of plant and equipment		-	(34,414)
		<u>18,000</u>	<u>(34,414)</u>

Australian United Retailers Ltd
Notes to the Financial Statements
ABN 93 077 879 782

Notes to the Financial Statements
For the half-year ended 31 December 2007

		31 Dec 2007 \$	30 June 2007 \$
2	REVENUE AND EXPENSES FROM CONTINUING OPERATIONS (continued)		
	(ii) Seasonality of Operations		
	There is no material effect due to seasonality.		
3	ISSUANCES, REPURCHASES, AND REPAYMENTS OF DEBT AND EQUITY SECURITIES		
	Issued and paid up capital		
	11,559,800 : (June 2007:11,559,800) Class C Redeemable preference shares	3 (b) 6,068,170	6,068,170
	701 : (June 2007 : 707) Class A Redeemable preference shares	3 (c) 701	707
		<u>6,068,871</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 June 2008 and June 2009.	4,050,000	4,050,000
	(b) Class C Redeemable Preference Shares At the beginning of the reporting period	6,068,170	-
	Shares issued during the half-year		
	- 4,301,500 on 18 June 2007	-	4,301,500
	- 5,400,000 on 18 June 2007	-	1,998,000
	- 1,858,300 on 18 June 2007	-	-
	Transaction costs relating to share issues	-	(231,330)
	At reporting date	<u>6,068,170</u>	<u>6,068,170</u>
	At the beginning of the reporting period	11,559,800	-
	Shares issued during the half-year		
	- fully paid on 18 June 2007	-	4,301,500
	- partly paid on 18 June 2007	-	5,400,000
	- bonus shares on 18 June 2007	-	1,858,300
	At reporting date	<u>11,559,800</u>	<u>11,559,800</u>
	(c) Class A Redeemable preference shares		
	At the beginning of the reporting period	707	688
	Shares issued during the half-year	-	114
	Shares bought back during the half-year	(6)	(95)
	At reporting date	<u>701</u>	<u>707</u>
	At the beginning of reporting period	707	688
	Shares issued during the half-year	-	114
	Share bought back during the half-year	(6)	(95)
	At reporting date	<u>701</u>	<u>707</u>

**Australian United Retailers Ltd
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**Notes to the Financial Statements
For the half-year ended 31 December 2007**

4 SEGMENT REPORTING

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

**Australian United Retailers Ltd
and Controlled Entities
ABN 93 077 879 782**

DIRECTOR'S DECLARATION

The directors declare that the financial statements and notes set out on pages 8 to 11 are in accordance with the Corporations Act 2001:

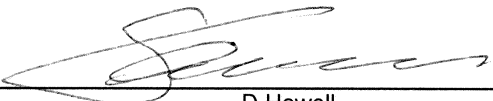
(a) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001, and

(b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

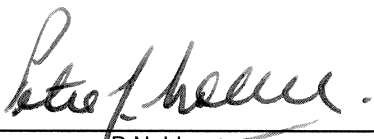
In the directors' opinion there are reasonable grounds to believe that Australian United Retailers Ltd and controlled entities will be able to pay its debts as and when they become due and payable.

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

Director


D Howell

Director


P Noble

Dated this 5th day of March 2008

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF AUSTRALIAN UNITED RETAILERS LTD AND CONTROLLED ENTITIES**

We have reviewed the accompanying half-year financial report of Australian United Retailers Ltd and controlled entities. The half-year financial report comprises the condensed consolidated balance sheet as at 31 December 2007, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, for the company and the entities it controlled at the half-year or from time to time during the period, together with a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Australian United Retailers Ltd and controlled entities are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian United Retailers Ltd and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF AUSTRALIAN UNITED RETAILERS LTD AND CONTROLLED ENTITIES**

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian United Retailers Ltd and controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.



PITCHER PARTNERS
Melbourne



K L BYRNE
Date 8 March 2008