13 September, 2010

COMMENTARY ON FULL YEAR RESULTS FROM CHAIRMAN & ACTING CEO

Dear Member,

Today FoodWorks has provided the NSX with the full year audited results for the year ended 30 June 2010.

As previously communicated, the performance of the subsidiary FoodWorks Retail has not met expectations. This is reflected in the final consolidated results of the FoodWorks group.

It was always the intention of the Board, in the event FoodWorks Retail store performance did not meet expectations, that the corporate stores would be divested. On 16 March 2010, the company advised its intention to divest the 22 acquired stores and 4 associated liquor outlets where it created value.

The divestment program is progressing with nine company owned stores already sold and one store closed. Agreement has been reached on the sale of a further eight stores which are expected to transition to the new owners shortly. The remaining company owned stores will be divested where it creates value.

As a result of the divestment process, the $3M working capital facility debt has now been repaid in full. The company is confident the transitional funding facility debt will be repaid within the next year, at which time the company will have extinguished all of its debt finance obligations. The company will then be debt free.

The Board continues to focus on finalising the divestment process promptly and on the long-term strategy of the business.

While the corporate store program did not work out as intended, the acquisition delivered benefits for the FoodWorks business and individual member stores. These benefits include the addition of approximately 10 new large format stores into the FoodWorks network.

Our new leadership team, headed by Acting CEO Rick Wight, is focused on the company being an even stronger retail support organisation. The team is concentrating on store operations, adding value through new initiatives and ensuring services are relevant to the needs of members.

By focusing on our core competency as a retail support organisation, the team will ensure our retailers have the support, tools and services they need to drive sales and profitability in store. We will be meeting with retailers over the coming months to help them execute many of the new tools and programs shared with attendees at the recent National Conference.

While the performance and subsequent losses of FoodWorks Retail have had an impact, the FoodWorks core business remains strong and viable with a long-term future. The anticipated retirement of all debt by next year will provide a strong platform for further growth. The Board and Senior Management Team thank you for your ongoing support and look forward to working with you to drive the success of our business.

Best regards,

John Bridgfoot
Chairman

Rick Wight
Acting Chief Executive Officer

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

Financial Report
For the year ended 30 June 2010

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AUSTRALIAN UNITED RETAILERS LTD
ABN 93 077 879 782
AND CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors present their report together with the financial report of Australian United Retailers Ltd ("the Company") and of the economic entity, being the Company and its controlled entities, for the financial year ended 30 June 2010 and auditors report thereon. This financial report has been prepared in accordance with Australian equivalents of the 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 parent entity during the financial year was the provision of retail support services to the members.

The principal activities of the Controlled entities during the financial period were:

a) The negotiation and settling of contracts for the purchase of corporate stores;
b) The operation of supermarkets in Australia; and
c) The negotiation and settling of contracts for the divestment of corporate stores.

No significant change in the nature of the activities of the parent entity occurred during the year, however the controlled entities principal activities changed as outlined below in *Significant Changes in State of Affairs*.

Results

The loss of the economic entity for the financial year, after providing for income tax, amounted to $26,015,000.

Review of Operations

The economic entity's trading profit before tax for the year ended 30 June 2010, is as follows:

	\$ 000's	**\$ 000's**
Trading profit of Member based business for the year ended 30 June 2010		2,734
Less non-trading costs:		
Income tax expense on continuing operations	(902)	
Loss after tax from FoodWorks Retail (Discontinued Operations)	(27,847)	
Consolidated loss for the year		**(26,015)**

Significant Changes in State of Affairs

Significant changes in the economic entity's state of affairs during the financial period were as follows:

- The economic entity negotiated the purchase of 45 corporate stores;
- The economic entity finalised the purchase of 22 corporate stores, including four adjoining liquor stores;
- The economic entity negotiated a financing agreement with CSA Retail (Finance) Pty Ltd incorporating three credit facilities;
- The directors have taken the decision to divest the stores that were acquired during the period;
- The economic entity negotiated and finalised the sale of one corporate store; and
- The closure of one corporate store was finalised.

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

After Balance Date Events

Since 30 June 2010 the economic entity has sold eight corporate stores for a total consideration of $10.6m realising a net profit on sale of $4.9m. The economic entity has also advanced the divestment of the remaining 12 corporate stores still held, with agreements to sell a further eight stores and negotiations underway on selling or converting all remaining stores to alternative uses by the end of December 2010.

The Directors have received confirmation from Coles Supermarkets Australia Pty Ltd and Wesfarmers Ltd (Coles ultimate parent entity) that no additional stores, from the original 45 agreed to be transferred, will be transferred under the original Supermarkets Sale Agreement.

On 13 September 2010 the provider of the vendor financing agreement (CSA Retail (Finance) Pty Ltd) agreed to a restructure of the debt which involves changes to the repayment profile as outlined below. In addition, it has waived any breaches of financing covenants included in the original credit facility, and any variations made to that agreement and has no present intention to recall any amounts as due outside of the agreed upon debt repayment schedule.

In addition it has been agreed that upon full repayment of both the Working Capital Facility and the Transitional Funding Facility, any obligation for repayment of the Deferred Credit Facility will be waived by the Financier including any accumulated interest on the Deferred Credit Facility.

The new debt repayment profile is summarised as follows:

Loan	< 12 Months $'000	> 12 Months $'000	Total Debt $'000
Working Capital Facility	2,947	-	2,947
Transitional Funding Facility	3,053	3,533	6,586
Deferred Credit Facility	-	16,163	16,163
Estimated Accumulated Interest	1,100	5,000	6,100
Total:	7,100	24,696	31,796

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 economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Likely Developments

The Company will continue to pursue its operating strategy to deliver a quality retail support service to its Members whilst creating Shareholder value and to pursue the sale of the remaining corporate stores. In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the economic 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 Declared

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 economic entity were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

Indemnification of 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.

DIRECTORS' REPORT (CONT'D)

Proceedings on Behalf of the Company

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

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

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 reporting date.

J Bridgfoot	-	Independent Non Executive Chairman
Qualifications	-	Exec. M.B.A. (Washington State) B.A. (La Trobe University) Member Australian Institute of Company Directors (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. He is currently the Managing Director of Pacific Rim Securities. John was previously an independent storeowner and operator from 9 January 1999 until March 2006.
Special Responsibilities	-	Ex-officio member of Remuneration & Nomination Committee, until 9 September 2009, of the Supply Chain and Property Committees and Chairman of the Corporate Stores (Viva) Committee. John has been engaged on the divestment of our retail stores project on a month to month basis from 1 April 2010 to manage and direct the execution of the strategic objectives of that project on behalf of FoodWorks Retail Pty Ltd.
J Scanlan	-	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 Australian United Retailers Ltd (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 to 9 September 2009 & Member of the Remuneration & Nomination Committee from 9 September 2009 and its Chair from 22 December 2009 and Member of Corporate Stores (Viva) Committee.
D Smith	-	Non Executive Director
Qualifications	-	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) Member Australian Institute of Company Directors (M.A.I.C.D)
Experience	-	A Director since 4 October 2003, Deborah has been an independent storeowner and operator since 1996. Deborah is a Director of Master Grocers of Australia.
Special Responsibilities	-	Member of the Remuneration & Nomination Committee throughout the year and its Chair until 22 December 2009. Member of the Property Committee until 9 September 2009.

Information on Directors (Continued):

P Noble	-	Executive Director & Chief Executive Officer
		Resigned as a Director on 4 August 2010
Qualifications	-	Bachelor of Applied Science (Queensland University) Member Australian Institute of Company Directors (M.A.I.C.D)
Experience	-	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.
Special Responsibilities	-	Chief Executive Officer to 31 July 2010, ex officio Member of Supply Chain and Property Committees until 9 September 2009, of Remuneration & Nomination Committee and Corporate Stores (Viva) Committee until 4 August 2010.
D Howell	-	Independent Non Executive Director
Qualifications	-	Certified Practising Accountant
Experience	-	Don has been an independent Non-Executive Director of AUR Ltd since 23 July 1997. Don brings to the Company over 23 years experience in senior positions including Senior Vice President of Mattel Inc and CEO of Mattel Australia.
Special Responsibilities	-	Member of the Remuneration & Nomination Committee until 9 September 2009 and Chairman of Audit & Risk Committee.
M Reddrop	-	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 Member Australian Institute of Company Directors (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 until 30 June 2010.
W Pattison	-	Non Executive Director
Qualifications	-	Member Australian Institute of Company Directors (M.A.I.C.D)
Experience	-	Wayne has been a Director since 4 October 2003 and he has 27 years experience in the retail industry in Victoria. Wayne is a shareholder of two independent retail stores in Victoria. Before purchasing these stores he was a Bank Officer for 20years including 8 years as a Business Development Officer. Since 1983 Wayne has continually been representing retailers on committees for several groups in the Industry, He was also a councillor for the Liquor Stores Association of Victoria. He was a member of CHEEERS Liquor Group committee for 18 years, including 10 years as Chairman.
Special Responsibilities	-	Member of the Supply Chain Committee until 9 September 2009 and of the Audit & Risk Committee.

DIRECTORS' REPORT (CONT'D)

Information on Directors (Continued):

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)
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 until 9 September 2009, member of the Audit & Risk Committee from that date and member of the Corporate Stores (Viva) Committee.

J Kendall	-	Non Executive Director
Qualifications	-	Fellow Australian Institute of Company Directors (FAICD) 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 Remuneration & Nomination Committee from 9 September 2009 and of the Supply Chain Committee until 9 September 2009.

F Fairthorne	-	Non Executive Director
Experience	-	Fred was appointed as a Director of the Company on 9 September 2009. 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.
Special Responsibilities	-	Member of the Audit & Risk Committee and of the Corporate Stores (Viva) Committee.

DIRECTORS' REPORT (CONT'D)

Information on Directors (Continued):

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.
Special Responsibilities	-	Member of Supply Chain and Audit & Risk Committees until 27 July 2009.

K Sleep	-	Company Secretary
Qualifications	-	Bachelor of Economics (Monash) FCPA FCIS
Experience	-	Ken joined AUR Ltd in December 2004 as Company Secretary, with responsibility for all Board matters, share register, corporate governance and regulatory compliance generally. Previously, Ken was with the Mayne Nickless Group for 31 years, where he held administration, finance and company secretarial responsibilities, and spent the last nine years as Group Company Secretary, with wide ranging secretarial responsibilities for the holding company and all subsidiaries. In the period since, Ken has provided significant consultancy to a top ASX 100 company on company secretarial, corporate governance and superannuation matters, with limited similar consultancies to other public companies.

Meetings of Directors

DIRECTORS	BOARD MEETINGS		AUDIT & RISK COMMITTEE		CORPORATE STORES (VIVA) 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	22	21			4	4	4	4	1	1
J Scanlan	22	19			4	4	1	1		
D Smith	22	22					4	4		
P Noble	22	21			4	1	4	4	1	1
D Howell	22	22	6	6			3	3		
M Reddrop	4	4								
F Fairthorne	16	16	3	3	4	4				
W Pattison	18	18	6	6					1	1
N Osborne	22	21	3	2	4	4			1	1
J Kendall	22	17					1	1	1	0
J Ehrenfeld	3	3	1	1					1	1

Note: Property Committee was discontinued from 9 September 2009, no meeting was held during the current year.
Supply Chain Committee was discontinued from 9 September 2009.

DIRECTORS' REPORT (CONT'D)

Directors' Interests in Shares or Options
Directors' relevant interests in the shares of the Company are detailed below.

Directors' relevant interests in:	A Class Redeemable Preference Shares of AUR Ltd
Jack Scanlan	*240,000 A Class*
Deborah Smith	*150,003 A Class*
Peter Noble	*120,000 A Class*
Michael Reddrop	*770,004 A Class*
Fred Fairthorne	*1,380,000 A Class*
Wayne Pattison	*198,002 A Class*
Jeff Ehrenfeld	*384,000 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 economic 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 by any entity that is part of the economic entity for:	**2010** **$**	**2009** **$**
Other assurance services	18,830	-
Taxation services	24,180	12,135

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;
- 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. 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. It was also determined that for the year 2009–2010, with a dedicated focus on the Company and FoodWorks Retail Pty Ltd (FWR) that companywide Key Performance Indicators would be applied to all within the Support Team including the Senior Management Team and CEO. The global targets for the current year comprise achievement of budgeted Net Profit/Loss, measures of services to members, FWR transition costs and FWR retail sales.

REMUNERATION REPORT (CONT'D)

The Chief Executive Officer (CEO), 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. This contract was adjusted in April 2010 to remove the further significant bonus that was to be payable at the end of the contractual term subject to attainment of several longer term major strategic objectives. Since reporting date, the CEO has relinquished his responsibilities with an effective date of 31 July 2010.

For key management personnel, the company provides cash based remuneration packages. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. The remuneration policy is not directly related to company performance. The board considers a remuneration policy based on short-term returns may not be beneficial to the long-term creation of wealth by the company for shareholders.

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 received the highest remuneration for the financial year are:

Executives	**Position**
Peter Noble (Resigned 31 July 2010)	Chief Executive Officer
Rick Wight (Acting CEO from 1 August 2010)	Chief Operating Officer
Graeme Longmuir (Resigned 9 October 2009)	National Merchandising Manager
Simon Thompson	National Business Development Manager
Wayne Vermeend (Resigned 26 March 2010)	Chief Finance Officer
Antonio Pacella (Appointed 27 April 2010)	Chief Financial Officer
Helene Gordon (Appointed 19 February 2009)	Head of People and Performance
Stephanie Holmes	Projects Manager – Business Implementation
Lloyd Bourke (Resigned 24 July 2008)	Future State Program Manager
Penny Reed (Resigned 21 November 2008)	National People and Performance Manager

AUSTRALIAN UNITED RETAILERS LTD
ABN 93 077 879 782
AND CONTROLLED ENTITIES

DIRECTORS' AND EXECUTIVES' COMPENSATION

2010	Short-term			Post Employment		Equity	Other	Total	Performance Related Bonus
	Salary & Fees	Cash Bonus	Non-monetary	Superannuation	Retirement benefits	Options	Termination Benefits		
	$	$	$	$	$	$	$	$	%
Directors									
J Bridgfoot	169,500	-	-	-	-	-	-	169,500	
J Scanlan	45,417	-	-	58,333	-	-	-	103,750	
D Smith	65,750	-	-	-	-	-	-	65,750	
P Noble*	419,380	82,569	-	45,000	-	-	-	546,949	15
D Howell	22,000	-	-	50,000	-	-	-	72,000	
M Reddrop***	40,000	-	-	-	-	-	-	40,000	
W Pattison	38,608	-	-	25,142	-	-	-	63,750	
N Osborne	59,174	-	-	5,326	-	-	-	64,500	
J Kendall	63,337	-	-	413	-	-	-	63,750	
F Fairthorne***	52,500	-	-	-	-	-	-	52,500	
J Ehrenfeld***	-	-	-	-	-	-	-	-	
Total	975,666	82,569	-	184,214	-	-	-	1,242,449	
Executives**									
G. Longmuir***	51,301	58,522	-	46,745	-	-	140,924	297,492	20
W. Vermeend***	218,568	28,573	16,575	14,827	-	-	55,000	333,543	9
A. Pacella***	37,214	-	-	4,366	-	-	-	41,580	
S. Thompson	221,650	47,307	-	26,033	-	-	-	294,990	16
H. Gordon	201,100	12,203	-	19,098	-	-	-	232,401	5
S. Holmes	158,867	24,096	-	16,329	-	-	-	199,292	12
R. Wight	282,093	39,688	-	30,476	-	-	-	352,257	11
Total	1,170,793	210,389	16,575	157,874	-	-	195,924	1,551,555	

* P Noble had 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.

AUSTRALIAN UNITED RETAILERS LTD
ABN 93 077 879 782
AND CONTROLLED ENTITIES

DIRECTORS' AND EXECUTIVES' COMPENSATION (CONT'D)

2009	Short-term			Post Employment		Equity	Other		
	Salary & Fees	Cash Bonus	Non-monetary	Superannuation	Retirement benefits	Options	Termination Benefits	Total	Performance Related Bonus
	$	$	$	$	$	$	$	$	%
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	
Total	807,773	85,500	-	298,725	-	-	-	1,191,998	
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 Wight	282,289	17,946	-	28,326	-	-	-	328,561	5
Total	1,266,859	197,925	20,086	143,165	-	-	-	1,628,035	

* 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.

DIRECTORS' REPORT (CONT'D)

Rounding of Amounts

The amounts contained in the report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Four Column Financial Statements

The parent entity and the economic entity have applied the relief available under ASIC Class Order CO 10/645 and accordingly, the consolidated financial report has been prepared with four columns displaying both consolidated and parent entity financial statements. The company is an entity to which the Class Order applies.

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 Group's financial statements for the year ended 30 June 2010 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 ______________________________
J Scanlan

Dated this 13th day of September 2010

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Australian United Retailers Ltd

In relation to the independent audit for the year ended 30 June 2010, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001; and*

(ii) No contraventions of any applicable code of professional conduct.

K L BYRNE
Partner
13 September 2010

PITCHER PARTNERS
Melbourne

CORPORATE GOVERNANCE STATEMENT

The Company's corporate governance practices have continued to be fine tuned in the latest reporting period, reflecting developments within the Company and application 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 developmental 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.

The Company's principal shares have been listed on the National Stock Exchange of Australia (NSX) since December 2007. Listing was a significant initiative, enhancing transparency and potential liquidity for share ownership. Satisfying stringent corporate governance standards was an important precondition for admission to listing on the NSX.

Testing the views of Shareholders, obtaining feedback on important directions under consideration and making a wide range of material about the Company readily available to our members are important elements in ensuring we are in-step with the aspirations of our Shareholders.

The recent introduction of the FoodWorks Extranet online site, available to all bannered stores, is a significant initiative, designed to keep members in-touch with Company developments. It also provides practical assistance and information to assist members to operate and develop their businesses. In addition, various meetings including the conference, which are attended by management, staff and Directors, provide opportunities for the distribution of information and exchange of views on a wide range of issues. The Annual General Meeting of Shareholders (AGM) allows Shareholders to ask questions of the Board, to express views and vote on the various items on the agenda. The Annual Report is available via the extranet for Shareholders and is available in hard copy on request.

A range of information regarding corporate governance is contained within the My Shares section of the Extranet website referred to below.

(Links to the Company's website indicated in this statement will be found in the My Shares section **at** **http://extranet.*foodworks.com.au*** ***)***

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Board and Management roles

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

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

- Appointment of the CEO and Company Secretary, approval of the appointment of Executive Staff upon the recommendation of the CEO, recommendations regarding appointment and removal of the auditor, appointment of Directors to fill casual Board vacancies;
- Delegations of authority to the CEO;
- Membership and terms of reference of Board committees;
- Assessment of performance of the Company, CEO and Board;
- Succession planning for the CEO and Board members;
- Approval of remuneration and incentive policies and individual executive employment contracts;
- Dividend policy;
- Approval of the annual financial reports, 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; and
- Risk management policies and risk assessment and insurance policies.

Refer to the My Shares section of the Extranet 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 Acting 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;
- 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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Board structure and processes

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 four of its non-executive Directors are independent.

Jeff Ehrenfeld resigned from the Board on 27 July 2009, Michael Reddrop resigned on 19 August 2009, Peter Noble resigned on 4 August 2010 and Fred Fairthorne was appointed as a Director on 9 September 2009.

During the course of its annual program, which included scheduled meetings approximately monthly plus several additional meetings in the current year, the Board examines strategic issues. It reviews and approves the Strategic Plan and Financial Budget and systematically reviews all material areas of the Company's activities, including regularly receiving reports and presentations from Senior Management. This annual program provides for evaluation of its own 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 2010/11 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 currently has three Board committees - Audit and Risk, Remuneration and Nomination and Corporate Stores acquisition ("Viva") committee. These committees have written terms of reference, which are subject to ongoing review. Matters addressed by Board committees are reported to the Board following each meeting. Committees have no executive powers regarding their findings and recommendations. The Chair of each Committee is a non-executive Director. Details of Committee members and their attendance at committee meetings during the year are set out in the Directors' Report. During the year, the Property Committee and Supply Chain Committee were discontinued. No meetings were held for the Property Committee and one meeting was held for the Supply Chain Committee.

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 the My Shares section of the Extranet for the full Code of Conduct and the Securities Trading Policy.

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 in the My Shares section of the Extranet.

Members of the Committee throughout the year were Don Howell (Chair), and Wayne Pattison, Fred Fairthorne and Neil Osborne were appointed from 9 September 2009, and Jeff Ehrenfeld was a member until 27 July 2009. The Committee met six times in the year to 30 June 2010.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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.

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 in the My Shares section of the Extranet.

Members of the Committee were Jack Scanlan (from 9 September 2009 and its Chair from 22 December 2009), Deborah Smith (Chair until 22 December 2009), and Don Howell (until 9 September 2009), with John Bridgfoot and Peter Noble (ex officio). The Committee held four meetings in the year to 30 June 2010.

Supply Chain Committee

Terms of reference of the Supply Chain Committee included identifying the benefits, costs and reasons for the current supply chain and identifying ways in which the current supply chain can be improved. The Committee was discontinued from 9 September 2009.

Members of the Committee were Neil Osborne (Chair), Jeff Ehrenfeld (until 27 July 2009), Wayne Pattison, John Bridgfoot (ex officio) and Peter Noble (ex officio). The Committee met formally on one occasion during the year to 30 June 2010.

Property Committee

The purpose of the Committee was 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. The Committee was discontinued from 9 September 2009.

Members of the Committee were Jack Scanlan (Chair), Deborah Smith, John Bridgfoot (ex officio) and Peter Noble (ex officio). The Committee did not meet during the year to 30 June 2010.

Corporate Stores (Viva) Committee

"Viva" is the name for the project associated with the acquisition and divestment of 22 Coles corporate stores. Initially the purpose of the Committee was to manage negotiations with the Viva stores vendor for the purchase of the corporate stores. More recently the Committee was empowered to renegotiate with the Vendor group the credit and loans repayment arrangements under the relevant agreements.

Members of the Committee are John Bridgfoot (Chair), Fred Fairthorne, Peter Noble (to 4 August 2010), Neil Osborne and Jack Scanlan. The Committee met 4 times during the year to 30 June 2010.

Financial Reporting

In addition to annual statutory reporting requirements, following the capital raising under the Prospectus and issuing of the C Class redeemable preference shares in 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 in the My Shares section of the Extranet.

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 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.

Under the direction of the Audit and Risk Committee, the Company has engaged and retained Marsh Pty Ltd as independent risk professionals to maintain an ongoing risk analysis and assessment of the Company's activities and exposures.

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

AUSTRALIAN UNITED RETAILERS LTD
ABN 93 077 879 782
AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2010

		Economic Entity		Parent Entity	
	Note	**2010**	**2009**	**2010**	**2009**
		$'000	**$'000**	**$'000**	**$'000**
Continuing operations					
Revenue					
Supplier income	**5**	53,547	53,577	59,853	53,577
Sales revenue	**5**	504	221	761	221
Other income		1,059	1,219	3,556	1,219
		55,110	55,017	64,170	55,017
Less: expenses					
Change in inventories of finished goods		(812)	(292)	(1,069)	(292)
Distribution to members		(23,099)	(23,164)	(28,231)	(23,164)
Cost of members services		(6,183)	(6,877)	(7,302)	(6,877)
Merchandising expenses		(6,830)	(6,309)	(7,356)	(6,309)
Marketing expenses		(2,414)	(3,654)	(2,440)	(3,654)
Business development expenses		(1,962)	(1,840)	(2,345)	(1,840)
Administrative expenses		(7,128)	(5,961)	(7,467)	(5,961)
Information technology expenses		(1,394)	(850)	(1,539)	(850)
Retail operations expenses		(1,561)	(1,730)	(1,969)	(1,730)
Human resources expenses		(306)	(182)	(381)	(182)
Store rebranding expenses		(277)	(545)	(277)	(545)
Coles store acquisition costs		-	(587)	-	(587)
Future state initiatives		-	(4,503)	-	(4,503)
Depreciation		(383)	(354)	(383)	(354)
Impairment loss	**6**	-	-	(5,360)	-
		(52,349)	(56,848)	(66,119)	(56,848)
Finance costs	**6**	(27)	(36)	(27)	(36)
Profit/(loss) before income tax		2,734	(1,867)	(1,976)	(1,867)
Income tax expense	**7**	(902)	(237)	(902)	(237)
Profit/(loss) from continuing operations		1,832	(2,104)	(2,878)	(2,104)
Net loss from discontinued operations	**9**	(27,847)	-	-	-
Loss for the year		**(26,015)**	**(2,104)**	**(2,878)**	**(2,104)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D) FOR THE YEAR ENDED 30TH JUNE 2010

	Note	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Other comprehensive income		-	-	-	-
Total comprehensive loss		(26,015)	(2,104)	(2,878)	(2,104)
Loss is attributable to:					
Members of the parent		(26,015)	(2,104)	(2,878)	(2,104)
Total comprehensive loss attributable to:					
Members of the parent		(26,015)	(2,104)	(2,878)	(2,104)
Earnings/(loss) per share from continuing operations attributable to equity holders of the parent entity	**8**	**Cents**	**Cents**		
- basic earnings/(loss) per share		15.84	(18.20)		
- diluted earnings/(loss) per share		15.84	(18.20)		
Earnings/(loss) per share attributable to equity holders of the parent entity	**8**				
- basic earnings/(loss) per share		(225.04)	(18.20)		
- diluted earnings/(loss) per share		(225.04)	(18.20)		
Earnings/(loss) per share from discontinued operations attributable to equity holders of the parent entity	**8**				
- basic earnings/(loss) per share		(240.88)	-		
- diluted earnings/(loss) per share		(240.88)	-		
Dividends paid per share (cents per share)		-	-		
Proposed dividend per share (cents per share)		-	-		

AUSTRALIAN UNITED RETAILERS LTD
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AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2010

	Note	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Current assets					
Cash and cash equivalents	**10**	5,932	3,369	1,903	3,369
Trade and other receivables	**11**	12,522	14,577	14,290	14,576
Inventories	**12**	9,721	286	160	286
Intangibles	**13**	-	-	-	-
Other	**14**	137	59	25	59
Non-current assets held for sale	**16**	4,334	-	-	-
Total current assets		32,646	18,291	16,378	18,290
Non-current assets					
Property, plant and equipment	**15**	1,029	795	1,029	795
Deferred tax asset	**7**	-	902	-	902
Total non-current assets		1,029	1,697	1,029	1,697
Total assets		33,675	19,988	17,407	19,987
Current liabilities					
Trade and other payables	**17**	25,283	14,571	15,318	15,221
Short term borrowings	**18**	9,670	128	137	128
Provisions	**19**	4,907	2,346	1,814	2,346
Total current liabilities		39,860	17,045	17,269	17,695
Non-current liabilities					
Long term borrowings	**18**	16,324	297	161	297
Provisions	**19**	180	157	180	157
Total non-current liabilities		16,504	454	341	454
Total liabilities		56,364	17,499	17,610	18,149
Net assets/(deficiency)		(22,689)	2,489	(203)	1,838
Equity					
Share capital	**20**	10,119	9,282	10,119	9,282
Accumulated losses	**21**	(32,808)	(6,793)	(10,322)	(7,444)
Total equity		(22,689)	2,489	(203)	1,838

AUSTRALIAN UNITED RETAILERS LTD
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

Economic Entity	Contributed equity $'000	Accumulated losses $'000	Total Equity $'000
Balance as at 1 July 2008	7,438	(4,689)	2,749
Loss for the period	-	(2,104)	(2,104)
Total comprehensive loss for the period	**-**	**(2,104)**	**(2,104)**
Transactions with owners in their capacity as owners:			
Issue of share capital	1,844	-	1,844
Dividends paid	-	-	-
	1,844	**-**	**1,844**
Balance as at 30 June 2009	**9,282**	**(6,793)**	**2,489**
Loss for the period	-	(26,015)	(26,015)
Total comprehensive loss for the period	**-**	**(26,015)**	**(26,015)**
Transactions with owners in their capacity as owners:			
Issue of share capital	837	-	837
Dividends paid	-	-	-
	837	**-**	**837**
Balance as at 30 June 2010	**10,119**	**(32,808)**	**(22,689)**

AUSTRALIAN UNITED RETAILERS LTD
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

Parent Entity	**Contributed equity**	**Accumulated losses**	**Total Equity**
	$'000	**$'000**	**$'000**
Balance as at 1 July 2008	7,438	(5,340)	2,098
Loss for the period	-	(2,104)	(2,104)
Total comprehensive loss for the period	**-**	**(2,104)**	**(2,104)**
Transactions with owners in their capacity as owners:			
Issue of share capital	1,844	-	1,844
Dividends paid	-	-	-
	1,844	**-**	**1,844**
Balance as at 30 June 2009	**9,282**	**(7,444)**	**1,838**
Loss for the period	-	(2,878)	(2,878)
Total comprehensive loss for the period	**-**	**(2,878)**	**(2,878)**
Transactions with owners in their capacity as owners:			
Issue of share capital	837	-	837
Dividends paid	-	-	-
	837	**-**	**837**
Balance as at 30 June 2010	**10,119**	**(10,322)**	**(203)**

AUSTRALIAN UNITED RETAILERS LTD
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2010

	Note	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Cash flows from operating activities					
Cash receipts in the course of operations		172,169	60,476	72,712	60,476
Cash payments in the course of operations		(178,500)	(62,832)	(69,079)	(62,832)
Interest received		150	280	150	280
Borrowing costs		(287)	-	-	-
Net cash used in operating activities	**22(b)**	(6,468)	(2,076)	3,783	(2,076)
Cash flows from investment activities					
Payments for purchases of property, plant and equipment		(3,555)	(117)	(665)	(117)
Payments for business combinations		(16,319)	-	-	-
Cash acquired in business combination		523			
Proceeds from sale of business combinations		2,563	-	-	-
Net cash used in investing activities		(16,788)	(117)	(665)	(117)
Cash flows from financing activities					
Loan equipment payments		(155)	(154)	(154)	(154)
Proceeds from share issue		837	1,844	837	1,844
Net repayment/proceeds from borrowings		25,137	-	-	-
Loans to related parties		-	-	(5,267)	-
Net cash provided by/(used in) financing activities		25,819	1,690	(4,584)	1,690
Net increase/(decrease) in cash held		2,563	(503)	(1,466)	(503)
Cash at beginning of financial year		3,369	3,872	3,369	3,872
Cash at end of financial year	**22(a)**	5,932	3,369	1,903	3,369

1. SUMMARY 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 entities 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) Going concern

The financial report has been prepared on a going concern basis. The economic entity reported an operating loss of $26.015m (2009: $2.104m) for the year ending 30 June 2010, with Net Asset Deficiency of $22.689m (2009: Net Assets $2.489m) and a current ratio of negative $7.214m (2009: positive $1.246m).

The deterioration of profitability was due to the acquisition of 22 corporate owned stores (the FoodWorks Retail business) during the year. The directors have taken the decision to divest the corporate owned stores which is expected to cease corporate store trading losses. In addition to the divestment program the economic entity has established improved cash management processes and working capital facilities which will enable normal trading activities to continue during the divestment program. This, combined with the ongoing support of the financier, will facilitate the continuation of operations.

The economic entity's credit facilities were originally due for review at 31 March 2011.

As disclosed in note 30, subsequent to balance date FoodWorks Retail Pty Ltd negotiated a revision of the credit agreement with respect to its short term and long term credit facilities. This has resulted in a revised repayment schedule for the secured debt which is outlined below:

Amounts Payable within the next 12 Months:	$6.0M	(includes $2.9M Working Capital Facility)
Amounts Payable beyond 31 Dec 2011:	$19.7M	(includes $16.2M Deferred Credit Facility)
Estimated Accumulated Interest on the above:	$6.1M*	

* includes $5.0m applicable to the Deferred Credit Facility which is expected to be waived.

Other revised conditions are summarised as follows:

- From the proceeds of the sale of the remaining corporate owned stores, all operating commitments and any costs to sell or closure related costs will be paid and any surplus will be applied to repay debt;
- Upon completion of the agreed repayment profile for both the Working Capital Facility and the Transitional Funding Facility (inclusive of accumulated interest on these facilities), any obligation for repayment of the Deferred Credit Facility will be waived by the Financier.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Going concern (Cont'd)

Since 30 June 2010 the economic entity has sold eight corporate stores for a total consideration of $10.6m realising a net profit on sale of $4.9m. The economic entity has also advanced the divestment of the remaining 12 corporate stores still held, with agreements to sell a further eight stores and negotiations underway on selling or converting all remaining stores to alternative uses by the end of December 2010.

The Directors have received confirmation from Coles Supermarkets Australia Pty Ltd and Wesfarmers Ltd (Coles ultimate parent entity) that no additional stores, from the original 45 agreed to be transferred, will be transferred under the original Supermarkets Sale Agreement.

The Directors are confident that after the completion of the divestment program the on-going trading activities of the core business will result in an improvement in the operating cash flows of the business.

The Directors consider the going concern basis appropriate based on the revision of the existing debt facility and the existence of an established plan to divest all of the remaining corporate owned stores which is expected to be completed by the end of December 2010.

Should the conditions outlined above not be achieved or maintained, the economic entity may in the future not be able to pay its debts as and when they fall due and may therefore be required to realise assets and extinguish liabilities other than in the ordinary course of business with the amount realised being different from those shown in the financial statement. The financial report does not include any adjustments relating to the recoverability and classification of the recorded assets amount nor to the amounts and classifications of liabilities that may be necessary should the company and the economic entity not continue as a going concern.

(c) Principles of consolidation

The consolidated financial statements are those of the economic 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 24.

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.

(d) 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Income Tax (Cont'd)

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.

Tax Consolidation

The parent entity and its controlled entities have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses, for the tax consolidated group. The tax consolidated group has also entered into a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(e) 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.

(f) Impairment

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 indicates 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.

(g) Comparative Figures

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

(h) Revenue recognition

Revenue from sale of goods is recognised upon the delivery or provision of goods to the customer.

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

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

Revenue from the sale of stores is recognised as at settlement date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Revenue recognition (cont'd)

Rent received from operating leases is recognised on a straight-line basis over the term of the lease agreement.

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

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

(i) 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:

(i) Merchandising signage - purchase cost on a first-in-first-out basis

(ii) Stock of goods - are measured at the lower cost and net realisable value. Cost comprises purchase price and associated delivery costs. Costs are assigned to individual terms of inventory on basis current purchase costs (excluding any short term promotional support). Costs of purchased inventory are determined after deducting any rebate entitlements attached specifically to that inventory.

(j) 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 statement of financial position.

(k) Receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible 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 less impairment loss.

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.

(l) Investments and other financial assets

The Group has investments in controlled entities.

Investments in controlled entities

All investments are initially recognised at cost, being the fair value of the consideration given. Acquisition costs are recognised in the statement of comprehensive income. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Property, plant and equipment

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

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%	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 historical cost.

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 statement of comprehensive income in the period the item is derecognised.

(n) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) 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.

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.

(p) 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.

(q) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised in the statement of comprehensive income.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(s)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

(s) Intangibles

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the economic entity's share of net identifiable assets of the acquired entities at the date of acquisition.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

(t) 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 statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

(u) 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 statement of comprehensive income 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) 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.

(w) Foreign currency

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

(x) Earnings/(loss) per share (EPS)

Basic EPS is calculated as net profit attributable to members, divided by the weighted average number of ordinary shares.

Diluted EPS is calculated as the net profit attributable to members, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

(y) Rounding of amounts

The parent entity and the economic entity have applied the relief available under ASIC Class Order CO 98/0100 and accordingly, amounts in the consolidated financial statements and Directors' report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(z) New Accounting standards and interpretations

A number of 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.

(aa) Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying value and fair value less costs to sell. If their carrying amount will be recovered principally through a sale transaction rather than through continuing use an impairment loss is recognised for any initial or subsequent write down of the assets to their fair value less costs to sell.

The impairment for the corporate owned stores is based on the actual contracted prices of the stores already sold, for the other stores, expressions of interest were used for the impairment of these assets after taking into consideration of any selling costs.

(ab) Application of class order CO 10/654 – four column financial statements

The parent entity and the economic entity have applied the relief available under ASIC Class Order CO 10/654 and accordingly, the consolidated financial report has been prepared with four columns displaying both consolidated and parent entity financial statements.

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. SEGMENT INFORMATION

(a) Descriptions of segments

The economic entity has two reportable segments as described below:

Segment 1: The provision of retail support services to its members solely in Australia are reported in the continuing operations throughout this report.

Segment 2: The retail stores operate solely in Australia and are reported as discontinued operation throughout this report.

(b) Segment information

2010	**Retail Support Services**	**Retail Stores**	**Total**
	$'000	**$'000**	**$'000**
Segment revenue			
Total segment revenue	64,170	99,540	163,710
Inter-segment revenue	(9,060)	-	(9,060)
Total segment revenue from external source	55,110	99,540	154,650
Segment result			
Total segment result	(2,878)	(27,847)	(30,725)
Inter-segment elimination	(650)	-	(650)
Inter-segment impairment elimination	5,360	-	5,360
Segment result from external source	1,832	(27,847)	(26,015)
Total Segment Assets	14,700	18,975	33,675
Total Segment Liabilities	17,610	38,754	56,364

NOTE 3: SEGMENT INFORMATION (CONT'D)

2009	**Retail Support Services**	**Retail Stores**	**Total**
	$'000	**$'000**	**$'000**
Segment revenue			
Total segment revenue	55,017	-	55,017
Segment revenue from external source	55,017	-	55,017
Segment result			
Total segment result	(2,104)	-	(2,104)
Segment result from external source	(2,104)	-	(2,014)
Total Segment Assets	19,988	-	19,988
Total Segment Liabilities	17,499	-	17,499

(i) Reconciliation of segment revenue from external source to the consolidated statement of comprehensive income

	2010	**2009**
	$'000	**$'000**
Segment revenue from external source	53,547	53,577
Sales revenue	504	221
Other revenue	1,059	1,219
Discontinued operations	99,540	-
Total Revenue	154,650	55,017

The total amount of external revenue derived from one major customer where the revenue is greater than 10% of the economic entity's total revenue was $24,753,000 (2009: $23,151,000). Revenue from this customer is included in Segment 1 and Segment 2.

(ii) Reconciliation of segment result from the external source to the consolidated statement of comprehensive income

	2010	**2009**
	$'000	**$'000**
Segment result from external source	2,994	(1,757)
Interest revenue	150	280
Interest expense	(27)	(36)
Depreciation and amortisation	(383)	(354)
Income tax expense	(902)	(237)
Discontinued operations after income tax	(27,847)	-
Total Loss	(26,015)	(2,104)

NOTE 3: SEGMENT INFORMATION (CONT'D)

	2010	2009
	$'000	$'000
(iii) Reconciliation of segment assets to the consolidated statement of financial position		
Segment assets	17,407	19,988
Inter-segment eliminations	(8,067)	-
Inter-segment impairment elimination	5,360	
Discontinued operations	18,975	-
Total Assets	33,675	19,988

	2010	2009
(iv) Reconciliation of segment liabilities to the consolidated statement of financial position		
Segment liabilities	17,610	17,499
Inter-segment eliminations	(8,067)	-
Discontinued operations	46,821	-
Total Liabilities	56,364	17,499

4. FINANCIAL RISK MANAGEMENT

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

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 rate risk
Cash deposits and interest bearing debt attract interest at the prevailing floating interest rate. See Note 26. Interest rate risk is managed by maintaining competitive interest rates or fixing rates as may be appropriate. If interest rates were to increase/decrease by 100 basis points (bps) as at the reporting date, then the impact on profit for the year and equity is as follows:

	Economic Entity		**Parent Entity**	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
+/- 100bps variation	+/ -	+/ -	+/ -	+/ -
Impact on pre-tax profit	49	34	19	34
Tax effect	-	(10)	-	(10)
Impact on equity	49	24	19	24

Foreign currency risk
The group is not exposed to 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 22(c) for available and used lending facilities.

4. FINANCIAL RISK MANAGEMENT (CONT'D)

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 statement of financial position 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 statement of financial position and notes to the financial statements.

5. REVENUE FROM CONTINUING OPERATIONS

		Economic Entity		Parent Entity	
		2010 $'000	2009 $'000	2010 $'000	2009 $'000
Operating activities					
- Supplier income		53,547	53,577	59,853	53,577
- Sale of goods		504	221	761	221
- Interest	5(a)	150	280	150	280
- Rent		702	578	702	578
- Subsidiary debt forgiveness		-	-	650	-
- Other revenue		207	361	2,054	361
Total revenue		55,110	55,017	64,170	55,017
(a) Interest from:					
- Other persons		137	215	137	215
- Related parties		13	65	13	65
		150	280	150	280

6. PROFIT/(LOSS) FROM CONTINUING ACTIVITIES

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Profit/(loss) from continuing operations before income tax has been determined after the following specific expenses:				
Employee benefits expense				
Wages and salaries	8,744	10,294	10,591	10,294
Workers' compensation costs	32	32	32	32
Superannuation costs	914	860	914	860
Total employee benefits expense	9,690	11,186	11,537	11,186
Finance costs expensed				
Equipment loan interest	27	36	27	36
Total finance costs expensed	27	36	27	36
Depreciation of non-current assets				
Leasehold improvements	170	170	170	170
Plant and equipment	31	32	31	32
Motor vehicles	1	2	1	2
Office equipment	173	143	173	143
Furniture, fixtures and fittings	8	7	8	7
Total depreciation of non-current assets	383	354	383	354
Other expenses				
Inventory write back	(40)	(35)	(40)	(35)
Bad debts	30	14	30	14
Provision for asset impairment	104	(3)	104	(3)
Provision for subsidiary impairment	-	-	5,360	-
Net loss on disposal of plant and equipment	48	1	48	1
	142	(23)	5,502	(23)

7. INCOME TAX

	Economic Entity		Parent Entity	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Income tax expense:				
Current tax	-	(5)	-	(5)
Deferred tax	902	237	902	237
Over provision from the prior year	-	5	-	5
	902	237	902	237
Deferred income tax revenue included in income tax expense comprises:				
Decrease in deferred tax assets	913	230	913	230
(Decrease)/Increase in deferred tax liability	(11)	7	(11)	7
	902	237	902	237
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 profit/(loss) before income tax at 30% (2009 - 30%)	820	(560)	(593)	(560)
Add:				
Tax effect of:				
- Debt forgiveness expense – subsidiary loan with AUG Pty Ltd	-	-	(195)	-
- FoodWorks Retail loan impairment	-	-	1,608	-
- Other non-allowable items	19	214	19	214
- Tax losses not brought to account	63	578	63	578
- Over provision in the prior year	-	5	-	5
Income tax expense attributable to loss	902	237	902	237
Deferred tax assets:				
The balance comprises:				
- Provision for impairment	-	32	-	32
- Provision for stock obsolescence	-	54	-	54
- Employee benefits	-	751	-	751
- Capital raising costs	-	40	-	40
- Non deductible accruals	-	36	-	36
	-	913	-	913
Deferred tax liability:				
The balance comprises:				
- Depreciation	-	(11)	-	(11)
Net deferred tax assets	-	902	-	902
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	23,752	6,295	3,986	6,295

7. INCOME TAX (CONT'D)

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.

8. EARNINGS/(LOSS) PER SHARE

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

	Economic Entity	
	2010	**2009**
	$'000	**$'000**
Net profit attributable to equity holders from continuing operations	1,832	(2,104)
Net loss attributable to discontinued operations	(27,847)	-
Net loss for the year	(26,015)	(2,104)

	2010	**2009**
	no.	**no.**
Weighted average number of ordinary shares for basic earnings/(loss) per share	11,560,475	11,560,498
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares for diluted earnings/(loss) per share	11,560,475	11,560,498
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings/(loss) 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. DISCONTINUED OPERATIONS

The 22 corporate stores purchased from Coles from acquisition date (see Note 25) through to divestment, closure or reporting date all contribute to the results of the discontinued operations as included in the consolidated financial statements.

(a) The results of the discontinued operation for the period until disposal are presented below:

	2010 **$'000**
(i) Financial performance information	
Revenue	97,862
Expenses	(126,522)
Other income	1,678
Loss before income tax	(26,982)
Income tax expense	(865)
Loss from discontinued operations	(27,847)
(ii) Cash flow information	
Net cash used in operating activities	(10,251)
Net cash used in investing activities	(16,123)
Net cash provided by financing activities	30,403
Net cash flow	4,029
(iii) Carrying amount of assets and liabilities	
Assets	
Cash	4,029
Inventories	9,561
Receivables	939
Non-current assets held for sale	4,334
Other assets	112
Assets directly associated with discontinued operations	18,975
Liabilities	
Payables	(18,032)
Provisions	(3,093)
Interest bearing liabilities	(25,696)
Liabilities directly associated with discontinued operations	(46,821)
Net liabilities attributable to discontinued operations	(27,846)

10. CASH AND CASH EQUIVALENTS

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Cash on hand	1,305	3	2	3
Cash at bank	4,627	3,366	1,901	3,366
	5,932	3,369	1,903	3,369

11. TRADE AND OTHER RECEIVABLES

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current				
Trade & member receivables	11,198	12,439	10,609	12,439
Provision for impairment	(211)	(107)	(211)	(107)
	10,987	12,332	10,398	12,332
Intercompany Receivables	-	-	8,067	-
Provision for impairment	-	-	(5,360)	-
	-	-	2,707	-
Sundry debtors and accrued income	1,535	2,245	1,185	2,244
	12,522	14,577	14,290	14,576

Provision for impairment

Trade receivables are non interest bearing with 30 day terms. An impairment loss is recognised when there is objective evidence that 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 2009	107	110	107	110
Charge for the year	104	(3)	104	(3)
Closing balance at 30 June 2010	211	107	211	107

11. TRADE AND OTHER RECEIVABLES (CONT'D)

Economic Entity
Trade Debtors
Trade receivables ageing analysis at 30 June 2010 is:

	Gross 2010 $'000	Impairment 2010 $'000	Gross 2009 $'000	Impairment 2009 $'000
Not past due	3,586	-	2,899	-
Past due 0-30 days	694	-	859	8
Past due 31-90 days	562	6	1,010	-
Past due more than 91 days	202	17	257	50
	5,044	23	5,025	58

Member Debtors
Trade receivables ageing analysis at 30 June 2010 is:

	Gross 2010 $'000	Impairment 2010 $'000	Gross 2009 $'000	Impairment 2009 $'000
Not past due	5,444	-	7,340	-
Past due 0-30 days	508	1	25	-
Past due 31-90 days	24	20	-	-
Past due more than 91 days	178	167	49	49
	6,154	188	7,414	49
Trade and member debtors	**11,198**	**211**	**12,439**	**107**

Parent Entity
Trade Debtors
Trade receivables ageing analysis at 30 June 2010 is:

	Gross 2010 $'000	Impairment 2010 $'000	Gross 2009 $'000	Impairment 2009 $'000
Not past due	3,210	-	2,899	-
Past due 0-30 days	649	-	859	8
Past due 31-90 days	403	6	1,010	-
Past due more than 91 days	193	17	257	50
	4,455	23	5,025	58

Member Debtors
Trade receivables ageing analysis at 30 June 2010 is:

	Gross 2010 $'000	Impairment 2010 $'000	Gross 2009 $'000	Impairment 2009 $'000
Not past due	5,444	-	7,340	-
Past due 0-30 days	508	1	25	-
Past due 31-90 days	24	20	-	-
Past due more than 91 days	178	167	49	49
	6,154	188	7,414	49
Trade and member debtors	**10,609**	**211**	**12,439**	**107**

12. INVENTORIES

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Merchandising signage at cost	195	226	195	226
Stock of goods at cost	10,216	240	105	240
Provision for impairment	(690)	(180)	(140)	(180)
	9,721	286	160	286

13. INTANGIBLES

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Goodwill	582	-	-	-
Accumulated impairment	(358)	-	-	-
Transfer to non-current assets held for sale	(224)	-	-	-
	-	-	-	-

Impairment loss

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The economic entity is currently in the process of divesting their business operations and the Directors have taken the view that goodwill be impaired to its balance date present value. The recoverable amount of a CGU is based on present value calculations using the estimated selling price less costs of sale.

14. OTHER ASSETS

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current				
Prepayments	137	59	25	59
	137	59	25	59

15. PROPERTY, PLANT & EQUIPMENT

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Leasehold improvements				
At cost	1,067	957	1,067	957
Less accumulated depreciation	(668)	(518)	(668)	(518)
	399	439	399	439
Plant and equipment				
Plant and equipment				
At cost	168	164	168	164
Less accumulated depreciation	(75)	(52)	(75)	(52)
	93	112	93	112
Motor vehicles				
At cost	-	11	-	11
Less accumulated depreciation	-	(3)	-	(3)
	-	8	-	8
Computer equipment				
At cost	1,328	907	1,328	907
Less accumulated depreciation	(865)	(693)	(865)	(693)
	463	214	463	214
Furniture, fixtures and fittings				
At cost	108	63	108	63
Less accumulated depreciation	(34)	(41)	(34)	(41)
	74	22	74	22
Total plant and equipment	630	356	630	356
Total property, plant and equipment	1,029	795	1,029	795

(a) Movement in Carrying Amounts

ECONOMIC ENTITY	Leasehold Improve-ments	Property, Plant and Equipment	Computer equipment	Motor vehicles	Furniture fixtures and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount as at 1 July 2008	590	140	270	10	23	1,033
Additions	19	4	88	-	6	117
Disposals	-	-	(1)	-	-	(1)
Depreciation charge for the year	(170)	(32)	(143)	(2)	(7)	(354)
Carrying amount as at 30 June 2009	439	112	214	8	22	795
Additions	591	3,367	1,343	-	5,623	10,924
Disposals	(39)	(219)	(30)	(7)	(368)	(663)
Depreciation charge for the year	(275)	(248)	(375)	(1)	(544)	(1,443)
Transfer to non-current assets held for sale	(317)	(2,919)	(689)	-	(4,659)	(8,584)
Carrying amount at 30 June 2010	399	93	463	-	74	1,029

15. PROPERTY, PLANT & EQUIPMENT (CONT'D)

PARENT ENTITY

	Leasehold Improve-ments	Property, Plant and Equipment	Computer equipment	Motor vehicles	Furniture fixtures and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount as at 1 July 2008	590	140	270	10	23	1,033
Additions	19	4	88	-	6	117
Disposals	-	-	(1)	-	-	(1)
Depreciation charge for the year	(170)	(32)	(143)	(2)	(7)	(354)
Carrying amount as at 30 June 2009	439	112	214	8	22	795
Additions	145	28	422	-	70	665
Disposals	(15)	(16)	-	(7)	(10)	(48)
Depreciation charge for the year	(170)	(31)	(173)	(1)	(8)	(383)
Carrying amount at 30 June 2010	399	93	463	-	74	1,029

Impairment charge
The recoverable amount of a cash generating unit (CGU) is based on present value less costs to sell. The economic entity is currently in the process of divesting their corporate store operations and the Directors have taken the view that the value of property plant and equipment be impaired to its recoverable amount.

16. NON-CURRENT ASSETS HELD FOR SALE

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Property, plant & equipment transferred	8,584	-	-	-
Intangibles transferred	224			
Accumulated impairment	(4,474)	-	-	-
	4,334	-	-	-

The non-current assets held for re-sale include property, plant and equipment used in the operation of corporate owned retail stores and goodwill arising from the acquisition of those stores. The controlled entities have engaged in a corporate store divestment program which is expected to be completed in a controlled manner during the course of 2010.

The impairment for the corporate owned stores is based on the actual contracted prices of the stores already sold, for the other stores, expressions of interest were used for the impairment of these assets after taking into consideration of any selling costs.

The non-current assets held for re-sale form part of the retail stores segment which is discontinued.

17. TRADE AND OTHER PAYABLES

		Economic Entity		Parent Entity	
		2010	2009	2010	2009
		$'000	$'000	$'000	$'000
Current					
Trade payables		19,347	10,946	10,527	10,946
Intercompany creditors		-	-	93	-
Sundry payables and accrued expenses		5,936	3,625	4,698	3,625
Loans from subsidiary	**(a)**	-	-	-	650
		25,283	14,571	15,318	15,221

(a) Loan payable from subsidiary was forgiven on 1 July 2009.

18. BORROWINGS

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current				
Secured liabilities				
Transitional funding facility	6,586	-	-	-
Working capital facility	2,947	-	-	-
Equipment loan	137	128	137	128
	9,670	128	137	128
Non-Current				
Secured liabilities				
Deferred credit facility	16,163	-	-	-
Equipment loan	161	297	161	297
	16,324	297	161	297

(a) Terms and conditions relating to CSA Retail (Finance) Pty Ltd facilities:
(i) The economic entity has three new credit facilities via FoodWorks Retail Pty Ltd with CSA Retail (Finance) Pty Ltd as the financier.
- 3 year amortising deferred credit facility of $35,000,000 (Deferred Credit Facility);
- 1 year amortising non-revolving cash advance facility of $11,875,000 (Transitional Funding Facility);
- 1 year non-revolving cash advance facility of $3,500,000 (Working Capital Facility); and
- a guarantee facility of up to $3,997,000

These facilities are secured by a fixed and floating charge over the assets of FoodWorks Retail Pty Ltd, the shares of FoodWorks Retail Pty Ltd held by the Company and all mortgage of leases held by FoodWorks Retail Pty Ltd.

The original conditions around the loans included:
Fixed charge cover ratio to exceed quarterly tests as set by the financier
Net leverage ratio must not exceed quarterly tests as set by the financier.

These conditions and any non compliance with the conditions were waived by the Financier until 31 March 2011.

18. BORROWINGS (CONT'D)

(ii) As disclosed in Note 30, subsequent to balance date FoodWorks Retail Pty Ltd negotiated a revision of the credit agreement conditions with respect to its short-term and long-term credit facilities. This resulted in a revised repayment schedule for the secured debt which is outlined in the table below:

Loan	< 12 Months $'000	> 12 Months $'000	Total Debt $'000
Working Capital Facility	2,947	-	2,947
Transitional Funding Facility	3,053	3,533	6,586
Deferred Credit Facility	-	16,163	16,163
Total:	6,000	19,696	25,696

In addition it has been agreed that upon full repayment of both the Working Capital Facility and the Transitional Funding Facility, any obligation for repayment of the Deferred Credit Facility will be waived by the Financier including any accumulated interest on the Deferred Credit Facility.

(b) Items pledged as security:

(i)CSA Retail (Finance) 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.

(ii) National Australia Bank

Guarantee & Indemnity for $2,300,000 given by Australian United Grocers Pty Ltd and lease purchase agreements.

19. PROVISIONS

	Notes	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
Current					
Employee benefits	**(a)**	4,694	2,346	1,814	2,346
Onerous contract provision	**(b)**	213	-	-	-
		4,907	2,346	1,814	2,346
Non-current					
Employee benefits	**(a)**	180	157	180	157
		180	157	180	157
(a) Aggregate employee benefits liability		4,874	2,503	1,994	2,503

(b) Onerous Contract Provision

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The FoodWorks Retail business has one such contract which relates to its in-store equipment. The contract is considered onerous as it relates to a minimum volume and involves timeframes which will never be required under the store divestment program.

20. SHARE CAPITAL

Issued and paid up capital	Notes	Economic Entity 2010 $'000	Economic Entity 2009 $'000	Parent Entity 2010 $'000	Parent Entity 2009 $'000
NIL : (2009: 1,285,790) Class C* Redeemable preference shares	15(a)	-	578	-	578
11,560,475 : (2009 : 10,274,698) Class A* Redeemable preference shares	15(b)	10,119	8,704	10,119	8,704
		10,119	9,282	10,119	9,282

* 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.

	Economic Entity 2010	Economic Entity 2009	Parent Entity 2010	Parent Entity 2009
(a) Class C Redeemable Preference Shares				
At the beginning of the reporting period	578	7,437	578	7,437
Instalments received during the year				
Second instalment received	348	281	348	281
Third instalment received	489	1,564	489	1,564
Shares transferred to A Class	(1,415)	(8,704)	(1,415)	(8,704)
At reporting date	-	578	-	578
	No.	**No.**	**No.**	**No.**
At the beginning of reporting period	1,285,790	11,559,800	1,285,790	11,559,800
Shares transferred to A Class	(1,285,790)	(10,274,010)	(1,285,790)	(10,274,010)
At reporting date	-	1,285,790	-	1,285,790
(b) Class A Redeemable preference shares	**$'000**	**$'000**	**$'000**	**$'000**
At the beginning of the reporting period	8,704	1	8,704	1
Shares transferred from C Class	1,415	8,703	1,415	8,703
At reporting date	10,119	8,704	10,119	8,704
	No.	**No.**	**No.**	**No.**
At the beginning of reporting period	10,274,698	708	10,274,698	708
Shares transferred from C Class	1,285,790	10,274,010	1,285,790	10,274,010
Shares issued during the year	82	92	82	92
Shares bought back during the year	(95)	(112)	(95)	(112)
At reporting date	11,560,475	10,274,698	11,560,475	10,274,698

21. ACCUMULATED LOSSES

	Economic Entity		Parent Entity	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Accumulated losses at the beginning of the financial year	(6,793)	(4,689)	(7,444)	(5,340)
Accumulated losses attributable to members of the entity	(26,015)	(2,104)	(2,878)	(2,104)
Accumulated losses at the end of the financial year	(32,808)	(6,793)	(10,322)	(7,444)

22. 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 three 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:

	Economic Entity		Parent Entity	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Cash on hand	1,305	3	2	3
Cash at bank	4,627	3,366	1,901	3,366
	5,932	3,369	1,903	3,369

(b) Reconciliation from the net loss after tax to the net cash flows from operations

Net Profit / (loss) from ordinary activities after tax	**(26,015)**	**(2,104)**	**(2,878)**	**(2,104)**
Adjustments for:				
Depreciation and amortisation	1,443	354	383	354
Provision for impairment	4,832	-	-	-
Provision for doubtful debts	104	(3)	104	(3)
Provision of intercompany receivable	-	-	5,360	-
Forgiveness of intercompany loan	-	-	(650)	-
Equipment loan interest	27	36	27	36
Loan interest	587	-	-	-
Net loss/(profit) on disposal of property, plant and equipment	48	1	48	1
Net loss/(profit) on disposal of stores	(1,469)	-	-	-
Changes in assets and liabilities:				
(Increase)/Decrease in debtors	1,241	(153)	1,830	(153)
(Increase)/Decrease in inventories	(9,435)	(237)	126	(237)
(Increase)/Decrease in prepayments and other assets	632	52	1,093	52
(Increase)/Decrease in deferred tax assets	902	237	902	237
Increase/(Decrease) in trade and other payables	10,712	(415)	(2,053)	(415)
Increase/(Decrease) in provisions	2,584	156	(509)	156
Changes due to business combination purchase	6,954	-	-	-
Changes due to business combination sale	385	-	-	-
Net cash from operating activities	(6,468)	(2,076)	3,783	(2,076)

22. CASHFLOW INFORMATION (CONT'D)

(c) Credit: Standby Arrangements with banks

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Credit Facility	63,220	6,975	8,848	6,975
Amount Utilised	(30,377)	(747)	(684)	(747)
Unused Credit Facility	32,843	6,228	8,164	6,228

The major facilities are summarised as follows:

Deferred Credit Facility
$35,000,000 : (2009: nil) fixed interest rate facility provided by CSA Retail (Finance) Pty Ltd

Transitional Funding Facility
$11,875,000 : (2009: nil) 1 year non-revolving variable interest rate facility provided by CSA Retail (Finance) Pty Ltd

Guarantee Facility
$3,997,000 (2009: nil) facility provided by CSA Retail (Finance) Pty Ltd

Working Capital Facility
$3,500,000 : (2009: nil) 1 year non-revolving variable interest rate facility provided by CSA Retail (Finance) Pty Ltd

Bank Guarantee Facility
$2,300,000 (2009: $300,000) facility provided by the National Australia Bank

Business Card Facility
$250,000 (2009: $250,000) variable interest rate facility provided by the National Australia Bank

Equipment Loan Facility
$298,000 : (2009: $426,000) fixed interest rate facility provided by the National Australia Bank

Direct Payments Facility
$6,000,000 : (2009: $6,000,000) variable interest rate facility provided by the National Australia Bank

23. AUDITORS' REMUNERATION

	Economic Entity		Parent Entity	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Amounts received or due and receivable by Pitcher Partners for:				
- an audit or review of the financial report of the entity and any other entity in the consolidated group	285	81	116	81
Other services in relation to the entity and any other entity in the consolidated group				
- tax compliance	24	12	7	12
- other assurance services	19	-	-	-
	328	93	123	93

24. CONTROLLED ENTITIES

(a) Controlled entities	Country of Incorporation	Percentage Owned (%) 2010	2009
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	
FW Retail Holdings Pty Ltd	Australia	100	
FW Viva 1 Pty Ltd	Australia	100	
FW Viva 3 Pty Ltd	Australia	100	
FW Viva 5 Pty Ltd	Australia	100	
FW Viva 8 Pty Ltd	Australia	100	
FW Viva 9 Pty Ltd	Australia	100	
FW Viva 10 Pty Ltd	Australia	100	
FW Viva 11 Pty Ltd	Australia	100	
FW Viva 13 Pty Ltd	Australia	100	
FW Viva 15 Pty Ltd	Australia	100	
FW Viva 17 Pty Ltd	Australia	100	
FW Viva 18 Pty Ltd	Australia	100	

25. BUSINESS COMBINATIONS

During the period FoodWorks Retail Pty Ltd acquired 12 legal entities from Coles Supermarkets Australia Pty Ltd and Bi-Lo Pty LTd, FW Retail Holdings Pty Ltd, FW Viva 1 Pty Ltd, FW Viva 3 Pty Ltd, FW Viva 5 Pty Ltd, FW Viva 8 Pty Ltd, FW Viva 9 Pty Ltd, FW Viva 10 Pty Ltd, FW Viva 11 Pty Ltd, FW Viva 13 Pty Ltd, FW Viva 15 Pty Ltd, FW Viva 17 Pty Ltd and FW Viva 18 Pty Ltd.

Interests are held by FoodWorks Retail Pty Ltd in the following related subsidiaries:

Associated entity details	Equity Instrument	Ownership Interest	Carrying Amount of Investment
		%	$
FW Retail Holdings Pty Ltd	Ordinary shares	100	1
FW Viva 1 Pty Ltd	Ordinary shares	100	1
FW Viva 3 Pty Ltd	Ordinary shares	100	1
FW Viva 5 Pty Ltd	Ordinary shares	100	1
FW Viva 8 Pty Ltd	Ordinary shares	100	1
FW Viva 9 Pty Ltd	Ordinary shares	100	1
FW Viva 10 Pty Ltd	Ordinary shares	100	1
FW Viva 11 Pty Ltd	Ordinary shares	100	1
FW Viva 13 Pty Ltd	Ordinary shares	100	1
FW Viva 15 Pty Ltd	Ordinary shares	100	1
FW Viva 17 Pty Ltd	Ordinary shares	100	1
FW Viva 18 Pty Ltd	Ordinary shares	100	1

All entities have a balance date of 30 June 2010. All voting power is reflective of the ownership interest.

25. BUSINESS COMBINATIONS (CONT'D)

The entities were acquired to facilitate the purchase of 22 formerly owned Coles supermarkets, four with adjoining liquor outlets during the period. The acquisitions were staggered throughout the period and as such the group is unable to quantify what the revenue and operating results of the combined entity would be as though all acquisitions were completed on 1 July 2009.

Details of the transaction are contained in the following table:

Acquisition costs
Costs of $587,000 were incurred in relation to these acquisitions. These costs were included in the financial statements for the year ended 30 June 2009.

The business acquired in FW Viva 3 Pty Ltd was sold on 21 June 2010 for a total consideration of $2,101,000, realising a profit on sale of $1,469,000.

One of the businesses acquired in FW Viva 17 Pty Ltd was closed and the loss on closure of the business was $58,000.

NOTE 25: BUSINESS COMBINATIONS (CONT'D)

	FoodWorks Retail Pty Ltd	FW Retail Holdings Pty Ltd	FW Viva 1 Pty Ltd	FW Viva 3 Pty Ltd	FW Viva 5 Pty Ltd	FW Viva 8 Pty Ltd	FW Viva 9 Pty Ltd	FW Viva 10 Pty Ltd	FW Viva 11 Pty Ltd	FW Viva 13 Pty Ltd	FW Viva 15 Pty Ltd	FW Viva 17 Pty Ltd	FW Viva 18 Pty Ltd	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Date acquired	5 November 2009	25 November 2009	9 November 2009	9 February 2010	7 October 2009	1 October 2009	14 October 2009	21 October 2009	26 October 2009	10 November 2009	1 February 2010	25 November 2009	8 February 2010	
Total acquisition cost	519	5,705	294	994	868	886	545	787	892	765	707	2,091	1,266	16,319
Net assets acquired	**Fair Value**	**Fair Value**	**Fair Value**	**Fair Value**	**Fair Value**	**Fair Value**	**Fair Value**	**Fair Value**	**Fair Value**	**Fair Value**	**Fair Value**	**Fair Value**	**Fair Value**	**Fair Value**
Assets														
- Cash float	22	154	19	22	19	29	30	33	30	28	36	78	22	522
- Property, plant and equipment	-	2,937	-	584	432	526	-	133	519	323	99	1,279	537	7,369
- Inventory	646	3,173	343	432	514	444	581	650	339	452	677	937	828	10,016
- Deferred tax asset	74	332	21	31	41	49	34	34	17	33	65	106	82	919
Total assets acquired	742	6,596	383	1,069	1,006	1,048	645	850	905	836	877	2,400	1,469	18,826
Liabilities														
- Provisions	(246)	(1,106)	(69)	(104)	(138)	(162)	(112)	(114)	(57)	(110)	(217)	(353)	(273)	(3,061)
Total liabilities acquired	(246)	(1,106)	(69)	(104)	(138)	(162)	(112)	(114)	(57)	(110)	(217)	(353)	(273)	(3,061)
Net assets acquired	**496**	**5,490**	**314**	**965**	**868**	**886**	**533**	**736**	**848**	**726**	**660**	**2,047**	**1,196**	**15,765**
Bargain purchase gain	**-**	**-**	**(20)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(56)**	**-**	**(76)**
Goodwill on acquisition	**23**	**215**	**-**	**29**	**-**	**-**	**12**	**51**	**44**	**39**	**47**	**100**	**70**	**630**

26. 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:

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
2010 - Economic Entity	**$'000**	**$'000**	**$'000**	**%**	
(i) Financial assets					
Cash	4,627	1,305	5,932	3.30	Variable
Trade and other receivables	-	12,522	12,522	-	
Total financial assets	4,627	13,827	18,454		
(ii) Financial liabilities					
Trade and other creditors	-	(25,283)	(25,283)	-	
Equipment loan	(298)	-	(298)	7.29	Fixed
Borrowings – Deferred credit	(16,163)	-	(16,163)	9.36	Fixed
Borrowings – Transitional funding	(6,586)	-	(6,586)	8.18	Variable
Borrowings – Working capital	(2,947)	-	(2,947)	8.62	Variable
Total financial liabilities	(25,994)	(25,283)	(51,277)		

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
2009 - Economic Entity	**$'000**	**$'000**	**$'000**	**%**	
(i) Financial assets					
Cash	3,366	3	3,369	2.32	Variable
Trade and other receivables	-	14,577	14,577	-	
Total financial assets	3,366	14,580	17,946		
(ii) Financial liabilities					
Trade and other creditors	-	14,571	14,571	-	
Equipment loan	425	-	425	7.29	Fixed
Total financial liabilities	425	14,571	14,996		

26. FINANCIAL INSTRUMENTS (CONT'D)

Financial instruments	**Interest bearing**	**Non-interest bearing**	**Total carrying amount**	**Weighted average effective interest rate**	**Fixed / variable rate**
2010 - Parent Entity	**$'000**	**$'000**	**$'000**	**%**	
(i) Financial assets					
Cash	1,901	2	1,903	3.77	Variable
Trade and other receivables	-	11,583	11,583	-	
Intercompany receivables	-	2,707	2,707	-	
Total financial assets	1,901	14,292	16,193		
(ii) Financial liabilities					
Trade and other creditors	-	(15,225)	(15,225)	-	
Equipment loan	(298)	-	(298)	7.29	Fixed
Intercompany payables	-	(93)	(93)	-	
Total financial liabilities	(298)	(15,318)	(15,616)		

Financial instruments	**Interest bearing**	**Non-interest bearing**	**Total carrying amount**	**Weighted average effective interest rate**	**Fixed / variable rate**
2009 - Parent Entity	**$'000**	**$'000**	**$'000**	**%**	
(i) Financial assets					
Cash	3,366	3	3,369	2.32	Variable
Trade and other receivables	-	14,576	14,576	-	
Total financial assets	3,366	14,579	17,945		
(ii) Financial liabilities					
Trade and other creditors	-	15,221	15,221	-	
Equipment loan	425	-	425	7.29	Fixed
Total financial liabilities	425	15,221	15,646		

26. FINANCIAL INSTRUMENTS (CONT'D)

(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 2010	Note	< 6 Months	6 - 12 Months	1-5 Years	Total
Economic entity		**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash receivables	10	5,932	-	-	5,932
Receivables	11	12,522	-	-	12,522
Payables	17	(25,283)	-	-	(25,283)
Borrowings	18	(68)	(9,602)	(16,324)	(25,994)
Net outflow		(6,897)	(9,602)	(16,324)	(32,823)
Parent Entity					
Cash and cash receivables	10	1,903	-	-	1,903
Receivables	11	14,290	-	-	14,290
Payables	17	(15,318)	-	-	(15,318)
Borrowings	18	(68)	(70)	(160)	(298)
Net inflow/(outflow)		807	(70)	(160)	577

Year ended 30 June 2009	Notes	< 6 Months	6 - 12 Months	1-5 Years	Total
Economic entity		**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash receivables	10	3,369	-	-	3,369
Receivables	11	14,577	-	-	14,577
Payables	17	(14,571)	-	-	(14,571)
Borrowings	18	(63)	(65)	(297)	(425)
Net inflow/(outflow)		3,312	(65)	(297)	2,950
Parent Entity					
Cash and cash receivables	10	3,369	-	-	3,369
Receivables	11	14,576	-	-	14,576
Payables	17	(15,221)	-	-	(15,221)
Borrowings	18	(63)	(65)	(297)	(425)
Net inflow/(outflow)		2,661	(65)	(297)	2,299

(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.

27. CAPITAL AND LEASING COMMITMENTS

		Economic Entity		Parent Entity	
		2010	2009	2010	2009
	Note	$'000	$'000	$'000	$'000
(a) Equipment Loan					
Payable					
- not later than one year		155	154	155	154
- later than one year and not later than five years		167	322	167	322
- later than five years		-	-	-	-
Minimum equipment loan payments		322	476	322	476
Less future finance charges		(24)	(51)	(24)	(51)
Total equipment loan liability		298	425	298	425
Represented by:					
Current liability	18	137	128	137	128
Non-current liability	18	161	297	161	297
		298	425	298	425

(b) Operating lease commitments

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

Payable				
- not later than one year	8,132	1,056	1,213	1,056
- later than one year and not later than five years	24,552	1,700	1,819	1,700
- later than five years	26,228	-	-	-
	58,912	2,756	3,032	2,756

The economic entity and parent entity have non-cancellable property leases with terms ranging from one year to fifteen years, with rent payable a month in advance. Contingent rental provisions have been calculated based on annual rental increases of between 3.25% and 4.00% per annum.

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.

(c) Estimate accumulated interest

Estimated accumulated interest but not capitalised in the financial statements:

Payable				
- not later than one year	1,100	-	-	-
- later than one year and not later than five years	5,000	-	-	-
- later than five years	-	-	-	-
	6,100	-	-	-

Estimated accumulated interest is payable on the all credit facilities payable to CSA Retail (Finance) Pty Ltd.

(d) Future store acquisitions

At 30 June 2010 the economic entity has a commitment under the Supermarkets Sale Agreement for the purchase of the assets of a further 12 stores In the period subsequent to reporting date, Coles Supermarkets Pty Ltd has confirmed this obligation will not be enforced (Refer Note 30).

27. CAPITAL AND LEASING COMMITMENTS (CONT'D)

Closure Costs

The economic entity has instigated a divestment program for all of its 22 stores. This divestment program may involve either the sale or closure of certain stores. As a result the Economic entity is likely to incur the following types of costs associated with the sale or closure process:

	$'000
Store Closure Costs (including separation payments & Make Good Costs)	2,020
Divestment related costs	440
Aggregate other expenditure not contracted for at reporting date	2,460

28. 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 2010 (2009: $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
Fred Fairthorne

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 $233,000 (2009: $154,000). The aggregate amount of rebates paid or payable and included in the result for the year is $2,126,000 (2009: $1,462,000).

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

Michael Reddrop
Peter Noble
Jack Scanlan

J Ehrenfeld provides accounting and administration services through one of his companies to two FoodWorks corporate stores. During the year J Ehrenfeld was charged $13,000 in interest at 12% per annum for outstanding share instalments.

Michael Reddrop, is a director and shareholder of Flinders Banner Pty Ltd trading as Reddrop Management Group. The economic entity entered into a contract with Reddrop Management Group during the reported period for the provision of consulting services. During the period $400,000 (ex GST) was paid to Flinders Banner Pty Ltd for their services at normal commercial terms and conditions.

John Bridgfoot, is a director and shareholder of Pacific Rim Securities Pty Ltd. The economic entity entered into a contract with Pacific Rim Securities during the reporting period for the provision of management services. During the period $80,000 (ex GST) was paid to Pacific Rim Securities Pty Ltd for their services at normal commercial terms and conditions.

28. RELATED PARTY TRANSACTIONS (CONT'D)

(c) Directors' Shareholdings

Aggregate number of shares disposed during the year:

"A" Class redeemable non-cumulative preference shares:

Jeff Ehrenfeld	Nil shares (2009: 1 share)

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

"A" Class redeemable non-cumulative preference shares:

Michael Reddrop	770,004 shares (2009: 720,004 shares)
Wayne Pattison	198,002 shares (2009: 198,002 shares)
Deborah Smith	150,003 shares (2009: 150,003 shares)
Jeff Ehrenfeld	334,000 shares (2009: 106,001 shares)
Fred Fairthorne	1,380,000 shares (2009: Nil shares)
Jack Scanlan	240,000 shares (2009: 240,000 shares)
Peter Noble	120,000 shares (2009: 120,000 shares)

"B" Class redeemable non-cumulative preference shares:

Michael Reddrop	4 shares (2009: 4 shares)
Wayne Pattison	2 shares (2009: 2 shares)
Deborah Smith	1 share (2009: 1 share)

"C" Class redeemable preference shares:

Jeff Ehrenfeld	Nil shares (2009: 530,000 shares)

In addition to the interest listed above, Michael Reddrop is a 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 2010.

29. 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
J Scanlan
D Smith
D Howell
W Pattison
N Osborne
J Kendall
F Fairthorne – Appointed 09/09/2009
J Ehrenfeld - Resigned 27/07/2009
M Reddrop - Resigned 23/06/2010
P Noble - Resigned 04/08/2010

(ii) The key management personnel of the parent entity during the financial year are:

R Wight
W Vermeend - Resigned 26/03/2010
A Pacella - Commenced 27/04/2010
H Gordon
S Holmes
G Longmuir - Resigned 09/10/2009
S Thompson - Resigned 23/07/2010

29. DIRECTORS' AND EXECUTIVES' COMPENSATION (CONT'D)

(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 on page 8 - 11 of the Directors' Report.

Grants of performance-related bonuses

Key management personnel have received performance-related bonuses during the period totalling $292,958 (2009: $283,425). Refer to the Directors Report for disclosure on the remuneration policies including performance-related bonuses for Directors and Executives.

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.

30. SUBSEQUENT EVENTS

In the period subsequent to balance date, the economic entity has completed the sale of the following stores:

- Glenelg East
- Telopea
- Moruya
- Brighton
- Dallas
- St Lucia
- Morphett Vale
- Aldgate

The impact of these sales is an increase in cash flow of $10,614,000. The sales also resulted in a reduction of $2,709,000 in non-current assets held for sale, $162,000 of cash and other assets, $3,442,000 in inventory, a reduction in employee provisions worth $639,000. The net result of these sales was a profit of $4,940,000.

The sale of the stores also resulted in a reduction in future lease commitments of $10,772,000 over the next five years.

The economic entity has also advanced the divestment of the remaining 12 corporate stores still held, with agreements to sell a further eight stores and negotiations underway on selling or converting all remaining stores to alternative uses by the end of December 2010.

The Directors have received confirmation from Coles Supermarkets Australia Pty Ltd and Wesfarmers Ltd (Coles ultimate parent entity) that no additional stores, from the original 45 agreed to be transferred, will be transferred under the original Supermarkets Sale Agreement.

Management continues to progress divestments while focusing on improved efficiencies and processes for the existing stores to minimise further losses and maximise the value of these assets.

On 13 September 2010 the provider of the vendor financing agreement (CSA Retail (Finance) Pty Ltd) agreed to a restructure of the debt which involves changes to the repayment profile as outlined below. In addition, it has waived any breaches of financing covenants included in the original credit facility, and any variations made to that agreement and has no present intention to recall any amounts as due outside of the previously agreed upon debt repayment schedule.

In addition it has been agreed that upon full repayment of both the Working Capital Facility and the Transitional Funding Facility, any obligation for repayment of the Deferred Credit Facility will be waived by the Financier including any accumulated interest on the Deferred Credit Facility.

The new debt repayment profile is summarised as follows:

Loan	< 12 Months	> 12 Months	Total Debt
	$'000	$'000	$'000
Working Capital Facility	2,947	-	2,947
Transitional Funding Facility	3,053	3,533	6,586
Deferred Credit Facility	-	16,163	16,163
Estimated Accumulated Interest	1,100	5,000	6,100
Total:	7,100	24,696	31,796

DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 19 to 60 are 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) As stated in Note 1, the financial statements also comply with *International Financial Reporting Standards;* and

(c) Give a true and fair view of the financial position of the company and the economic entity as at 30 June 2010 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, having regard to those matters discussed in note 1(b) in relation to the going concern basis on which the accounts are prepared, there are reasonable grounds to believe that Australian United Retailers Ltd 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 sections 295A of the *Corporations Act 2001* for the financial period ending 30 June 2010.

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

Director ______________________

J Bridgfoot

Director ______________________

J Scanlan

Dated this 13th day of September 2010

AUSTRALIAN UNITED RETAILERS LTD
ABN 93 077 879 782
AND CONTROLLED ENTITIES

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 statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement 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.

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 and controlled entities 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 2010 and of their 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.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 (b) in the financial report which indicates that the consolidated entity incurred a net loss of $26.015m during the year ended 30 June 2010 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by $7.214m. These conditions, along with other matters as set forth in Note 1 (b), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

Report on the Remuneration Report

We have audited the remuneration report included in pages 8 to 11 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

K L BYRNE
Partner
13 September 2010

Pitcher Partners

PITCHER PARTNERS
Melbourne

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 11,560,475 Class A Redeemable Preference Shares issued at 30 June 2010.

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 227 Class B Redeemable Preference Shares issued at 30 June 2010. 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 continued to have such limited voting rights at general meetings of the Company until they were fully paid. There were nil partly paid Class C Redeemable Preference Shares issued as at 30 June 2010. 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 2010.

	No of shares	%
DALEWING PTY LTD	1,080,000	9.3
PKAT INVESTMENTS PTY LTD	802,800	6.9
DREYFUS PTY LTD	770,000	6.7
MR J N HALL	716,000	6.2
OAKMEADOW PTY LTD	460,000	4.0
BACCHUS MARSH MEGA FRESH PTY LTD	446,000	3.9
SUPERATE PTY LTD	426,000	3.7
MELLWAY HOLDINGS PTY LTD	300,000	2.6
RUMMAGE MARKET PTY LTD	240,000	2.1
HOCKNEY NOMINEES PTY LIMITED	222,000	1.9
		47.3