



**Offer information statement**

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

AURL lodged this Offer Information Statement with ASIC on 20 December 2010.

**IMPORTANT INFORMATION**

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

## **CORPORATE DIRECTORY**

### **Company**

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

### **Directors**

John Bridgfoot – Chairman and Non Executive Director  
Jack Scanlan – Deputy Chairman and Non Executive Director  
Deborah Smith - Non Executive Director  
Janette Kendall - Non Executive Director  
Wayne Pattison - Non Executive Director  
Neil Osborne - Non Executive Director  
Fred Fairthorne – Non Executive Director  
Allan Burge – Non Executive Director  
Malcolm Ward – Non Executive Director  
David Williamson – Non Executive Director

### **Company Secretary**

Ken Sleep

### **Lawyers to the Company**

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

### **Auditor**

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

## **IMPORTANT NOTICE**

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

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

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

This OIS is dated 20 December 2010 (**OIS Date**). A copy of this OIS was lodged with the Australian Securities and Investments Commission (**ASIC**) on 20 December 2010. The ASIC does not take any responsibility for the contents of this OIS or the merits of the Offer contained in it.

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

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

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

### **Exposure Period**

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

### **Offer for Australian Residents**

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

### **Definitions and Abbreviations**

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

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## **1 Glossary**

### **Glossary**

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

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

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

"ASIC" means the Australian Securities and Investments Commission.

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

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

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

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

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

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

"Board" means the Board of Directors of FoodWorks.

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

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

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

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

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

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

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

"Closing Date" means the date on which the Offer closes, being 5:00pm AEST on 20 January 2012.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"NSX" means National Stock Exchange of Australia Limited.

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

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

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

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

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

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

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

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

"Share" means a share in the Company.

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

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

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

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

"Unbranded Store" means an Approved Store which is not a Branded Store.

"Unity Agreement" means an agreement between FoodWorks and:

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

## **2 Introduction**

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

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

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

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

Under the Company's Constitution, where applicants meet the Directors' criteria to become an 'Approved Storeowner' (in other words, an Eligible Applicant), they are entitled to be issued and allotted one Class A Redeemable Preference Share in respect of each Approved Store they

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operate and control. This OIS contains the Offer that is made to Eligible Applicants to acquire a Class A Redeemable Preference Share(s) in respect of their Approved Store(s).

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

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

Event	Date
OIS Lodgement Date at ASIC	20 December 2010
Offer Opens	20 December 2010
Offer Closes	This offer is open for a period of 13 months from the date of lodgement, and closes on the Closing Date (5:00pm AEST on 20 January 2012)
Shares Issued	Normally after scheduled Board meetings (see section 5.3)

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

Yes, \$1.00.

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

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

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

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

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

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

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



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

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

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

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

As at the date of this OIS, the Company has 11,560,466 Class A Redeemable Preference Shares and 211 Class B Redeemable Preference Shares on issue.

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

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

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

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

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

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

**2.9 Will you get any dividends?**

The Company does not expect to make a sufficient profit to pay a dividend until, at earliest, after the 2011 financial year. It is the Directors' current expectations that, after the 2011 financial year (ie 2010/11), the Company will pay a dividend, subject to the Company's ability to meet any of its then cash funding requirements for the growth of the business and taking into account the capital and trading requirements of the Company and its subsidiaries at the time.

**2.10 Should you subscribe for Shares?**

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

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

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

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

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

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

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

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

### **3.1 Background information**

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

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

The Merger created a network of stores which has grown to approximately 650 stores with annual aggregate store turnover in excess of \$1.5 billion.

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

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

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

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

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

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

On 29 June 2009, the Company announced its intention to purchase up to 45 Coles stores in South Australia, Victoria, New South Wales and Queensland at a total acquisition value of around \$35 million. This acquisition was approved by the Company's members on 17 August 2009 and 22 of those stores were progressively transferred to the FoodWorks group during the period until February 2010. The acquisition was financed by the Wesfarmers group. In March 2010 the Company announced that initial performance benchmarks for the acquired stores had not been met and that plans would be developed to divest a number of stores. In addition to

reaching agreement with Coles that FoodWorks was not required to acquire further stores under the original sale and purchase agreement, a divestment plan was developed and, as at the date of this OIS, settlement on the sale of 14 of the stores acquired by FoodWorks has occurred, 1 store has been closed, and planning has occurred to implement the objective to divest the remaining 7 stores. The net proceeds from the divestment of these stores has been applied to reduce the Wesfarmers group debt financing. For further information regarding the Wesfarmers debt financing arrangements, refer to paragraph 9.9 of this OIS.

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

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

In the initial years following the Merger, stores were concentrated in the Eastern seaboard states and supported by offices in Brisbane and Melbourne, with additional representation in NSW. FoodWorks is now a national business following the expansion into Western Australia and South Australia.

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

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

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

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

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

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

- Negotiating supply arrangements, including pricing, trading terms, logistics, and promotions;
- Building and marketing a range of Private Label (controlled brand) product lines, to improve store sales and margins and generate customer loyalty;
- Conducting marketing and advertising on behalf of Branded Storeowners to grow sales and enhance customer awareness of the FoodWorks Brand;
- Providing a range of support services and tools to assist Members who own Approved Stores to:
  - **run** their businesses - such as business plans, product sales benchmarking information, space planning, Retail Development Partners (RDPs), Fresh Specialists
  - **manage** their businesses - such as training, manuals, price file hosting and maintenance and accounts payable services (e.g. Chargeback); and
  - **reduce** the cost of doing business – such as local area marketing, media buying, production and distribution of catalogues, Telstra, and Commonwealth Bank EFTPOS contracts;

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

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

### **3.5 Key FoodWorks Services**

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

#### **3.6 Marketing**

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

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

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

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

- Brand management - protecting the integrity of the FoodWorks brand by ensuring consistent execution of the brand and brand positioning in above and below the line activity
- Development and creation of advertising creative
- Creation and execution of consumer promotions
- Provision of graphic design services
- Promotion of FoodWorks in consumer, trade and local media through media relations activity
- Provision of local area marketing support to individual member stores
- Delivery of consumer research
- Store event support and delivery
- Provision of advice and support for community engagement and charity activities

#### **3.8 Operations**

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

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

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

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

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

### **3.9 Merchandising**

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

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

### **3.10 Supplier Agreements**

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

In particular, FoodWorks and its Member retailers have access to a comprehensive long-term supply agreement with Metcash. The agreement is based on national access to an extensive product range of grocery, perishable, general merchandise, tobacco and packaged liquor items. Further details with respect to this agreement are set out in section 9.7.

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

### **3.11 Private Label Ranges**

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

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

FoodWorks will also continue to maintain a strong National Brand presence in stores.

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

LiquorLink and TobaccoLink are FoodWorks' innovative, value added merchandising and promotional programs which provide regular competitive pricing and promotions support from

liquor and tobacco suppliers with retailer commitments to meet merchandising expectations of suppliers' products.

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

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

Additional services provided include:

- ScanWorks, which is exclusive to FoodWorks and is a management tool collecting scanned product sales data from FoodWorks stores.
- The retrieved data underpins many of FoodWorks' support services – such as special promotional activities (scan deal rebates), category management, analysis of store development potential for new and existing stores, and the creation of meaningful, tailored business plans.
- ScanWorks is also a powerful tool for Member retailers to assist them to benchmark their performances and to make effective merchandising decisions.
- Product Price File Hosting - Member retailers with FoodWorks approved Point of Sale and Back Office Systems can elect to have FoodWorks host their product price files in order to save substantial time and effort during promotional periods and manage price changes. The flexible “host management system” allows retailers to mix and match pricing zones at a subcategory level to maximise profitability.
- Space Management - FoodWorks provides Branded Storeowners with product and category range planograms and consumer-focused floor plans to improve store flow and product category footage allocations.

### **3.14 Promotional Support**

FoodWorks provides its members with an ongoing promotional program to drive customers into the stores and to increase sales. There are up to 51 catalogues produced each year by the Merchandise Team and they are distributed around the stores catchment area. These catalogues are tailored to the stores size and are available in a 12 page, 6 page and 2 page version. Supplier support is negotiated on behalf of the network by the Merchandise Team to meet price points that are market competitive and drive increased customer count.

### **3.15 Store Development**

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

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

These barriers include:

- Lack of data necessary to make a confident decision on a store's possible development options;
- Limited specialist expertise – i.e. limited ability to assess and quantify the opportunities, costs and potential return on investment or the high cost of accessing such expertise;

- High cost of development – ad hoc use of contractor and professional services and equipment, without formalised trading terms or standard specification.

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

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

- Internal retail design - offering Member retailers a cost effective way to create a new and innovative shopping experience for their customers by focusing on interior fit-outs.
- Sourcing competitive pricing for equipment and services to enable our members to operate more cost effectively.
- Provision of signage and branding to FoodWorks standards at no charge to the retailer.

### **3.16 Finance**

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

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

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

### **3.17 People and Performance**

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

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

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

### **3.18 FoodWorks' Vision**

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

- improves retailer standard profitability;

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

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

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

#### **4 Industry overview**

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

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

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

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

<b>Event</b>	<b>Date</b>
OIS Lodgement Date at ASIC	20 December 2010
Offer Opens	20 December 2010
Offer Closes	This offer is open for a period of 13 months from the date of lodgement, and closes on the Closing Date (5:00pm AEST on 20 January 2012)
Shares Issued	Normally after a scheduled Board meeting (see section 5.3)

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

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

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

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

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

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

By lodging a completed Application Form with AURL in respect of each Class A Redeemable Preference Share applied for, the Applicant is deemed to acknowledge that the Offer set out in this OIS is only capable of acceptance by AURL where the conditions set out in paragraph 5.2 above are met.

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

The issue of Class A Redeemable Preference Shares under this OIS will normally be approved at a scheduled Board meeting (usually held every one to two months) for applications received



and processed since the last Board meeting. Following such a meeting, Class A Redeemable Preference Share(s) shall be issued to Eligible Applicants whose applications have been accepted by the Board.

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

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

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

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

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

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

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

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

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

#### **5.6 Closing Date**

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

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

Applicants who require additional copies of the OIS can contact:

Company Secretary

Australian United Retailers Ltd

Ph: 03 9809 8600

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

The OIS may be downloaded from <http://extranet.foodworks.com.au> under the My Shares section of the website.

## **5.8 Company's discretion**

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

## **6 Directors and senior management**

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

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

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

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

The Board comprises the following Directors:

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

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

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

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

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

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

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

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

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

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

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

Jack holds a Bachelor of Laws (Melbourne University).

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

Deborah was appointed a director of AUR in October 2003 and has been a director of AURL since the Merger. Deborah is a member of the Board's Remuneration & Nomination Committee.

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

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

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

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

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

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

Janette brings general management and marketing skills to the Board

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

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

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

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

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

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

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

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

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

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

Previously, Neil has held a variety of senior executive positions with Myer Grace Bros and Coles Myer Ltd in corporate and operating brands across finance, supply chain, strategic

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planning and merchandise including the positions of Myer Chief Operating Executive and CML Group General Manager, Retail Services.

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

In addition to their other responsibilities, all the above named Directors of the Company are also Directors of its wholly owned subsidiary, FoodWorks Retail Pty Ltd, which has owned and operated either directly or through wholly owned subsidiaries, the Coles stores which have been or are currently being divested.

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

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

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

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

#### **6.1.8 Allan Burge – Non Executive Director**

Allan has been a retailer since 1968 and currently operates two Foodworks Supermarkets at Loganholme and Woodridge in Queensland. Allan is a member of the Audit & Risk Committee of the Board.

Allan was appointed to the Q.I.W. Board in 1981. In 1983, when Q.I.W. was taken over by Q.I.W. Retailers, Allan was elected a Director and was founding Chairman, a position he was elected to annually for the next 10 years, eventually retiring from the Board in 1993. At the direction of a General Meeting of SPAR Retailers during 1993, a group of retailers prepared a business plan for the purchase and distribution of fresh fruit and vegetables for QLD and N.S.W. SPAR Fresh Pty Ltd was registered and commenced operations in 1999 trading as Independent Produce Professionals. It is still progressing into its 12<sup>th</sup> year. Allan was elected a Director and founding Chairman and he has retained these positions to date.

In the past Allan was a member of The Institute of Company Directors of Australia and is a foundation fellow of The Australian Institute of Company Directors. Allan successfully completed the course and assessment for Company Directors through The University of New England, and The Institute of Company Directors. He was awarded a Diploma of Company Director in November 1990.

#### **6.1.9 Malcolm Ward – Non Executive Director**

Malcolm and his wife Liz have been owner/operators of supermarkets since joining the industry in 1994. Malcolm is the Managing Director of their family companies operating 4 FoodWorks stores in Western Australia. He is a director of Supermarkets West Pty Ltd, the marketing and promotion company for FoodWorks and Farmer Jacks stores in WA. Malcolm is a member of the Audit & Risk Committee of the Board.

Before entering the retail industry Malcolm owned and operated free range and cage egg farms and co-founded and constructed the largest egg farm in WA. He is currently a director and audit committee member of several production and marketing companies in the Australian egg industry including Farm Pride Foods Ltd. He is involved in reviewing the integrity and accuracy of the various companies financial reporting, assessment of operating risks and the pursuit of profitable growth opportunities.

Prior to this, Malcolm operated in the banking, petroleum and technology development industries. Malcolm brings a broad range of commercial experience having been involved in a number of industries including retailing, business management, agricultural production and marketing, project and property management, and banking.

#### **6.1.10 David Williamson – Non Executive Director**

David has been part of a family who has been serving its local community as owners of an Independent Retail Business for over 30 years. He has grown up in this industry, helping his family run their Tuckerbag Supermarket from a young age. At the age of 17, he became Store Manager of his family's second store, Riddell's Creek Riteway. From there he moved on to manage their third store which became a Payless Super barn and then graduated to their biggest store, Tuckerbag. He continued as the Store manager until 13 years ago when he was made Company Director when the family's Gisborne and Riddells Creek stores joined the Foodworks Supermarket Group.

In 2002 David was voted onto the Foodworks board as a Retail board member and served for two years before choosing to resign in 2004 to help reduce the number of board members when the two groups merged to become the AUR. In 2006, with his wife, David purchased the Gisborne store, excited by the prospect of carrying on his family's legacy. Since this time he has also purchased Kilmore Foodworks and, subject to various conditions being satisfied, the Sunbury FoodWorks will shortly be added to the list of stores that David controls. David is a member of the Remuneration & Nomination Committee of the Board.

#### **6.1.11 Ken Sleep - Company Secretary**

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

Previously, Ken had an extensive career with the Mayne Nickless Group, where he held administration, finance and company secretarial responsibilities, and spent the latter period as Group Company Secretary, with wide ranging secretarial responsibilities for the holding company and all subsidiaries.

In the period since, Ken has provided significant consultancy to the Toll Group on company secretarial, corporate governance and superannuation matters, with limited similar consultancies to other public companies.

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

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

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

The Company's Management Team comprises:

#### **6.2.1 Rick Wight - Chief Executive Officer**

Rick was appointed as CEO in October 2010. Prior to this he was the Chief Operating Officer. Rick brings to FoodWorks his strong background in finance, franchising and strategy management.

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

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

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

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

#### **6.2.2 Tony Pacella - Chief Financial Officer**

Tony brings to FoodWorks his strong background in finance and strategy, particularly in retail businesses.

He joined FoodWorks in 2010 from Prime Retirement and Aged Care Property Trust. Tony has previously held senior finance positions with Stockland, Coles Liquor, Officeworks Superstores, Mayne Nickless Business Services, Bayer and Glaxo Wellcome Australia.

Tony holds a Bachelor of Business with an Accounting Major and has Associate Chartered Accountant status.

#### **6.2.3 Midhat Massoud - General Manager, Merchandise**

Midhat joined FoodWorks in 2009 from the wholesale retail sector.

He has extensive experience with the Coles Myer Group in national category management and supply chain management and has also worked on the supplier side of retailing with a major national brand.

Midhat has undertaken extensive professional development in areas such as strategic planning and management in retailing, from institutions such as Deakin and Monash University.

He is responsible for overseeing the national category management and promotions team.

Midhat is committed to developing relationships with our suppliers that provide our members with competitive pricing on in-demand products, a promotional program that drives consumer foot traffic and sales while maintaining store profitability and product range and pricing that meets the diverse needs of our member network.

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

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

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

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

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

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

As FoodWorks' Project Manager for Business Implementation, Stephanie is accountable for the successful implementation of the operational facets of the business. With a strong operational background from various businesses including Shell Australia Limited, Stephanie brings to FoodWorks an in-depth understanding of the operational aspects of project management, business process development and business review. This skills base enables her to successfully manage projects and also oversee their operational facets which in turn help drive the future growth and prosperity of the company.

With a Bachelor of Business, Stephanie has worked for Shell, developing and implementing a range of initiatives across the business. Other career highlights includes several years as Operations Manager of an international Direct Marketing company overseeing the import and distribution of fast moving consumer goods into Australia and Asia, and time spent working as Operations Manager of several hospitality and gaming businesses.

#### **6.2.6 Jeff Rogut - General Manager Marketing and Merchandise Services**

Jeff joined FoodWorks in 2009 to oversee the Merchandise Services Team, which includes Pricing and Private Brand Development.

He has a diploma in Marketing Management and has undertaken extensive professional development in areas including merchandising, store planning and design, retail management and strategic planning.

A frequent presenter and spokesperson on marketing, private brands, customer service and retail topics, Jeff has more than 20 years experience in retail from both retailer and supplier perspectives.

Jeff's diverse experience with companies including Shell, Target, 7-Eleven, Campbell's Cash and Carry and Mitre 10 includes retail marketing, buying, merchandising and leadership. He has also worked as both a franchisee and franchisor.

A former Executive Director of The Australian Centre for Retail Studies at Monash University, Jeff has a broad knowledge of and insight into the retail sector in Australia and overseas.

Jeff is committed to developing best practice initiatives and processes to drive the success of both individual member stores and also the broader business.

#### **6.2.7 Tim Fergus - National Retail Support Manager**

Tim joined FoodWorks from ExxonMobil where he held a number of field and planning roles including Franchise Business Adviser, Company Operations Manager, Retail Business Planner and Network Manager during his 15 years tenure.

His extensive operational and financial experience is supported by a Bachelor of Business degree and Financial Planning qualifications.

Tim's focus is on understanding Retailer and customer needs, growing stores sales and ensuring the appropriate services are available to all stores.

#### **6.2.8 Theo Stratopoulos - National Operations Manager FoodWorks Retail**

Theo joined the FoodWorks group in mid 2009 as the National Operations Manager for FoodWorks Retail stores. Theo drove the store transition program as well as overseeing day to day operations for all stores across 4 States.

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Theo has 25 years experience in supermarket retailing, 23 of which were with the Coles Group at all levels of store operation and a number of state and national senior positions.

A graduate of Victoria University and Deakin University, Theo holds an Associate Diploma in Food Retailing and a Diploma of Management.

He has also undertaken professional development in areas such as Strategic Planning, Supply Chain Management, efficiency process mapping and solution implementation.

Theo is passionate about supermarkets and imparting his knowledge as well as developing people.

## **7 Risk factors**

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

### **7.1 Specific Risks**

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

#### **7.1.1 Acquisition and divestment of Coles stores**

The acquisition of the Coles stores, announced on 29 June 2009, introduced Company owned stores to the Company's operations. This acquisition significantly increased the number of employees, value of assets and number of properties under management within the group. This was a large and significant diversification for the Company beyond its traditional role of acting on behalf of its member stores. This initiative did not meet expectations and most of these stores have subsequently been divested. The Company aims for the remainder of the stores purchased from Coles to be divested in the near future. The Company's financial status will be impaired if the remaining stores cannot be divested quickly, resulting in a continuation of operating losses for these stores.

#### **7.1.2 Financing Requirements**

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

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

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



The initial financing agreements with the vendor financiers were varied in September 2010 with the financiers agreeing to reduce to zero the debt due under the principal credit facility, subject to all amounts due in respect of the other finance facilities being repaid in full by the due dates. While there has been significant repayment of amounts due in respect of these other finance facilities, some of the amounts due remain outstanding and therefore the reduction to zero of the debt due under the principal facility cannot be assumed. In these circumstances the obligations of FoodWorks under the initial financing agreements remain in force.

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

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

#### **7.1.4 Supply Chain Risk**

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

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

#### **7.1.5 Retention of Members**

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

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

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

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

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

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

#### **7.1.8 Information Technology**

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

#### **7.1.9 Trade Practices Risks**

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

#### **7.1.10 Government Legislation**

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

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

#### **7.1.11 Liability and Insurance Risk**

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

### **7.2 General Risks**

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

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

## **8 Rights attaching to Shares**

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

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

- 8.1.1 may only be held by an Eligible Member;
- 8.1.2 may be redeemed in accordance with the Redemption Procedure upon the occurrence of a Redemption Event (see section 9.3.4);
- 8.1.3 carry the sole right to vote (on the basis of one vote for each share held) at general meetings, and the voting restrictions attached to shares in the Company generally (see section 9.3.6);
- 8.1.4 carry the right to participate in any dividend declared and paid by the Company to holders of shares in the class;
- 8.1.5 carry the right, on a winding up of the Company, to participate in any distribution of assets; and
- 8.1.6 carry a restriction on transfer (see section 9.3.12).

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

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

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

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

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

- 8.3.1 the Member ceasing (for whatever reason) to be an Approved Storeowner of the Approved Store in respect of which the share was allotted, or otherwise ceasing to be an Eligible Member;
- 8.3.2 the holder becoming bankrupt or insolvent;
- 8.3.3 where the Member is an Approved Storeowner, a Default Event occurs (see section 8.4); or

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- 8.3.4 the holder requests in writing that the Company redeems some or all of the Redeemable Preference Shares held by that holder; and
- 8.3.5 the holder fails to give notice within one month that they hold the shares as trustee and the Board reasonably believes that the reason a notice was not given was to avoid disclosing full particulars of the beneficial ownership of the Shares so held.

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

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

Relevant Default Events in respect of an Approved Storeowner include:

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

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

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

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

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

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

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

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

## **8.7 Voting Restrictions**

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

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

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

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

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

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

## **8.9 Risks**

Given the limited volume and value of Class A Redeemable Preference Shares issued under this OIS, an investment under the Offer does not involve a significant degree of risk.

Regardless, Applicants are advised to carefully consider the Risks Section of this OIS set out in section 7.

## **9 Additional information**

### **9.1 Incorporation**

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

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

The rights attaching to Shares in the Company are:

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

### **9.3 Constitution**

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

### **9.3.1 General**

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

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

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

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

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

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

### **9.3.4 Redemption & Forfeiture**

Any Share in the Company may be redeemed if a 'Redemption Event' occurs in accordance with the redemption procedure set out in the Constitution. Redemption Events that may occur

in respect of an applicable Member (as determined by the Directors in their absolute discretion) may be summarised as:

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

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

#### **9.3.5 Partly paid Shares**

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

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

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

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

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

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

#### **9.3.8 Dividends**

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

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

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

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

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

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

### **9.3.11 Winding Up**

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

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

### **9.3.12 Transfer of Shares**

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

### **9.3.13 Directors**

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

### **9.3.14 Indemnities and Insurance**

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

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



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

#### **9.4 Unity Agreements**

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

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

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

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

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

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

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

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

#### **9.5 Approved Store Agreements**

Those Members who own Approved Stores but have not executed a Unity Agreement are subject to an Approved Store Agreement (and, in some cases, a Banner Agreement). The Approved Store Agreements provide for Members who own Approved Stores to benefit from the wholesale supply arrangements between FoodWorks and the Suppliers (see sections 9.7 and 9.8 of this OIS), as well as outlining primary obligations and benefits to such Members. As mentioned above, a number of Members who own Approved Stores have since entered into

Unity Agreements which supersede the old form Approved Store Agreements (see section 9.4 of this OIS).

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

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

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

## **9.6 Banner Agreements**

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

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

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

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

## **9.7 Metcash Supply Agreement**

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

## **9.8 Supply Agreements**

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

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

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

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

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

In June 2009, FoodWorks entered into various transaction documents, under which a subsidiary of FoodWorks agreed to acquire the assets of up to 45 supermarkets (and 8 liquor outlets) from the Coles Group. The Supermarkets Sale Agreement sets out the primary terms of these acquisitions, including the manner in which FoodWorks subsidiaries would become the tenant under the relevant property leases and the employer of relevant supermarket staff. A purchase price was allocated to each portfolio store (which is then adjusted with respect to matters including the value of stock, cash float and accrued employee entitlements). A number of representations and warranties were provided by Coles, and a limitation of liability regime applies.

These arrangements were subsequently varied such that the number of supermarkets whose assets would be acquired was reduced to 22 stores and, by early 2010, the 22 stores were acquired. Divestment has subsequently occurred of 14 of these stores, 1 has been closed, and arrangements for the divestment of the assets of the remaining 7 stores are currently being considered.

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

The initial financing agreements with the vendor financiers were varied in September 2010 with the financiers agreeing to reduce to zero the debt due under the principal credit facility, subject to all amounts due in respect of the other finance facilities being repaid in full by the due dates. While there has been significant repayment of amounts due in respect of these other finance facilities, some of the amounts due remain outstanding and therefore the reduction to zero of the debt due under the principal facility cannot be assumed. In these circumstances the obligations of FoodWorks under the initial financing agreements remain in force.

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

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

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

**9.11 CEO employment agreement**

In October 2010, the Company entered into a new employment agreement with Rick Wight, the Company's Chief Executive Officer. It operates for the period to 26 October 2013 and incorporates a base fixed salary and an annual bonus which is dependent on attainment of annual performance targets.

**9.12 Tax Considerations**

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

**10 Director's statement and Consents**

**10.1 Directors**

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

**10.2 Pitcher Partners**

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

- inclusion of its report for the Company in respect of the year ended 30 June 2010 in section of the OIS; and
- being named in the OIS as the auditor to Australian United Retailers Limited in the form and context in which it appears in the OIS.

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

**10.3 DLA Phillips Fox**

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

Dated 20 December 2010

Signed for, and on behalf of, FoodWorks



John Bridgfoot

Chairman and Non Executive Director

**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  
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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
<b>Less non-trading costs:</b>		
Income tax expense on continuing operations	(902)	
Loss after tax from FoodWorks Retail (Discontinued Operations)	(27,847)	
<b>Consolidated loss for the year</b>		<u><u>(26,015)</u></u>

**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.

**AUSTRALIAN UNITED RETAILERS LTD  
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AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT (CONT'D)**

**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:

<b>Loan</b>	<b>&lt; 12 Months \$'000</b>	<b>&gt; 12 Months \$'000</b>	<b>Total Debt \$'000</b>
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.



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

**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.

<b>J Bridgfoot</b>	- 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.
<b>J Scanlan</b>	- 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.
<b>D Smith</b>	- 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.

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**DIRECTORS' REPORT (CONT'D)**

**Information on Directors (Continued):**

<b>P Noble</b>	- 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.
<b>D Howell</b>	- 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.
<b>M Reddrop</b>	- 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.
<b>W Pattison</b>	- 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 20 years 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.

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**DIRECTORS' REPORT (CONT'D)**

**Information on Directors (Continued):**

<b>N Osborne</b>	- 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.
<b>J Kendall</b>	- 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.
<b>F Fairthorne</b>	- 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.

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**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.

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**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
<i>Jack Scanlan</i>	<i>240,000 A Class</i>
<i>Deborah Smith</i>	<i>150,003 A Class</i>
<i>Peter Noble</i>	<i>120,000 A Class</i>
<i>Michael Reddrop</i>	<i>770,004 A Class</i>
<i>Fred Fairthorne</i>	<i>1,380,000 A Class</i>
<i>Wayne Pattison</i>	<i>198,002 A Class</i>
<i>Jeff Ehrenfeld</i>	<i>384,000 A Class</i>

**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:	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Other assurance services	18,830	-
Taxation services	24,180	12,135

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**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.

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**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:

<b>Executives</b>	<b>Position</b>
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

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**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	15
J Scanlan	45,417	-	-	58,333	-	-	-	103,750	
D Smith	65,750	-	-	-	-	-	-	65,750	
P Noble*	419,380	82,569	-	45,000	-	-	-	546,949	
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.



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**DIRECTORS' AND EXECUTIVES' COMPENSATION (CONT'D)**

2009	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	130,000	-	-	-	-	-	-	130,000	16
J Scanlan	-	-	-	93,000	-	-	-	93,000	
D Smith	63,000	-	-	-	-	-	-	63,000	
P Noble*	377,342	85,500	-	77,156	-	-	-	539,998	
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.

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**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**

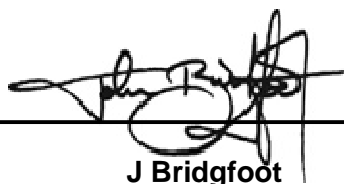
The Chief Executive Officer and Chief Financial Officer have given a declaration to the Board concerning the Group's financial statements for the year ended 30 June 2010 under section 295A (2) of the Corporations Act 2001 and recommendations 4.1 and 7.1 of the Corporate Governance Principles and Recommendations 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 13<sup>th</sup> 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

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**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> )***

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**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.

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**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.

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**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.

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**CORPORATE GOVERNANCE STATEMENT (CONT'D)**

**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.



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

		<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>Note</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Continuing operations</b>					
<b>Revenue</b>					
Supplier income	<b>5</b>	53,547	53,577	59,853	53,577
Sales revenue	<b>5</b>	504	221	761	221
Other income		1,059	1,219	3,556	1,219
		<u>55,110</u>	<u>55,017</u>	<u>64,170</u>	<u>55,017</u>
<b>Less: expenses</b>					
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	<b>6</b>	<u>-</u>	<u>-</u>	<u>(5,360)</u>	<u>-</u>
		<u>(52,349)</u>	<u>(56,848)</u>	<u>(66,119)</u>	<u>(56,848)</u>
Finance costs	<b>6</b>	<u>(27)</u>	<u>(36)</u>	<u>(27)</u>	<u>(36)</u>
<b>Profit/(loss) before income tax</b>		<u>2,734</u>	<u>(1,867)</u>	<u>(1,976)</u>	<u>(1,867)</u>
Income tax expense	<b>7</b>	<u>(902)</u>	<u>(237)</u>	<u>(902)</u>	<u>(237)</u>
<b>Profit/(loss) from continuing operations</b>		<u>1,832</u>	<u>(2,104)</u>	<u>(2,878)</u>	<u>(2,104)</u>
Net loss from discontinued operations	<b>9</b>	<u>(27,847)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Loss for the year</b>		<u><u>(26,015)</u></u>	<u><u>(2,104)</u></u>	<u><u>(2,878)</u></u>	<u><u>(2,104)</u></u>

**AUSTRALIAN UNITED RETAILERS LTD**  
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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)**  
**FOR THE YEAR ENDED 30TH JUNE 2010**

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

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30TH JUNE 2010**

	Note	Economic Entity		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Current assets</b>					
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
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Non-current assets held for sale	16	4,334	-	-	-
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total current assets</b>		<u>32,646</u>	<u>18,291</u>	<u>16,378</u>	<u>18,290</u>
<b>Non-current assets</b>					
Property, plant and equipment	15	1,029	795	1,029	795
Deferred tax asset	7	-	902	-	902
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total non-current assets</b>		<u>1,029</u>	<u>1,697</u>	<u>1,029</u>	<u>1,697</u>
<b>Total assets</b>		<u><u>33,675</u></u>	<u><u>19,988</u></u>	<u><u>17,407</u></u>	<u><u>19,987</u></u>
<b>Current liabilities</b>					
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
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total current liabilities</b>		<u>39,860</u>	<u>17,045</u>	<u>17,269</u>	<u>17,695</u>
<b>Non-current liabilities</b>					
Long term borrowings	18	16,324	297	161	297
Provisions	19	180	157	180	157
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total non-current liabilities</b>		<u>16,504</u>	<u>454</u>	<u>341</u>	<u>454</u>
<b>Total liabilities</b>		<u><u>56,364</u></u>	<u><u>17,499</u></u>	<u><u>17,610</u></u>	<u><u>18,149</u></u>
<b>Net assets/(deficiency)</b>		<u><u>(22,689)</u></u>	<u><u>2,489</u></u>	<u><u>(203)</u></u>	<u><u>1,838</u></u>
<b>Equity</b>					
Share capital	20	10,119	9,282	10,119	9,282
Accumulated losses	21	(32,808)	(6,793)	(10,322)	(7,444)
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total equity</b>		<u><u>(22,689)</u></u>	<u><u>2,489</u></u>	<u><u>(203)</u></u>	<u><u>1,838</u></u>

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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

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

	Note	Economic Entity		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>					
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)	-	-	-
<b>Net cash used in operating activities</b>	<b>22(b)</b>	<u>(6,468)</u>	<u>(2,076)</u>	<u>3,783</u>	<u>(2,076)</u>
<b>Cash flows from investment activities</b>					
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	-	-	-
<b>Net cash used in investing activities</b>		<u>(16,788)</u>	<u>(117)</u>	<u>(665)</u>	<u>(117)</u>
<b>Cash flows from financing activities</b>					
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)	-
<b>Net cash provided by/(used in) financing activities</b>		<u>25,819</u>	<u>1,690</u>	<u>(4,584)</u>	<u>1,690</u>
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
<b>Cash at end of financial year</b>	<b>22(a)</b>	<u>5,932</u>	<u>3,369</u>	<u>1,903</u>	<u>3,369</u>

**AUSTRALIAN UNITED RETAILERS LTD  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2010**

**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.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 2010 (CONT'D)**

**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.



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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**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 recognised upon the delivery of the service to the customer.

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

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**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.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**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:

<b>Class of fixed asset</b>	<b>Depreciation rates</b>	<b>Depreciation basis</b>
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.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**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.

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**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.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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**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.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**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 \$'000	Retail Stores \$'000	Total \$'000
<b>Segment revenue</b>			
Total segment revenue	64,170	99,540	163,710
Inter-segment revenue	(9,060)	-	(9,060)
<b>Total segment revenue from external source</b>	<b>55,110</b>	<b>99,540</b>	<b>154,650</b>
<b>Segment result</b>			
Total segment result	(2,878)	(27,847)	(30,725)
Inter-segment elimination	(650)	-	(650)
Inter-segment impairment elimination	5,360	-	5,360
<b>Segment result from external source</b>	<b>1,832</b>	<b>(27,847)</b>	<b>(26,015)</b>
<b>Total Segment Assets</b>	<b>14,700</b>	<b>18,975</b>	<b>33,675</b>
<b>Total Segment Liabilities</b>	<b>17,610</b>	<b>38,754</b>	<b>56,364</b>

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**NOTE 3: SEGMENT INFORMATION (CONT'D)**

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

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

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

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*

	<b>2010 \$'000</b>	<b>2009 \$'000</b>
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)	-
<b>Total Loss</b>	<b>(26,015)</b>	<b>(2,104)</b>



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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**NOTE 3: SEGMENT INFORMATION (CONT'D)**

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

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

**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:

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

*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.

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**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**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Operating activities</b>				
- 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	<u>55,110</u>	<u>55,017</u>	<u>64,170</u>	<u>55,017</u>
<b>(a) Interest from:</b>				
- Other persons	137	215	137	215
- Related parties	13	65	13	65
	<u>150</u>	<u>280</u>	<u>150</u>	<u>280</u>

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**6. PROFIT/(LOSS) FROM CONTINUING ACTIVITIES**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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	<u>9,690</u>	<u>11,186</u>	<u>11,537</u>	<u>11,186</u>
Finance costs expensed				
Equipment loan interest	<u>27</u>	<u>36</u>	<u>27</u>	<u>36</u>
Total finance costs expensed	<u>27</u>	<u>36</u>	<u>27</u>	<u>36</u>
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	<u>8</u>	<u>7</u>	<u>8</u>	<u>7</u>
Total depreciation of non-current assets	<u>383</u>	<u>354</u>	<u>383</u>	<u>354</u>
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	<u>48</u>	<u>1</u>	<u>48</u>	<u>1</u>
	<u>142</u>	<u>(23)</u>	<u>5,502</u>	<u>(23)</u>

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**7. INCOME TAX**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Income tax expense:				
Current tax	-	(5)	-	(5)
Deferred tax	902	237	902	237
Over provision from the prior year	-	5	-	5
	<u>902</u>	<u>237</u>	<u>902</u>	<u>237</u>
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
	<u>902</u>	<u>237</u>	<u>902</u>	<u>237</u>
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	<u>902</u>	<u>237</u>	<u>902</u>	<u>237</u>
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
	<u>-</u>	<u>913</u>	<u>-</u>	<u>913</u>
Deferred tax liability:				
The balance comprises:				
- Depreciation	-	(11)	-	(11)
	<u>-</u>	<u>902</u>	<u>-</u>	<u>902</u>
Net deferred tax assets	<u>-</u>	<u>902</u>	<u>-</u>	<u>902</u>
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	<u>23,752</u>	<u>6,295</u>	<u>3,986</u>	<u>6,295</u>

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**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:

	<b>Economic Entity</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
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	<u>(26,015)</u>	<u>(2,104)</u>
	<b>2010</b>	<b>2009</b>
	<b>no.</b>	<b>no.</b>
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	<u>11,560,475</u>	<u>11,560,498</u>
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings/(loss) per share	<u>-</u>	<u>-</u>

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.

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**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:

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

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**10. CASH AND CASH EQUIVALENTS**

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

**11. TRADE AND OTHER RECEIVABLES**

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

*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	<u>211</u>	<u>107</u>	<u>211</u>	<u>107</u>

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**11. TRADE AND OTHER RECEIVABLES (CONT'D)**

**Economic Entity**

**Trade Debtors**

Trade receivables ageing analysis at 30 June 2010 is:

	<b>Gross 2010 \$'000</b>	<b>Impairment 2010 \$'000</b>	<b>Gross 2009 \$'000</b>	<b>Impairment 2009 \$'000</b>
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
	<u>5,044</u>	<u>23</u>	<u>5,025</u>	<u>58</u>

**Member Debtors**

Trade receivables ageing analysis at 30 June 2010 is:

	<b>Gross 2010 \$'000</b>	<b>Impairment 2010 \$'000</b>	<b>Gross 2009 \$'000</b>	<b>Impairment 2009 \$'000</b>
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
	<u>6,154</u>	<u>188</u>	<u>7,414</u>	<u>49</u>
<b>Trade and member debtors</b>	<u><b>11,198</b></u>	<u><b>211</b></u>	<u><b>12,439</b></u>	<u><b>107</b></u>

**Parent Entity**

**Trade Debtors**

Trade receivables ageing analysis at 30 June 2010 is:

	<b>Gross 2010 \$'000</b>	<b>Impairment 2010 \$'000</b>	<b>Gross 2009 \$'000</b>	<b>Impairment 2009 \$'000</b>
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
	<u>4,455</u>	<u>23</u>	<u>5,025</u>	<u>58</u>

**Member Debtors**

Trade receivables ageing analysis at 30 June 2010 is:

	<b>Gross 2010 \$'000</b>	<b>Impairment 2010 \$'000</b>	<b>Gross 2009 \$'000</b>	<b>Impairment 2009 \$'000</b>
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
	<u>6,154</u>	<u>188</u>	<u>7,414</u>	<u>49</u>
<b>Trade and member debtors</b>	<u><b>10,609</b></u>	<u><b>211</b></u>	<u><b>12,439</b></u>	<u><b>107</b></u>



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**12. INVENTORIES**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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)
	<u>9,721</u>	<u>286</u>	<u>160</u>	<u>286</u>

**13. INTANGIBLES**

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

*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**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Current</i>				
Prepayments	137	59	25	59
	<u>137</u>	<u>59</u>	<u>25</u>	<u>59</u>

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**15. PROPERTY, PLANT & EQUIPMENT**

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

**(a) Movement in Carrying Amounts**

<b>ECONOMIC ENTITY</b>	<b>Leasehold Improve-ments</b>	<b>Property, Plant and Equipment</b>	<b>Computer equipment</b>	<b>Motor vehicles</b>	<b>Furniture fixtures and fittings</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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

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**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)	-	-	-
	<u>4,334</u>	<u>-</u>	<u>-</u>	<u>-</u>

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.

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**17. TRADE AND OTHER PAYABLES**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Current</i>				
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
	<u>25,283</u>	<u>14,571</u>	<u>15,318</u>	<u>15,221</u>

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

**18. BORROWINGS**

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

**(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.

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**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:	<u>6,000</u>	<u>19,696</u>	<u>25,696</u>

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

**(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.

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**20. SHARE CAPITAL**

Issued and paid up capital

	Notes	Economic Entity		Parent Entity	
		2010 \$'000	2009 \$'000	2010 \$'000	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
		<u>10,119</u>	<u>9,282</u>	<u>10,119</u>	<u>9,282</u>

\* 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.

(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

<u>-</u>	<u>578</u>	<u>-</u>	<u>578</u>
----------	------------	----------	------------

At the beginning of reporting period  
Shares transferred to A Class

No. 1,285,790	No. 11,559,800	No. 1,285,790	No. 11,559,800
(1,285,790)	(10,274,010)	(1,285,790)	(10,274,010)

At reporting date

<u>-</u>	<u>1,285,790</u>	<u>-</u>	<u>1,285,790</u>
----------	------------------	----------	------------------

(b) Class A Redeemable  
preference shares

At the beginning of the reporting  
period

\$'000 8,704	\$'000 1	\$'000 8,704	\$'000 1
-----------------	-------------	-----------------	-------------

Shares transferred from C Class

1,415	8,703	1,415	8,703
-------	-------	-------	-------

At reporting date

<u>10,119</u>	<u>8,704</u>	<u>10,119</u>	<u>8,704</u>
---------------	--------------	---------------	--------------

At the beginning of reporting period

No. 10,274,698	No. 708	No. 10,274,698	No. 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

<u>11,560,475</u>	<u>10,274,698</u>	<u>11,560,475</u>	<u>10,274,698</u>
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**21. ACCUMULATED LOSSES**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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	<u>(26,015)</u>	<u>(2,104)</u>	<u>(2,878)</u>	<u>(2,104)</u>
Accumulated losses at the end of the financial year	<u>(32,808)</u>	<u>(6,793)</u>	<u>(10,322)</u>	<u>(7,444)</u>

**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:

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

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

Net Profit / (loss) from ordinary activities after tax	<b>(26,015)</b>	<b>(2,104)</b>	<b>(2,878)</b>	<b>(2,104)</b>
<i>Adjustments for:</i>				
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)	-	-	-
<i>Changes in assets and liabilities:</i>				
(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	<u>385</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net cash from operating activities</b>	<u><b>(6,468)</b></u>	<u><b>(2,076)</b></u>	<u><b>3,783</b></u>	<u><b>(2,076)</b></u>

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**22. CASHFLOW INFORMATION (CONT'D)**

**(c) Credit: Standby Arrangements with banks**

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

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**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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	<u>19</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>328</u>	<u>93</u>	<u>123</u>	<u>93</u>



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**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.

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**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.

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**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	
<b>Total acquisition cost</b>	519	5,705	294	994	868	886	545	787	892	765	707	2,091	1,266	16,319
<b>Net assets acquired</b>	<b>Fair Value</b>	<b>Fair Value</b>	<b>Fair Value</b>	<b>Fair Value</b>	<b>Fair Value</b>	<b>Fair Value</b>	<b>Fair Value</b>	<b>Fair Value</b>	<b>Fair Value</b>	<b>Fair Value</b>	<b>Fair Value</b>	<b>Fair Value</b>	<b>Fair Value</b>	<b>Fair Value</b>
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)
<b>Net assets acquired</b>	<b>496</b>	<b>5,490</b>	<b>314</b>	<b>965</b>	<b>868</b>	<b>886</b>	<b>533</b>	<b>736</b>	<b>848</b>	<b>726</b>	<b>660</b>	<b>2,047</b>	<b>1,196</b>	<b>15,765</b>
<b>Bargain purchase gain</b>	<b>-</b>	<b>-</b>	<b>(20)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(56)</b>	<b>-</b>	<b>(76)</b>
<b>Goodwill on acquisition</b>	<b>23</b>	<b>215</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>51</b>	<b>44</b>	<b>39</b>	<b>47</b>	<b>100</b>	<b>70</b>	<b>630</b>

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**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:

<b>Financial instruments</b>	<b>Interest bearing</b>	<b>Non-interest bearing</b>	<b>Total carrying amount</b>	<b>Weighted average effective interest rate</b>	<b>Fixed / variable rate</b>
<b>2010 - Economic Entity</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>	
<i>(i) Financial assets</i>					
Cash	4,627	1,305	5,932	3.30	Variable
Trade and other receivables	-	12,522	12,522	-	
<b>Total financial assets</b>	<b>4,627</b>	<b>13,827</b>	<b>18,454</b>		
<i>(ii) Financial liabilities</i>					
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
<b>Total financial liabilities</b>	<b>(25,994)</b>	<b>(25,283)</b>	<b>(51,277)</b>		

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

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**26. FINANCIAL INSTRUMENTS (CONT'D)**

<b>Financial instruments</b>	<b>Interest bearing</b>	<b>Non-interest bearing</b>	<b>Total carrying amount</b>	<b>Weighted average effective interest rate</b>	<b>Fixed / variable rate</b>
<b>2010 - Parent Entity</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>	
<i>(i) Financial assets</i>					
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		
<i>(ii) Financial liabilities</i>					
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)		
<b>Financial instruments</b>	<b>Interest bearing</b>	<b>Non-interest bearing</b>	<b>Total carrying amount</b>	<b>Weighted average effective interest rate</b>	<b>Fixed / variable rate</b>
<b>2009 - Parent Entity</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>	
<i>(i) Financial assets</i>					
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		
<i>(ii) Financial liabilities</i>					
Trade and other creditors	-	15,221	15,221	-	
Equipment loan	425	-	425	7.29	Fixed
Total financial liabilities	425	15,221	15,646		

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**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.

<b>Year ended 30 June 2010</b>	<b>Note</b>	<b>&lt; 6 Months</b>	<b>6 - 12 Months</b>	<b>1-5 Years</b>	<b>Total</b>
<b>Economic entity</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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

<b>Year ended 30 June 2009</b>	<b>Notes</b>	<b>&lt; 6 Months</b>	<b>6 - 12 Months</b>	<b>1-5 Years</b>	<b>Total</b>
<b>Economic entity</b>		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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.

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**27. CAPITAL AND LEASING COMMITMENTS**

		Economic Entity		Parent Entity	
		2010	2009	2010	2009
	Note	\$'000	\$'000	\$'000	\$'000
<b>(a) Equipment Loan</b>					
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>(b) Operating lease commitments</b>					
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		-	-	-	-
		<u>6,100</u>	<u>-</u>	<u>-</u>	<u>-</u>

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).

**AUSTRALIAN UNITED RETAILERS LTD**  
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2010 (CONT'D)**

**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:

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

**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.



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**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

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2010 (CONT'D)**

**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 | • Brighton | • Morphett Vale |
| • Telopea      | • Dallas   | • Aldgate       |
| • Moruya       | • St Lucia |                 |

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

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**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*:

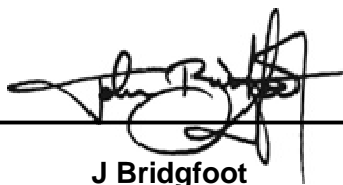
- (a) Comply with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- (b) As stated in Note 1, the financial statements also comply with *International Financial Reporting Standards*; and
- (c) Give a true and fair view of the financial 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  
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**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

Melbourne

**AUSTRALIAN UNITED RETAILERS LTD  
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**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.**

	<b>No of shares</b>	<b>%</b>
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

## APPLICATION FOR CLASS A REDEEMABLE PREFERENCE SHARE

Please return completed form to:  
Company Secretary  
FoodWorks  
Level 1, 1601 Malvern Road  
Glen Iris, Victoria 3146

The Storeowner and Eligible Applicant named below hereby makes application for one Class A Redeemable Preference Share of \$1.00 in Australian United Retailers Limited ACN 077 879 782 of Level 1, 1601 Malvern Road, Glen Iris, Victoria 3146 ('FoodWorks').

Read "How to complete this Application" over page then complete sections A-C.

**A**

### Storeowner/Eligible Applicant

Individual/Joint/Company names – refer over page to correct forms of registrable title

Title or Company Name	Given Name (s)	Surname
ABN		ACN (Company only)
Joint Owner 2		
ABN		
Joint Owner 3		
ABN		

**B**

### Address for Storeowner communications

Unit	Street Number	Street Name
City / Suburb / Town		State
		Postcode
Fax		Email

This application form accompanies the Offer Information Statement, and by completing and lodging it the Eligible Applicant is taken to acknowledge the terms set out in that document and agrees to become a member of the Company and to be bound by the Company's Constitution.

**C**

### Store Address (if different from Storeowner address)

Unit	Street Number	Street Name
City / Suburb / Town		State
		Postcode

## How to complete this Application

### **A** Storeowner/Eligible Applicant

Enter the full name of the Storeowner/Eligible Applicant. This must be either a company or the name(s) of the individual(s). Up to 3 Joint Applicants may register. Trust and partnership names cannot be registered. See below for correct forms of registrable title.

### **B** Storeowner Address

Enter full address for correspondence with Storeowner.

### **C** Store Details

Enter the store address if different from Storeowner/Eligible Applicant address.

## Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold shares in the Company. Application must be in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	JA Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund