

25 July 2011

Shareholder Update

Australian United Retailers Limited (AURL)

On 28 June 2011, AURL executed a variation to its current credit agreement with CSA Retail (Finance) Pty Ltd and Coles Supermarkets Australia Pty Ltd such that all debt outstanding under this agreement has been reduced to a zero balance. This formalised the variation agreement referred to in our half yearly report to shareholders on 17 March 2011.

As a result, AURL will report a significant non-recurring revenue item of around \$24 million as part of its discontinued operations in the consolidated financial statements for the year ended 30 June 2011.

The divestment of the remaining corporate stores has also progressed significantly and is near completion, with two stores of the original 22 remaining. An agreement has been reached to sell one of the remaining stores and negotiations are well advanced to convert the final remaining store to an alternative use by September 2011. The completion of the corporate stores divestment program will allow the Company to concentrate all its efforts on its continuing operations, which will focus on supporting the businesses of our FoodWorks members.

The economic entity's full year 2010/2011 consolidated profit after tax and after discontinued operations (being the trading and divestment/closure costs associated with the corporate stores business and the debt forgiveness of \$24 million), is estimated to be in the range of \$15 million to \$17 million.

The operating profit after tax of the parent company (continuing operations) is expected to be between \$3 million and \$4 million for the year ended 30 June 2011. This exceptional result will reflect a combination of strong growth in revenues and significant improvements in operating efficiencies and underlies the strength and excellent financial performance of the member-based business.

The company remains focussed on providing even higher levels of support to all of its 650 independent retailers. Despite a forecast of tough market conditions combined with some planned increases in marketing costs, we estimate a profit from the continuing operations of the member-based business of around \$3 million in the 2011/12 financial year.

The Board believes that the company has a strong and viable future as it continues to pursue growth strategies to improve the offer in store by optimising the product range, lowering the cost of product, improved marketing and a focus on improved in-store efficiencies.

The Board is optimistic that achievement of these expected levels of profitability will create an environment able to support dividend payments in the future.

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