



## **Offer information statement**

Australian United Retailers Limited  
ACN 077 879 782 (**AURL**)

AURL lodged this Offer Information Statement with ASIC on 30 October 2009

### **IMPORTANT INFORMATION**

This is an important document that should be read in its entirety. If you do not understand it, you should consult your professional advisors.

## **CORPORATE DIRECTORY**

### Company

Australian United Retailers Limited  
Trading as FoodWorks  
ACN 077 879 782  
Level 1, 1601 Malvern Road  
Glen Iris, Victoria, 3146  
Ph 03 9809 8600  
Fax 03 9809 8699  
[www.foodworks.com.au](http://www.foodworks.com.au)

### Directors

John Bridgfoot – Chairman and Non Executive Director  
Jack Scanlan – Deputy Chairman and Non Executive Director  
Peter Noble – Chief Executive Officer and Executive Director  
Deborah Smith - Non Executive Director  
Don Howell - Non Executive Director  
Janette Kendall - Non Executive Director  
Wayne Pattison - Non Executive Director  
Neil Osborne - Non Executive Director  
Fred Fairthorne – Non Executive Director

### Company Secretary

Ken Sleep

### Lawyers to the Company

DLA Phillips Fox  
Level 21  
140 William Street  
Melbourne, Victoria, 3000

### Auditor

Pitcher Partners  
Level 19, 15 William Street  
Melbourne, Victoria, 3000

## **IMPORTANT NOTICE**

This is an offer information statement issued under Part 6D.2 of the Corporations Act (**OIS**). Eligible Applicants should note that this document is not a prospectus and that the content requirements for an OIS (set out in section 715 of the Corporations Act) are less onerous than that required for a prospectus.

The offer contained in this OIS is an invitation to Eligible Applicants to apply for a Class A Redeemable Preference Share(s) in Australian United Retailers Limited.

Eligible Applicants should read this OIS in its entirety before deciding to invest in the Company. In particular, Eligible Applicants should refer to sections 7 and 9 for details of the risk factors that could affect the performance of the Company and for financial information relating to the Company. The Offer does not take into account the investment objectives, personal circumstances (including financial and taxation issues) and particular needs of Eligible Applicants. Eligible Applicants should consider the prospects of the Company in the light of their individual objectives, circumstances and needs. Eligible Applicants should seek professional advice from a solicitor, accountant or other independent financial advisor before deciding to apply for a Class A Redeemable Preference Share(s) in the Company. Neither the Company nor any other person guarantees the success of the Company, the repayment of capital or the payment of dividends.

This OIS is dated 30 October 2009 (**OIS Date**). A copy of this OIS was lodged with the Australian Securities and Investments Commission (**ASIC**) on 30 October 2009. The ASIC does not take any responsibility for the contents of this OIS or the merits of the Offer contained in it.

No securities will be allotted or issued on the basis of this OIS later than 13 months after the OIS Date.

No person is authorised to give any information, or to make any representation, in connection with the Offer, other than that which is contained in this OIS. Any information or representation not contained in this OIS may not be relied on as having been authorised by the Company or its Directors or any other person in connection with the Offer. The Company is not liable for this OIS, or in respect of the Offer, except to the extent required by law.

All financial amounts shown in this OIS are expressed in Australian dollars, unless stated otherwise.

### **Exposure Period**

The Corporations Act prohibits the Company from processing applications in the seven (7) day period after the OIS Date. This period is known as the Exposure Period. This Exposure Period may be extended by the ASIC by up to seven (7) days. The purpose of the Exposure Period is to enable this OIS to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of that period.

### **Offer for Australian Residents**

This Offer is available to Australian residents located in Australia. The distribution of this OIS in jurisdictions outside of Australia may be restricted by law. Persons who obtain this OIS in jurisdictions outside of Australia should seek advice on and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. This OIS does not constitute an offer or an invitation in any place outside of Australia where, or to any person whom, it would be unlawful to make such an offer or invitation.

## **Definitions and Abbreviations**

Please refer to the Glossary in section 1 for explanations of defined terms and abbreviations used in this OIS.

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## **1 Glossary**

### **Glossary**

"Application Form" means the application for the issue and allotment of a Class A Redeemable Preference Share in the form attached to, or accompanying, this OIS.

"Approved Store" means a Retail Outlet owned or leased and operated and controlled by a Member which the Directors declare from time to time to be an Approved Store under the Constitution.

"Approved Storeowner" means a storeowner (including Joint Owners) who the Directors declare from time to time to be an Approved Storeowner under the Constitution.

"ASIC" means the Australian Securities and Investments Commission.

"ASTC" means ASX Settlement and Transfer Corporation Pty Limited as approved as the Securities Clearing House under the Corporations Act.

"AUR" means Australian United Grocers Pty Ltd (ACN 009 786 485) – formerly Australian United Retailers Ltd – and in this OIS represents the pre Merger Queensland based business.

"AURL" means Australian United Retailers Limited (ACN 077 879 782) trading as FoodWorks and in this OIS represents the post Merger business.

"Back Office System" (BOS) means the computer system, usually located in the back office, which interacts with the Point of Sale systems and helps a retailer manage their pricing, merchandising, stock, accounts payable and cash management processes.

"Best Buy" means the range of proprietary products developed for FoodWorks and packaged with the Best Buy brand.

"Black and Gold" means the generic brand of products produced for and promoted by Metcash and available to FoodWorks Members who own Approved Stores and FoodWorks' corporate stores.

"Board" means the Board of Directors of FoodWorks.

"Brand" means the Business Names, Trade Marks or other Intellectual Property by which the Company promotes FoodWorks Branded Stores and the Company's Private Label program.

"Branded Store" means an Approved Store which the Directors declare from time to time to be a Branded Store under the Constitution.

"Branded Storeowner" means a storeowner who the Directors declare from time to time to be a Branded Storeowner under the Constitution.

"Business Development Finance" means the service provided by FoodWorks to assist Members who own (or would like to own) an Approved Store to apply and qualify for finance from banks or financial institutions.

"Chargeback" means the accounts payable service, where FoodWorks makes payment to a range of suppliers on behalf of stores, and debits the stores for their corresponding supplier purchases.

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"Class A Redeemable Preference Share" means a share in FoodWorks with the rights attached as set out in the Constitution.

"Class B Redeemable Preference Share" means a share in FoodWorks with the rights attached as set out in the Constitution.

"Closing Date" means the date on which the Offer closes, being 5:00pm AEST on 30 November 2010.

"Company" means Australian United Retailers Limited (ACN 077 879 782) trading as FoodWorks.

"Constitution" means the Constitution of FoodWorks (as amended from time to time).

"Corporations Act" means the *Corporations Act (Cth) 2001*.

"Customer Value Proposition" means the collective offer presented to the customer including product, pricing and presentation.

"Directors" means the Directors for the time being of FoodWorks or such number of them as has authority to act for FoodWorks.

"Eligible Applicant" means an owner or joint owners of an Approved Store or a person who the Directors determine intends to become an Approved Storeowner, has signed (or proposes to sign) a Unity Agreement, and is entitled to apply for the issue of a Class A Redeemable Preference Share under the Constitution and this OIS.

"Eligible Member" currently means any of the following persons as may be determined by the Directors to be eligible to hold shares in the Company:

- (i) an Approved Storeowner;
- (ii) a Branded Storeowner;
- (iii) a Related Party of an Approved Storeowner;
- (iv) an employee of the Company, but provided that the Board has passed a formal resolution confirming such employee(s) of the Company as constituting Eligible Members for the purposes of holding shares in the Company; and
- (v) subject to the passing of the formal resolution in sub-paragraph (iv) above, a Related Party of an employee of the Company.

"Eligible Warehouse Withdrawals" or "EWW" means the cost price of goods purchased by an Approved Store or Branded Store from Metcash, excluding certain agreed products.

"Exposure Period" means the period of seven days after lodgement of this OIS which may be extended by the ASIC by not more than seven days pursuant to section 727(3) of the Corporations Act.

"FoodWorks" means Australian United Retailers Limited (ACN 077 879 782).

"FoodWorks Retail" means FoodWorks Retail Pty Ltd (ACN 136 178 240)

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"FSG" means FoodWorks Supermarket Group Ltd (ACN 077 879 782) and in this OIS represents the pre Merger Victorian based business.

"LiquorLink" means the specific supply, merchandising and promotional program for liquor products covered under FoodWorks' LiquorLink Agreement.

"Listing Rules" means the Listing Rules of the NSX and any other rules of the NSX which apply while the Company is admitted to the Official List, each rule as amended or replaced from time to time, except to the extent of any express written waiver by the NSX.

"Member" means a person for the time being entered into the register of members of FoodWorks in accordance with the Constitution.

"Merger" means the merger of the FoodWorks Supermarket Group Ltd (FSG) and Australian United Retailers (AUR) in November 2004.

"Metcash" means Metcash Trading Limited (ACN 000 031 569).

"NSX" means National Stock Exchange of Australia Limited.

"Offer" means the offer of Class A Redeemable Preference Share(s) to Eligible Applicants under this OIS.

"Official List" has the same meaning given to the term "official list" in the Listing Rules.

"Private Label" means the branded products which are proprietary to the Company, including the Best Buy, Promenade, Sunny Bay Snack Company, Help@Home and Harvest Valley branded products.

"Point of Sale System" means the computer systems which are in place at the checkout lanes to process customer purchases and includes the scanning equipment, scales and the cash registers.

"Relevant Interest" has the meaning ascribed to it in the Corporations Act.

"Retail Outlet" means a business of supermarket retailing and associated businesses.

"Services" means the services provided by the Company including:

- (i) providing marketing, merchandising and promotional advice and services to the stores of Members who own Approved Stores;
- (ii) negotiating supply agreements; and
- (iii) receiving Supplier rebates and allowances (and paying portions of those rebates and allowances to Members who own Approved Stores).

"Share" means a share in the Company.

"Storeowner" means the owner or joint owners of an Approved Store.

"Substantial Holding" means, in relation to the total number of votes attached to voting shares in the Company, 7.5% or more of the total votes attached to voting shares in which a Member or their associates have a Relevant Interest.



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“Supplier” means a supplier of goods or services to the retail industry.

“TobaccoLink” means the specific supply, merchandising and promotional program for tobacco products covered under FoodWorks’ TobaccoLink Agreement.

“Unbranded Store” means an Approved Store which is not a Branded Store.

“Unity Agreement” means an agreement between FoodWorks and:

- (i) in all cases, an Approved Storeowner, setting out the role of the Company in providing the Services and which governs the rights and obligations between the Company and the Approved Storeowner; and
- (ii) in some cases, a Branded Storeowner, and which governs the rights and obligations between the Company and the Branded Storeowner.

## **2 Introduction**

### **2.1 What is this document?**

Under Chapter 6D.2 of the Corporations Act, an offer of securities for issue needs disclosure to investors unless a relevant exemption applies. Accordingly, AURL has prepared this OIS in connection with the Offer.

This OIS sets out all information that, in the opinion of the Directors, is likely to be material to the decision of an Eligible Applicant whether or not to acquire Class A Redeemable Preference Share(s). The terms of the Offer are set out in section 5 of this OIS.

### **2.2 Why has this document been provided to you?**

Under the Company's Constitution, where applicants meet the Directors' criteria to become an 'Approved Storeowner' (in other words, an Eligible Applicant), they are entitled to be issued and allotted one Class A Redeemable Preference Share in respect of each Approved Store they operate and control. This OIS contains the Offer that is made to Eligible Applicants to acquire a Class A Redeemable Preference Share(s) in respect of their Approved Store(s).

If you are not an Eligible Applicant then you should not apply for a Class A Redeemable Preference Share(s) under this OIS.

### **2.3 What are the 'key dates' applicable to the Offer?**

<b>Event</b>	<b>Date</b>
OIS Lodgement Date at ASIC	30 October 2009
Offer Opens	7 November 2009
Offer Closes	This offer is open for a period of 13 months from the date of lodgement, and closes on the Closing Date (5:00pm AEST on 30 November 2010)
Shares Issued	Normally after each scheduled Board meeting (see section 5.3)

**2.4 Do you have to pay anything to have a Class A Redeemable Preference Share(s) issued to you and what are the criteria for issue?**

Yes, \$1.00.

The Class A Redeemable Preference Share(s) that you apply for will be issued to you provided that:

- you are an Eligible Applicant;
- you have correctly completed an Application Form in respect of each Class A Redeemable Preference Share applied for;
- you have not already taken (or are to take) a transfer or transmission of a Class A Redeemable Preference Share in respect of the relevant Approved Store; and
- you have paid (or have had credited as paid) \$1.00 per Class A Redeemable Preference Share applied for.

**2.5 Why do you need a Share?**

As noted in section 2.2 above, Eligible Applicants are entitled under the Constitution to be issued and allotted one Class A Redeemable Preference Share in respect of each Approved Store they operate and control. Further, the Unity Agreement provides that your status as an Approved Storeowner only takes effect once a Class A Redeemable Preference Share is issued to you.

Your Class A Redeemable Preference Share(s) will be your link to membership of the Company. As a shareholder you have the right to receive certain information about the Company. There are also voting rights attached to Class A Redeemable Preference Shares. For example, holders of Class A Redeemable Preference Shares can participate in resolutions electing board members. Section 8 contains detailed information about the rights attaching to each class of Shares under the Company's Constitution. Please read this information carefully and seek professional advice if you have any questions.

**2.6 There are different classes of Shares. What's the reason for this?**

Following the Merger, one Class A Redeemable Preference Share was issued to each Member who signed the Approved Store Agreement and one Class B Redeemable Preference Share was issued to each Member who also signed the Banner Agreement.

On 5 March 2007, the holders of both Class A and Class B Redeemable Preference Shares passed special resolutions varying the rights attached to each share class. In addition, the holders of Class A Redeemable Preference Shares voted to amend the Constitution by creating a new class of Share, Class C Redeemable Preference Shares.

The purpose of these amendments was to enable the Company to undertake a capital raising via an issue of Class C Redeemable Preference Shares under a prospectus lodged with the ASIC on 2 April 2007.

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Under the terms of issue and the Constitution, Class C Redeemable Preference Shares issued under the prospectus (including any bonus shares issued) converted to Class A Redeemable Preference Shares on 15 June 2009 (the Conversion Date).

Until their conversion to Class A Redeemable Preference Shares on 15 June 2009, Class C Redeemable Preference Shares were listed on the Official List of the exchange operated by the NSX, a prescribed financial market under the Corporations Act. From that date, the Class A Redeemable Preference Shares have been listed on that exchange.

As at the date of this OIS, the Company has 11,560,478 Class A Redeemable Preference Shares and 250 Class B Redeemable Preference Shares on issue.

## **2.7 Once you own a Share, can you sell it or transfer it to someone else?**

Yes. However, the Constitution contains certain restrictions on the transfer of Shares. These restrictions are explained in sections 9.3.3 and 9.3.12.

## **2.8 What is a 'redeemable preference share'?**

Essentially, a redeemable share is a share that can be cancelled (redeemed) if certain events occur. As at the date of this OIS, all of the shares issued by the Company are redeemable shares. Primarily, this is to ensure that all Members continue to be Eligible Members. If you cease to be an Eligible Member, the Company will be entitled to redeem your Class A Redeemable Preference Share(s).

A preference share is a share that has some kind of preferential rights in comparison to ordinary shares.

Further details on the rights and restrictions attaching to each class of Shares are set out in section 8.

## **2.9 Will you get any dividends?**

The Company does not expect to make a sufficient profit to pay a dividend until, at earliest, after the 2010 financial year. It is the Directors' current expectations that, after the 2010 financial year (ie 2009/10), the Company will pay a dividend, subject to the Company's ability to meet any of its then cash funding requirements for the growth of the business and taking into account the capital and trading requirements of the Company and its subsidiaries at the time.

## **2.10 Should you subscribe for Shares?**

Nothing in this OIS constitutes a recommendation by AURL or any other person concerning the subscription for Class A Redeemable Preference Share(s) or any other securities. The right to apply for a Class A Redeemable Preference Share(s) under this OIS arises as a consequence of your status as an Eligible Applicant. The Company recommends that you obtain independent professional advice in relation to any decision made in connection with this OIS.

## **2.11 Who can apply for shares under this OIS?**

This Offer is only open for acceptance by Eligible Applicants who have not already taken (or are to take) a transfer or transmission of a Class A Redeemable Preference Share in respect of the relevant Approved Store.

## **2.12 What should you do if you require further information?**

If you require further information or have any questions relating to this OIS you should seek independent professional advice.

## **2.13 Where else can I obtain a copy of this OIS?**

Copies can be obtained from the Members section of the Company's website:  
[www.foodworks.com.au](http://www.foodworks.com.au) or by contacting the Company.

## **3 Information about the Company, its business and plans**

### **3.1 Background information**

Australian United Retailers Limited (AURL) is an independent retail supermarket group trading under the "FoodWorks" Brand. It was created from the Merger of the FoodWorks Supermarket Group Ltd (FSG) and Australian United Retailers (AUR) in November 2004. FoodWorks is the only truly independent supermarket group of significant size in Australia.

The Group's foundation members include AUR, Foodstore, FoodWorks, Buy Rite, Cut Price, 727, Rite-Way, Tuckerbag, Food-Rite, Foodwise, Food-Way and Night Owl proprietors.

The Merger created a network of stores which has since grown to over 700 stores with annual aggregate store turnover in excess of \$2 billion.

The Company has built additional strength and value in its core business and throughout its retail network via:

- the introduction of standardised business processes;
- greater bargaining power with Suppliers;
- increased geographic density which has improved marketing and operational efficiencies; and
- a stronger independent retail supermarket identity to influence change on behalf of independent retailers.

In particular, since the Merger, the Company has been delivering on the Company's mission to increase retailer prosperity through a significant increase in store wide sales, total income to the Company and distributions to Members who own Approved Stores.

The Board has also invested significantly in raising the levels of governance and professionalism of the Company, to those expected of modern, well established, publicly listed organisations.

The composition of the Board, with retailer and independent directors, the Board Committee structures (refer to the 'corporate governance' section in the Company's accounts for details) and the use of qualified third parties to independently assess and advise on risks are now integral elements of the Company's governance and have been designed to provide appropriate levels of assurance to stakeholders.

The Company undertook a capital raising under the prospectus lodged with the ASIC on 2 April 2007 to fund its growth strategy. Approximately \$10.3 million was raised under the prospectus.

On 29 June 2009, the Company announced its intention to purchase up to 45 Coles stores in South Australia, Victoria, New South Wales and Queensland at a total acquisition value of around \$35 million. This acquisition was approved by the Company's members on 17 August 2009 and it is proposed that the stores will be progressively transferred to the FoodWorks group during the period until mid 2010. The acquisition has been financed by the Wesfarmers group.

The growth strategy, as originally set out in the prospectus, concentrated on changes to the Company's business model in five key areas, namely Property, People, Product & Services, Brand and Systems. The recent agreement to purchase up to 45 Coles stores means that many of the features of the growth strategy in the prospectus have the potential to be delivered through the integration and development of these Coles stores within the FoodWorks group.

### **3.2 The FoodWorks National Network**

FoodWorks has grown to represent a network of branded and unbranded stores, spanning all states and territories across Australia.

Until recently, stores were concentrated in the Eastern seaboard states and supported by offices in Brisbane and Melbourne, with additional representation in NSW. FoodWorks is now a national business following the expansion into Western Australia and, most recently, South Australia. The wide geographical distribution of the Coles stores being acquired will further strengthen FoodWork's presence across the nation.

### **3.3 Growth of Member Distributions**

One of the Company's most important achievements to date since the Merger has been the evolution and growth of its advanced, competitive distribution scheme to Members who own Approved Stores. This scheme is based on monthly rebates attached to Eligible Warehouse Withdrawals, along with other behavioural rebates aimed at rewarding participation in major initiatives. The Board believes that the distribution scheme has been effective in rewarding the performance and growth of Members who own Approved Stores, and their support of the business' key drivers.

In the last three years, total distributions to Members who own Approved Stores has continued to grow. Over the same period, the total distributions as a proportion of Eligible Warehouse Withdrawals have increased from 4.81% to 5.36%.

### **3.4 What does FoodWorks do?**

#### **The Company's Activities - Overview**

FoodWorks has provided the following services to Members who own Approved Stores:

- Negotiating supply arrangements, including pricing, trading terms, logistics, and promotions;
- Building and marketing a range of Private Label (controlled brand) product lines, to improve store sales and margins and generate customer loyalty;
- Conducting marketing and advertising on behalf of Branded Storeowners to grow sales and enhance customer awareness of the FoodWorks Brand;
- Providing a range of support services and tools to assist Members who own Approved Stores to:

**run** their businesses - such as business plans, Business Development Finance services, product sales benchmarking information, space planning;

**manage** their businesses - such as training, manuals, price file hosting and maintenance and accounts payable services (e.g. Chargeback); and

**reduce** the cost of doing business – such as local area marketing, media buying, production and distribution of catalogues, Telstra, and Commonwealth Bank EFTPOS contracts;

- Assisting Members who own Approved Stores regarding store refurbishment and redevelopment opportunities and the management of their development projects;
- Assisting Members who own Approved Stores in their choices of Point of Sale and Back Office systems, and associated support arrangements; and
- Representing the interests of independent retailers generally with governments, industry groups or associations.

As a consequence of the proposed purchase of supermarkets from Coles, many of these services will also now be provided to supermarkets owned by the FoodWorks group.

Unbranded Stores are able to take advantage of the majority of FoodWorks' services – including all supplier arrangements, the controlled brand ranges including Metcash's Black and Gold products, and FoodWorks' Private Label ranges, catalogues, price file hosting and maintenance, Point of Sale Systems support, the Company's store refurbishment and redevelopment expertise and a competitive structure of distribution to Members who own Approved Stores.

### **3.5 Key FoodWorks Services**

To effectively deliver its diverse range of support services to Members who own Approved Stores, FoodWorks is organised into six primary functions – Marketing, Operations, Merchandising, Business Development, Finance, and People and Performance. The activities of each of these functions are outlined below.

#### **3.6 Marketing**

Over the next 12 months the FoodWorks Marketing Team will continue to drive awareness of the FoodWorks brand, points of difference and competitive advantage in the marketplace. The team will continue to support store level activity and is working to provide greater flexibility for local area marketing.

The FoodWorks Marketing function drives awareness of the FoodWorks brand and customer value proposition among consumers and other stakeholders. The awareness of the quality and value available from FoodWorks stores assists in driving consumer traffic.

#### **3.7 The Marketing Team**

The team provides a number of support services to stores and to the Company as a whole including:

- Brand management - protecting the integrity of the FoodWorks brand by ensuring consistent execution of the brand and brand positioning in above and below the line activity

- Development and creation of advertising creative
- Creation and execution of consumer promotions
- Provision of graphic design services
- Promotion of FoodWorks in consumer, trade and local media through media relations activity
- Provision of local area marketing support to individual member stores
- Delivery of consumer research
- Store event support and delivery
- Provision of advice and support for community engagement and charity activities

### **3.8 Operations**

The FoodWorks Operations Team and Retail Development Partners (RDPs) provide in-store support to bannered stores. The RDPs work with retailers to understand their needs and assist them to achieve their store specific goals.

RDPs assist stores to understand the needs of their customers to capitalise on all available opportunities in order to maximise store efficiency, sales and profitability. They provide coaching to assist retailers to develop and enhance their skills in running a successful business.

The Retail Development Partners (RDPs) are the primary contact between the FoodWorks Support Centre and stores, ensuring we provide efficient and appropriate resources where needed.

They also constantly monitor the standards of presentation in all stores to ensure compliance with the FoodWorks standard and protect the integrity of the FoodWorks brand.

RDPs also facilitate regular Member meetings to encourage networking amongst retailers to enable them to discuss industry issues and seek feedback on Support Office services.

### **3.9 Merchandising**

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

- Supplier agreements;
- Private Label ranges;
- Category specific initiatives – i.e. LiquorLink and TobaccoLink;
- Information, pricing and support services; and
- Promotional Support.

### **3.10 Supplier Agreements**

FoodWorks manages the supply arrangements for over 20,000 product lines on behalf of its subsidiaries and its Member retailers.

In particular, FoodWorks and its Member retailers have access to 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. Further details with respect to this agreement are set out in section 9.7.

In addition to the merchandising and promotional agreements, Member retailers can also take advantage of supplier agreements for business consumables such as shopping bags and wraps, as well as Chargeback - a centralised, streamlined supplier payment system.

### **3.11 Private Label Ranges**

The Private Label programme is intended to differentiate FoodWorks from competitors, build customer loyalty and deliver Member retailers new sales opportunities, strong gross profit and competitive retail pricing.

Private Label (house brand or control brand) products have grown substantially in recent years for both customers and suppliers and this has provided the opportunity for FoodWorks to accelerate its own programme and capture significant additional income and gross margin for Member retailers.

FoodWorks will also continue to maintain a strong National Brand presence in stores, representing 90% of store sales.

### **3.12 Category Specific Initiatives - LiquorLink and TobaccoLink**

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 Member retailers, and require additional contractual commitments in the form of LiquorLink or TobaccoLink Agreements which are monitored from time to time by the respective suppliers. The LiquorLink and TobaccoLink arrangements are good examples of the potential prize available to both parties when suppliers' and Members' objectives are aligned.

### **3.13 Information, Pricing and Support Services**

Additional services provided include:

- ScanWorks, which is exclusive to FoodWorks and is a management tool collecting scanned product sales data from over 360 branded FoodWorks stores.
- The retrieved data underpins many of FoodWorks' support services – such as special promotional activities (scan deal rebates), category management, analysis of store development potential for new and existing stores, and the creation of meaningful, tailored business plans.



- ScanWorks is also a powerful tool for Member retailers (who subscribe to the reporting module) to assist them to benchmark their performances and to make effective merchandising decisions.
- Product Price File Hosting - Member retailers 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 Storeowners with product and category range planograms and consumer-focused floor plans to improve store flow and product category footage allocations.

### **3.14 Promotional Support**

FoodWorks provides its members with an ongoing promotional program to drive customers into the stores and to increase sales. There are 51 catalogues produced each year by the Merchandise Team and they are distributed around the stores catchment area. These catalogues are tailored to the stores size and are available in an 8 page, 4 page and 2 page version. Supplier support is negotiated on behalf of the network by the Merchandise Team to meet price points that are market competitive and drive increased customer count.

### **3.15 Business Development**

FoodWorks' business development function encompasses a range of specialist services, from investigating and identifying new business opportunities through to computer aided design (CAD) based design documentation.

The team has been built around the establishment of the expertise and resources necessary to overcome the traditional barriers preventing Member retailers from undertaking the relays, refurbishments, expansions or relocations necessary to meet their customers' needs and grow their businesses.

These barriers include:

- Lack of data necessary to make a confident decision on a store's possible development options;
- Limited specialist expertise – i.e. limited ability to assess and quantify the opportunities, costs and potential return on investment or the high cost of accessing such expertise;
- Limited access to funding, the complexity of meeting financial institutions' application criteria and the financial institutions' lack of understanding of the supermarket industry – particularly independent supermarkets; and
- High cost of development – ad hoc use of contractor and professional services and equipment, without formalised trading terms or standard specification.

FoodWorks' response has been to develop structured systems to assist in analysing existing supermarket floor space (supply) and available supermarket spend from demographics (demand) information. The approach is systematic and comprehensive, having regard to the existing FoodWorks network and to the identification and assessment of opportunities to grow the network either through new stores or the enhancement of existing stores.

In addition to the analysis and development activities, the Business Development team also supports Member retailers with:

- Internal retail design - offering Member retailers a cost effective way to create a new and innovative shopping experience for their customers by focusing on interior fit-outs.
- Business Development Finance - providing Member retailers with a simpler option in gaining finance for new store development and major refurbishments. Relationships have been built with a number of major financial institutions that understand and support the direction of the FoodWorks business. With an in-depth understanding of the information these financial institutions require, Business Development Finance works with Member retailers in preparing appropriate finance applications.

### **3.16 Finance**

The Company's objective is to fully meet all of its legal and fiduciary corporate obligations, including audited financial statements, payroll related taxes as well as state and federal taxation reporting.

Business controls and systems have been established to maximise income generation, control spending, and mitigate risk areas which optimise the services and financial return to Member retailers. The management of the cash receipts and payables ensures the Company's working capital is as efficiently utilised as possible and does not hinder growth.

In addition to the traditional corporate accounting and governance roles, the finance team also maintains important relationships with direct suppliers such as banks, telecommunications and insurance companies delivering value to Member retailers by reducing their costs of doing business. The Finance team receives and distributes rebates, executes the Chargeback (accounts payable) service and analyses the effectiveness of, and recommends changes to, the rebate scheme.

### **3.17 People and Performance**

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

The People and Performance team provides 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 and 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 Member retailers, and for establishing relationships with appropriate human service providers.

### **3.18 FoodWorks' Vision**

FoodWorks' Vision in relation to its Members' retailer stores is to offer its Member retailers a smart, contemporary, retail and business system that:

- improves retailer profitability;

**Australian United Retailers Limited**  
**ACN 077 879 782**

- listens to customers and responds to their needs; and
- strives to be Australia's premier independent retail Brand.

Importantly, all key stakeholders (Board, employees, Members and store teams) focus on customer needs as the basis for prosperity.

One of FoodWorks' strengths is the relationship between the Company and its Members, which comes from the retailer co-operative buying group heritage.

#### **4 Industry overview**

If you are an Eligible Applicant, then you are already a participant in or are familiar with the retail grocery and liquor industry. The Company has reached the view that it is not necessary for this OIS to contain information about the industry or market environment in which the Company will operate.

#### **5 Details of the Offer**

This section sets out important information in relation to the Offer and its terms.

##### **5.1 Key dates**

<b>Event</b>	<b>Date</b>
OIS Lodgement Date at ASIC	30 October 2009
Offer Opens	7 November 2009
Offer Closes	This offer is open for a period of 13 months from the date of lodgement, and closes on the Closing Date (5:00pm AEST on 30 November 2010)
Shares Issued	Normally after each scheduled Board meeting (see section 5.3)

##### **5.2 Offer terms**

The Company offers to issue to Eligible Applicants who have not already taken (or are to take) a transfer or transmission of a Class A Redeemable Preference Share in respect of the relevant Approved Store one Class A Redeemable Preference Share for each Approved Store that is owned or controlled by that Eligible Applicant.

This Offer is restricted to Eligible Applicants. Each Eligible Applicant must execute a Unity Agreement or an Approved Store Agreement for each retail store in respect of which they wish to become an Approved Storeowner (and must comply with the terms of that agreement). Unless waived by the Company, an Eligible Applicant's status as an Approved Storeowner will only be confirmed when (a) Class A Redeemable Preference Share(s) has/have been allotted to them.

The consideration for each Class A Redeemable Preference Share issued will be \$1.00.

##### **5.3 Offer structure**

The only persons eligible to apply for Shares are Eligible Applicants.

By lodging a completed Application Form with AURL in respect of each Class A Redeemable Preference Share applied for, the Applicant is deemed to acknowledge that the Offer set out in

this OIS is only capable of acceptance by AURL where the conditions set out in paragraph 5.2 above are met.

The Company will determine whether an Applicant is an Eligible Applicant.

The issue of Class A Redeemable Preference Shares under this OIS will normally be approved at each scheduled Board meeting (usually held every one to two months) for applications received and processed since the last Board meeting. Following the meeting, Class A Redeemable Preference Share(s) shall be issued to Eligible Applicants whose applications have been accepted by the Board.

Applicants should note that the Company has recently reached agreement with NSX that applications for quotation on NSX of Shares issued under this Offer will be made in batch lots on 30 June and 31 December each year (with earlier application to be made in the event that 100 Shares are issued). Accordingly while an application will be made to quote any Share(s) issued to an Eligible Applicant under the Offer, there may be a delay of up to 6 months between the issue and quotation of Shares on NSX.

#### **5.4 Minimal cash will be raised pursuant to the Offer**

The purpose of this OIS is not to raise funds for the Company but to comply with the disclosure requirements of the Corporations Act relating to the issue of securities. As noted in sections 2.4 and 5.2 above, the consideration for each Class A Redeemable Preference Share issued under this OIS will be \$1.00. Accordingly, funds raised under the Offer will be minimal, and will be incorporated into the Company's general revenue.

As set out in section 8 of the OIS, Class A Redeemable Preference Shares and / or Class B Redeemable Preference Shares may be redeemed in accordance with the Redemption Procedure upon the occurrence of a Redemption Event. In addition, section 254K of the Corporations Act provides that a company may only redeem redeemable preference shares out of profits or the proceeds of a new issue of shares made for the purpose of the redemption.

In order to ensure compliance with section 254K of the Corporations Act, the Directors have resolved that funds raised under the Offer (**Offer Proceeds**) may be applied to fund the Redemption Amount payable by the Company on redemption of any Class A Redeemable Preference Shares and / or Class B Redeemable Preference Shares. In other words, the amount payable by the Company (per share redeemed) where the Board elects to redeem Class A Redeemable Preference Shares and / or Class B Redeemable Preference Shares will be funded by the Offer Proceeds.

Where the Directors determine that funds are not required for the purposes of making payments where shares are redeemed, the funds raised under the offer will be re-allocated into the Company's general revenue.

#### **5.5 How to apply for Shares**

Applications can be made by completing and lodging the Application Form attached to or accompanying this OIS. A separate Application Form must be completed in respect of each Class A Redeemable Preference Share applied for.

The Application Form must be completed in accordance with the instructions set out in the Application Form.

## **5.6 Closing Date**

Applications are open for a period of 13 months from the date of lodgement of this OIS, unless AURL elects to close the Offer at an earlier date and time, which may be done without further notice.

## **5.7 What to do if you have queries or want extra copies of this OIS**

Applicants who require additional copies of the OIS can contact:

Company Secretary

Australian United Retailers Ltd

Ph: 03 9809 8600

Email: [companysecretary@foodworks.com.au](mailto:companysecretary@foodworks.com.au)

The OIS may be downloaded from <http://www.foodworks.com.au> under the Member's section of the website.

## **5.8 Company's discretion**

The Company also reserves the right to close the Offer early and reject any Application or part thereof.

## **6 Directors and senior management**

### **6.1 Who are AURL's directors and officers?**

The Board of Directors of FoodWorks includes storeowners who have significant experience owning and operating FoodWorks stores.

The Board also includes independent directors who have been appointed to the Board based on their experience and diverse skills outside of supermarket retailing. These skills include financial, accounting, legal, corporate governance, commercial, marketing, operational and management, which enables the Board to:

- Engage in prudent financial management;
- Set strategy and direction for the Company ;
- Monitor results on an on-going basis;
- Establish compelling Business Plans including stretch targets; and
- Apply best practice corporate governance practices.

The Board comprises the following Directors:

#### **6.1.1 John Bridgfoot - Chairman and Non Executive Director**

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John was appointed as a director of Australian United Retailers (AUR) in October 2001 and as the Chairman in July 2004, and has been a director and Chairman of AURL since the Merger. He is an ex-officio member of the Remuneration & Nomination committee.

John is currently the Managing Director of Pacific Rim Securities, a private equities and commodities trader, which he established in 1998.

John was previously an independent retail storeowner and operator from January 1999 until March 2006.

Prior to this, John held a number of senior executive service roles with the Victorian Government from 1985 until 1998, principally in the health industry.

During that time, from 1993 until 1996, John also worked for Arrow Consulting and First Capital Alliance as a business analyst, providing consulting advice to their clientele in the field of economics and securities analysis.

John holds an Exec. Master of Business Administration, Bachelor of Arts and is a Member of the Australian Institute of Company Directors (M.A.I.C.D.).

#### **6.1.2 Jack Scanlan - Deputy Chairman and Non Executive Director**

Jack was a director and founding Chairman of FoodWorks Supermarket Group Ltd from 1997 until 2004 and has been a director of AURL since the Merger. He is a member of the Remuneration and Nomination committee of the Board.

Prior to his role as Chairman of FoodWorks Supermarket Group, Jack served as Company Secretary and Legal Advisor to a co-operative group of independent supermarket retailers operating in NSW/VIC (Tuckerbag) from 1989 to 1995.

Until 2000, Jack was a Partner in the firm Scanlan Carroll Commercial Lawyers. He is principal of the Charles Consultancy Group.

Jack holds a Bachelor of Laws (Melbourne University).

#### **6.1.3 Deborah Smith - Non Executive Director**

Bringing twelve years retail experience to the Company, Deborah was appointed a director of AUR in October 2003 and has been a director of AURL since the Merger. Deborah is Chair of the Board's Remuneration & Nomination Committee.

Since 1996, Deborah has been an independent retail storeowner and operator.

Deborah holds a Master of Business Administration, Diploma in Education, a Diploma of Management, is a Member of the Australian Institute of Company Directors and is a Director of Master Grocers of Australia.

#### **6.1.4 Peter Noble - Chief Executive Officer and Executive Director**

With approximately 26 years of senior executive experience, Peter has been Chief Executive Officer and Executive Director of AURL since November, 2004. Prior to that Peter was Chief Executive Officer of FoodWorks Supermarket Group Ltd from December 2001 and Executive Director from August 2002 until the Merger.

Peter has demonstrated strong leadership skills both in managing the FoodWorks business and in playing a significant role in leading change in the independent supermarket industry. He is responsible for developing and managing business strategy, implementing the business plan and leading the team to achieve challenging goals.

Previously, Peter held senior positions with the Shell Group of Companies, including working in Shell International (London), as General Manager and Director of Shell South West Pacific, as Shell Australia's National Commercial Fuels Manager and as National Manager, Shell Shops and Convenience Stores.

In addition, Peter spent 2 years on secondment to Shell Finance, as the Internal Audit Manager, covering Shell Australia's Retail, Commercial, Refining and Services Businesses and providing the Board with an ongoing business control, risk profile, and governance on all matters relating to strategy and operations.

Peter holds a Bachelor of Applied Science (University of Queensland), and has completed a range of Shell's Senior Management Development Programs including their Advanced Management Program in London.

#### **6.1.5 Don Howell - Non Executive Director**

Don was appointed as an independent non-executive director of FoodWorks Supermarket Group Ltd in July 1997 and has been a non-executive director of AURL since the Merger. Don is Chairman of the Audit and Risk Committee of the Board.

Don brings to the Company over 23 years experience in senior positions with leading companies including Senior Vice President of Mattel Inc Far East Operations and CEO of Mattel Fischer Price of Australia.

Don is a director of a number of unlisted companies and is a Certified Practicing Accountant.

#### **6.1.6 Janette Kendall - Non Executive Director**

Janette Kendall joined the Board in August 2007 and is a member of the Board's Remuneration & Nomination Committee.

Janette is Executive General Manager – Marketing of Crown Limited and has a strong background in brand marketing. Prior to her current executive role, Janette was a divisional general manager of Pacific Brands.

Before that Janette had a significant career with Clemenger, a leading international advertising agency, and was the first woman appointed to its Board.

Janette brings general management and marketing skills to the Board table

#### **6.1.7 Wayne Pattison - Non Executive Director**

Bringing 26 years experience in the retail industry to the Company, Wayne was appointed a director of AUR in October 2003 and has been a director of AURL since the Merger. He is a member of the Board's Audit and Risk Committee.

Wayne is a shareholder of two independent retail stores in Victoria.

Previously, he had a banking career spanning 20 years, including eight years as a Business Development Officer attached to the State Bank of Victoria's marketing department.

Since entering the retail industry, Wayne has held positions on many industry committees and was a member of CHEEERS Liquor Group committee for 18 years, including ten years as Chairman.

Previously, Wayne was Chairman of AUR's Marketing Committee which included sub committees of Standards and Training, Fresh Foods, Liquor and Banners.

Wayne is a Member of the Australian Institute of Company Directors.

#### **6.1.8 Neil Osborne - Non Executive Director**

With over 18 years experience in the retail industry, Neil was appointed to AURL as a director in November 2006. He is a member of the Board's Audit & Risk Committee.

In 2007, Neil was appointed to the Board of Directors of Colorado Group Limited and the Vita Group, a company listed on the ASX. Prior to this, Neil was a partner with the world's largest consulting and technology services firm, Accenture.

Previously, Neil has held a variety of senior executive positions with Myer Grace Bros and Coles Myer Ltd in corporate and operating brands across finance, supply chain, strategic planning and merchandise including the positions of Myer Chief Operating Executive and CML Group General Manager, Retail Services.

Neil's qualifications include Fellow Australian Institute of Company Directors (FAICD), Bachelor of Commerce (University of Queensland), Certified Practising Accountant, Strategic Management Programme – Monash University Graduate School of Management, Advanced Logistics Programme – University of North Florida and Company Directors Course Diploma – Australian Institute of Company Directors.

In addition to their other responsibilities, all Directors of the Company are also Directors of its wholly owned subsidiary, FoodWorks Retail Pty Ltd, which will own and operate either directly or through wholly owned subsidiaries, the Coles stores currently being acquired.

#### **6.1.9 Fred Fairthorne - Non Executive Director**

Fred was appointed as a Director of the Company in September 2009. He is a member of the Audit & Risk Committee of the Board.

Fred has been closely involved in the operation and management of supermarkets for many years. His family has been involved in supermarket operations since 1961; consequently Fred has been personally involved from an early age. He was a co-founding shareholder of Action Supermarkets in WA in 1977. Subsequently he co-founded Newmart Supermarkets in 1988.

Fred has a strong presence in supermarket retailing, and is currently involved in the ownership and operation of several facilities in the Perth area with a strong focus on merchandising, marketing product offerings and store layout development. Fred therefore brings to the Board a depth of relevant and diverse retailing experience at both operational and management levels. This is timely for the Company as it develops into new areas with fresh strategies.



#### **6.1.10 Ken Sleep - Company Secretary**

Ken joined AURL in December 2004 as Company Secretary, with responsibility for all Board matters, share register, corporate governance and regulatory compliance generally.

Previously, Ken had an extensive career with the Mayne Nickless Group, where he held administration, finance and company secretarial responsibilities, and spent the latter 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 the Toll Group on company secretarial, corporate governance and superannuation matters, with limited similar consultancies to other public companies.

Ken holds a Bachelor of Economics Degree (Monash), and is FCPA and a Fellow of the Chartered Institute of Secretaries.

### **6.2 The senior management team**

FoodWorks' senior management comprises a group of experienced professionals with widespread expertise in their areas of business management, learning and development, marketing, merchandise, property and business development.

The Company's Management Team comprises:

#### **6.2.1 Peter Noble - Chief Executive Officer**

See section 6.1.4.

#### **6.2.2 Michael Reddrop – General Manager, FoodWorks Retail**

Michael was a director of the Company from November 2000 to August 2009. He was appointed a Director of FoodWorks Retail in August 2009.

Michael has extensive experience in finance (with organisations such as KPMG), retail management and day-to-day retail operations. He owns and operates a group of FoodWorks supermarkets and other retail businesses in North-East Victoria. He also acts as a director of the Superate Group which operates a number of FoodWorks supermarkets.

A graduate from Swinburne University of Technology in Business (Accounting), Michael is an Associate of the Institute of Chartered Accountants in Australia (ACA) and has completed the Certified Practising Accountant (USA) examinations.

#### **6.2.3 Rick Wright - Chief Operating Officer**

As Chief Operating Officer, Rick brings to FoodWorks his strong background in finance, franchising and strategy management.

Rick has been part of the FoodWorks family since February 2008. During his time with the company, Rick has overseen the creation of a new retail operations function which aligns support services to the needs of our stores and customers. He is also responsible for communicating FoodWorks' brand and point of difference in the marketplace.

Rick joined FoodWorks from Blockbuster Australia where he was Chief Executive Officer for ten years and was also Area Senior Vice President - Australia/Asia for five of these.

Working for Blockbuster for 15 years, Rick held a number of senior management positions including the General Manager Development (Company and Franchise), Finance and Administration and Chief Financial Officer - Australia/Asia. Previously, Rick also worked for a leading accounting and business services company for eight years in senior business management and accounting roles.

Rick holds a Bachelor of Business Studies and has Associate Chartered Accountant status.

#### **6.2.4 Wayne Vermeend - Chief Financial Officer**

Wayne brings 20 years of specific wholesale/retail sector experience to FoodWorks. Wayne has effectively overseen the Company's finances since 1997, through major changes including warehouse contract negotiation and subsequent change, interstate expansion, the 2004 Merger, a prospectus issue and successful capital raising. Wayne commenced his wholesale/retail career in Composite Buyers' Liquor and Supermarket divisions and progressed through to Davids Ltd as Campbells Cash & Carry's National Finance & Administration Manager.

A Bachelor of Business graduate with CPA status, Wayne's other career highlights include experience in chartered accounting - auditing, management accounting within the Elders IXL group, and financial accounting within a manufacturing environment (Lockwood), along with a period of self employment providing utility cost consulting advice to businesses.

#### **6.2.5 Simon Thompson - National Business Development Manager**

Simon is an Oxford University graduated Architect (RIBA Registered), who brings over 18 years of retail/property development experience to FoodWorks. He is well equipped in his role leading the Business Development team to take away the barriers that have been preventing independent retailers from delivering what consumers need, whether that be a lack of understanding of property development, cost of fit-outs, access to funding or quality of design/store planning.

Simon has been instrumental, over the past four years, in leading accelerated growth through the addition of new stores, expansions, relocations and refurbishment. He has ensured our stores offer a fresh, vibrant and bold shopping environment for consumers. Simon has held a variety of senior executive roles representing the interests of significant national and international multi-site retailers including Mothercare, British Homes Stores, Rip Curl, Dominos Pizza, NZAA, Seamart, New World, Pak N' Save, Four Square and Columbus Coffee.

#### **6.2.6 Helene Gordon - National People & Performance Manager**

Helene joined the FoodWorks group in early 2009 to oversee the People and Performance team. Helene has extensive experience with the Coles Myer Group in managing human resources operations and projects.

A graduate of Monash University, Helene holds a Bachelor of Business with a double major in Management and Marketing, specialising in Human Resources.

She has also undertaken professional development in areas such as workplace behaviours, internal consulting, remuneration management and executive capability assessment from accredited providers.

She is a member of the Australian Human Resources Institute (AHRI), its mentoring program and the Attraction and Retention Special Interest Group. Helene is passionate about the role people play in the overall success of a business.

#### **6.2.7 Stephanie Holmes - Project Manager - Business Implementation**

As FoodWorks' Project Manager for Business Implementation, Stephanie is accountable for the successful implementation of the operational facets of the business. With a strong operational background from various businesses including Shell Australia Limited, Stephanie brings to FoodWorks an in-depth understanding of the operational aspects of project management, business process development and business review. This skills base enables her to successfully manage projects and also oversee their operational facets which in turn help drive the future growth and prosperity of the company. With a Bachelor of Business, Stephanie has worked for Shell, developing and implementing a range of initiatives across the business. Other career highlights includes several years as Operations Manager of an international Direct Marketing company overseeing the import and distribution of fast moving consumer goods into Australia and Asia, and time spent working as Operations Manager of several hospitality and gaming businesses.

### **7 Risk factors**

Applicants should carefully consider the following factors and other information in this OIS before deciding to subscribe for a Share(s) in the Company. If any of the following risks actually occur, the Company's business, financial condition, results of operations and prospects for growth may suffer.

#### **7.1 Specific Risks**

There are a range of specific risks associated with the Company's operations. Potential investors in the Company should note the following risks prior to subscribing for a share under this Offer.

##### **7.1.1 Acquisition of Coles stores**

The acquisition of the Coles stores, announced on 29 June 2009, introduces Company owned stores to the Company's operations. This acquisition will greatly increase the number of employees, value of assets and number of properties under management within the group. This is a large and significant diversification for the Company beyond its traditional role of acting on behalf of its member stores. Although risk minimising strategies have been prepared in case the acquisition materially fails to meet expectations, the Company's financial status may be impaired if there are significant shortfalls in expected trading levels, or other unforeseen problems arise, which cannot satisfactorily be addressed.

##### **7.1.2 Financing Requirements**

The FoodWorks group's acquisition of the Coles stores is entirely funded by vendor financing. The financing agreements in place with the vendor financiers place certain performance obligations on the Group with significant penalties for breaches of covenants. Failure to meet the performance benchmarks set out in the vendor finance agreement would entitle the financier to seek immediate repayment of the outstanding amounts and the possible exercise by the financier of its various securities over the Company and its subsidiaries. In particular, a breach of the finance facilities forming part of the acquisition transaction documents will allow

the financier to exercise certain rights where an 'event of default' occurs. The possible actions taken by the financier could include:

- Demanding repayment of all moneys advanced under the vendor finance facilities;
- Making a demand under a guarantee and indemnity from FoodWorks; and
- Failing repayment, appointing an administrator or a receiver and/or manager to FoodWorks, FoodWorks Retail Pty Ltd and any of its subsidiaries.

In such circumstances of default and enforcement of security and guarantees, the financier may, amongst other rights, be entitled to all revenue received by FoodWorks and its subsidiaries (including rebate income).

### **7.1.3 Litigation and Dispute Risk**

From time to time, the Company may be involved in litigation in relation to issues such as contractual, personal injury, employee and other claims which may arise in the ordinary course of business. Depending on the nature of the dispute and the identity of the opposing party, the dispute may involve or result in the other party withholding money to which the Company is entitled. This is especially relevant in the context of the Company's agreement with suppliers. Any claim made against the Company may adversely impact upon the operational and financial performance of the Company. In addition, should the Company decide to pursue claims against a third party, including any party with whom the Company has entered into agreements, this process may incur significant management and financial resources, and a positive outcome for the Company cannot be guaranteed. Further, even if the Company was successful in obtaining a judgment against a third party, the Company may be unable to recover any monies from that party.

### **7.1.4 Supply Chain Risk**

The Company has, via its relationship with Metcash and other suppliers, an extensive supply chain that provides for the procurement and delivery of grocery, dairy and frozen products, fresh products (including produce), liquor and tobacco to FoodWorks Members who own Approved Stores. Significant disruption of any aspect of this supply chain by any major supplier could have a material adverse impact on the Company's operational and financial performance. Such disruptions may occur in a number of ways, including as a result of a dispute between FoodWorks and a Supplier or the inability or unwillingness of a Supplier to comply with the contractual arrangements that are in place with FoodWorks.

Further details of the Company's contractual arrangements with Suppliers are set out in section 9.

### **7.1.5 Retention of Members**

Notwithstanding the introduction of the Unity Agreement (see section 9.4), some Member retailers operate under the Approved Store Agreement and / or Banner Agreement (see sections 9.5 and 9.6). There is a risk that these Members may terminate such agreements, which may occur without fault on FoodWorks' behalf following either 30 or 90 days written notice. There is also a risk that the Company may not be able to retain Members that do sign the Unity Agreement, either because of a breach of the Unity Agreement or the Member invalidly terminates the Agreement.

Notwithstanding the current rebate model in place with Member retailers, there is a risk that other competing groups may be able to offer more competitive rebate models to Member retailers, or that the Company may not be able to maintain its current rebate offering. Larger and multiple store retailers make up a significant proportion of the Company's turnover. In this regard, the Company notes that consolidation amongst suppliers may impact upon the level of rebates received by the Company and in turn, the rebates received by Member retailers. This, in turn, could impact on retention of Storeowners. The loss of retailers could have a material adverse impact on the Company's operational and financial performance.

#### **7.1.6 Competitive retail environment**

The retail grocery environment in Australia is highly competitive. The major chains are pursuing an active strategy of acquisition, alliance and growth, and will continue to pose a significant challenge to independent grocery retailers. The Company will continue to compete with both the major chains and other independent grocery retailers for target customers. The entry of new retailers, or the actions of current retailers, including a change of strategic direction, along with changes in consumer preference, may have a material adverse effect on the Company's performance.

#### **7.1.7 Risks associated with losing key personnel**

The Company's ongoing performance will depend to some extent on its key personnel, in particular the Management Team discussed in section 6.2. Despite efforts to retain the services of key employees, the loss of key personnel could have a material adverse effect on the Company's growth prospects. The Company may not be able to recruit suitable replacements within a short timeframe.

#### **7.1.8 Growth Strategy**

The Company raised funds through the issue of a prospectus to carry out its growth strategy. These funds were invested in a number of projects, some or all of which have already been and are likely to be refined and reassessed over time. If the amount of funding required to complete these projects is higher than anticipated, or there is significant operational failure in executing these initiatives, the Company's financial performance may be adversely affected.

#### **7.1.9 Information Technology**

The Company is continually monitoring its information technology systems as well as those of its Members who own Approved Stores. There is a risk that any investment in information technology could be compromised by technological failure, implementation issues or other such difficulties which may have a material adverse impact on capital expenditure, operations and the financial performance of the Company.

#### **7.1.10 Trade Practices Risks**

Whilst FoodWorks continually seeks legal advice on a range of operational matters, there is a risk that FoodWorks may be required to alter its actual or proposed business practices to ensure compliance with trade practices legislation. Such alterations may adversely affect the financial performance of FoodWorks.

#### **7.1.11 Government Legislation**

Australian and international government legislation is subject to review and change from time to time. Any such change is likely to be beyond the control of the Company and could affect the Company's profitability.

Revenues and operating costs of the Company may be affected by change in international, federal, state, or local government laws, regulations or policies, or in taxation legislation.

#### **7.1.12 Liability and Insurance Risk**

The Company's insurance arrangements may not be adequate to protect the Company against liability for losses relating to public liability, property damage, product liability, business interruption and other risks that may arise in the course of its operations. Should the Company be unable to maintain adequate insurance to cover these risks or experience claims for losses in excess of the level of its insurance coverage, the Company's financial performance could be materially affected.

### **7.2 General Risks**

Factors such as government legislation, inflation, interest rates, taxation law, accounting standards, natural disasters, social upheaval, war and terrorism may have an impact on prices, operating costs and market conditions generally. The Company's operations and future profitability can be affected by these factors, which are beyond the control of the Company.

The Company's performance will depend significantly on Australian and global economic conditions including inflation, currency fluctuation, interest rates, supply and demand and industrial disruption. Changes in any of these conditions may impact the Company's business and profitability.

## **8 Rights attaching to Shares**

### **8.1 What rights and restrictions attach to the Class A Shares?**

By way of summary, the Class A Redeemable Preference Shares:

- 8.1.1 may only be held by an Eligible Member;
- 8.1.2 may be redeemed in accordance with the Redemption Procedure upon the occurrence of a Redemption Event (see section 9.3.4);
- 8.1.3 carry the sole right to vote (on the basis of one vote for each share held) at general meetings, and the voting restrictions attached to shares in the Company generally (see section 0);
- 8.1.4 carry the right to participate in any dividend declared and paid by the Company to holders of shares in the class;
- 8.1.5 carry the right, on a winding up of the Company, to participate in any distribution of assets; and
- 8.1.6 carry a restriction on transfer (see section 9.3.12).

## **8.2 What rights and restrictions attach to the Class B Shares?**

By way of summary, the Class B Redeemable Preference Shares:

- 8.2.1 may only be held by an Eligible Member;
- 8.2.2 may be redeemed in accordance with the Redemption Procedure upon the occurrence of a Redemption Event (see section 9.3.4);
- 8.2.3 carry the right to participate in any dividend declared and paid by the Company to holders of shares in the class, but not as of right an entitlement to the same dividend as each other share in the class;
- 8.2.4 do not carry any right to vote at general meetings, but a right to vote at a meeting of the Class B Redeemable Preference Shareholders;
- 8.2.5 do not carry a right to participate on a winding up of the Company or reduction of capital; and
- 8.2.6 carry a restriction on transfer (see section 9.3.12).

## **8.3 In what circumstances can Shares be redeemed?**

Shares, including Class A Redeemable Preference Shares (i.e. the Shares offered under this OIS), may be redeemed at the discretion of the Board where a 'Redemption Event' occurs in respect of an applicable Member. Relevant Redemption Events include:

- 8.3.1 the Member ceasing (for whatever reason) to be an Approved Storeowner of the Approved Store in respect of which the share was allotted, or otherwise ceasing to be an Eligible Member;
- 8.3.2 the holder becoming bankrupt or insolvent;
- 8.3.3 where the Member is an Approved Storeowner, a Default Event occurs (see section 8.4); or
- 8.3.4 the holder requests in writing that the Company redeems some or all of the Redeemable Preference Shares held by that holder; and
- 8.3.5 the holder fails to give notice within one month that they hold the shares as trustee and the Board reasonably believes that the reason a notice was not given was to avoid disclosing full particulars of the beneficial ownership of the Shares so held.

Shares may only be redeemed in accordance with the Corporations Act. Further details in respect of redemption are contained in section 9.3.4.

## **8.4 What are 'Default Events'?**

Relevant Default Events in respect of an Approved Storeowner include:

- 8.4.1 default or breach of any contractual obligation or commitment owed by the Approved Storeowner to the Company;

- 8.4.2 failure to pay, when due and payable, for goods ordered by or on behalf of the Approved Storeowner from a Supplier;
- 8.4.3 failure to pay, when due and payable, monies owed to the Company;
- 8.4.4 vacation or ceasing to own, lease, operate or control an Approved Store without the prior written consent of the Directors;
- 8.4.5 the acquisition by a person of a controlling interest in the Member and that person did not have a controlling interest in the holder at the time the share was allotted, transferred or transmitted to the holder, without the prior written consent of the Directors; or
- 8.4.6 the acquisition, without the consent of the Directors, by a person of the Relevant Interest in a share held by the Approved Storeowner where the person did not have a Relevant Interest at the time the share was allotted, transferred or transmitted to the Approved Storeowner.

This ability to redeem Shares is necessary to minimise the likelihood that Shares are transferred to individuals or entities that are not approved by the Board.

#### **8.5 What is the 'Redemption Procedure'?**

- 8.5.1 Where a Redemption Event occurs, the Directors have a right at their option exercisable at any time to:
- 8.5.2 Suspend the voting rights attached to the relevant Shares with immediate effect.
- 8.5.3 Give written notice that a Redemption Event has occurred and the Member has 90 days from receipt of the Notice to either transfer those shares to an Eligible Member, or satisfy the Directors that the Redemption Event has been remedied.
- 8.5.4 Upon expiration of that 90 day period, if the Member has failed to either transfer the shares or satisfy the Directors that the Redemption Event has been remedied, the Directors may in their absolute discretion redeem the Redeemable Preference Shares in accordance with the Redemption Procedure and the Corporations Act.

Applicants should note that as under the Corporations Act a redemption can only occur from profits or the proceeds of a further share issue.

#### **8.6 What is the 'Redemption Amount'?**

The price payable in respect of each Share on redemption will be the aggregate of the price paid (or credited as paid) by or on behalf of the holder in the opinion of the Directors acting reasonably in respect of the issue, transfer, allotment or other disposal of the share to that holder, plus any dividends declared and unpaid in respect of the Share(s) being redeemed.

Applicants should note that the occurrence of a Redemption Event will not necessarily result in Class A Redeemable Preference Shares being redeemed.



## **8.7 Voting Restrictions**

The general position is that the maximum voting entitlement of a Member and their associates with respect to all shares in which they hold a Relevant Interest is limited to 7.5% of the total voting rights attached to the Class A Redeemable Preference Shares. Where a Redemption Event has occurred but the Board has not exercised its discretion to redeem the relevant Share(s), the holder shall not have the right to vote at any general meeting of the Company (whether or not the Member initially enjoyed such rights) nor the right to vote at a meeting of the holders of the class of shares that the Member holds until such time as the Directors consider that:

- the Member has again become an Approved Storeowner; or
- the Member has again become an employee of the Company.

Notwithstanding the voting restriction, the level of share ownership potentially available to any one Member is unrestricted.

## **8.8 Future Entitlement to Issue Additional Shares**

The Board is empowered in the future to issue further Class C Redeemable Preference Shares for the purpose of raising additional funds, or at the discretion of the Board, in order to attract new Members.

The Constitution allows for a staff share scheme. As at the date of this OIS, no employees have been nominated as Eligible Members and none have been invited to participate in this Offer.

## **8.9 Risks**

Given the limited volume and value of Class A Redeemable Preference Shares issued under this OIS, an investment under the Offer does not involve a significant degree of risk. Regardless, Applicants are advised to carefully consider the Risks Section of this OIS set out in section 7.

## **9 Additional information**

### **9.1 Incorporation**

Australian United Retailers Limited ACN 077 879 782 was incorporated in Victoria on 25 March 1997.

### **9.2 Rights and Liabilities Attaching to Shares**

The rights attaching to Shares in the Company are:

- set out in the Constitution of the Company, and summarised in section 8 above and 9.3 below; and
- in certain circumstances, regulated by the Corporations Act and the general law.

### **9.3 Constitution**

The following is a summary of the key provisions in the Company's Constitution.

### **9.3.1 General**

The rights and liabilities attaching to the Shares are set out in the Company's Constitution, and are regulated by the Corporations Act and the general law. The Constitution is subject to the Listing Rules. Set out below is a summary of the key terms of the Constitution, including the difference between share classes, and the principal rights and liabilities attaching to the Shares. This summary is not exhaustive and is not a definitive statement of the rights and liabilities of the shareholders of the Company. In particular, the summary should be read in conjunction with the summaries of the Unity Agreements, Approved Store Agreements and Banner Store Agreements contained in sections 9.4, 9.5 and 9.6 of this OIS.

### **9.3.2 Application of Listing Rules**

As previously noted, Class A Redeemable Preference Shares are listed on the Official List of the exchange operated by the NSX. As a consequence, the Constitution is subject to the Listing Rules. In particular:

- (i) Despite anything contained in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done.
- (ii) Nothing contained in the Constitution prevents an act being done that the Listing Rules require to be done.
- (iii) If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
- (iv) If the Listing Rules require the Constitution to contain a provision and it does not contain that provision, the Constitution is deemed to contain that provision.
- (v) If the Listing Rules require the Constitution not to contain a provision and it contains that provision, the Constitution is deemed not to contain that provision.
- (vi) If any provision of the Constitution is or becomes inconsistent with the Listing Rules the Constitution is deemed not to contain that provision to the extent of the inconsistency.

### **9.3.3 Right to hold Shares**

The Company has two classes of shares on issue: Class A Redeemable Preference Shares and Class B Redeemable Preference Shares. There are restrictions on who can hold Shares. In particular, Shares may only be issued, transferred or allotted or otherwise disposed of to an Eligible Member. The onus is on the applicant for such issue, transfer, allotment or disposal to demonstrate to the Directors that they are qualified to be an Eligible Member. An Eligible Member is defined to be any of an Approved Storeowner, a Branded Storeowner, the Related Parties of an Approved Storeowner or an employee of the Company (provided that the Board has passed a formal resolution confirming such employee(s) of the Company as constituting Eligible Members for the purpose of holding Shares in the Company and, subject to the passing of a formal resolution, a Related Party of an employee of the Company). Public companies (other than a co-operative), an entity controlled by a public company, or (unless otherwise agreed by the Board) a person who is in the employ of, or controls or is controlled by a supplier of goods or services to the retail industry and a Member in respect of whom a Redemption Event has occurred (but where the Board has not exercised its discretion to redeem the Share(s) of that Member) are expressly excluded from the class of Eligible Members.

### **9.3.4 Redemption & Forfeiture**

Any Share in the Company may be redeemed if a 'Redemption Event' occurs in accordance with the redemption procedure set out in the Constitution. Redemption Events that may occur in respect of an applicable Member (as determined by the Directors in their absolute discretion) may be summarised as:

- ceasing to be an Approved Storeowner (in the case of a Class A Redeemable Preference Shareholder), a Branded Storeowner (in the case of a Class B Redeemable Preference Shareholder), or otherwise ceasing to be an Eligible Member;
- where the holder is an Approved Storeowner, the occurrence of a Default Event, which includes where an Approved Storeowner is in default of any contractual obligations owed to the Company, fails to pay any amounts owing to either the Company or a supplier or ceases to operate or control an Approved Store;
- the holder (or any controller) becomes bankrupt, makes an assignment or composition with its creditors, dies or becomes of unsound mind;
- the holder becomes insolvent;
- the holder requests that some or all of their redeemable preference shares be redeemed; or
- the holder fails to give notice that they hold their redeemable preference share(s) on trust for a third party.

The price payable in respect of each Share on redemption will be the aggregate of the price paid (or credited as paid) by or on behalf of the holder in the opinion of the Directors acting reasonably in respect of the issue, transfer, allotment or other disposal of that Share to the holder, plus any dividends declared and unpaid in respect of the Share(s) being redeemed.

### **9.3.5 Partly paid Shares**

The Company has a first and paramount lien on every Share which is not fully paid and on all dividends payable in respect of that Share. Such partly paid Shares may not be transferred unless the sum in respect of which the lien exists is paid. Failure to pay a call made in respect of an unpaid portion of a partly paid Share, or where the terms of allotment specify a date for payment of an instalment in respect of a partly paid Share to pay that instalment, may result in forfeiture of the Share in accordance with the procedure set out in the Constitution.

### **9.3.6 Voting Rights & Restrictions**

The voting rights attached to each Share class differ. In particular:

- Class A Redeemable Preference Shares carry one vote for each Share held, to a maximum of 7.5% of the total voting rights attached to the Class A Redeemable Preference Shares. As the Class A Redeemable Preference Shares are admitted to the Official List, a Member must comply with the requirements to give information set out in section 671B of the Corporations Act, namely information about substantial holdings in the Company.
- Class B Redeemable Preference Shares carry no voting right, other than at a meeting of the Members of the class.

### **9.3.7 General Meeting and Notices**

Each holder of Shares will be entitled to receive all notices, accounts and other documents required to be sent to Members under the Constitution and the Corporations Act, and to attend such meetings.

### **9.3.8 Dividends**

Each Share carries the right to participate in any dividend declared and paid to the holders of shares in that class. Class B Redeemable Preference Shares do not as of right have an entitlement to the same dividend as Class A Redeemable Preference Shares.

### **9.3.9 Variation of Class Rights**

The rights and restrictions attaching to each class of Shares can only be altered if the holders of 75% of the shares issued in that class consent to the variation in writing, or a special resolution is passed at a meeting of the holders of shares in that class. Further, in the absence of prior consent in writing from all Class A Redeemable Preference Shareholders, there can be no variation of class rights that would result in the shares ranking in priority to the Class A Redeemable Preference Shares for payment of any return of capital.

For the avoidance of doubt, the Directors may issue redeemable preference shares that are ranked equally with existing redeemable preference shares (including but not limited to any Class A Redeemable Preference Shares and Class B Redeemable Preference Shares) at any time and from time to time in accordance with the Constitution and no such further issue will be taken to vary or affect the rights of existing holders of redeemable preference shares.

### **9.3.10 Further Issues of Shares**

The Directors may issue further fully paid or partly paid Shares of classes already issued which rank equally with those Shares without the approval of the holders of Shares in that class. Such Shares may be issued on the basis that their dividend entitlement is restricted until a fixed time.

### **9.3.11 Winding Up**

The right to participate in a winding up varies depending on the class of Share. In particular:

- Class A Redeemable Preference Shares carry an entitlement to participate in any distribution of the Company's assets.
- Class B Redeemable Preference Shares do not carry a right to participate in surplus assets on a winding up.

### **9.3.12 Transfer of Shares**

The transfer of Shares is restricted. In particular, with respect to any transfer that is not an ASTC regulated transfer, the Directors may in their absolute discretion refuse to register any proposed transfer or transmission of Shares. Further, Members should be mindful of the restrictions as to who can hold Shares in the Company prior to any transfer.

### **9.3.13 Directors**

The Company currently has nine Directors. The Company's Constitution sets out the manner in which the Board must be constituted, including specifying both a minimum (six) and maximum (ten) number of Directors. The Board has determined that the current size of the Board is nine. The Company may by resolution (or otherwise in accordance with the Corporations Act) remove any Director before the expiration of their period of office and appoint another person in their stead.

### **9.3.14 Indemnities and Insurance**

To the extent permitted by law, and subject to the Corporations Act, the Company is required to indemnify current and past Directors, Secretaries and Officers of the Company against any liability incurred by them acting in their capacity as an officeholder. The Company may also pay legal costs for an officeholder where the action arises as a consequence of their office, and the premium on a policy of insurance.

### **9.3.15 Amendment of the Constitution**

In accordance with the Corporations Act, the Company's Constitution may be modified or repealed by a special resolution passed by Members of the Company.

## **9.4 Unity Agreements**

Most Branded Storeowners have entered into Unity Agreements with FoodWorks. Unbranded Approved Storeowners may also enter into Unity Agreements with FoodWorks.

A Unity Agreement supersedes any prior agreement which a Member who is an Approved Storeowner may have with FoodWorks.

The Unity Agreements set out the rights and obligations of Members who have entered into such an agreement with FoodWorks (**Unity Storeowners**). Unity Agreements generally continue for a term of six years from their date of commencement, subject to termination provisions and the right of both parties to consent to the renewal of an agreement.

In addition to current Unity Storeowners who have been issued with a Class A Redeemable Preference Share, a Class A Redeemable Preference Share may be issued to all new Members who enter into Unity Agreements in the future.

Under the Unity Agreements, and largely consistent with Approved Store Agreements (see section 9.5) Unity Storeowners must comply with all relevant FoodWorks policies, as well as a range of specific obligations, including the maintenance of adequate stock and staffing levels, stocking recommended levels of allocated brands and compliance with specified store upkeep requirements. Branded Storeowners who have signed Unity Agreements, referred to throughout as Unity Branded Storeowners, are also subject to additional obligations, including ongoing compliance with specified branding criteria, the provision of information relating to store performance, compliance with FoodWorks' promotional programs, the maintenance of accurate sales data and ensuring that staff training and uniform requirements are met.

FoodWorks is required to provide a range of services to Unity Storeowners, primary of which is providing access to negotiated supply arrangements with Suppliers. FoodWorks negotiates and receives Supplier rebates and allowances, and pays portions of those rebates and allowances to Unity Storeowners.

Unity Branded Storeowners are provided with additional FoodWorks services under the Unity Agreement, primary of which is the ability to use specified FoodWorks intellectual property, subject to a range of conditions, including signage, logos and advertising materials. Unity Branded Storeowners also receive FoodWorks operating documentation and assistance with advertising and training strategies. FoodWorks is also obliged to maintain an advertising, marketing and promotional strategy for all Unity Branded Storeowners, in addition to reviewing and measuring the sales performance and marketing direction of the Unity Branded Stores.

Under the terms of most Unity Agreements, the relevant Unity Storeowners who wish to sell the business of their stores must provide FoodWorks with a right of first and last refusal in relation to the purchase of the business, but only if the sale is to occur during the term of the relevant Unity Agreement, or whilst there is an outstanding financial accommodation provided by FoodWorks to the Unity Storeowner or whilst FoodWorks is the lessor of the relevant store's premises.

### **9.5 Approved Store Agreements**

Those Members who own Approved Stores but have not executed a Unity Agreement are subject to an Approved Store Agreement (and, in some cases, a Banner Agreement). The Approved Store Agreements provide for Members who own Approved Stores to benefit from the wholesale supply arrangements between FoodWorks and the Suppliers (see sections 9.7 and 0 of this OIS), as well as outlining primary obligations and benefits to such Members. As mentioned above, a number of Members who own Approved Stores have since entered into Unity Agreements which supersede the old form Approved Store Agreements (see section 9.4 of this OIS).

A party which has entered into an Approved Store Agreement with FoodWorks is issued with a Class A Redeemable Preference Share.

Under the Approved Store Agreement, and in addition to complying with all specified FoodWorks policies, Approved Storeowners must also comply with a range of obligations, including the maintenance of adequate stock and staffing levels, stocking specified levels of allocated brands and compliance with Approved Store upkeep requirements.

Further, and under the Approved Store Agreements, Approved Storeowners are entitled to a range of rebates and allowances from Suppliers.

### **9.6 Banner Agreements**

A number of Members who entered into Approved Store Agreements with FoodWorks also entered into Banner Agreements, which provide for both additional obligations and benefits superseded by Unity Agreements. As with Approved Store Agreements, the Banner Agreements of those parties who have since entered into Unity Agreements will have been superseded by the latter.

Members who entered into Banner Agreements with FoodWorks, referred to as 'Branded Storeowners' and formerly referred to as 'Banner Storeowners', were also issued with a Class B Redeemable Preference Share (refer to section 9.2 of this OIS) per Branded Store.

Members who have entered into Banner Agreements are provided with a range of additional FoodWorks services, primary of which is the ability to use specified FoodWorks intellectual property, including signage, logos and advertising materials.

A condition of Banner Store Agreements which were entered into after May 2006 is that the Branded Storeowners enter into a Deed of Right of Refusal for Store Acquisition (**Deed of Refusal**) with FoodWorks. Under the terms of the Deed of Refusal, a Branded Storeowner who wishes to sell the business of their Branded Store agrees to provide FoodWorks with a right of first and last refusal in relation to the purchase of the business of the Branded Store, but only if the sale is to occur during the term of the Banner Store Agreement, or whilst there is an outstanding financial accommodation provided by FoodWorks to the Branded Storeowner or whilst FoodWorks is the lessor of the Branded Store's premises.

## **9.7 Metcash Supply Agreement**

In September 2009, FoodWorks entered into a Corporate Stores Supply Agreement, under which FoodWorks-owned stores have agreed to purchase products available from Metcash (subject to competitive carve-outs), as well as a Member Store Supply Agreement, under which Metcash agrees to supply FoodWorks Members' stores with products ordered by such members and that are available through Metcash. Each agreement continues for an initial term of 10 years, and can be terminated without cause with 1 years notice following that initial term. However, the agreements can be terminated earlier in certain circumstances, including if a party materially breaches its obligations under an agreement. Both agreements provide for the provision of rebates by Metcash, based in part on the volume of goods supplied under the agreements.

## **9.8 Supply Agreements**

In addition to the Metcash supply agreements, as referred to in section 9.7, FoodWorks has entered into numerous supply agreements with various other Suppliers relating to a range of retailer products. These agreements set out the principal terms under which the Suppliers agree to provide various products to FoodWorks Members who own Approved Stores, including the specification of rebate levels.

The supply agreements are either fixed term or open contracts (with no fixed term), with the latter often being subject to a review process that may be initiated by either FoodWorks or the relevant supplier.

The supply agreements specify the relevant terms of trade between FoodWorks and the Suppliers, including the specific rebate levels to be calculated against supplied products and payable to FoodWorks at first instance. Further, these supply agreements outline reporting requirements as well as delivery and invoicing obligations that must be met by the Suppliers.

A Supplier or FoodWorks can generally terminate a Supply Agreement without cause, after having provided written notice of a specified period to the other party.

## **9.9 Proposed acquisition of up to 45 supermarkets from Coles**

In June 2009, FoodWorks entered into various transaction documents, under which a subsidiary of FoodWorks agreed to acquire the assets of up to 45 supermarkets (and 8 liquor outlets) from the Coles Group. The Supermarkets Sale Agreement sets out the primary terms of these acquisitions, which are scheduled to take place up until mid 2010, including the manner in which FoodWorks subsidiaries will become the tenant under the relevant property leases and the employer of relevant supermarket staff. As each store acquisition is subject to specific conditions, the relevant FoodWorks entity will only acquire the assets of a store if these conditions are met (or waived). A purchase price has been allocated to each portfolio store (which is then adjusted with respect to matters including the value of stock, cash float and

accrued employee entitlements). A number of representations and warranties are provided by Coles, and a limitation of liability regime applies.

Under a Credit Agreement (and related documents), the Coles Group has agreed to provide FoodWorks with finance in order to fund the store acquisitions, and FoodWorks (and various subsidiaries) have agreed to provide security in favour of Coles. These funding arrangements include a 3 year deferred credit facility of approximately \$35 million and a 1 year term facility of up to \$11,875,000. The Credit Agreement set out the terms on which this funding is provided, including the repayment obligations of FoodWorks, the conditions for draw downs, the interest charged by Coles and the events of default which may trigger early repayment obligations (amongst other matters). Security has also been granted by FoodWorks and the various FoodWorks subsidiaries to Coles to secure the liability under the Credit Agreement. FoodWorks has provided a featherweight charge and the various FoodWorks subsidiaries have provided various fixed and floating charges and mortgages of lease. The shares in the FoodWorks subsidiaries, including FoodWorks Retail, have also been mortgaged.

#### **9.10 Deeds of indemnity, insurance and access**

The Company has entered into Deeds of Indemnity, Insurance and Access with all FoodWorks Directors who were in office at December 2006 or have been appointed since. The Deeds provide that the Company will indemnify its Directors against liabilities, costs and expenses as permitted under the Corporations Act, related to each Director's period of office.

In addition, the Company must arrange and maintain Directors' insurance during each Director's period of office and for a period of 7 years after a Director ceases to hold office. Further, the Company must allow its Directors access to papers, documents and other information relating to the affairs of the Company during the period the Director is a Director of the Company and for a period of 7 years after the Director ceases to hold office.

#### **9.11 CEO employment agreement**

In July 2008, the Company entered into a new employment agreement with Peter Noble, the Company's Chief Executive Officer. It operates for the period to 30 June 2011 and incorporates a base fixed salary and an annual bonus which is dependent on attainment of annual performance targets. In addition, a further significant bonus is payable at the end of the contractual term subject to attainment of several longer term major strategic objectives.

#### **9.12 Tax Considerations**

It is not appropriate to set out, in this OIS, the taxation implications for individual investors based on the current law. Potential investors should seek professional advice as to the implications of ownership of Shares in the Company.

### **10 Director's statement and Consents**

#### **10.1 Directors**

Every Director of FoodWorks has given, and has not withdrawn, before the OIS Date, their consent to the lodgement of this OIS with the ASIC and the issue of this OIS in accordance with section 720 of the Corporations Act.

#### **10.2 Pitcher Partners**

Pitcher Partners has consented, and has not withdrawn, before the OIS Date its consent to:



**Australian United Retailers Limited**  
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- inclusion of its report for the Company in respect of the year ended 30 June 2009 in section of the OIS; and
- being named in the OIS as the auditor to Australian United Retailers Limited in the form and context in which it appears in the OIS.

Pitcher Partners has had no involvement in the preparation of this OIS other than being named as auditor to Australian United Retailers Limited. Pitcher Partners has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this OIS.

**10.3 DLA Phillips Fox**

DLA Phillips Fox have given and, at the date of lodgement of this OIS with the ASIC, have not withdrawn, their consent to be named in this OIS as lawyers to the Company in the form and context in which they are named.

Dated 30 October 2009

Signed for, and on behalf of, FoodWorks

Jack Scanlan

Deputy Chairman and Non Executive Director

**SCHEDULE 10**  
**DIRECTORS REPORT**

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

## FoodWorks Offer Information Statement Directors' Report

Peter Noble  
CEO



John Bridgfoot  
Chairman



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 2009 and auditors report thereon. This financial report has been prepared in accordance with Australian equivalents of International Financial Reporting Standards. Compliance with Australian equivalents to International Financial Reporting Standards ensures compliance with International Financial Reporting Standards (IFRSs).

### Principal Activities

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

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

### Results

The loss of the economic entity for the financial year, after providing for income tax, amounted to \$2,103,915.

### Review of Operations

A review of the operations of the consolidated entity during the financial year and the results of those operations are as follows:

The economic entity's core trading result for the year ended 30 June 2009, as follows:

	\$ 000's	\$ 000's
Trading profit for the year ended 30 June 2009		3,768
<b>Less non trading costs:</b>		
Income tax expense	(237)	
Future state initiative costs	(4,503)	
Coles store acquisition expenses	(587)	
New store rebranding costs	(545)	
<b>Consolidated Loss</b>		<b>2,104</b>



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## **FoodWorks Offer Information Statement**

### **Significant Changes in State of Affairs**

In June 2009 a fully owned subsidiary, FoodWorks Retail Pty Ltd, was registered with ASIC.

FoodWorks has contracted to purchase 45 Coles stores, eight with adjoining liquor outlets, with a combined annual sales of approximately \$450 million. This will bring FoodWorks' combined with its independent retailer networks sales turnover to approximately \$2.3 billion. Vendor finance has been negotiated to fund the deal.

FoodWorks has also signed a long term supply agreement with Metcash Trading Limited, to supply these new stores along with extending the arrangement for its existing 700 member stores. At the wholesale level FoodWorks will increase its purchases by an additional \$250 million per annum. The new arrangement includes an initial 10 year term and incorporates access to warehouse products including the new Metcash 'Fresh' initiative.

No other significant changes in the state of affairs of the economic entity occurred during the financial year.

### **After Balance Date Events**

FoodWorks' has contracted to purchase 45 Coles stores, eight with adjoining liquor outlets, with a combined annual sales of approximately \$450 million. This will bring FoodWorks' combined with its independent retailer network sales turnover to approximately \$2.3 billion. Vendor finance has been negotiated to fund the deal.

Shareholder approval for the Coles transaction was received at an Extraordinary General Meeting held on 17th August 2009. ACCC approval for the transaction has also been received.

FoodWorks has also signed a long term supply agreement with Metcash Trading Limited, to supply these new stores along with extending the arrangement for its existing 700 member stores. At the wholesale level FoodWorks will increase its purchases by an additional \$250 million per annum. The new arrangement includes an initial 10 year term and incorporates access to warehouse products including the new Metcash 'Fresh' initiative.

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



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

## **FoodWorks Offer Information Statement**

### **Directors' Report (continued)**

#### **Likely Developments**

The Company will continue to pursue its operating strategy to create Shareholder value. In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the consolidated entity.

#### **Environmental Regulation**

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 Dedared**

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

#### **Share Options**

No options over unissued shares or interests in the consolidated 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 Officers**

All directors of the economic entity have entered into a Deed of Indemnity, Insurance and Access.

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.

#### **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.



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

## **FoodWorks Offer Information Statement**

### **Information on Directors**

The qualifications, experience and special responsibilities of each person who has been a Director of Australian United Retailers Ltd at any time during or since the end of the financial year is provided below, together with details of the Company Secretary as at the year end.

#### **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. In July 2004 John was appointed Chairman of Australian United Retailers Ltd, (AURL). He is currently the Managing Director of Pacific Rim Securities. John was previously an independent store owner and operator from 9 January 1999 until March 2006.

##### **Special Responsibilities**

Ex-officio member of the Remuneration & Nomination, Supply Chain and Property Committees.

#### **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 founding Chairman until July 2004) of AURL since 22 May 1997, Jack was previously a Partner in the firm Scanlan Carroll Commercial Lawyers (1969 - 2000) and has practiced as a barrister and solicitor for 40 years.

##### **Special Responsibilities**

Chairman of the Property Committee & Member of the Remuneration & Nomination Committee.



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

**FoodWorks Offer Information Statement**  
**Directors' Report (continued)**

<b>D Smith</b>	Non Executive Director
<b>Qualifications</b>	Dip. Ed. (Townsville) Master of Business Administration (University of New England) Graduate Certificate of Management (University of New England) Diploma of Management (University of New England) M.A.I.C.D.
<b>Experience</b>	A Director since 4 October 2003, Deborah has been an independent store owner and operator since 1996. Deborah is a Director of Master Grocers of Australia.
<b>Special Responsibilities</b>	Chairman of the Remuneration & Nomination Committee & member of the Property Committee.
<b>P Noble</b>	Executive Director & Chief Executive Officer
<b>Qualifications</b>	Bachelor of Applied Science (Queensland University) M.A.I.C.D.
<b>Experience</b>	A Director of AUR Ltd since 19 August 2002, Peter has 25 years experience with Shell Australia including four years as Managing Director of Shell SW Pacific.
<b>Special Responsibilities</b>	Chief Executive Officer, ex officio member of the Supply Chain and Property Committees.
<b>D Howell</b>	Independent Non Executive Director
<b>Qualifications</b>	Certified Practising Accountant M.A.I.C.D.
<b>Experience</b>	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.
<b>Special Responsibilities</b>	Chairman of Audit & Risk Committee & member of the Remuneration & Nomination Committee.





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

## **FoodWorks Offer Information Statement**

### **M Reddrop**

Non Executive Director  
Resigned 19 August 2009

#### **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 Australia, Eastern Europe and the USA.

#### **Special Responsibilities**

General Manager of FoodWorks Retail Pty Ltd from 19 August 2009.

### **W Pattison**

Non Executive Director

#### **Qualifications**

M.A.I.C.D.

#### **Experience**

Wayne has been a Director since 4 October 2003 and he has 25 years experience in the retail industry in Victoria. Wayne is a shareholder of two independent retail stores in Victoria. He was a member of CHEEERS Liquor Group committee for 18 years, including 10 years as Chairman.

#### **Special Responsibilities**

Member of Audit & Risk & the Supply Chain Committees.

### **N Osborne**

Independent Non Executive Director

#### **Qualifications**

Fellow Australian Institute of Company Directors (FAICD)  
Bachelor of Commerce  
Certified Practising Accountant  
Company Directors Course Diploma (Australian Institute of Company Directors)





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

## FoodWorks Offer Information Statement Directors' Report (continued)

**Experience** With over 18 years experience in the retail industry, Neil was appointed as a Director in November 2006. He is also a Director of Colorado Group and the Vita Group. 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.

**J Kendall** Non Executive Director

**Qualifications** Bachelor of Business (Marketing)

**Experience** Janette was appointed as a Director in August 2007. Janette is Executive General Manager – Marketing of Crown Limited and has a strong background in brand marketing, advertising, promotions and customer relationship management. Previously Janette was a divisional General Manager of Pacific Brands, and the first woman board member of Clemenger, a leading international advertising agency.

**Special Responsibilities** Member of the Company's Marketing Committee.

**J Ehrenfeld** Non Executive Director  
Resigned 27 July 2009

**Qualifications** Bachelor of Economics (University of Western Australia)

**Experience** Jeff was appointed as a Director in September 2007. Jeff has been involved in the supermarket industry most of his life with particular expertise in fresh produce. Jeff's ownership of several independent stores in the Perth area brings a wealth of operational experience to the Board.



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## **FoodWorks** Offer Information Statement

### **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.



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## FoodWorks Offer Information Statement

### Directors' Report (continued)

#### Meetings of Directors

Directors	Board Meetings		Audit Committee		Property 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	Number eligible to attend	Number attended
J Bridgfoot	11	11			3	2	2	2	1	1
J Scanlan	11	11			3	3	2	2		
D Smith	11	11			3	3			1	1
P Noble	11	11			3	3			1	1
D Howell	11	10	8	8			2	2		
M Reddrop	11	11			3	3			1	1
W Pattison	11	11	8	7			2	2		
N Osborne	11	11			3	3			1	1
J Kendall	11	11							1	1
J Ehrenfeld	11	11	8	8					1	1



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## FoodWorks Offer Information Statement

### Directors' Interests in Shares or Options

Directors' relevant interests in shares of Australian United Retailers Ltd in the Company are detailed below.

Directors' relevant interests in:	A Class Redeemable Preference Shares of AUR Ltd
Jeff Ehrenfeld	384,001 A Class
Michael Reddrop	770,004 A Class
Jack Scanlan	240,000 A Class
Wayne Pattison	198,002 A Class
Deborah Smith	150,003 A Class
Peter Noble	120,000 A Class

### 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.

### Non-Audit Services

Non-audit services are approved by resolution of the audit committee and approval is provided in writing to the Board of Directors. Non-audit services provided by the auditors of the consolidated entity during the year, Pitcher Partners, are detailed below. The Directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to any entity that is part of the consolidated entity for:	2009 \$	2008 \$
Assurance Services	81,035	79,500
Taxation services	12,135	8,000



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

## **FoodWorks Offer Information Statement**

### **Remuneration Report**

This report outlines the remuneration arrangements in place for Directors and Senior Management personnel of the Company.

#### **Remuneration Policy**

The Board has established a Remuneration & Nomination Committee whose role includes assisting the Board to establish appropriate remuneration levels and incentive policies for employees and ensuring appropriate budgets for staff salaries are adopted by the Company.

The responsibilities of the Committee include to:

- Set policies for senior executives' remuneration;
- Set the terms and conditions of employment for the CEO;
- Review and make recommendations to the Board on the Company's incentive schemes, remuneration policies and superannuation arrangements;
- Review the budget for salaries and monitor expenditure against budget;
- Review the remuneration of Directors; and
- Undertake an annual review of the CEO's performance including setting CEO goals for the coming year and reviewing progress.

The Company's remuneration policy has regard to the following principles:

- Provision of competitive remuneration to attract and retain high calibre personnel on a cost effective basis for the Company;
- Rewards will take into account creation of Shareholder value;
- Inclusion of a proportion of "at risk" remuneration in remuneration packages for executives;
- Such "at risk" executive remuneration will be subject to demanding performance hurdles;



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

## **FoodWorks Offer Information Statement**

- Non-Executive Director remuneration will not include any incentive based components;
- Positioning the Company to address future opportunities and respond effectively to business threats; and
- External market remuneration data will be considered when determining executive and Non-Executive Director remuneration structures.

The primary goal of the remuneration arrangements for executives is to enhance the ability of the Company to meet its key strategic objectives.

This is achieved by incorporating a range of fixed and variable remuneration components, which strongly support FoodWorks' culture of rewarding excellent performance and attitude. The variable component of remuneration relates to the achievement of specific Company and individual objectives.

The remuneration package of senior executives excluding the CEO is annually assessed against relevant executive remuneration market data. In July 2009, in light of current business performance and external economic conditions, a decision was made to hold senior executive salaries at their current level. Each executive is eligible for a maximum bonus of 20% expressed as a percentage of total remuneration package. 50% of the bonus component is applied for the achievement of 'global' targets and 50% is applied to targets which are negotiated for each executive. The global targets for the current year comprise achievement of budgeted Net Profit/Loss, achievement of budgeted Income and containment of operating costs to the budgeted percentage of Income.

The Chief Executive Officer, who is also an executive Director, has entered into an employment contract for the period to 30 June 2011. It comprises a base fixed salary and an annual bonus which is dependent on attainment of annual performance targets. In addition, a further significant bonus is payable at the end of the contractual term subject to attainment of several longer term major strategic objectives.





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

## FoodWorks Offer Information Statement Remuneration Report (continued)

The target criteria for the incentive components of remuneration of the CEO and other senior executives are believed to be the most relevant for their particular responsibilities and their potential contribution to the Company. The criteria are both objective and subjective. Whether the objective targets are met requires comparison of actual results against the targets. Comparison of subjective targets with actual performance usually involves a discussion with the executive and agreement on the extent to which the target has been achieved. In each case these assessment criteria are believed to be the most relevant, given the nature of the various targets and the individuals involved.

Non-Executive Director remuneration is fixed and comprises payment for service on the Board and up to two committees. Levels of remuneration have regard to fees paid by comparable companies, time commitment and responsibilities. External remuneration consultant advice is sought periodically.

The maximum aggregate amount of fees payable to Directors for their service as Directors is subject to approval by Shareholders. No part of Director fees are performance based.

The names and positions of each person who held the position of Director at any time during the financial year is provided above. Key management personnel including the eight named executives who receive the highest remuneration for the financial year are:



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**FoodWorks Offer Information Statement**

**Executives**

Graeme Longmuir

Simon Thompson

Lloyd Burke (Resigned 24/07/2008)

Wayne Vermeend

Penny Reed (Resigned 21/11/2008)

Helene Gordon (Appointed 19/02/2009)

Stephanie Holmes

Rick Wight

**Position**

National Merchandising Manager

National Business Development Manager

Future State Program Manager

Chief Finance Officer

National People and Performance Manager

National People and Performance Manager

Projects Manager – Business Implementation

Chief Operating Officer





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## FoodWorks Offer Information Statement

### Remuneration Report (continued)

#### Directors' and Executives' Compensation

2009	Short term			Post Employment				Total	Performance Related Bonus %
	Salary & fees	Cash Bonus	Non-monetary	Superannuation	Retirement benefits	Equity Options	Other Benefits		
	\$	\$	\$	\$	\$	\$	\$		
Directors									
J Bridgfoot	130,000	-	-	-	-	-	-	130,000	
J Scanlan	-	-	-	93,000	-	-	-	93,000	
D Smith	63,000	-	-	-	-	-	-	63,000	
P Noble*	377,342	85,500	-	77,156	-	-	-	539,998	16
D Howell	-	-	-	63,000	-	-	-	63,000	
M Reddrop	60,000	-	-	-	-	-	-	60,000	
W Pattison	4,587	-	-	55,413	-	-	-	60,000	
N Osborne	57,798	-	-	5,202	-	-	-	63,000	
J Kendall	55,046	-	-	4,954	-	-	-	60,000	
J Ehrenfeld	60,000	-	-	-	-	-	-	60,000	
<b>total</b>	<b>807,773</b>	<b>85,500</b>	<b>-</b>	<b>298,725</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,191,998</b>	
Executives**									
G Longmuir	243,969	40,893	-	43,572	-	-	-	328,434	12
W Vermeend	175,288	28,700	20,086	15,776	-	-	-	239,850	12
S Holmes	140,933	18,010	-	14,305	-	-	-	173,248	10
S Thompson	221,558	32,266	-	22,844	-	-	-	276,668	12
L Burke***	28,682	35,078	-	4,371	-	-	-	68,131	51
P Reed***	103,627	25,032	-	7,625	-	-	-	136,284	18
H Gordon***	70,513	-	-	6,346	-	-	-	76,859	
R Wright	282,289	17,946	-	28,326	-	-	-	328,561	5
<b>total</b>	<b>1,286,858</b>	<b>197,925</b>	<b>20,086</b>	<b>143,165</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,628,034</b>	

\* P Noble has the potential to earn a bonus of 25% of his salary

\*\* Executives have the potential to earn a bonus of 20% of their salary

\*\*\* Amounts refer to only part of the financial year



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## FoodWorks Offer Information Statement

2008	Short term			Post Employment				Total	Performance Related Bonus
	Salary & Fees	Cash Bonus	Non-monetary	Super-annuation	Retirement benefits	Equity Options	Other Benefits		
	\$	\$	\$	\$	\$	\$	\$	\$	%
Directors									
J Bridgfoot	120,000	-	-	-	-	-	-	120,000	-
J Scanlan	11,667	-	-	81,333	-	-	-	93,000	-
O Smith	62,000	-	-	-	-	-	-	62,000	-
P Noble*	373,432	100,698	4,673	77,796	-	-	-	556,599	18
D Howell	18,667	-	-	42,417	-	-	-	61,084	-
M Reddrop	60,000	-	-	-	-	-	-	60,000	-
G Aberdeen	-	-	-	4,167	-	-	-	4,167	-
W Pattison	-	-	-	58,333	-	-	-	58,333	-
N Osborne	61,333	-	-	-	-	-	-	61,333	-
J Kendall***	45,107	-	-	4,060	-	-	-	49,167	-
J Ehrenfeld***	50,000	-	-	-	-	-	-	50,000	-
<b>Total</b>	<b>802,206</b>	<b>100,698</b>	<b>4,673</b>	<b>268,106</b>	-	-	-	<b>1,175,683</b>	-
Executives**									
B Hyde**	126,766	49,980	-	44,219	-	-	-	220,965	23
G Longmuir	231,822	50,753	-	47,885	-	-	-	330,460	15
W Vermeend	127,438	35,934	17,847	42,531	-	-	-	223,750	16
S Holmes	120,522	17,373	-	16,380	-	-	-	154,275	11
S Thompson	178,978	42,890	14,124	43,193	-	-	-	279,185	15
L Burke	203,064	25,951	-	20,611	-	-	-	249,626	10
P Reed	145,216	20,435	2,364	15,091	-	-	-	183,106	11
R Wright***	107,516	-	-	9,792	-	-	-	117,308	-
<b>Total</b>	<b>1,241,322</b>	<b>243,316</b>	<b>34,335</b>	<b>239,702</b>	-	-	-	<b>1,758,675</b>	-

\* P Noble has the potential to earn a bonus of 25% of his salary.

\*\* Executives have the potential to earn a bonus of 20% of their salary

\*\*\* Amounts refer to only part of the financial year.



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## **FoodWorks Offer Information Statement**

### **Directors' Report (continued)**

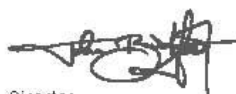
#### **Chief Executive Officer's and Chief Financial Officer's Declaration**

The Chief Executive Officer and Chief Financial Officer have given a declaration to the Board concerning the Company's financial statements for the year ended 30 June 2009 under section 295A (2) of the Corporations Act 2001 and recommendations 4.1 and 7.1 of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council (ASX Principles).

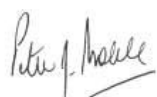
#### **Corporate Governance**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Australian United Retailers Ltd support and adhere to, where practicable, the ASX Principles. The company's corporate governance statement is contained within this Annual Report.

Signed in accordance with a resolution of the Board of Directors:



Director  
J Bridgfoot



Director  
P Noble

Dated this 9th day of September 2009





## Auditor's Independence Declaration

### To the Directors of Australian United Retailers Ltd

In relation to the independent audit for the year ended 30 June 2009, 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.

K L BYRNE  
Partner

PITCHER PARTNERS  
Melbourne

Dated this 11th day of September 2009



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## **FoodWorks Offer Information Statement**

### **Corporate Governance Statement**

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

Evolution of the Company's corporate governance practices has continued in the latest reporting period, reflecting developments within the Company and application of the latest edition which is operative from 1 July 2008, of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council (ASX Principles).

These ASX Principles are primarily intended to provide guidance for ASX listed companies. Nevertheless, apart from some areas which may not be practical for small listed entities, they provide a good basis for sound governance principles in companies such as ours, and the Board therefore continues to follow the ASX Principles wherever practicable.

The main corporate governance policies and practices of the Company are set out in the statement below. They are expected to continue to develop further as the Company continues to move 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 shareholders, and the wider community where its shareholders operate. The Company regards its governance responsibilities to each of these groups very seriously.

Listing of the Company's C Class preference shares on the National Stock Exchange of Australia (NSX) in December 2007 was a significant initiative, enhancing transparency and liquidity for share ownership. Satisfying stringent corporate governance standards was an important precondition for admission to listing on the NSX. The fully paid C Class preference shares converted to A Class preference shares on 15 June 2009 and are now listed on the NSX under the code AFOA.

Testing the views of Shareholders and obtaining feedback on important directions under consideration are important elements in ensuring we are in-step with the aspirations of our Shareholders.



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

## **FoodWorks Offer Information Statement**

The FoodWorks Newsletter continues to be important and topical in keeping Shareholders informed of current events and developments. In addition, regional meetings of Shareholders and the FoodWorks conference, which are attended by management, staff and Directors, provide good opportunities for Shareholders and other stakeholders to exchange views with Senior Management and Directors on a wide range of issues. The Annual General Meeting of Shareholders (AGM) is a further opportunity for Shareholders 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 Shareholders and is distributed in hard copy where requested.

The Company has identified in numerous ways with the communities in which its Shareholders operate and has been a facilitator in channelling community support for deserving causes. The Company welcomes opportunities to assist Shareholders in their local communities in supporting charitable and worthwhile community based initiatives.

The Company's internet website at [www.foodworks.com.au](http://www.foodworks.com.au) is regularly updated and provides a range of information regarding corporate governance under the Governance section of the Members 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;





## **FoodWorks Offer Information Statement**

### **Corporate Governance Statement (continued)**

- Dividend policy;
- Approval of the annual financial reports, and accounting policies;
- 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;
- Risk management policies and risk assessment and insurance policies.

Refer to [www.foodworks.com.au](http://www.foodworks.com.au) for the full Statement of Matters Reserved for the Board.

The CEO, and by delegation to Senior Management, is responsible for the development of strategy and the day-to-day management of the Company, with the powers, authorities, discretions, and delegations authorised from time to time by the Board. The CEO is also responsible for certifying in writing to the Board, in relation to annual and half year financial statements, that they give a true and fair view of the Company's financial position, are in accordance with relevant accounting standards and the Corporations Act and are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. In addition, the CEO provides comfort that the Company's risk management and internal compliance and control system has been operating effectively and efficiently during the period in all material respects.

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.

Regarding evaluation of the performance of Senior Managers, an ongoing participative process with the CEO is used which involves:

- Clarifying and agreeing on the outcomes/objectives of individual roles;
- Identifying the strengths of each individual and their valuable contribution to the Company;



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## **FoodWorks Offer Information Statement**

- Monitoring the process towards the achievement of agreed outcomes and reaching agreement regarding outcomes and objectives and the strategies designed to achieve them; and
- Discussion of the reasons for the performance rating and overall specific goals obtained.

The performance review of Senior Management undertaken during the year followed these principles.

### **Board structure and processes**

The constitution of the Company, operative until the 2007 AGM, set out the composition of the Board for the initial three years to the 2007 AGM. During this period the Company was to have 10 Directors, with half to be nominated by each of the two companies which merged in 2004 to form the present Company.

Half of the Directors were to retire at the 2007 AGM and the other half at the 2008 AGM, but if eligible, any retiring Director may offer for re-election.

Consequently, five Directors retired at the 2007 AGM, stood for re-election, and were re-elected to the Board. The remaining Directors (excluding the CEO who is not subject to the re-election process under the constitution) retired at the 2008 AGM, stood for re-election and were re-elected to the Board. The Board structure described above was only intended to apply in the initial period following the 2004 merger. Consequently, Shareholders at the 2007 AGM approved changes to the Board structure relevant to the Company's new status as a significantly capitalised entity, in its anticipated commercial landscape. Under the constitution approved by the 2007 AGM, the Board is to have between 6 and 10 Directors of whom at least four will be Retail Directors. At each AGM from 2009 the longest serving one-third of the Directors shall retire from office, but are eligible for re-election.

The Board considers that five of its non-executive Directors are independent.

There were no changes to the board during the 2008/2009 financial year, however Jeff Ehrenfeld resigned from the Board on 27 July 2009 and Michael Reddrop on 19 August 2009.

During the course of its annual program, which included eight scheduled meetings and three





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## **FoodWorks Offer Information Statement**

### **Corporate Governance Statement (continued)**

resolutions 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 and Board committee performance and that of Directors. Such evaluation has not yet been formally undertaken due to the prescriptive structure of the Board during its initial period. It is expected that evaluation will be undertaken during the 2009/10 financial year following an assessment of the collective skill set appropriate for the Board. The terms of reference of the Remuneration and Nomination Committee of the Board include developing and implementing a plan for identifying, assessing and enhancing Director competencies and establishing procedures for use by the Committee to evaluate the performance of the Board and each Director.

Details of the skills, experience, expertise, independent status or otherwise, and period of office of each Director, are set out in the Directors' Report.

To assist in the execution of its responsibilities, the Board has appointed four Board committees - Audit and Risk, Remuneration and Nomination, Supply Chain and Property. 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 meeting. Committees have no executive powers regarding their findings and recommendations. The Chair of the Remuneration & Nomination Committee is a non-executive Retail Director. The Chairs of the other three Board committees are independent non-executive Directors. Details of Committee 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 Shareholders 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 judgment, confidentiality, and compliance with the letter and spirit of the law and this Code.

The Company has a Securities Trading Policy for Directors and staff.

Refer to [www.foodworks.com.au](http://www.foodworks.com.au) for the full Code of Conduct and the Securities Trading Policy.



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## **FoodWorks Offer Information Statement**

### **Audit and Risk Committee**

The Audit and 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 and Risk Committee can be found at [www.foodworks.com.au](http://www.foodworks.com.au).*

Members of the Committee throughout the year were Don Howell (Chair), Jeff Ehrenfeld and Wayne Pattison. The Committee met eight times in the year to 30 June 2009.

### **Remuneration and Nomination Committee**

In relation to the remuneration aspects of its responsibilities, the role of the Remuneration and 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.

Following the revised Board structural arrangements introduced following the 2007 AGM, the Committee has developed terms of reference appropriate to the new Board structure, which include recommending size and composition of the Board, identifying and developing procedures for the appointment of new Directors, Board committee arrangements, establishing and reviewing Board succession plans, and developing and implementing a plan for identifying, assessing and enhancing Director competencies and establishing procedures for use by the Committee to evaluate the performance of the Board and each Director.

*The terms of reference of the Committee can be found at [www.foodworks.com.au](http://www.foodworks.com.au).*

Members of the Committee were Jack Scanlan (Chair) and Wayne Pattison to 31 March 2009, Deborah Smith (Chair) from 1 April 2009, and Don Howell with John Bridgfoot (ex officio). The Committee held two meetings in the year to 30 June 2009.

### **Supply Chain Committee**

Terms of reference of the Supply Chain Committee include identifying the benefits, costs and reasons for the current supply chain and identifying ways in which the current supply chain can be improved.



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

## **FoodWorks Offer Information Statement**

### **Corporate Governance Statement (continued)**

Members of the Committee throughout the year were Neil Osborne (Chair), Jeff Ehrenfeld, John Bridgfoot (ex officio) and Peter Noble (ex officio). Michael Reddrop, Deborah Smith and Janette Kendall concluded their service on the Committee on 31 March 2009 at which time Wayne Pattison was appointed. The Committee met formally on one occasion during the year to 30 June 2009.

#### **Property Committee**

The purpose of the Committee is to develop policy advice and to provide assessments of proposed projects to the Board related to the Company's involvement in retail property and retail businesses. It has recommended circumstances in which the Company might involve itself in the development, procurement, leasing, financing or ownership of retail property sites and/or of retail businesses. It provides advice to the CEO in relation to property proposals and assesses individual proposals against recommended criteria.

*The terms of reference of the Committee can be found at [www.foodworks.com.au](http://www.foodworks.com.au).*

During the year the Committee has comprised Deborah Smith (Chair to 31 March 2009), John Bridgfoot (ex officio), Peter Noble (ex officio), Neil Osborne (to 31 March 2009), Michael Reddrop (to 31 March 2009) and Jack Scanlan (Chair from 1 April 2009). The Committee met on 3 occasions during the year to 30 June 2009.

#### **Financial Reporting**

Following the capital raising under the Prospectus and issuing of the C Class redeemable preference shares in June 2007 the Company has been subject to and has complied with the half yearly reporting obligations applicable to listed public companies and the "continuous disclosure" obligations (whereby share-price-sensitive information is required to be disseminated to the market immediately) prescribed in the Corporations Act. Since listing in December 2007, the Company has also been required to comply with the Listing Rules of the NSX.

*The full Continuous Disclosure policy can be found at [www.foodworks.com.au](http://www.foodworks.com.au).*

Preparation of the Company's statutory financial reports is in compliance with all relevant corporate legislation and accounting standards. A pre-condition of consideration of these



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reports and their recommendation by the Audit and 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 and Risk Committee, oversees the establishment, implementation and ongoing review of the Company's risk management and internal control system.

In 2005, under the direction of the Audit and Risk Committee, the Company 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, which were systematically addressed.

Marsh was 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 Shareholders and the successful capital raising were important elements in this mitigation of risk. The Audit and Risk Committee has continued to monitor the Company's risk profile and potential risk exposures every quarter in the period since, recommending strategies for action, where appropriate.

As part of an ongoing strategic review of the Company's activities a further comprehensive professional risk assessment was completed at the end of the 2008 financial year. This assessment was further examined and reviewed as part of the due diligence undertaken in relation to the agreement for acquisition of 45 Coles stores and 8 associated liquor outlets during the 2008/9 year.

The quarterly review of risk and the recommendation of strategies for action undertaken by the Audit & Risk Committee will continue for the foreseeable future.







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**Consolidated Income Statement  
for the year ended 30th June 2009**

	Note	Economic Entity		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Supplier Income	5	53,577,174	50,702,237	53,577,174	50,702,237
Sales revenue	5	220,680	55,135	220,680	55,135
Other income	5	1,219,312	684,933	1,219,312	684,933
<b>Total Income</b>		<b>55,017,166</b>	<b>51,442,305</b>	<b>55,017,166</b>	<b>51,442,305</b>
Cost of Sales		(292,256)	(47,987)	(292,256)	(47,987)
Distribution to members		(23,163,639)	(21,701,128)	(23,163,639)	(21,701,128)
Cost of members Services		(6,877,548)	(7,158,979)	(6,877,548)	(7,158,979)
Merchandising expenses		(6,308,717)	(5,945,356)	(6,308,717)	(5,945,356)
Marketing expenses		(3,654,446)	(4,082,269)	(3,654,446)	(4,082,269)
Business development expenses		(1,839,713)	(1,860,798)	(1,839,713)	(1,860,798)
Administrative expenses		(5,961,112)	(4,752,091)	(5,961,112)	(4,752,091)
Information technology expenses		(850,494)	(806,217)	(850,494)	(806,217)
Retail operations expenses		(1,729,625)	(1,645,412)	(1,729,625)	(1,645,412)
Human resources expenses		(182,201)	(410,918)	(182,201)	(410,918)
Store rebranding expenses		(544,548)	(1,279,136)	(544,548)	(1,279,136)
Coles store acquisition costs		(587,273)	-	(587,273)	-
Future state initiatives		(4,503,027)	(4,196,737)	(4,503,027)	(4,196,737)
Depreciation		(353,869)	(327,484)	(353,869)	(327,484)
		(56,848,468)	(54,214,512)	(56,848,468)	(54,214,512)
Finance costs	6	(36,088)	(44,079)	(36,088)	(44,079)
<b>Loss before income tax</b>		<b>(1,867,390)</b>	<b>(2,816,286)</b>	<b>(1,867,390)</b>	<b>(2,816,286)</b>
Income tax benefit (income tax expense)	7	(236,525)	24,391	(236,525)	24,391
<b>Loss from continuing operations</b>		<b>(2,103,915)</b>	<b>(2,791,895)</b>	<b>(2,103,915)</b>	<b>(2,791,895)</b>
<b>Earnings per share (cents per share)</b>	8				
- basic for profit from continuing operations		(18.20)	(24.15)	-	-
- diluted for profit from continuing operations		(18.20)	(24.15)	-	-
Dividends paid per share (cents per share)		-	-	-	-
Proposed dividend per share (cents per share)		-	-	-	-

The accompanying notes form part of these financial statements.



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## FoodWorks Offer Information Statement

### Consolidated Balance Sheet as at 30th June 2009

	Note	Economic Entity		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	9	3,368,718	3,871,350	3,368,718	3,871,350
Trade and other receivables	10	14,576,534	14,420,203	14,575,427	14,419,096
Inventories	11	286,113	49,194	286,113	49,194
Other	12	60,114	112,558	60,114	112,558
<b>TOTAL CURRENT ASSETS</b>		<b>18,291,479</b>	<b>18,453,305</b>	<b>18,290,372</b>	<b>18,452,198</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	13	794,734	1,033,099	794,734	1,033,099
Deferred tax asset	7	901,725	1,138,251	901,725	1,138,251
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,696,459</b>	<b>2,171,350</b>	<b>1,696,459</b>	<b>2,171,350</b>
<b>TOTAL ASSETS</b>		<b>19,987,938</b>	<b>20,624,655</b>	<b>19,986,831</b>	<b>20,623,548</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	14	14,571,171	14,985,958	15,221,021	15,635,808
Short term borrowings	15	127,683	118,732	127,683	118,732
Provisions	16	2,346,050	1,895,202	2,346,050	1,895,202
<b>TOTAL CURRENT LIABILITIES</b>		<b>17,044,904</b>	<b>16,999,892</b>	<b>17,694,754</b>	<b>17,649,742</b>
<b>NON-CURRENT LIABILITIES</b>					
Payables	14	256	296	256	296
Long term borrowings	15	297,764	425,446	297,764	425,446
Provisions	16	156,189	450,744	156,189	450,744
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>454,209</b>	<b>876,486</b>	<b>454,209</b>	<b>876,486</b>
<b>TOTAL LIABILITIES</b>		<b>17,499,113</b>	<b>17,876,378</b>	<b>18,148,963</b>	<b>18,526,228</b>
<b>NET ASSETS</b>		<b>2,488,825</b>	<b>2,748,277</b>	<b>1,837,868</b>	<b>2,097,320</b>
<b>EQUITY</b>					
Share capital	17	9,282,341	7,437,878	9,282,341	7,437,878
Accumulated losses	18	(6,793,516)	(4,689,601)	(7,444,473)	(5,340,558)
<b>TOTAL EQUITY</b>		<b>2,488,825</b>	<b>2,748,277</b>	<b>1,837,868</b>	<b>2,097,320</b>

The accompanying notes form part of these financial statements.



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**Consolidated Statement of Changes in Equity  
for the year ended 30th June 2009**

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Total equity at the beginning of the financial year</b>	2,748,277	4,171,171	2,097,320	3,520,214
<b>Loss for the year</b>	(2,103,915)	(2,791,895)	(2,103,915)	(2,791,895)
<b>Total recognised income and expense for the year</b>	(2,103,915)	(2,791,895)	(2,103,915)	(2,791,895)
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity net of transaction costs	1,844,575	1,369,107	1,844,575	1,369,107
Buy-back of shares	(112)	(106)	(112)	(106)
	1,844,463	1,369,001	1,844,463	1,369,001
<b>Total equity at the end of the financial year</b>	<b>2,488,825</b>	<b>2,748,277</b>	<b>1,837,868</b>	<b>2,097,320</b>

The accompanying notes form part of these financial statements.





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**Consolidated Statement of Cash Flows  
for the year ended 30th June 2009**

	Note	Economic Entity		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts in the course of operations		60,476,264	56,286,579	60,476,264	56,286,579
Cash payments in the course of operations		(62,832,748)	(60,518,792)	(62,832,748)	(60,518,792)
Interest received		280,358	441,502	280,358	441,502
<b>Net cash used in operating activities</b>	<b>19(b)</b>	<b>(2,076,126)</b>	<b>(3,790,711)</b>	<b>(2,076,126)</b>	<b>(3,790,711)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for purchases of property, plant and equipment		(116,482)	(491,538)	(116,482)	(491,538)
<b>Net cash used in investing activities</b>		<b>(116,482)</b>	<b>(491,538)</b>	<b>(116,482)</b>	<b>(491,538)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of bank borrowings		-	(500,000)	-	(500,000)
Equipment Loan payments		(154,487)	(154,488)	(154,487)	(154,488)
Proceeds from share issue		1,844,463	1,369,001	1,844,463	1,369,001
<b>Net cash provided by financing activities</b>		<b>1,689,976</b>	<b>714,513</b>	<b>1,689,976</b>	<b>714,513</b>
Net increase/(decrease) in cash held		(502,632)	(3,567,736)	(502,632)	(3,567,736)
Cash at beginning of financial year		3,871,350	7,439,086	3,871,350	7,439,086
<b>Cash at end of financial year</b>	<b>19(a)</b>	<b>3,368,718</b>	<b>3,871,350</b>	<b>3,368,718</b>	<b>3,871,350</b>

The accompanying notes form part of these financial statements.



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

## FoodWorks Offer Information Statement

### Notes to and forming part of the Financial Statements for the year ended 30th June 2009

#### 1. Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards 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 financial report was authorised for issue by the directors as at the date of the directors' report.

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 Australian equivalents to International Financial Reporting Standards 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 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 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 21.

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.

##### (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.



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

## FoodWorks Offer Information Statement

### Notes to and forming part of the Financial Statements for the year ended 30th June 2009 (continued)

#### 1. Statement of Significant Accounting Policies (continued)

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.

##### (f) Comparative Figures

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



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## **FoodWorks** Offer Information Statement

### **(g) Revenue recognition**

Revenue from sales 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 recognised 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.

Consumable - purchase cost on a first-in-first-out basis

### **(i) Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand and short-term deposits with an original maturity of three months or less held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

### **(j) Receivables**

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectable amounts.

An estimate for impairment is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written-off when identified.

Other receivables relate principally to GST refunds and expense reimbursements outstanding at balance date and are carried at the nominal amount due. Receivables from related parties are recognised and carried at the nominal amount due.

Interest is taken up as income on an accruals basis. A receivable for interest accrued is recognised using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

### **(k) Investments and other financial assets**

The Group has investments in controlled entities.





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

## FoodWorks Offer Information Statement

### Notes to and forming part of the Financial Statements for the year ended 30th June 2009 (continued)

#### 1. Statement of Significant Accounting Policies (continued)

##### *Investments in controlled entities*

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments in controlled entities are measured at fair value, having regard to underlying net assets of the controlled entities. Any diminution in value is recorded separately as a reduction in recoverable amount of the investment.

##### **(I) Property, plant and equipment**

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

##### *Property, plant and equipment*

Property, 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.

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
Property, plant and equipment	12.5 - 33 %	Straight Line
Motor vehicles	23.0%	Straight Line
Furniture, fixtures and fittings	7.5 - 20 %	Straight Line
Computer equipment	33%	Straight Line

##### **- Impairment**

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.



## **FoodWorks** Offer Information Statement

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written-down to its recoverable amount.

### **- Derecognition and disposal**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

### **(m) 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.

### **(n) Financial Instruments**

#### *Classification*

The group classifies its financial instruments in the following categories: loans and receivables and financial liabilities. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial instruments at initial recognition.

#### *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.



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## FoodWorks Offer Information Statement

### Notes to and forming part of the Financial Statements for the year ended 30th June 2009 (continued)

#### 1. Statement of Significant Accounting Policies (continued)

##### *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.

##### **(o) 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.

##### **(p) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

##### **(q) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.



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### **(r) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of time value of money is material, provisions are determined by discounting the expected future cashflows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### **(s) Contributed equity**

Issued and paid-up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### **(t) Foreign currency**

Both the functional and presentation currency of Australian United Retailers Limited and its Australian subsidiaries is Australian dollars (A\$).

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

The Company does not enter into speculative forward exchange contracts.

### **(u) Earnings per share (EPS)**

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as the net profit attributable to members, adjusted for:

- cost of servicing equity (other than dividends),
- the after-tax effect of dividends and interest associated with the dilutive potential ordinary shares that have been recognised as expenses, and
- other non-discretionary changes in revenue or expenses during the year that would result from the dilution of potential ordinary shares.





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## FoodWorks Offer Information Statement

### Notes to and forming part of the Financial Statements for the year ended 30th June 2009 (continued)

#### 1. Statement of Significant Accounting Policies (continued)

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

##### (v) New Accounting standards and interpretations

A number of new accounting standards and interpretations have been issued at the reporting date but are not yet effective. The directors have not yet assessed the impact of these standards or interpretations.

#### 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.

#### 3. Segmental Reporting

The group provides marketing services to its members solely in Australia.

#### 4. 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.



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The group does not have any derivative instruments.

### *Market risk*

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

### *Interest risk rate*

Cash deposits and interest bearing debt attract interest at the prevailing floating interest rate. See Note 26. Interest rate risk is managed by maintaining minimal debt levels, and competitive interest rates. If interest rates were to increase/decrease by 10% as at the reporting date, then the impact on profit for the year and equity is as follows:

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
+/- 10% rate variation	7,800	25,700	7,800	25,700
Impact on pre-tax profit	-	-	-	-
Tax effect	-	-	-	-
Impact on equity	7,800	25,700	7,800	25,700

### *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. The group has access to adequate financing facilities. Refer Note 19(c) for available and used lending facilities.

### *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.

### *Fair Value*

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the Balance Sheet and Notes to the financial statements.



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**5. Revenue From Continuing Operations**

	Note	Economic Entity		Parent Entity	
		2009	2008	2009	2008
<b>Operating activities</b>		\$	\$	\$	\$
- Supplier income		53,577,174	50,702,237	53,577,174	50,702,237
- Sale of goods		220,680	55,135	220,680	55,135
- Interest	5(a)	280,358	441,502	280,358	441,502
- Rent		577,826	210,326	577,826	210,326
- Other revenue		361,128	33,105	361,128	33,105
<b>Total Revenue</b>		<b>55,017,166</b>	<b>51,442,305</b>	<b>55,017,166</b>	<b>51,442,305</b>
<b>5(a) Interest from:</b>					
- Other persons		214,741	441,502	214,741	441,502
- Related parties		65,617	-	65,617	-
		<b>280,358</b>	<b>441,502</b>	<b>280,358</b>	<b>441,502</b>



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### 6. Losses From Continuing Activities

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Loss from continuing operations before income tax has been determined after the following specific expenses:				
Employee benefits expense				
Wages and salaries	10,294,765	9,625,613	10,294,765	9,625,613
Workers' compensation costs	31,808	33,794	31,808	33,794
Superannuation costs	859,812	807,892	859,812	807,892
Total employee benefits expense	11,186,385	10,467,299	11,186,385	10,467,299
Finance costs expensed				
Other parties	332	-	332	-
Equipment loan interest	35,756	44,079	35,756	44,079
Total finance costs expensed	36,088	44,079	36,088	44,079
Depreciation of non-current assets				
Leasehold improvements	170,000	159,482	170,000	159,482
Plant and equipment	31,285	9,098	31,285	9,098
Motor vehicles	2,138	398	2,138	398
Office equipment	143,432	148,106	143,432	148,106
Furniture, fixtures and fittings	7,014	10,400	7,014	10,400
Total depreciation of non-current assets	353,869	327,484	353,869	327,484
Other expenses				
Inventory write back	(35,132)	(33,604)	(35,132)	(33,604)
Bad debts	13,739	-	13,739	-
Provision for impairment	(3,054)	(132,000)	(3,054)	(132,000)
Net loss on disposal of plant and equipment	978	6,069	978	6,069
	(23,469)	(159,535)	(23,469)	(159,535)



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### Notes to and forming part of the Financial Statements for the year ended 30th June 2009 (continued)

#### 7. Income Tax

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
Income tax expense/(benefit):				
Current tax	(5,299)	-	(5,299)	-
Deferred tax	236,525	(24,391)	236,525	(24,391)
Over provision from the prior year	5,299	-	5,299	-
	<b>236,525</b>	<b>(24,391)</b>	<b>236,525</b>	<b>(24,391)</b>
Deferred income tax revenue included in income tax expense/(benefit) comprises:				
(Increase)/Decrease in deferred tax assets	229,851	(28,742)	229,851	(28,742)
Increase in deferred tax liability	6,674	4,351	6,674	4,351
	<b>236,525</b>	<b>(24,391)</b>	<b>236,525</b>	<b>(24,391)</b>
The prima facie tax payable on loss before income tax is reconciled to the income tax expense as follows:				
Prima facie income tax payable on loss before income tax at 30% (2008 - 30%)	(560,217)	(845,136)	(560,217)	(845,136)
Add:				
Tax effect of:				
- Other non-allowable items	213,939	6,777	213,939	6,777
- Tax losses not brought to account	577,504	813,968	577,504	813,968
- Over provision in the prior year	5,299	-	5,299	-
Income tax expense/(benefit) attributable to loss	<b>236,525</b>	<b>(24,391)</b>	<b>236,525</b>	<b>(24,391)</b>

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	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Deferred tax assets:				
The balance comprises:				
- Provision for impairment	32,084	33,000	32,084	33,000
- Provision for stock obsolescence	54,000	76,500	54,000	76,500
- Employee benefits	750,672	703,784	750,672	703,784
- Capital raising costs	39,656	59,485	39,656	59,485
- Non deductible accruals	36,338	269,833	36,338	269,833
	<b>912,750</b>	<b>1,142,602</b>	<b>912,750</b>	<b>1,142,602</b>
Deferred tax liability:				
The balance comprises:				
- Depreciation	(11,025)	(4,351)	(11,025)	(4,351)
Net deferred tax assets	<b>901,725</b>	<b>1,138,251</b>	<b>901,725</b>	<b>1,138,251</b>
Tax losses 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	<b>6,295,133</b>	<b>4,370,119</b>	<b>6,295,133</b>	<b>4,370,119</b>

### 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.





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### Notes to and forming part of the Financial Statements for the year ended 30th June 2009 (continued)

#### 8. Earnings Per Share

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	<b>Economic Entity</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Net loss attributable to equity holders from continuing operations	(2,103,915)	(2,791,895)
Net loss for the year	(2,103,915)	(2,791,895)
	<b>2009</b>	<b>2008</b>
	<b>no.</b>	<b>no.</b>
Weighted average number of ordinary shares for basic earnings per share	11,560,498	11,560,498
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares for diluted earnings per share	11,560,498	11,560,498
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	-

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

#### 9. Cash and Cash Equivalents

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash on hand	3,241	6,197	3,241	6,197
Cash at bank	3,365,477	3,865,153	3,365,477	3,865,153
	<b>3,368,718</b>	<b>3,871,350</b>	<b>3,368,718</b>	<b>3,871,350</b>



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### 10. Trade and Other Receivables

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Current</b>				
Trade receivables	12,438,460	12,767,930	12,438,460	12,767,930
Provision for impairment	(106,946)	(110,000)	(106,946)	(110,000)
	12,331,514	12,657,930	12,331,514	12,657,930
Sundry debtors and accrued income	2,245,020	1,762,273	2,243,913	1,761,166
	14,576,534	14,420,203	14,575,427	14,419,096

(a) Provision for impairment

Trade receivables are non interest bearing with 30 day terms. An impairment loss is recognised when there is objective evidence than an individual trade receivable is impaired. The impairment losses have been included within the administrative expenses in the Consolidated Income Statement. All trade receivables that are not impaired are expected to be received within trading terms.

Movements in the provision for impairment were:

Opening balance at 1 July 2008	110,000	242,000	110,000	242,000
Charge for the year	(3,054)	(132,000)	(3,054)	(132,000)
Closing balance at 30 June 2009	106,946	110,000	106,946	110,000

<b>Trade Debtors</b>	<b>Gross 2009</b>	<b>Impairment</b>	<b>Gross 2008</b>	<b>Impairment</b>
Trade receivables ageing analysis at 30 June 2009 is:	<b>\$</b>	<b>2009 \$</b>	<b>\$</b>	<b>2008 \$</b>
Not past due	2,898,596	-	2,194,500	-
Past due 0-30 days	859,572	7,876	1,050,981	-
Past due 31-90 days	1,009,711	-	1,504,628	-
Past due more than 91 days	256,355	49,762	241,953	110,000
	5,024,234	57,638	4,992,062	110,000

<b>Member Debtors</b>	<b>Gross 2009</b>	<b>Impairment</b>	<b>Gross 2008</b>	<b>Impairment</b>
Trade receivables ageing analysis at 30 June 2009 is:	<b>\$</b>	<b>2009 \$</b>	<b>\$</b>	<b>2008 \$</b>
Not past due	7,339,978	-	7,769,035	-
Past due 0-30 days	24,940	-	6,833	-
Past due 31-90 days	-	-	-	-
Past due more than 91 days	49,308	49,308	-	-
	7,414,226	49,308	7,775,868	-





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### Notes to and forming part of the Financial Statements for the year ended 30th June 2009 (continued)

#### 11. Inventories

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Merchandising signage	225,957	304,194	225,957	304,194
Stock of goods	240,156	-	240,156	-
Provision for obsolescence	(180,000)	(255,000)	(180,000)	(255,000)
	286,113	49,194	286,113	49,194

#### 12. Other Assets

Current prepayments	60,114	112,558	60,114	112,558
	60,114	112,558	60,114	112,558

#### 13. Property, Plant & Equipment

<b>Leasehold improvements</b>				
At cost	957,057	937,947	957,057	937,947
Less accumulated depreciation	(517,892)	(347,892)	(517,892)	(347,892)
	439,165	590,055	439,165	590,055
<b>Property, plant and equipment</b>				
At cost	163,897	160,441	163,897	160,441
Less accumulated depreciation	(52,102)	(20,816)	(52,102)	(20,816)
	111,795	139,625	111,795	139,625
<b>Motor vehicles</b>				
At cost	10,609	10,609	10,609	10,609
Less accumulated depreciation	(2,785)	(398)	(2,785)	(398)
	7,824	10,211	7,824	10,211
<b>Computer equipment</b>				
At cost	906,878	820,677	906,878	820,677
Less accumulated depreciation	(692,550)	(550,407)	(692,550)	(550,407)
	214,328	270,270	214,328	270,270
<b>Furniture, fixtures and fittings</b>				
At cost	62,596	56,898	62,596	56,898
Less accumulated depreciation	(40,974)	(33,960)	(40,974)	(33,960)
	21,622	22,938	21,622	22,938
<b>Total plant and equipment</b>	355,569	443,044	355,569	443,044
<b>Total property plant and equipment</b>	794,734	1,033,099	794,734	1,033,099



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**(a) Movement in Carrying Amounts**

ECONOMIC ENTITY	Leasehold Improvements	Property, Plant and Equipment	Computer equipment	Motor vehides	Furniture, fixtures and fittings	Total
	\$	\$	\$	\$	\$	\$
Carrying amount as 1 July 2007	654,045	29,553	156,580	-	34,937	875,115
Additions	95,492	123,460	261,796	10,609	181	491,538
Disposals	-	(4,290)	-	-	(1,780)	(6,070)
Depreciation charge for the year	(159,482)	(9,098)	(148,106)	(398)	(10,400)	(327,484)
Carrying amount as 30 June 2008	590,055	139,625	270,270	10,211	22,938	1,033,099
Additions	19,110	3,455	88,219	-	5,698	116,482
Disposals	-	-	(729)	(249)	-	(978)
Depreciation charge for the year	(170,000)	(31,285)	(143,432)	(2,138)	(7,014)	(353,869)
Carrying amount as 30 June 2009	439,165	111,795	214,328	7,824	21,622	794,734

PARENT ENTITY	Leasehold Improvements	Property, Plant and Equipment	Computer equipment	Motor vehides	Furniture, fixtures and fittings	Total
	\$	\$	\$	\$	\$	\$
Carrying amount as 1 July 2007	654,045	29,553	156,580	-	34,937	875,115
Additions	95,492	123,460	261,796	10,609	181	491,538
Disposals	-	(4,290)	-	-	(1,780)	(6,070)
Depreciation charge for the year	(159,482)	(9,098)	(148,106)	(398)	(10,400)	(327,484)
Carrying amount as 30 June 2008	590,055	139,625	270,270	10,211	22,938	1,033,099
Additions	19,110	3,455	88,219	-	5,698	116,482
Disposals	-	-	(729)	(249)	-	(978)
Depreciation charge for the year	(170,000)	(31,285)	(143,432)	(2,138)	(7,014)	(353,869)
Carrying amount as 30 June 2009	439,165	111,795	214,328	7,824	21,622	794,734



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### Notes to and forming part of the Financial Statements for the year ended 30th June 2009 (continued)

#### 14. Trade and Other Payables

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Current</b>				
Trade payables	10,946,551	11,031,116	10,946,551	11,031,116
Sundry payables and accrued expenses	3,624,620	3,954,842	3,624,620	3,954,842
Loans from associates	-	-	649,850	649,850
	14,571,171	14,985,958	15,221,021	15,635,808
<b>Non Current</b>				
Class B - redeemable preference shares	256	296	256	296

#### 15. Borrowings

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Current</b>				
<b>Secured liabilities</b>				
Equipment loan (Note 22)	127,683	118,732	127,683	118,732
	127,683	118,732	127,683	118,732
<b>Non-Current</b>				
<b>Secured liabilities</b>				
Equipment loan (Note 22)	297,764	425,446	297,764	425,446
	297,764	425,446	297,764	425,446

(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.



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### 16. Provisions

	Note	Economic Entity		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
CURRENT					
Employee benefits	(a)	2,346,050	1,895,202	2,346,050	1,895,202
		2,346,050	1,895,202	2,346,050	1,895,202
NON-CURRENT					
Employee benefits	(a)	156,189	450,744	156,189	450,744
		156,189	450,744	156,189	450,744
(a) Aggregate employee benefits liability		2,502,239	2,345,946	2,502,239	2,345,946

### 17. Share Capital

	Note	Economic Entity		Parent Entity	
		2009	2008	2008	2008
		\$	\$	\$	\$
Issued and paid up capital					
1,285,790 : (2008 : 11,559,800) Class C* Redeemable preference shares	15(b)	577,837	7,437,170	577,837	7,437,170
10,274,698 : (2008 : 708) Class A* Redeemable preference shares	15(c)	8,704,504	708	8,704,504	708
		9,282,341	7,437,878	9,282,341	7,437,878

\* Fully paid C class Redeemable Preference Shares converted to A class on 15 June 2009 pursuant to the terms of the prospectus dated 2 April 2007.



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### Notes to and forming part of the Financial Statements for the year ended 30th June 2009 (continued)

#### 17. Share Capital (continued)

(a) Future calls

At balance date there were 5,400,000 Class C Redeemable preference shares issued at \$1.12 each called and paid to \$1.12 (2008: \$0.74).

From the April 2008 capital call, \$0.37 remained unpaid on 940,315 shares as at 30 June 2009.

From the April 2009 capital call, \$0.38 remained unpaid on 1,285,790 shares as at 30 June 2009.

(b) Class C Redeemable Preference Shares

At the beginning of the reporting period	7,437,170	6,068,170	7,437,170	6,068,170
Instalments received during the year				
Second instalment received	281,084	1,369,000	281,084	1,369,000
Third instalment received	1,563,399	-	1,563,399	-
Shares transferred to A Class	(8,703,816)	-	(8,703,816)	-
At reporting date	577,837	7,437,170	577,837	7,437,170

	No.	No.	No.	No.
At the beginning of reporting period	11,559,800	11,559,800	11,559,800	11,559,800
Shares transferred to A Class	(10,274,010)	-	(10,274,010)	-
At reporting date	1,285,790	11,559,800	1,285,790	11,559,800

(c) Class A Redeemable preference shares

At the beginning of the reporting period	708	707	708	707
Shares transferred from C Class	8,703,816	-	8,703,816	-
Shares issued during the year	92	107	92	107
Shares bought back during the year	(112)	(106)	(112)	(106)
At reporting date	8,704,504	708	8,704,504	708

	No.	No.	No.	No.
At the beginning of the reporting period	708	707	708	707
Shares transferred from C Class	10,274,010	-	10,274,010	-
Shares issued during the year	92	107	92	107
Shares bought back during the year	(112)	(106)	(112)	(106)
At reporting date	10,274,698	708	10,274,698	708





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### 18. Accumulated Losses

	Economic Entity		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Accumulated losses at the beginning of the financial year	(4,689,601)	(1,897,706)	(5,340,558)	(2,548,663)
Accumulated losses attributable to members of the entity	(2,103,915)	(2,791,895)	(2,103,915)	(2,791,895)
Accumulated losses at the end of the financial year	(6,793,516)	(4,689,601)	(7,444,473)	(5,340,558)

### 19. Cashflow 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:



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**19. Cashflow Information (continued)**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
Cash on hand	3,241	6,197	3,241	6,197
Cash at bank	3,365,477	3,865,153	3,365,477	3,865,153
	<b>3,368,718</b>	<b>3,871,350</b>	<b>3,368,718</b>	<b>3,871,350</b>
<b>(b) Reconciliation from the net loss after tax to the net cash flows from operations</b>				
Net loss from ordinary activities after tax	(2,103,915)	(2,791,895)	(2,103,915)	(2,791,895)
Adjustments for:				
Depreciation	353,869	327,485	353,869	327,485
Provision for impairment	(3,054)	(132,000)	(3,054)	(132,000)
Equipment loan interest	35,756	44,079	35,756	44,079
Net loss/(profit) on disposal of property, plant and equipment	978	6,069	978	6,069
Changes in assets and liabilities:				
(Increase)/Decrease in trade and other receivables	(153,277)	237,173	(153,277)	237,173
(Increase)/Decrease in inventories	(236,919)	15,806	(236,919)	15,806
(Increase)/Decrease in prepayments	52,444	(335,433)	52,444	(335,433)
(Increase)/Decrease in deferred tax assets	236,526	(24,391)	236,526	(24,391)
Increase/(Decrease) in trade and other payables	(414,827)	(1,453,583)	(414,827)	(1,453,583)
Increase/(Decrease) in provision for employee entitlements	156,293	315,979	156,293	315,979
<b>Net cash from operating activities</b>	<b>(2,076,126)</b>	<b>(3,790,711)</b>	<b>(2,076,126)</b>	<b>(3,790,711)</b>
<b>(c) Credit: standby arrangements with banks</b>				
Credit Facility	6,975,574	13,094,289	6,975,574	13,094,289
Amount Utilised	(747,469)	(863,883)	(747,469)	(863,883)
Unused Credit Facility	6,228,105	12,230,406	6,228,105	12,230,406



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## FoodWorks Offer Information Statement

The major facilities are summarised as follows:

Direct Payments Facility

\$6,000,000 : (2008: \$12,000,000) variable interest rate facility provided by the National Australia Bank

Business Card Facility

\$250,000 (2008: \$250,000) variable interest rate facility provided by the National Australia Bank

Bank Guarantee Facility

\$300,000 (2008: \$250,000) facility provided by the National Australia Bank

Equipment Loan Facility

\$425,574 : (2008: \$544,289) fixed interest rate facility provided by the National Australia Bank

### 20. Auditors' Remuneration

Amounts received or due and receivable by Pitcher Partners for:

	Economic Entity		Parent Entity	
	2008	2008	2008	2008
	\$	\$	\$	\$
- An audit or review of the financial report of the entity and any other entity in the consolidated group	81,035	79,500	81,035	79,500
- Other services in relation to the entity and any other entity in the consolidated group				
- tax compliance	12,135	8,000	12,135	8,000
	93,170	87,500	93,170	87,500

### 21. Controlled Entities

(a) Controlled entities

	Country of Incorporation	Percentage Owned (%)	
		2009	2008
Parent Entity:			
Australian United Retailers Ltd	Australia		
Subsidiaries of Australian United Retailers Ltd:			
Australian United Grocers Pty Ltd	Australia	100	100
National Retailers Group Pty Ltd	Australia	100	100
FoodWorks Retail Pty Ltd	Australia	100	-





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

## FoodWorks Offer Information Statement

### Notes to and forming part of the Financial Statements for the year ended 30th June 2009 (continued)

#### 22. Capital and Leasing Commitments

		Economic Entity		Parent Entity	
		2009	2008	2009	2008
(a) Equipment Loan	Note	\$	\$	\$	\$
Payable					
- Not later than one year		154,488	154,488	154,488	154,488
- Later than one year and not later than five years		321,849	476,337	321,849	476,337
- Later than five years		-	-	-	-
Minimum equipment loan payments		476,337	630,825	476,337	630,825
Less future finance charges		(50,890)	(86,647)	(50,890)	(86,647)
Total equipment loan liability		425,447	544,178	425,447	544,178
Represented by:					
Current liability	15	127,683	118,732	127,683	118,732
Non-current liability	15	297,764	425,446	297,764	425,446
		425,447	544,178	425,447	544,178
<b>(b) Operating lease commitments</b>					
Non-cancellable operating leases contracted for but not capitalised in the financial statements:					
Payable					
- Not later than one year		1,056,473	854,319	1,056,473	854,319
- Later than one year and not later than five years		1,699,654	1,580,373	1,699,654	1,580,373
		2,756,127	2,434,692	2,756,127	2,434,692

The first Victorian property lease is a non-cancellable lease with a six year term commencing 31 March 2006, 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 commencing 31 March 2006, 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 commencing 15 September 1999, 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. The option to renew the lease at the end of the ten year term for an additional term of five years will not be taken up.

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.



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## FoodWorks Offer Information Statement

### 23. 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 2009 (2008: \$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  
Deborah Smith  
Jeff Ehrenfeld

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 \$154,147 (2008: \$139,007). The aggregate amount of rebates paid or payable and included in the result for the year is \$1,462,424 (2008: \$1,687,003).

Director Michael Reddrop is a director of an entity which controls an investment in a Trust. This Trust has three 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

Director J. Ehrenfeld provides accounting and administration services through one of his companies to two FoodWorks supermarkets. During the year J. Ehrenfeld was charged \$65,617 in interest at 12% per annum for outstanding share instalments.



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

## FoodWorks Offer Information Statement

### Notes to and forming part of the Financial Statements for the year ended 30th June 2009 (continued)

#### 23. Related Party Transactions (continued)

##### (c) Directors' Shareholdings

Aggregate number of shares disposed during the year:

"A" Class redeemable non-cumulative preference shares:

Jeff Ehrenfeld 1 Share

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

"A" Class redeemable non-cumulative preference shares:

Michael Reddrop	720,004 shares (2008: 4 shares)
Wayne Pattison	198,002 shares (2008: 2 shares)
Deborah Smith	150,003 shares (2008: 1 share)
Jeff Ehrenfeld	106,001 shares (2008: 2 shares)
Jack Scanlan	240,000 shares (2008: 0 shares)
Peter Noble	120,000 shares (2008: 0 shares)

"B" Class redeemable non-cumulative preference shares:

Michael Reddrop	4 shares (2008: 4 shares)
Wayne Pattison	2 shares (2008: 2 shares)
Deborah Smith	1 share (2008: 1 share)

"C" Class redeemable preference shares:

Michael Reddrop	Nil shares (2008: 720,000 shares)
Wayne Pattison	Nil shares (2008: 198,000 shares)
Deborah Smith	Nil shares (2008: 150,000 shares)
Jack Scanlan	Nil shares (2008: 240,000 shares)
Peter Noble	Nil shares (2008: 120,000 shares)
Jeff Ehrenfeld	530,000 shares (2008: 636,000 shares)

In addition to the interest listed above, Michael Reddrop is director of an entity, Superate Pty Ltd, which controls a trust that owns 3 FoodWorks stores, and hence owns both 3 Class A Shares and 3 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 held 426,003 Class A shares at the year ended 30 June 2009.



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## FoodWorks Offer Information Statement

### 24. 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	W Pattison
D Smith	N Osborne
P Noble	J Kendall
D Howell	J Ehrenfeld

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

G Longmuir	S Holmes
W Vermeend	R Wight
S Thompson	L Burke - Resigned 24/07/08
H Gordon - Commenced 19/02/09	P Reed - Resigned 21/11/08

#### (b) Remuneration of Key Management Personnel

Refer to the Directors' Report for disclosure on the remuneration policies and remuneration for Directors and Executives. Remuneration disclosures are provided in the Directors' Report, pages 36 & 37.

Grants of performance-related bonuses.

Key management personnel have received performance-related bonuses during the period totalling \$283,425 (2008: \$344,014). The criteria used to determine the amount of compensation is based on key company milestones as determined by the Board.

#### (c) Employment Contracts and Service Agreements

Refer to the Directors' Report for details of employment contracts and service agreements.



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## FoodWorks Offer Information Statement

### Notes to and forming part of the Financial Statements for the year ended 30th June 2009 (continued)

#### 25. 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:

2009 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 %
<b>(i) Financial assets</b>						
Cash	3,365,477	-	-	3,241	3,368,718	2.32
Trade and other receivables	-	-	-	14,576,534	14,576,534	
<b>Total financial assets</b>	<b>3,365,477</b>	<b>-</b>	<b>-</b>	<b>14,579,775</b>	<b>17,945,252</b>	
<b>2009 Financial Instruments</b>	<b>Floating interest rate \$</b>	<b>Fixed interest rate maturing in: 1 year or less \$</b>	<b>Fixed interest rate maturing in: Over 1 to 5 years \$</b>	<b>Non-interest bearing \$</b>	<b>Total carrying amount as per the balance sheet \$</b>	<b>Weighted average effective interest rate %</b>
<b>(i) Financial liabilities</b>						
Trade and other payable	-	-	-	14,571,171	14,571,171	
Equipment loan	-	127,683	297,764	-	425,447	7.29
<b>Total financial liabilities</b>	<b>-</b>	<b>127,683</b>	<b>297,764</b>	<b>14,571,171</b>	<b>14,996,618</b>	





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2008 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
	\$	\$	\$	\$	\$	%
<b>(i) Financial assets</b>						
Cash	3,865,153	-	-	6,197	3,871,350	6.65
Trade and other receivables	-	-	-	14,420,203	14,420,203	-
Total financial assets	3,865,153	-	-	14,426,400	18,291,553	-
<b>(ii) Financial liabilities</b>						
Trade and other payable	-	-	-	14,985,958	14,985,958	-
Equipment loan	-	118,732	425,446	-	544,178	7.29
Total financial liabilities	-	118,732	425,446	14,985,958	15,530,136	-



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## FoodWorks Offer Information Statement

### Notes to and forming part of the Financial Statements for the year ended 30th June 2009 (continued)

#### 25. Financial Instruments (continued)

##### (b) Liquidity risk

Maturity analysis.

The table below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

Year ended 30 June 2009	Note	< 6 Months	6-12 Months	1-5 Years	Total
<b>Economic Entity</b>					
Cash and cash receivables	9	3,368,718			3,368,718
Receivables	10	14,576,534			14,576,534
Payables	14	(14,571,171)			(14,571,171)
Borrowings	15	(62,681)	(65,002)	(297,764)	(425,447)
Net inflow/(outflow)		3,311,400	(65,002)	(297,764)	2,948,634
<b>Parent Entity</b>					
Cash and cash receivables	9	3,368,718			3,368,718
Receivables	10	14,575,427			14,575,427
Payables	14	(15,221,021)			(15,221,021)
Borrowings	15	(62,681)	(65,002)	(297,764)	(425,447)
Net inflow/(outflow)		2,660,443	(65,002)	(297,764)	2,297,677
<b>Year ended 30 June 2008</b>					
<b>Economic Entity</b>					
Cash and cash receivables	9	3,871,350			3,871,350
Receivables	10	14,420,203			14,420,203
Payables	14	(14,985,958)			(14,985,958)
Borrowings	15	(58,287)	(60,445)	(425,446)	(544,178)
Net inflow/(outflow)		3,247,308	(60,445)	(425,446)	2,761,417
<b>Parent Entity</b>					
Cash and cash receivables	9	3,871,350			3,871,350
Receivables	10	14,419,096			14,419,096
Payables	14	(15,635,808)			(15,635,808)
Borrowings	15	(58,287)	(60,445)	(425,446)	(544,178)
Net inflow/(outflow)		2,596,351	(60,445)	(425,446)	2,110,460

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## **FoodWorks Offer Information Statement**

### **(c) 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.

### **(d) 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.

## **26. Economic Dependence**

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

## **27. Corporate Information**

The financial report of Australian United Retailers Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 9 September 2009.

Australian United Retailers Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the National Stock Exchange of Australia.

The nature of operations and principal activities of the economic entity are described in the Directors' Report.

## **27. Subsequent Events**

FoodWorks' has contracted to purchase 45 Coles stores, eight with adjoining liquor outlets, with a combined annual sales of approximately \$450 million. This will bring FoodWorks' and its independent retailer network sales turnover to approximately \$2.3 billion.

Vendor finance has been negotiated to fund the deal.

FoodWorks has also signed a long term supply agreement with Metcash Trading Ltd to supply these new stores along with extending the arrangement for its existing 700 member stores. At the wholesale level FoodWorks will increase its purchases by an additional \$250 million per annum. The new arrangements include an initial 10 year term and incorporates access to warehouse products including the new Metcash 'Fresh' initiative.

The registered office of the company is:

Australian United Retailers Ltd  
Level 1  
1601 Malvern Road  
Glen Iris Victoria 3146





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## **FoodWorks Offer Information Statement**

### **Directors' Declaration**

The directors declare that the financial statements and notes set out on pages 49 to 83 in accordance with the Corporations Act 2001:

- (a) Comply with Accounting Standards and the Corporations Regulations 2001; and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2009 and of their performance as represented by the results of their operations, changes in equity and their cash flows, for the year ended on that date.

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

This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

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



Director  
J Bridgfoot



Director  
P Noble

Dated this 9th day of September 2009



## Independent Auditor's Report to the Members of Australian United Retailers Ltd

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 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement 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.

### Director's 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 of 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.

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





## Independent Auditor's Report to the Members of Australian United Retailers Ltd (continued)

### 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 2009 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.

### Report on the Remuneration Report

We have audited the Remuneration Report included in pages 32 to 37 of the Directors' report for the year ended 30 June 2009. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditor's Opinion

In our opinion the Remuneration Report of Australian United Retailers Ltd and controlled entities for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

K L BYRNE  
Partner

PITCHER PARTNERS  
Melbourne

Dated this 11th day of September 2009



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## FoodWorks Offer Information Statement

### Shareholder Information

#### Class A Redeemable Preference Shares.

One Class A Redeemable Preference Share is issued and allotted to each Approved Storeowner in respect of each Approved Store they operate and control. Other than in certain prescribed circumstances, Class A Redeemable Preference Shares are the only shares that carry voting rights at general meetings of the Company, with each Eligible Member or its Related Party having one vote per share. On 15 June 2009, pursuant to the prospectus dated 2 April 2007, all fully paid Class C Redeemable Preference Shares converted to Class A Redeemable Preference Shares on a 1:1 basis. There were 10,274,698 Class A Redeemable Preference Shares issued at 30 June 2009.

#### Class B Redeemable Preference Shares.

Until February 2007, one Class B Redeemable Preference Share was issued and allotted to each Branded Storeowner who signed a Banner Agreement in respect of each Branded Store they operate and control. These shares have no voting rights at general meetings of the Company. There were 256 Class B Redeemable Preference Shares issued at 30 June 2009. There are no Substantial Shareholders of Class B Redeemable Preference Shares.

#### Class C Redeemable Preference Shares.

Under the terms of issue and the Constitution, Class C Redeemable Preference Shares issued under the prospectus that are fully paid converted to Class A Redeemable Preference Shares on 15 June 2009. Until then, other than in certain prescribed circumstances, they had no voting rights at general meetings of the Company. Partly paid Class C Redeemable Preference Shares continue to have such limited voting rights at general meetings of the Company until they are fully paid. There were 1,285,790 partly paid Class C Redeemable Preference Shares issued as at 30 June 2009. There are no Substantial Shareholders of Class C Redeemable Preference Shares.

Fully paid Class A Redeemable Preference Shares are listed on the exchange operated by the National Stock Exchange of Australia.

#### Top 10 holders of fully paid Class A Redeemable Preference Shares as at 30 June 2009

	No of shares	%
DALEWING PTY LTD	1,080,000	10.51
DREYFUS PTY LTD	720,000	7.01
PKAT INVESTMENTS PTY LTD	600,000	5.84
MR ALEX NG	360,000	3.50
MELLOWAY HOLDINGS PTY LTD	300,000	2.92
RUMMAGE MARKET PTY LTD	240,000	2.34
INVIA CUSTODIAN PTY LIMITED	222,000	2.16
GIANT FRESH PTY LTD	180,000	1.75
BACKFENCE PTY LTD	160,800	1.57
TWO FISH PTY LTD	132,000	1.28
		38.88

