Shareholder Update
Australian United Retailers Limited (AURL)

13 September 2012

In line with our market update issued on 28 June 2012, AURL has today reported a consolidated operating loss after tax of $0.8 million for the year ended 30 June 2012.

This included a loss of $4.5 million from its discontinued operations (corporate-owned store business). The finalisation of the divestment of the Corporate owned store business has not been possible within the previously expected timeframes or cost base.

At 30 June 2012, one corporate-owned store was still trading. An agreement has been reached to sell that store, with settlement expected in September 2012.

The company is now concentrating its efforts on completing the process of converting the two remaining former corporate store sites to either an alternative use or to sub-let, which is scheduled to be completed by 30 June 2013.

CEO Rick Wight said, “The member-based business continued to perform strongly in light of the tough market conditions, price deflation and increased competition from the major chains.

“We are extremely pleased that our retailers were able to achieve a positive growth in like-for-like sales for the year ended 30 June 2012.

“We are determined to resolve the remaining corporate-owned stores’ issues as quickly as possible and ensure that the business returns to an overall profitable position in the year ended 30 June 2013,” he said.

-ENDS-

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

Financial Report
For the year ended 30 June 2012

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

DIRECTORS' REPORT

The Directors present their report together with the financial report of the of Australian United Retailers Ltd ("AURL" or the "Company") and the entities it controlled for the financial year ended 30 June 2012 (together referred to as the "Consolidated Entity") and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors Names

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

Name	Period of directorship
John Bridgfoot	
Jack Scanlan	
Deborah Smith	
Wayne Pattison	Resigned 22 November 2011
Neil Osborne	
Janette Kendall	Resigned 22 November 2011
Fred Fairthorne	
Allan Burge	
Malcolm Ward	
David Williamson	
Sien Van Nguyen	Appointed 22 November 2011

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

Principal Activities

The principal activity of the parent entity during the financial year was the provision of retail support services to its members.

The principal activities of the controlled entities during the financial year were:

a) The operation of supermarkets in Australia; and
b) The continued divestment of the remaining corporate owned stores.

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

Results

The loss of the Consolidated Entity for the financial year, after providing for income tax, amounted to $848,000.

Review of Operations

The Consolidated Entity's loss after tax for the year ended 30 June 2012, is as follows:

	$ 000
Profit for the year (Continuing operations)	3,673
Loss for the year (Discontinued operations)	(4,521)
Loss for the year	(848)

DIRECTORS' REPORT (CONT'D)

The Member based business contributed a profit of $3.67 million in the current year which is down from $3.98 million in the prior year. The current year result includes the impact of the re-instatement of the normal marketing program in the member based business as well as the impact of on-going improvements in the operating efficiencies of that business. The Member based business is focused on the delivery of a robust support function whilst maintaining a level of profitability which will allow the business to grow and achieve its longer term corporate objectives. The longer term objectives include driving the sales and profitability of its Member's stores and the payment of a dividend to shareholders.

The Consolidated Entity has a modest level of borrowings, which relate to lease obligations for motor vehicles and equipment used in the operation of its Member based business as outlined in Note 18. The entity has access to some additional facilities as outlined in Note 22 to enable the business to pursue some short term objectives, which include the timely completion of the corporate owned stores divestment program and to continue to evolve its service offer to its Members in the coming year. The completion of the divestment program will enable the Consolidated Entity to fully focus on the Member store related objectives.

The Directors are disappointed that the finalisation of the divestment of the remaining corporate store has not been possible within the previously expected timeframes and that a store has continued to trade after balance date. The progress made on converting one of the former corporate stores to an alternate use has not met expectations whilst another former corporate owned store has not been able to achieve a satisfactory level of trading activity and the independent owner has decided to cease trading. These events have resulted in the need to revise the projected costs to complete the divestment program. The impact of these revisions is reflected in the results of the discontinued operations and have resulted in the overall loss recorded by the Consolidated Entity.

As disclosed in Note 26(c), the Consolidated Entity remains subject to a restatement deed which includes restrictions which if triggered will result in the re-instatement of the Transitional Funding Facility Reinstatement Amount previously held with CSA Retail (Finance) Pty Ltd. This re-instatement would equate to $7.1 Million plus interest accruing on the facility up to the date that the triggering event occurs.

The trigger events are:

(i) If before the end of June 2021, a change in control of the parent entity occurs, or

(ii) If before the end of June 2016, a capital raise which exceeds $6.4 million occurs.

The Directors are of the view that the restrictions are not a significant barrier to the normal operating activities of the Consolidated Entity and will not prevent the on-going normal business activities of the Consolidated Entity.

Significant Changes in State of Affairs

Except for matters described in this report, there were no significant changes in the Consolidated Entity's state of affairs during the financial period.

After Balance Date Events

As disclosed in Note 29, in the period subsequent to 30 June 2012, a sale agreement has been executed for the remaining corporate store. At the date of this report the sale has not yet been settled.

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

DIRECTORS' REPORT (CONT'D)

Likely Developments

The Company will continue to pursue its operating strategy to deliver quality retail support services to its Members and to finalise the sale of the remaining corporate store. In the opinion of the Directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Consolidated Entity.

Environmental Regulation

The Consolidated 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 Consolidated Entity were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

Indemnification of Officers

All Directors of the Consolidated Entity have entered into a Deed of Indemnity and certain insurance policies which are designed to provide Directors and Officers insurance cover for each Director and Key Management Personnel. Disclosure of further details of the policy and the premiums payable for the policy is prohibited under the terms of the relevant insurance policy.

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 Consolidated Entity.

Proceedings on Behalf of the Company

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

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

Information on Directors and Company Secretary

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.

DIRECTORS' REPORT (CONT'D)

John Bridgfoot	-	Independent Non Executive Chairman
Qualifications	-	Exec. M.B.A. (Washington State) B.A. (La Trobe University) Member Australian Institute of Company Directors (M.A.I.C.D)
Experience	-	John was appointed as a Director on 22 September 2001 of Australian United Grocers Pty Ltd. In July 2004 John was appointed chairman of AURL. 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	-	Member of Remuneration & Nomination Committee and Audit & Risk Committee. John was engaged on the divestment of our retail stores project on a month to month basis throughout the prior year to manage and direct the execution of the strategic objectives of that project on behalf of FoodWorks Retail Pty Ltd.
Neil Osborne	-	Independent Non Executive Director
Qualifications	-	Fellow Australian Institute of Company Directors (FAICD) Bachelor of Commerce Certified Practising Accountant
Experience	-	With over 20 years experience in the retail industry, Neil was appointed as a Director in November 2006. He has also been a Director of Vita Group since June 2007. 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 the Audit & Risk Committee.
Allan Burge	-	Non Executive Director
Qualifications	-	Fellow Australian Institute of Company Directors (FAICD)
Experience	-	Allan was appointed as a director of the Company on 17 November 2010. Allan has been a retailer since 1968 and currently operates two FoodWorks Supermarkets at Loganholme and Woodridge in Queensland. At the direction of a General Meeting of SPAR Retailers during 1999, 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 13th year. Allan was elected a Director and founding Chairman and he has retained these positions to date.
Special Responsibilities	-	Chairman of the Remuneration & Nomination Committee from 13 March 2012. Member of the Audit and Risk Committee until 13 December 2011.

DIRECTORS' REPORT (CONT'D)

Jack Scanlan	-	Non Executive Director
Qualifications	-	Bachelor of Laws (Melbourne University) Barrister & Solicitor of the Supreme Court of Victoria
Experience	-	A Director (and founding chairman until July 2004) of AURL since 22 May 1997, Jack was previously a Partner in the firm Scanlan Carroll Commercial Lawyers (1969 - 2000) and has practiced as a Barrister and Solicitor for 40 years.
Special Responsibilities	-	Member of the Remuneration & Nomination Committee.

Deborah Smith	-	Non Executive Director
Qualifications	-	Dip. Ed. (Townsville) Master of Business Administration (University of New England) Graduate Certificate of Management (University of New England) Diploma of Management (University of New England) Member Australian Institute of Company Directors (M.A.I.C.D)
Experience	-	A Director since 4 October 2003, Deborah has been an independent storeowner and operator since 1996. Deborah is a Director of Master Grocers of Australia.
Special Responsibilities	-	Member of the Remuneration & Nomination Committee.

Wayne Pattison	-	Non Executive Director
	-	Resigned as a Director effective 22 November 2011
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 28 years experience in the retail industry in Victoria. Wayne is a shareholder in an independently owned retail store in Victoria. Before purchasing the store 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 Audit & Risk Committee until 22 November 2011.

DIRECTORS' REPORT (CONT'D)

Janette Kendall	-	Independent Non Executive Director
	-	Resigned as a Director effective 22 November 2011
Qualifications	-	Fellow Australian Institute of Company Directors (FAICD) Bachelor of Business (Marketing)
Experience	-	Janette was appointed as a Director in August 2007. Janette is Senior Vice President – Marketing of Galaxy Macau and has a strong background in brand marketing, advertising, promotions and customer relationship management. Previously Janette was a divisional general manager of Pacific Brands, Executive General Manager – Marketing of Crown Limited, and the first female board member of Clemenger, a leading international advertising agency.
Special Responsibilities	-	Member of the Remuneration & Nomination Committee until 22 November 2011.

Fred Fairthorne	-	Non Executive Director
Experience	-	Fred was appointed as a Director of the Company on 9 September 2009. Fred has been closely involved in the operation and management of supermarkets for many years. His family has been involved in supermarket operations since 1961; consequently Fred has been personally involved from an early age. He was a co-founding shareholder of Action Supermarkets in WA in 1977. Subsequently he co-founded Newmart Supermarkets in 1988 and is a director of Supermarkets West Pty Ltd, the marketing and promotion company for Foodworks and Farmer Jack stores in WA. 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.

Malcolm Ward	-	Non Executive Director
Experience	-	Malcolm was appointed as a director of the Company on 17 November 2010. Malcolm and his wife Liz have been owner/operators of supermarkets since 1994. Malcolm is the Managing Director of their family companies operating four FoodWorks stores in Western Australia, and is a director of Supermarkets West Pty Ltd, the marketing and promotion company for FoodWorks and Farmer Jacks stores in WA. Malcolm is a director and audit committee member of several production and marketing companies in the Australian egg industry, including Farm Pride Foods Ltd since May 2008. Malcolm has 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.
Special Responsibilities	-	Member of the Audit & Risk Committee.

DIRECTORS' REPORT (CONT'D)

David Williamson	-	Non Executive Director
Experience	-	David was appointed as a director of the Company on 17 November 2010 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 14 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 AURL. 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 FoodWorks Sunbury.
Special Responsibilities	-	Member of the Remuneration & Nomination Committee.
Sien Van Nguyen	-	Non Executive Director
		Sien was appointed as Director of the Company on 22 November 2011
Experience	-	Sien joined the industry in 1994 when he purchased his first store in Inala, south of Brisbane. Sien currently owns three FoodWorks supermarkets in Brisbane. He is the managing director of a family group of companies operating the supermarkets and other enterprises. In this role, Sien is actively involved in the strategic management of all three supermarkets. Sien's successes in retail and strategic management have enabled him to branch out into various other industries, some of which include ROKS Quarry and Mining Services Pty Ltd and Sing Sing Investments, an investment company focusing on retail shopping centre acquisition, development and management. In addition, Sien is also a partner of of Hydco International, a manufacturer of drilling rigs operating in India.
Special Responsibilities	-	Member of the Audit and Risk Committee from 13 December 2011.

DIRECTORS' REPORT (CONT'D)

Ken Sleep - Company Secretary

- Retired as Company Secretary effective 30 June 2012

Qualifications - Bachelor of Economics (Monash) FCPA FCIS

Experience - 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 a long career with the Mayne Nickless Group, 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.

Tony Pacella - Company Secretary

- Appointed as Company Secretary effective 30 June 2012

Qualifications - Bachelor of Business (Accountancy)

- Associate of the Australian Institute of Chartered Accountants in Australia

Experience - Tony joined AURL in April 2010 as Chief Financial Officer and has assumed the responsibilities formally held by Ken Sleep in addition to his executive role with the business.

Meetings of Directors

DIRECTORS	BOARD MEETINGS		AUDIT & RISK COMMITTEE		REMUNERATION & NOMINATION COMMITTEE	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
A Burge	9	9	2	2	2	2
J Bridgfoot	9	9	5	5	3	3
F Fairthorne	9	9	5	3	-	-
J Kendall	3	1	-	-	1	1
N Osborne	9	9	5	5	-	-
W Pattison	3	2	2	2	-	-
J Scanlan	9	7	-	-	3	2
D Smith	9	9	-	-	3	3
M Ward	9	9	5	5	-	-
D Williamson	9	9	-	-	3	3
S Van Nguyen	6	6	3	2	-	-

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
Allan Burge	162,002
Fred Fairthorne	850,003
Deborah Smith	155,793
Jack Scanlan	240,000
Malcolm Ward	620,214
David Williamson	72,002
Sien Van Nguyen	3

Transactions with Directors are disclosed in Note 27.

Directors' interests in contracts

Directors' interests in contracts are disclosed in Note 27 to the financial statements.

Auditor's Independence Declaration

A copy of the auditor's declaration under section 307C of the *Corporations Act 2001* 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 Board on recommendation of the audit committee. Non-audit services provided by the auditors of the Consolidated Entity during the year, Pitcher Partners, are detailed below. The Directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

	2012 **$**	**2011** **$**
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 Consolidated Entity for:		
Other assurance services	5,650	18,950
Taxation services	13,581	127,495

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for Directors and Key Management Personnel of the Company.

Remuneration Policy

The Board has 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 employee salaries are adopted by the Company. The responsibilities of the Committee include:

- Setting the terms and conditions of employment for the CEO;
- Reviewing and approving policies for senior executives' remuneration;
- Reviewing and making recommendations to the Board on the Company's incentive schemes, remuneration policies and superannuation arrangements;
- Reviewing the budget for salaries and monitoring expenditure against budget;
- Reviewing the remuneration of Directors; and
- Undertaking the annual review of the CEO's performance including setting CEO goals for the coming year and reviewing progress.

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

- Provision of competitive remuneration to attract and retain high calibre executives 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 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 Key Management Personnel 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 objectives.

The remuneration package of Key Management Personnel excluding the CEO is annually assessed against relevant executive remuneration market data sourced from a major remuneration consultancy firm. In the 2012 financial year the Company did not engage a remuneration consultant to provide recommendations in respect of Key Management Personnel remuneration. However the Company did acquire market data to assess the remuneration packages to ensure that they remain market appropriate. In August 2011, Key Management Personnel went through the Company's Annual Performance Review and an increase in line with performance and Board approval was applied. In the 2012 financial year each member of the Key Management Personnel team was eligible for a maximum incentive of 20% expressed as a percentage of total remuneration packages. 100% of the incentive component is applied for the achievement of criteria set out in the Company's 2012 incentive policy. The criteria for the Company's 2012 incentive policy are based on performance targets for the continuing operations. The criteria for the current year comprises achievement of targets related to earnings before interest and tax, like for like sales performance compared to the two major supermarkets in Australia and improving the offer in store.

REMUNERATION REPORT (CONT'D)

Rick Wight was appointed CEO on 26 October 2010 with a 3 year fixed term contract. The contract includes a 3 month notice period. The employment conditions of the Chief Executive Officer (CEO) comprise a fixed salary package and an annual incentive. For the 2012 year the target was the Company's 2012 incentive policy.

For Key Management Personnel the Company provides total remuneration packages and short term incentives packages. The contracts for service between the Company and Key Management Personnel (excluding the CEO) are on a continuing basis, the terms of which are not expected to change in the immediate future. With the exception of incentive related payments outlined above, 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 Key Management Personnel 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 review with the Key Management Personnel 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. The table below summarises outcomes against each criteria.

Relationship between performance and remuneration outcomes

	2012 *	2011	2010	2009	2008
	$'000	$'000	$'000	$'000	$'000
Profit – continuing operations	3,673	3,980	1,832	(2,104)	(2,792)
(Loss)/Profit – discontinued operations	(4,521)	12,697	(27,847)	-	-
(Loss)/profit for the year	**(848)**	**16,677**	**(26,015)**	**(2,104)**	**(2,792)**
Annual incentive to KMP	208	194	-	210	198
Dividends Paid	-	-	-	-	-
End of year share price – Cents	100	55	95	95	95
Change in share price – Cents	45	(40)	-	-	N/A
Incentive Performance Metric					
Earnings before interest and tax	Yes	Yes	No	Yes	Yes
Like for Like Sales performance	No	No	N/A	Yes	Yes
Improving in store offer	Partial	Partial	N/A	Partial	Yes

* The 2012 short-term incentive is not payable to Key Management Personnel until the 2013 financial year

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. During the current year no remuneration consultants were engaged.

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

A resolution to adopt the 2011 remuneration report was made at the 2011 Annual General Meeting (AGM), however more than 25% of votes cast were against the adoption of the remuneration report.

REMUNERATION REPORT (CONT'D)

With a view to reducing Board costs a resolution to reduce the number of directors was presented to shareholders at the 2011 AGM but was not approved. The Directors, following a further review into Board costs, approved a reduction in the base fee payable to Non Executive Directors from $65,000 pa to $50,000 pa with effect from 1 March 2012. A further saving occurred from 1 July 2012 when the responsibilities of the Company Secretary were absorbed by the Chief Financial Officer, Tony Pacella, following the retirement of Ken Sleep as Company Secretary on that date. These changes have reduced the direct operating costs of the Board and Company Secretary function.

The name and position of each person who held the position of Director at any time during the financial year is provided in the Directors Report.

Key Management Personnel for the financial year are:

Executive	**Position**
Rick Wight	Chief Executive Officer
Midhat Massoud	General Manager Merchandise
Tony Pacella	Chief Financial Officer
Stephanie Holmes (ceased 2/7/2012)	Manager Business Projects / General Manager Retail Services
Helene Gordon (ceased 30/6/2012)	General Manager People, Culture & Communications
Theo Stratopoulos	General Manager Retail Operations

AUSTRALIAN UNITED RETAILERS LTD
ABN 93 077 879 782
AND CONTROLLED ENTITIES
DIRECTORS' AND KEY MANAGEMENT PERSONNEL COMPENSATION

2012	Short-term			Post Employment		Equity	Other		
	Salary & Fees ***	Cash Bonus ****	Non-monetary	Superannuation	Retirement benefits	Options	Termination Benefits	Total	Performance Related Bonus
	$	$	$	$	$	$	$	$	%
Directors									
J Bridgfoot (Chairman)	156,000	-	-	-	-	-	-	156,000	-
J Scanlan* (Deputy to 23/11/2011)	78,333	-	-	-	-	-	-	78,333	-
D Smith	60,000	-	-	-	-	-	-	60,000	-
W Pattison* (resigned 22/11/2011)	-	-	-	27,083	-	-	-	27,083	-
N Osborne (Deputy from 23/11/2011)	70,614	-	-	27,136	-	-	-	97,750	-
J Kendall* (resigned 22/11/2011)	27,083	-	-	-	-	-	-	27,083	-
F Fairthorne	60,000	-	-	-	-	-	-	60,000	-
M Ward	52,219	-	-	7,781	-	-	-	60,000	-
D Williamson	60,000	-	-	-	-	-	-	60,000	-
A Burge	57,907	-	-	5,010	-	-	-	62,917	-
S Van Nguyen*(appointed 22/11/2011)	30,401	-	-	2,516	-	-	-	32,917	
Total	652,557	-	-	69,526	-	-	-	722,083	-
Key Management Personnel**									
R. Wight	409,593	52,000	-	41,760	-	-	-	503,353	10
H. Gordon (ceased 30/6/2012)	241,560	27,431	-	22,285	-	-	110,769	402,045	7
S. Holmes (ceased 2/7/2012)	266,565	26,239	-	20,527	-	-	143,846	457,177	6
M. Massoud	239,907	34,404	-	24,688	-	-	-	298,999	12
A. Pacella	226,315	28,624	-	29,594	-	-	-	284,533	10
T. Stratopoulos	202,605	25,702	15,500	20,478	-	-	-	264,285	10
Total	1,586,545	194,400	15,500	159,332	-	-	254,615	2,210,392	9

* Amounts refer to only part of the financial year
** Key Management Personnel have the potential to earn a bonus of 20% of their salary
*** These amounts include fees accrued during the financial year ended 30 June 2012
**** Cash bonus amounts were paid in financial year ended 30 June 2012 in respect to performance based entitlements arising from the financial year ended 30 June 2011

AUSTRALIAN UNITED RETAILERS LTD
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AND CONTROLLED ENTITIES
DIRECTORS' AND KEY MANAGEMENT PERSONNEL COMPENSATION

2011	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 (Chairman)	171,600	-	-	-	-	-	-	171,600	-
J Scanlan	119,900	-	-	-	-	-	-	119,900	-
D Smith	71,500	-	-	-	-	-	-	71,500	-
P Noble* (resigned 4/8/2010)	251,259	-	-	22,638	-	-	77,812	351,709	-
D Howell* (retired 17/11/2010)	12,027	-	-	16,667	-	-	-	28,694	-
W Pattison	42,560	-	-	21,667	-	-	-	64,227	-
N Osborne	62,175	-	-	12,500	-	-	-	74,675	-
J Kendall	74,837	-	-	-	-	-	-	74,837	-
F Fairthorne	71,500	-	-	-	-	-	-	71,500	-
M Ward* (appointed 17/11/2010)	37,271	-	-	3,354	-	-	-	40,625	-
D Williamson* (appointed 17/11/2010)	44,489	-	-	-	-	-	-	44,489	-
A Burge* (appointed 17/11/2010)	37,528	-	-	3,131	-	-	-	40,659	-
Total	996,646	-	-	79,957	-	-	77,812	1,154,415	-
Key Management Personnel**									
R. Wight	382,187	-	-	34,397	-	-	-	416,584	-
H. Gordon	211,009	-	-	18,991	-	-	-	230,000	-
S Holmes	201,835	-	-	18,195	-	-	-	220,030	-
M. Massoud (appointed 9/12/2010)	236,368	-	-	21,273	-	-	-	257,641	-
A. Pacella	221,293	-	-	19,367	-	-	-	240,660	-
J. Rogut* (resigned 6/5/2011)	175,683	-	-	14,777	-	-	-	190,460	-
T. Stratopoulos (appointed 31/3/2011)	172,821	-	15,500	15,554	-	-	-	203,875	-
S. Thompson* (resigned 23/7/2010)	19,510	-	-	1,620	-	-	33,819	54,949	-
Total	1,620,706	-	15,500	144,174	-	-	33,819	1,814,199	-

* Amounts refer to only part of the financial year
** Key Management Personnel have the potential to earn a bonus of 20% of their salary
*** These amounts include fees accrued during the financial year ended 30 June 2011
**** No cash bonus amounts have been paid in financial year ended 30 June 2011 in respect to performance based entitlements arising from the financial year ended 30 June 2010

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.

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 Consolidated Entity's financial statements for the year ended 30 June 2012 under section 295A(2) of the *Corporations Act 2001*.

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 Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council. 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

Dated this 13th day of September 2012

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Australian United Retailers Ltd

In relation to the independent audit for the year ended 30 June 2012, to the best of my knowledge and belief there have been:

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

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

N R BULL
Partner
13 September 2012

PITCHER PARTNERS
Melbourne

CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest levels of Corporate Governance.

The Company's Corporate Governance practices have continued to be refined in the latest reporting period, reflecting developments within the Company and the application of both the Guidance provided by the National Stock Exchange (NSX) in practice note 14 – 'Corporate governance disclosures in annual reports' as well as Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ("ASX Principles").

The ASX Principles are intended to provide guidance for ASX listed companies.

The Board therefore follows the ASX Principles wherever practicable for a smaller NSX listed Company.

This Governance Report has been structured in accordance with the ASX principles, recognising that the principles are non-mandatory but are designed to produce an outcome that is effective and of high quality.

The main corporate governance policies and practices of the Company are set out in the statement below in a format that follows the ASX Principles.

All these practices, unless otherwise stated, were in place for the entire year.

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board of Directors is responsible for setting the strategic direction of the Company and for overseeing and monitoring its businesses and affairs. The Board reviews and approves the Company's strategic and business plans and guiding policies. Day-to-day management of the Company's affairs and implementation of the strategy and policy initiatives are delegated to the Chief Executive Officer and other Key Management Personnel, who operate in accordance with Board-approved policies and delegated limits of authority. The Board has an unrestricted capability to request and access any information or reports that are required to discharge its duties and obligations.

Board and Management Roles

The Board operates under a written Code of Conduct and a 'Statement of Matters Reserved for the Board'. The principal matters reserved for the Board include:

- Appointment of the CEO and Company Secretary, approval of the appointment of Senior Executive Personnel 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 the Board;
- Succession planning for the CEO and Board members;
- Approval of remuneration and incentive policies and individual executive employment contracts;
- Approval of the annual financial reports, and accounting policies and Dividend Policy;
- 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 a copy of the Boards Code of Conduct and for the full Statement of Matters Reserved for the Board.

The CEO, and by delegation to Key Management Personnel, 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.

A contract of engagement has been entered into with the CEO, setting out the terms and conditions of his appointment. In addition, the Company has entered into a Deed of Indemnity and certain Insurance policies which are designed to provide Directors and Officers insurance cover for each Director and Key Management Personnel.

Evaluating the performance of Key Management Personnel

The performance of Key Management Personnel is evaluated on an ongoing participative process with the CEO which involves:

- Clarifying and agreeing on the outcomes/objectives of individual roles;
- Identifying the strengths of each individual and their 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 Key Management Personnel undertaken during the year followed these principles.

Key management Personnel have access to continuing education to enhance their skills and knowledge. Information on the remuneration of the CEO and Key Management Personnel, including principles used to determine remuneration, is set out in the Directors' report under the heading 'Remuneration Policy'.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Appointment to the Board

The Boards policy for the selection, appointment and re-appointment of Directors is to ensure that the Board possesses an appropriate range of skills, experience and expertise to enable the Board to most effectively carry out its responsibilities. As part of this appointment process, the Directors consider Board renewal and succession plans and whether the Board is of a size and composition that is conducive to making appropriate decisions.

When a new Director is to be appointed, the Remuneration and Nomination Committee prepares a Board skills matrix to review the range of skills, experience and expertise on the Board, and to identify its needs. From this the process involves a validation of the candidate's background and capabilities, cultural fit and legal capacity to act as a Director. The Committee then produces a short list of candidates with appropriate skills and experience.

The full Board then appoints the most suitable candidate who must stand for election at the next Annual General Meeting. The Committee's nomination of existing Directors for appointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the Board and Company.

The Directors are not appointed for a fixed term but at each AGM the longest serving one-third of the Directors shall retire from office, but are eligible for re-election.

Board Composition

Maintaining a balance of experience and skills is an important factor in Board composition. For details of the skills, experience and expertise of the individual Directors, and the period of office held by each individual Director, please refer to the 'Directors Report'.

Independent Non-executive Directors

Two independent Directors hold positions on the Board, including Chairing the Board. They provide an external perspective and checks and balances for the interests of the shareholders.

The Boards independent non-executive Directors (at the date of this report) are John Bridgfoot and Neil Osborne.

The Board has adopted specific principles in relation to Directors independence. These state that when determining independence, a Director must be non-executive and the Board should consider whether the Director:

- Is a substantial shareholder of the Company or an officer of, or otherwise associated with, a substantial shareholder of the Company;
- Is or has been employed in an executive capacity by the Company within three years before commencing to serve on the Board;
- Within the last three years has been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with the service provided;
- Is a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Has a material contractual relationship with the Company other than as a Director;
- Is free from any business or other relationship which could, or reasonably be perceived to, materially interfere with the Directors independent exercise of their judgement.

The Board assesses independence each year. To enable this process, the Directors must provide all information that may be relevant to the assessment.

The majority of the Board is made up of non independent Directors. The Company's constitution requires that at least four directors shall be Retail Directors. A Retail Director means a director who is an Approved Storeowner or a natural person related entity of an Approved Storeowner. A Retail Director is not considered independent. The

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Board current composition includes seven Retail Directors reflecting the outcomes of shareholder voting at the last Annual General Meeting. All Directors, whether independent or not, bring an independent judgement to bear on Board decisions.

Independent professional advice

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense.

Company Secretary

All Directors have access to the Company Secretary who is accountable to the Board, through the Chairman, on all governance matters.

Chairman and Chief Executive Officer (CEO)

The Chairman, Mr John Bridgfoot, is considered by the Board to be an independent Director. The roles of CEO and Chairman are not exercised by the same individual, but work together in a supportive manner to provide a controlled approach to both achieving performance and compliance.

Board Committees

To assist in the execution of its responsibilities, the Board currently has two Board committees – the Audit and Risk and Remuneration and Nomination 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 Audit and Risk Committee is considered independent whilst the head of the Remuneration and Nomination Committee is a Retail Director (non independent). Details of Committee members and their attendance at committee meetings during the year are set out in the Directors' Report.

The majority of the Board Committees are made up of non independent Directors. A requirement of the Company's constitution is that at least four directors shall be Retail Directors. A Retail Director means a director who is an Approved Storeowner or a natural person related entity of an Approved Storeowner. A Retail Director is not considered independent. The Boards current composition includes seven Retail Directors reflecting the outcomes of shareholder voting at the last Annual General Meeting.

Remuneration and Nomination Committee

Responsibilities of the Committee include:

- Recommending size and composition of the Board;
- Identifying and developing procedures for the appointment of new Directors;
- Establishing and reviewing Board succession plans;
- Developing and implementing a plan for identifying, assessing and enhancing Director competencies;
- 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 throughout the year were Allan Burge (Chairman), John Bridgfoot, Jack Scanlan, David Williamson and Deborah Smith. Janette Kendall was member until her resignation on 22 November 2011. The Committee held three meetings in the year to 30 June 2012. Attendance at Committee meetings throughout the year are set out in the Directors' report. All Directors, whether independent or not, bring an independent judgement to bear on Committees decisions.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

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, conflicts of interest (including an over-riding requirement that commercial arrangements with Director Related parties are on commercial terms negotiated on an arm's length basis), independent judgment, confidentiality, proper use of Company assets, privacy, and compliance with the letter and spirit of the law and the Code.

The Company requires that all Directors declare any Conflicts of interests at each Board Meeting. Annual questionnaires are used by the Company to capture any potential new interests that may have arisen. Senior Executives (Key Management Personnel) and staff are required to declare any conflicts of interest as part of the Company's annual Code of Conduct renewal process.

The Company has a Securities Trading Policy for Directors and staff designed to ensure that trading in the Company's securities by Directors and staff are fair and equitable and specifically precludes any 'insider trading' or other activities not permitted by the Corporation Law. The Policy also provides guidance on the procedures required when Directors, Senior Executives (Key Management Personnel) and staff can trade in the Company's securities and provides guidance on 'black out periods' when trading is not permitted.

The Directors are satisfied that the Company has complied with its policies on conduct and the Trading Policy.

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

The Company has a Code of Conduct that applies to all employees. Subjects covered by the Code include:

- Equal employment opportunity, discrimination and harassment;
- Security of Company records and assets and confidentiality guidelines;
- Conflict of interest, acceptance of gifts, entertainment and services;
- Fraud, corruption and irregular transactions and legal compliance;
- Honest ethical behaviour; and
- Safe working environment.

Compliance with the Code is checked through the Company's internal control system and related processes and through an annual renewal process. New staff members are required to attend an induction program that includes familiarising staff with the guidelines. The Company's staff appraisal process includes employees' performance against 'Key Behavioural requirements' as well as 'Key Performance Indicators'. The Company seeks to encourage all staff and non employees to report any person suspected of poor business conduct and ethical practices including fraud and corrupt conduct.

The Company has no formal policy concerning diversity which outlines any measurable objectives for achieving gender diversity for the Board or its employees. The Company is not of a size as would justify having such a policy but is committed to providing opportunities to people of all age, gender, ethnicity and cultural backgrounds.

As at 30 June 2012, the proportion of women employees in the whole organisation is 56%. Women represent 20% of senior executive positions and there is currently one female Board member.

Process for evaluating the performance of the Board, its committees and individual Directors

Annual reviews of the Board, its Committees and Directors are performed using self-evaluation procedures and through discussions with the Chairman. No independent review is conducted.

The Directors consider that the evaluation process has been effective and that the individual discussions with the Chairman had been frank and open. The overall conclusion is that the Board and its Committees are effective and are operating at a satisfactory level.

PRINCIPLE 4: SAFEGAURD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Committee

The main responsibilities of the Audit Committee are to:

- Review, assess and approve the annual and half-yearly financial report;
- Assist the Board in reviewing the effectiveness of the organisation's internal control environment covering; effectiveness and efficiency of operations; reliability of financial reporting and compliance with applicable laws and regulations;
- Recommend to the board the appointment, removal and remuneration of external auditors, and review the terms of engagement, the scope and quality of audit and assess performance;
- Consider the independence and competence of the external auditor on an ongoing basis;
- Review and approve the level of non-audit services provided by external auditors and ensure it does not adversely impact on auditor independence;
- Review and monitor related party transactions and assess their propriety;
- Monitor and review policies on risk oversight and management (see further at Principle 7 below);
- Report to the Board on matters relevant to the committee's roles and responsibilities.

The terms of reference of the Audit and Risk Committee can be found in the My Shares section of the Extranet.

In fulfilling its responsibilities, the Audit and Risk Committee:

- Receive regular reports from management and the external auditors;
- Meets with the external auditors at least once a year, and more frequently if necessary;
- Reviews the processes the CEO and CFO have in place to support their certifications to the Board;
- Reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- Review of a statement in writing to the Board signed by the Chief Executive Officer and Chief Financial Officer certifying:
    i. 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;
    ii. That the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Members of the Committee throughout the year were Neil Osborne (Chairman), John Bridgfoot, Fred Fairthorne and Malcolm Ward. Sien van Nguyen was appointed to the Committee on 22 November 2011. Allan Burge and Wayne Pattison were members for part of the year. The Committee met five times in the year to 30 June 2012. The qualifications of Committee members and attendance details at Committee meetings throughout the year are set out in the Directors' report.

All members of the Audit and Risk Committee are financially literate and have an appropriate understanding of the industry in which the Company operates.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

The Audit and Risk Committee has authority, within scope of its responsibilities, to seek any information it requires from any employee or external party.

External Auditors

The Company's policy is to appoint an external auditor who clearly demonstrates both technical capability and independence. The performance of the external auditor is reviewed annually.

An analysis of the fees paid to external auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report and in Note 23 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit and Risk Committee. The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation of the content of the financial report.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Company has a Disclosure Policy designed to ensure that there is full and timely disclosure of the Company's activities to shareholders and the broader market, in accordance with the Company's legal and regulatory obligations and that all stakeholders have an equal opportunity to receive and obtain externally available information issued by the Company.

The policy is reviewed regularly to ensure that it reflects any legislative or regulatory requirements or 'best practice' developments.

The Company is subject to the Listing Rules of the NSX and the "continuous disclosure" obligations (whereby share-price-sensitive information is required to be disseminated to the market immediately) prescribed in the *Corporations Act 2001*.

The Company is also subject to and has complied with the half yearly reporting obligations applicable to listed public companies.

Disclosure responsibilities and procedures

The Chairman, Chief Executive Office and Company Secretary are responsible for communication with the NSX and have responsibility for reviewing proposed disclosures and making decisions in relation to what information can or should be disclosed to the market. All staff are required to inform those officers of any potential 'price sensitive' information concerning the Company as soon as they become aware of it.

The full Continuous Disclosure policy can be found in the My Shares section of the Extranet.

PRINCIPLE 6: RESPECT THE RIGHT OF SHAREHOLDERS

The Company is committed to ensuring that it's Shareholders, employees, suppliers and service providers, customers of its Shareholders, and the wider community have timely and equal access to important Company information.

The Company's principal shares are listed on the National Stock Exchange of Australia (NSX). Listing enhances transparency and potential liquidity for share owners as well as enabling timely communication of all "continuous disclosure" items to the broader market.

In addition to meeting its continuous disclosure obligations, the FoodWorks Extranet online site is available to all bannered stores. The site is designed to keep members up to date with Company developments, provide practical assistance and information to members on how to operate and develop their businesses as well as obtaining feedback on items under consideration. It is considered an effective interface with the Company's Members.

In addition, various meetings, which are attended by management, staff and Directors, provide opportunities for the distribution of information and exchange of views with members 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.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Board is responsible for designing and reviewing the Company's Risk Management Policy and for determining the Company's appetite for risk, taking into account the Company's strategic objectives and other factors including stakeholder expectations. The level of tolerance for risk varies according to the risk area.

The Company is not of a size which requires a separate Internal Audit Department or dedicated Risk Management Function. 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. The Audit & Risk Committee has implemented a process of communication with internal stakeholders and conducted an examination of the Company's environment, so as to establish the parameters within which risks must be managed and reported.

Risk Management

The Audit and Risk Committee ensures there are adequate policies in relation to risk management, compliance and internal control systems. They monitor the Company's risk management by overseeing managements' actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks.

In providing this oversight, the Committee:

- Reviews the framework and methodology for risk identification, the degree of risk the Company is willing to accept, the management of risk and the processes for evaluating the Company's risk management system;
- Reviews group wide objectives in the context of the above mentioned categories of corporate risk;
- Reviews and, where necessary, approves guidelines and policies governing the identification, assessment and management of the Company's exposure to risk;
- Reviews compliance with agreed policies;
- Reviews the statement to the Board signed by the Chief Executive Officer and Chief Financial Officer in relation to S295A of the Corporations Act confirming that the Company's financial reports are founded on a sound system of risk management and internal compliance and control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Committee recommends any actions it deems appropriate to the Board for its consideration.

Management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system and has to report to the Audit and Risk committee on the effectiveness of the risk management and internal control system during the year, and on the Company's management of its material business risks.

The Risk Management Framework used by the Company covers all the functions within the business and is designed to identify, analyse, evaluate, manage and monitor risks across all functions.

A risk profile and risk register are in place. These have been prepared and agreed with senior management and are periodically reviewed and updated. Ongoing risk management activities involve periodic reviews of the known risk items as well as the identification of new risks as they may arise.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

The known risks and established risk controls are documented in a Risk Register which holds the details of all known business risks and established mitigation strategies. Management has reported to the Board as to the status of major business risks.

The Chief Executive Officer and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the *Corporations Act 2001*.

The full Risk Policy overview can be found in the My Shares section of the FoodWorks Extranet.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Committee:

The Board has established a Remuneration and Nomination Committee. For details of the Committee's membership, their attendance at Committee meetings and a summary of the Committee's Charter, please refer to Principle 2 — '**Remuneration and Nomination Committee**'.

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

Remuneration Policy

A summary of the remuneration policy may be found in the Directors' Report under the heading 'Remuneration Report'.

Details of the compensation of senior executives (Key Management Personnel) and of Non-executive Directors' compensation and retirement benefits are contained in the Directors' Report.

The Company does not have any equity based remuneration policies and therefore does not require a policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.

The terms of reference of the Remuneration and Nomination Committee can be found in the My Shares section of the Extranet.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2012

	Note	2012 $'000	2011 $'000
Continuing operations			
Revenue			
Supplier & member income	**5**	56,481	59,041
Sales revenue	**5**	-	164
Interest income	**5**	145	154
Other income	**5**	474	199
		57,100	59,558
Less: expenses			
Change in inventories of finished goods		-	(296)
Distribution to members		(23,764)	(24,732)
Cost of members services		(7,520)	(7,338)
Merchandising expenses		(2,658)	(3,282)
Marketing expenses		(2,256)	(1,731)
Business development expenses		(252)	(356)
Administrative expenses		(16,546)	(17,444)
Depreciation	**6**	(404)	(382)
		(53,400)	(55,561)
Finance costs	**6**	(27)	(17)
Profit before income tax		3,673	3,980
Income tax expense	**7**	-	-
Profit from continuing operations		3,673	3,980
Net (loss)/profit from discontinued operations	**9**	(4,521)	12,697
(Loss)/Profit for the year		**(848)**	**16,677**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)
FOR THE YEAR ENDED 30TH JUNE 2012

	Note	2012 $'000	2011 $'000
Other comprehensive income		-	-
Total comprehensive (loss)/income		(848)	16,677
(Loss)/profit is attributable to:			
Members of the parent		(848)	16,677
Total comprehensive (loss)/profit attributable to:			
Members of the parent		(848)	16,677
		Cents	**Cents**
(Loss)/earnings per share attributable to equity holders of the parent entity	**8**		
- basic (loss)/earnings per share		(7.33)	144.26
- diluted (loss)/earnings per share		(7.33)	144.26
Earnings per share from continuing operations attributable to equity holders of the parent entity	**8**		
- basic earnings per share		31.77	34.43
- diluted earnings per share		31.77	34.43
(Loss)/earnings per share from discontinued operations attributable to equity holders of the parent entity	**8**		
- basic (loss)/earnings per share		(39.11)	109.83
- diluted (loss)/earnings per share		(39.11)	109.83

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2012

	Note	2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents	**10**	1,865	3,643
Trade and other receivables	**11**	14,377	15,533
Inventories	**12**	-	607
Intangibles	**13**	-	-
Non-current assets held for sale	**14**	-	-
Other	**15**	70	77
Total current assets		16,312	19,860
Non-current assets			
Property, plant and equipment	**16**	1,011	724
Total non-current assets		1,011	724
Total assets		17,323	20,584
Current liabilities			
Trade and other payables	**17**	21,113	23,937
Short term borrowings	**18**	209	161
Provisions	**19**	2,338	2,340
Total current liabilities		23,660	26,438
Non-current liabilities			
Long term borrowings	**18**	322	-
Provisions	**19**	201	158
Total non-current liabilities		523	158
Total liabilities		24,183	26,596
Net deficiency		(6,860)	(6,012)
Equity			
Share capital	**20**	10,119	10,119
Accumulated losses	**21**	(16,979)	(16,131)
Total equity		(6,860)	(6,012)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2012

	Contributed equity $'000	Accumulated losses $'000	Total Equity $'000
Balance as at 1 July 2010	10,119	(32,808)	(22,689)
Profit for the year	-	16,677	16,677
Total comprehensive profit for the year	**-**	**16,677**	**16,677**
Balance as at 30 June 2011	**10,119**	**(16,131)**	**(6,012)**
Loss for the year	-	(848)	(848)
Total comprehensive loss for the year	**-**	**(848)**	**(848)**
Balance as at 30 June 2012	**10,119**	**(16,979)**	**(6,860)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2012

	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		65,649	115,633
Cash payments in the course of operations		(67,434)	(125,418)
Interest received		171	229
Finance costs		(27)	(17)
Net cash used in operating activities	**22(b)**	(1,641)	(9,573)
Cash flows from investment activities			
Payments for purchases of property, plant and equipment		(691)	(77)
Proceeds from store divestments		184	10,509
Net cash (used in)/provided by investing activities		(507)	10,432
Cash flows from financing activities			
Loan equipment payments		(241)	(137)
Proceeds from /net repayment of borrowings		611	(3,011)
Net cash provided by/(used in) financing activities		370	(3,148)
Net decrease in cash held		(1,778)	(2,289)
Cash and cash equivalents at beginning of financial year		3,643	5,932
Cash and cash equivalents at end of financial year	**22(a)**	1,865	3,643

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the Consolidated Entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Reporting Entity

Australia United Retailers Ltd (the "Company") is a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office is Level 1, 1601 Malvern Road, Glen Iris VIC 3146. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Consolidated Entity").

(b) Basis of preparation of the financial report

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian United Retailers Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the Directors on 12 September 2012.

Compliance with IFRS

The consolidated financial statements of Australian United Retailers Ltd also comply with the International Financial reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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.

Critical Accounting Estimates

The preparation of the financial report requires the use of certain estimates and judgement in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

(c) Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Consolidated Entity reported a loss for the year of $848,000 (2011: Profit of $16,677,000 including debt forgiveness income of $24,379,000), a net deficiency of assets totalling $6,860,000 (2011: $6,012,000) and a current working capital deficit of $7,348,000 (2011: current working capital deficit of $6,578,000).

The Directors believe that, with the completion of the divestment program, and based on achieving the forecasted cash flows including maintenance of trading volumes, continuous cost containment and monitoring of discretionary spending, the on-going trading activities of the core business are expected to enable the Consolidated Entity to meet its forecast performance and ensure the ability to meet its obligations as and when they fall due.

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

(c) Going concern (Continued)

FoodWorks Retail Pty Ltd is a wholly owned subsidiary of Australian United Retailers Limited and in June 2011 entered into a Second Amendment and Restatement Deed with CSA Retail (Finance) Pty Ltd with respect to its short term and long term credit facilities which resulted in the forgiveness of all amounts owing at that time under both the Transitional Funding Facility and the Deferred Credit Facility.

As disclosed in Note 26(c), the restrictions contained in the Second Amendment and Restatement Deed includes certain conditions which if triggered will result in the re-instatement of the Transitional Funding Facility Reinstatement Amount. This re-instatement would equate to $7.1 Million plus interest accruing on the facility up to the date that the triggering event occurs.

The trigger events are:

(i) If before the end of June 2021, a change in control of the Parent Entity occurs, or
(ii) If before the end of June 2016, a capital raise which exceeds $6.4 million occurs.

The bank loan disclosed in Note 22 has an expiry date of 30 June 2013 but can be cancelled by the relevant Bank at short notice as per normal banking terms and conditions. The Directors believe that the Bank will continue to make the loan facility available for the duration of the loan period which will enable the business to continue to operate normally.

Should the Consolidated Entity not achieve profitable trading and positive cash flows from continuing operations, or the restrictions contained in the Second Amendment and Restatement Deed be triggered, or should the bank withdraw the bank loan facility, the Consolidated 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 asset amounts nor to the amounts and classifications of liabilities that may be necessary should the Company and the Consolidated Entity not continue as a going concern.

(d) Principles of consolidation

The consolidated financial statements are those of the Consolidated Entity, comprising the financial statements of the parent entity and of all entities which Australian United Retailers Ltd has the power to control the financial and operating policies so as to obtain benefits from its activities. Details of the controlled entities are contained in Note 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 Consolidated Entity. They are de-consolidated from the date that control ceases.

(e) Income Tax

Income tax expense is 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.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

(e) Income Tax (Continued)

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.

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 Consolidated Entity contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(f) Borrowing costs

Borrowing 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.

Borrowing costs are expensed as incurred.

(g) 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 indicate 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.

(h) Comparative Figures

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

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosure.

(i) Revenue recognition

Supplier and member income is recognised when the right to receive the revenue has been established.

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 into account the interest rates applicable to the financial assets.

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

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).

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

(j) 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 items of inventory on the basis of 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.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, 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.

(l) Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method , less any provision for impairment.

An estimate for impairment is made when there is objective evidence that the Consolidated Entity 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.

(m) Investments and other financial assets

The Consolidated Entity has investments in controlled entities.

Investments in controlled entities

All investments are initially recognised at cost, being the fair value of the consideration given. Acquisition costs are recognised in the statement of comprehensive income. After initial recognition, investments in controlled entities are measured at fair value, having regard to underlying net assets of the controlled entities. Any diminution in value is recorded separately as a reduction in recoverable amount of the investment.

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

(n) Property, plant and equipment

Each class of property, plant and equipment is carried at cost 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 commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements	5 - 33 %	Straight Line
Leased Assets	33%	Straight Line
Plant and equipment	12.5 - 33 %	Straight Line
Furniture, Fixtures and Fittings	5 - 20 %	Straight Line
Computer Equipment	5 - 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.

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

(o) Employee Benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave, accumulated 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. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled within twelve months of the reporting date 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.
Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Superannuation obligation

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.

(p) Financial Instruments

Classification

The Consolidated Entity classifies its financial instruments in the following categories: loans and receivables and financial liabilities. 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.

(q) 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 expensed on a straight-line basis over the life of the lease.

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

(r) Trade and other payables

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

(s) Intangibles

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Consolidated 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 Consolidated Entity 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 Consolidated Entity 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.

(v) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(w) Foreign currency

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

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

(x) Non-current assets held for sale

Non-current assets held for sale 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 price of the stores after taking into consideration any selling costs.

(y) 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.

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

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

The Consolidated Entity does not have Diluted EPS, as there are no share options on issue.

(aa) Rounding of amounts

The Consolidated Entity has 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.

(ab) New Accounting standards and interpretations

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective and have not yet been adopted for the annual reporting period ended 30 June 2012. These are as follows:

AASB 10 *Consolidated Financial Statements* replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and *Interpretation 12 Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation.

AASB 11 *Joint Arrangements* introduces a principles-based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The Group does not expect AASB 10 and AASB 11 to have an impact on its reporting structure.

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are based on past performance and management's expectation for the future.

The Consolidated Entity 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) 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.

(b) Closure costs

Calculation of the accrual for expected closure costs associated with the store divestment program requires estimation of the proceeds on closure of the store, make-good, redundancy and any on-going rental obligations. The estimates are based on contractual agreements where applicable, and management assessment of the expected costs including the timing of such costs.

3. SEGMENT INFORMATION

(a) Descriptions of segments

The Consolidated 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 operations throughout this report.

(b) Segment information

2012	Retail Support Services	Retail Stores	Total
	$'000	$'000	$'000
Segment revenue			
Total segment revenue	57,179	5,356	62,535
Inter-segment revenue	(79)	-	(79)
Total segment revenue from external source	57,100	5,356	62,456
Segment result			
Total segment result	(1,544)	(4,600)	(6,144)
Inter-segment elimination	(79)	79	-
Inter-segment impairment elimination	5,296	-	5,296
Segment result from external source	3,673	(4,521)	(848)
Items included within the segment result:			
Interest revenue	145	26	171
Interest expense	(27)	-	(27)
Depreciation and amortisation	(404)	-	(404)
Total Segment Assets	17,102	221	17,323
Total Segment Liabilities	4,292	19,891	24,183

3. SEGMENT INFORMATION (CONT'D)

2011	Retail Support Services $'000	Retail Stores $'000	Total $'000
Segment revenue			
Total segment revenue	61,012	83,373	144,385
Inter-segment revenue	(1,454)	-	(1,454)
Total segment revenue from external source	59,558	83,373	142,931
Segment result			
Total segment result	(517)	11,243	10,726
Inter-segment elimination	(1,454)	1,454	-
Inter-segment impairment elimination	5,951	-	5,951
Segment result from external source	3,980	12,697	16,677
Items included within the segment result:			
Interest revenue	154	-	154
Interest expense	(17)	-	(17)
Depreciation and amortisation	(382)	-	(382)
Total Segment Assets	19,838	746	20,584
Total Segment Liabilities	10,700	15,896	26,596

The total amount of external revenue derived from one major customer where the revenue is greater than 10% of the consolidated entity's total revenue was $21,288,000 (2011: $23,130,000). Revenue from this customer is included in Segment 1 and Segment 2.

4. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The main risks the Consolidated Entity is exposed to through its financial instruments are interest rate risk, currency 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 25. Interest rate risk is managed by maintaining competitive interest rates or fixing rates as may be appropriate.

4. FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk

The Consolidated Entity has entered into forward exchange contracts to purchase Hong Kong Dollars in relation to the costs of the 2012 Members Conference. This was done to manage any exposure to the reduction in the value of the AUD relative to HKD.

The Consolidated Entity's exposure to foreign currency at the end of the reporting period, expressed in Australian dollars is as follows:

	2012	**2011**
	$'000	**$'000**
HKD Foreign exchange Contracts	934	-

Sensitivity

Based on the financial instruments held at 30 June 2012, had the Australian Dollar weakened/ strengthened by 10% against the Hong Kong Dollar with all other variables held constant, the Consolidated Entity's post-tax profit for the year would have been $103,734 lower/ $84,873 higher as a result of foreign exchange gains/ losses.

Liquidity risk

The Consolidated Entity manages liquidity risk by forecasting and monitoring cash flows on a continual basis. The Consolidated Entity has access to adequate financing facilities. Refer Note 22(c) for available and used lending facilities.

Credit risk

The maximum exposure to credit risk at balance date to recognise 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 management of the receivables balance is key in the minimisation of the potential bad debt exposure to the Company. Receivables balances are monitored on an ongoing basis and a formal review of all balances occurs every 6 months and where necessary appropriate provisions are established.

There are no significant concentrations of credit risk within the Consolidated 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

	Note	2012 $'000	2011 $'000
Operating activities			
- Supplier & member income		55,340	58,005
- Rent from member stores		1,141	1,036
		56,481	59,041
- Sale of goods		-	164
- Interest	5(a)	145	154
- Other revenue		474	199
Total revenue		57,100	59,558
(a) Interest from:			
- Other persons		145	154
		145	154

6. PROFIT FROM CONTINUING OPERATIONS

Profit from continuing operations before income tax has been determined after the following specific expenses:

	2012	2011
Employee benefits expense		
Wages and salaries	10,493	10,434
Workers' compensation costs	39	56
Superannuation costs	816	808
Total employee benefits expense	11,348	11,298
Finance costs expensed		
Equipment loan interest	27	17
Total Borrowing costs expensed	27	17
Depreciation of non-current assets		
Leasehold improvements	113	145
Plant and equipment	35	35
Leased assets	102	-
Computer equipment	147	193
Furniture, fixtures and fittings	7	9
Total depreciation of non-current assets	404	382
Other expenses		
Inventory write (back)/off	(22)	39
Bad debts	19	208
Doubtful debts expense	448	353
	445	600

7. INCOME TAX

	2012 $'000	2011 $'000
Income tax expense:		
Current Tax	-	-
Deferred Tax	-	-
	-	-
Deferred income tax revenue included in income tax expense comprises:		
Decrease in deferred tax assets	-	-
Increase in deferred tax liability	-	-
	-	-
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Profit from continuing operations	3,673	3,980
(Loss)/profit from discontinuing operations	(4,521)	12,697
	(848)	16,677
Prima facie income tax payable on (loss)/ profit before income tax at 30% (2011 - 30%)	(254)	5,003
Add:		
Tax effect of:		
- Other non-allowable items	-	15
- Tax losses not brought to account/(utilised)	(254)	(5,018)
Income tax expense attributable to loss	-	-
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	5,365	5,720

Recognition of deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry forward 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:

	2012 $'000	2011 $'000
Net profit attributable to equity holders from continuing operations	3,673	3,980
Net (loss)/profit attributable to discontinued operations	(4,521)	12,697
Net (loss)/profit for the year	(848)	16,677

	2012 No.	2011 No.
Weighted average number of preference shares for basic earnings/(loss) per share	11,560,428	11,560,462
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of preference shares for diluted earnings/(loss) per share	11,560,428	11,560,462

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

9. DISCONTINUED OPERATIONS

The remaining corporate owned stores trading results through to divestment, closure or reporting date all contribute to the results of the discontinued operations as included in the consolidated financial statements.

During the year two of the three stores that remained at the end of last year were divested. The divestment program continued to progress with a sale agreement being executed subsequent to 30 June 2012, for the one remaining corporate store as disclosed in Note 29. At the date of this report the sale has not yet been settled. During the year ended 30 June 2011 FoodWorks Retail Pty Ltd entered into a Second Amendment and Restatement Deed with CSA Retail (Finance) Pty Ltd which resulted in the forgiveness of all amounts owing under both the Transitional Funding Facility and the Deferred Credit Facility. This resulted in the recognition of a non-recurring debt forgiveness income item of $24,379,000.

(a) The results of the discontinued operation for the year are presented below which are before elimination adjustments with the parent entity:

	Note	2012 $'000	2011 $'000
(i) Financial performance information			
Sales Revenue		5,139	52,149
Other Revenue:			
Gains on disposal	(iv)	184	6,725
Debt forgiveness income		-	24,379
Other income		33	120
Total Revenue		5,356	83,373
Expenses			
Expected closure costs from divestment program		(2,876)	(2,005)
Impairment of property, plant and equipment		-	(214)
Interest on loans		-	(1,695)
Operating expenses		(7,001)	(66,762)
Expenses		(9,877)	(70,676)
Income tax expense		-	-
(Loss)/Profit from discontinued operations		(4,521)	12,697
(ii) Cash flow information			
Net cash used in operating activities		(5,517)	(5,581)
Net cash provided by investing activities		184	10,509
Net cash provided by/(used in) financing activities		5,389	(8,818)
Net cash flow		56	(3,890)

Net cash provided by financing activities in the current financial year of $5,389,000 relates to cash received from the parent entity to fund the divestment program.

9. DISCONTINUED OPERATIONS (CONT'D)

	2012 $'000	2011 $'000
(iii) Carrying amount of assets and liabilities		
Assets		
Cash	195	139
Inventories	-	607
Receivables	26	-
Assets directly associated with discontinued operations	221	746
Liabilities		
Payables and accruals – external	(3,209)	(4,330)
Payables – parent entity	(16,607)	(11,311)
Provisions	(75)	(255)
Liabilities directly associated with discontinued operations	(19,891)	(15,896)
Net liabilities attributable to discontinued operations	(19,670)	(15,150)

(iv) Details of discontinued operations disposed

	2012 $'000	2011 $'000
Consideration received or receivable	184	10,509
Less:		
Net assets disposed of	-	(3,449)
Costs of divestment program	-	(335)
Gain on disposal of discontinued operations before tax	184	6,725
Income tax expense		-
Profit from disposal of discontinued operations	184	6,725

During the year ended 30 June 2011, FoodWorks Retail Pty Ltd disposed of FW Viva 9 Pty Ltd and FW Viva 17 Pty Ltd as part of the divestment program for the discontinued operations.

The business acquired in FW Viva 9 Pty (Redbank) was sold on 29 September 2010 for a total consideration of $1, realising a profit of $35,000.

One of the businesses acquired in FW Viva 17 Pty Ltd (Maryborough) was sold on 20 March 2011 for a total consideration of $1, realising a loss of $179,000.

10. CASH AND CASH EQUIVALENTS

	2012 $'000	2011 $'000
Cash on hand	68	76
Cash at bank	1,797	3,567
	1,865	3,643

11. TRADE AND OTHER RECEIVABLES

Current		
Trade & member receivables	13,833	13,519
Provision for impairment	(1,102)	(250)
	12,731	13,269
Sundry debtors and accrued income	2,066	2,786
Provision for impairment	(420)	(522)
	1,646	2,264
	14,377	15,533

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. Amounts outstanding beyond the normal 30 day trading terms which have not been provided for at 30 June 2012 or 2011 are not considered impaired by management based on the trading history with the debtor.

Movements in the provision for impairment were:

Opening balance at 1 July 2011	772	211
Charge for the year	750	561
Closing balance at 30 June 2012	1,522	772

11. TRADE AND OTHER RECEIVABLES (CONT'D)

a) Trade Receivables

Trade receivables ageing analysis

	Gross 2012 $'000	Impairment 2012 $'000	Gross 2011 $'000	Impairment 2011 $'000
Not past due	6,887	24	6,851	-
Past due 0-30 days	2,329	77	2,611	4
Past due 31-90 days	646	32	636	-
Past due more than 91 days	668	605	275	143
	10,530	738	10,373	147

b) Member Receivables

Member receivables ageing analysis

	Gross 2012 $'000	Impairment 2012 $'000	Gross 2011 $'000	Impairment 2011 $'000
Not past due	550	54	485	50
Past due 0-14 days	1,355	81	1,276	7
Past due 14-21 days	1,253	84	1,385	46
Past due more than 21 days	145	145	-	-
	3,303	364	3,146	103
Trade and member receivables	**13,833**	**1,102**	**13,519**	**250**

12. INVENTORIES

	2012 $'000	2011 $'000
Merchandising signage at lower of cost and net realisable value	-	-
Stock of goods at lower of cost and net realisable value	-	607
	-	607
Write-downs of inventories to net realisable value recognised as an expense/(benefit) during the year	(355)	202

13. INTANGIBLES

	2012 $'000	2011 $'000
Goodwill	-	203
Accumulated impairment	-	(203)
	-	-

14. NON-CURRENT ASSETS HELD FOR SALE

	2012 $'000	2011 $'000
Property, plant & equipment	69	934
Intangibles	17	118
	86	1,052
Accumulated impairment	(86)	(1,052)
	-	-

15. OTHER ASSETS

	2012 $'000	2011 $'000
Current		
Security Deposit	1	1
Prepayments	69	76
	70	77

16. PROPERTY, PLANT & EQUIPMENT

	2012 $'000	2011 $'000
Leasehold improvements		
At cost	1,073	1,073
Less accumulated depreciation	(926)	(813)
	147	260
Plant and equipment		
Leased assets		
At costs	611	-
Less accumulated depreciation	(102)	-
	509	-
Plant and equipment		
At cost	184	184
Less accumulated depreciation	(148)	(113)
	36	71
Computer equipment		
At cost	1,463	1,386
Less accumulated depreciation	(1,206)	(1,059)
	257	327
Furniture, fixtures and fittings		
At cost	112	109
Less accumulated depreciation	(50)	(43)
	62	66
Total plant and equipment	864	464
Total property, plant and equipment	1,011	724

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

(a) Movement in Carrying Amounts

	Leasehold Improve-ments	Property, Plant and Equipment	Computer equipment	Leased assets	Furniture fixtures and fittings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount as at 1 July 2010	399	93	463	-	74	1,029
Additions	6	13	57	-	1	77
Depreciation charge for the year	(145)	(35)	(193)	-	(9)	(382)
Carrying amount as at 30 June 2011	260	71	327	-	66	724
Additions	-	-	77	611	3	691
Depreciation charge for the year	(113)	(35)	(147)	(102)	(7)	(404)
Carrying amount at 30 June 2012	147	36	257	509	62	1,011

17. TRADE AND OTHER PAYABLES

	2012	2011
Current	$'000	$'000
Trade payables	12,432	14,775
Divestment closure costs payable	2,706	2,005
Sundry payables and accrued expenses	5,975	7,157
	21,113	23,937

18. BORROWINGS

	2012 $'000	2011 $'000
Current		
Secured		
Equipment loan	13	161
Finance lease liability	196	-
	209	161
Non-Current		
Secured		
Finance lease liability	322	-
	322	-

(a) Items pledged as security:

(i) National Australia Bank

Guarantee & Indemnity for $373,000 (2011: $312,880) given by AURL and lease purchase agreements. Operating lease commitments are disclosed in Note 26(b).

19. PROVISIONS

	2012 $'000	2011 $'000
Current		
Employee benefits	2,338	2,340
	2,338	2,340
Non-current		
Employee benefits	201	158
	201	158
Aggregate employee benefits liability	2,539	2,498

20. ISSUED AND PAID UP CAPITAL

		2012	2011
		$'000	**$'000**
11,560,407 (2011 : 11,560,449) Class A redeemable preference shares	**20(a)**	10,119	10,119
		10,119	10,119

(a) Movement in shares on issue

	2012	2011
At the beginning of the reporting period	11,560,449	11,560,475
Shares issued during the year	68	73
Shares bought back during the year	(110)	(99)
At reporting date	11,560,407	11,560,449

(b) Rights of each type of share

Only Class 'A' redeemable preference shares carry the right to vote at meetings of shareholders. The holder shall have one vote for each share held when a poll is called.

On a winding up of the Company, the holder shall be entitled to participate in any distribution of the assets of the Company and each share carry the right to participate in any dividend declared and paid by the Company to the holders of Class 'A' redeemable preference shares.

27 February 2007 was the last date on which the Company issued Class 'B' redeemable preference shares to 'bannered' members. As at 30 June 2012 186 Class 'B' preference shares are on issue (2011: 206). Holders of Class 'B' redeemable preference shares do not have the right to vote at meetings of shareholders but shall have the right to vote at a meeting of the holders of Class 'B' redeemable preference shares. Holders of Class 'B' preference shares do not have the right to any participation in surplus assets of the Company on winding up or upon a reduction of capital. Each Class 'B' redeemable preference share shall carry the right to participate in any dividend declared and paid by the Company to holders of Class 'B' redeemable preference shares but does not as of right have an entitlement to the same dividend as other shares in this class.

(c) Capital management

Management monitors the capital of the Consolidated Entity to ensure that the Consolidated Entity can fund its operations and continue as a going concern. Under the Second Amendment and Reinstatement Deed with CSA Retail (Finance) Pty Ltd if the Consolidated Entity was to engage in a capital raise before the end of June 2016 which exceeds $6.4 million then the Transitional Funding Facility plus accrued interest would be reinstated to the Balance Sheet. Refer to Note 26(c) for further details regarding the potential for the Transitional Funding Facility to be reinstated.

21. ACCUMULATED LOSSES

	2012	2011
	$'000	**$'000**
Accumulated losses at the beginning of the financial year	(16,131)	(32,808)
(Loss)/profit attributable to members of the entity	(848)	16,677
Accumulated losses at the end of the financial year	(16,979)	(16,131)

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:

	2012 $'000	2011 $'000
Cash on hand	68	76
Cash at bank	1,797	3,567
	1,865	3,643

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

Net (loss)/profit from ordinary activities after tax	**(848)**	**16,677**
Adjustments for:		
Depreciation and amortisation	404	382
Provision for impairment	-	214
Forgiveness of loan	-	(24,379)
Loan interest	-	1,695
Divestment program costs incurred	-	335
Net profit on disposal of stores	(184)	(6,725)
Changes in assets and liabilities:		
Decrease/(Increase) in debtors	1,156	(3,011)
Decrease in inventories	607	9,114
Decrease in prepayments and other assets	7	60
Decrease in trade and other payables	(2,824)	(1,346)
Increase/(Decrease) in provisions	41	(2,589)
Net cash from operating activities	(1,641)	(9,573)

22. CASHFLOW INFORMATION (CONT'D)

(c) Credit: Standby Arrangements with banks

	2012 $'000	2011 $'000
Credit Facility	5,742	5,741
Amount Utilised	(514)	(1,520)
Unused Credit Facility	5,228	4,221

The major facilities are summarised as follows:

Guarantee Facility
$106,440 : (2011: $1,017,378) facility provided by CSA Retail (Finance) Pty Ltd

Bank Guarantee Facility
$373,000 : (2011: $312,880) facility provided by the National Australia Bank

Business Card Facility
$250,000 : (2011: $250,000) variable interest rate facility provided by the National Australia Bank

Equipment Loan Facility
$12,796 : (2011: $161,000) fixed interest rate facility provided by the National Australia Bank

Direct Payments Facility
$4,000,000 : (2011: $4,000,000) variable interest rate facility provided by the National Australia Bank

Bank Loan Facility
$1,000,000 : (2011: Nil) variable interest rate facility provided by the National Australia Bank which was undrawn at the balance date.

23. AUDITORS REMUNERATION

	2012 $'000	2011 $'000
Amounts received or due and receivable by Pitcher Partners for:		
- an audit or review of the financial report of the entity and any other entity in the Consolidated Entity	93	454
Other services in relation to the entity and any other entity in the Consolidated Entity		
- tax compliance	14	127
- other assurance services	6	19
	113	600

24. CONTROLLED ENTITIES

(a) Controlled entities	Country of Incorporation	Percentage Owned (%) 2012	2011
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	100
FW Retail Holdings Pty Ltd	Australia	100	100
FW Viva 1 Pty Ltd	Australia	100	100
FW Viva 5 Pty Ltd	Australia	100	100
FW Viva 8 Pty Ltd	Australia	100	100
FW Viva 10 Pty Ltd	Australia	100	100
FW Viva 11 Pty Ltd	Australia	100	100
FW Viva 13 Pty Ltd	Australia	100	100
FW Viva 15 Pty Ltd	Australia	100	100
FW Viva 18 Pty Ltd	Australia	100	100

All entities have a balance date of 30 June 2012. All voting power is reflective of the ownership interest.

25. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The Consolidated Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
2012	**$'000**	**$'000**	**$'000**	**%**	
(i) Financial assets					
Cash	1,797	68	1,865	2.83	Variable
Trade and other receivables	-	14,377	14,377	-	
Total financial assets	1,797	14,445	16,242		
(ii) Financial liabilities					
Trade and other creditors	-	21,113	21,113	-	
Finance lease	518	-	518	7.00	Fixed
Equipment loan	13	-	13	7.29	Fixed
Total financial liabilities	531	21,113	21,644		

25. FINANCIAL INSTRUMENTS (CONT'D)

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
2011	**$'000**	**$'000**	**$'000**	**%**	
(i) Financial assets					
Cash	3,567	76	3,643	3.92	Variable
Trade and other receivables	-	15,533	15,533	-	
Total financial assets	3,567	15,609	19,176		
(ii) Financial liabilities					
Trade and other creditors	-	23,937	23,937	-	
Equipment loan	161	-	161	7.29	Fixed
Total financial liabilities	161	23,937	24,098		

(b) Liquidity risk

Maturity analysis

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

Year ended 30 June 2012	Note	< 6 Months	6 - 12 Months	1-5 Years	Total
		$'000	**$'000**	**$'000**	**$'000**
Cash and cash receivables	10	1,865	-	-	1,865
Receivables	11	14,377	-	-	14,377
Payables	17	(19,985)	(1,128)	-	(21,113)
Borrowings	18	(109)	(100)	(322)	(531)
Net outflow		(3,852)	(1,228)	(322)	(5,402)

Year ended 30 June 2011	Notes	< 6 Months	6 - 12 Months	1-5 Years	Total
		$'000	**$'000**	**$'000**	**$'000**
Cash and cash receivables	10	3,643	-	-	3,643
Receivables	11	15,533	-	-	15,533
Payables	17	(22,059)	(1,878)	-	(23,937)
Borrowings	18	(80)	(81)	-	(161)
Net outflow		(2,963)	(1,959)	-	(4,922)

25. FINANCIAL INSTRUMENTS (CONT'D)

(c) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

(d) Net fair values

The net fair value of financial assets and financial liabilities approximates their carrying values as disclosed in the statement of financial position and notes to the financial statements.

26. COMMITMENTS AND CONTINGENT LIABILITIES

	Note	2012 $'000	2011 $'000
(a) Equipment loan / Finance leases			
Payable			
- not later than one year		239	167
- later than one year and not later than five years		339	-
- later than five years		-	-
Minimum payments		578	167
Less future finance charges		(47)	(6)
Total liability		531	161
Represented by:			
Current liability	18	209	161
Non-current liability	18	322	-
		531	161

(b) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are:

	2012	2011
Payable		
- not later than one year	2,764	3,228
- later than one year and not later than five years	8,666	9,517
- not later than 5 years	7,409	8,120
	18,839	20,865

The Consolidated Entity has non-cancellable property leases with terms ranging from one year to thirteen years, and rent payable one month in advance. Contingent rental provisions have been calculated based on annual rental increases of between 3.25% and 4.00%.

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.

Included in closure costs accrual (Note 17) at 30 June 2012 is $1,776,000 of non-cancellable operating leases (2011: $1,653,000).

26. COMMITMENTS AND CONTINGENT LIABILITIES (CONT'D)

(c) Reinstatement of Transitional Funding Facility

The Second Amendment and Restatement Deed with CSA Retail (Finance) Pty Ltd includes the following conditions which if triggered will result in the re-instatement of the Transitional Funding Facility Reinstatement Amount which equates to $7.1million plus interest accruing on the facility up to the date that the triggering event occurs.

The trigger events are:

(i) If before the end of June 2021, a change in control of the Parent Entity occurs, or
(ii) If before the end of June 2016, a capital raise which exceeds $6.4 million occurs.

(d) Guarantees

Australian United Retailers Limited agreed to act as guarantor for the lease obligations of one of the former corporate owned stores.

This guarantee means that Australian United Retailers Limited may become responsible for the lease obligations of the new owner in the event of default. The guarantee relates to the period of the current lease which expires in 2024. The maximum amount payable under any such guarantee is $4.5 million.

Australian United Retailers Limited has a guarantee from one of the Directors of the new owner as to the performance of the new owner.

27. RELATED PARTY TRANSACTIONS

(a) Loans to and from directors and director related entities

There were no loans to and from Directors and director related entities at 30 June 2012 (2011: $nil).

(b) Other transactions with directors and director related entities

Directors or director related entities that 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:

Deborah Smith	Malcolm Ward
Fred Fairthorne	Alan Burge
Sien Van Nguyen	David Williamson
Jack Scanlan	Wayne Pattison (resigned 22 Nov 2011)

These transactions are on the same commercial terms and conditions as transactions with other members. The aggregate amounts of store membership fees received or receivable and included in the result for the year are $42,042 (2011: $42,642). The aggregate amount of rebates paid or payable and included in the result for the year is $2,480,827 (2011: $4,087,695).

John Bridgfoot, is a director and shareholder of Pacific Rim Securities Pty Ltd. During the prior financial period the Consolidated Entity entered into a contract with Pacific Rim Securities for the provision of management services. During the period $Nil (2011: $90,000) was paid to Pacific Rim Securities Pty Ltd for services at normal commercial terms and conditions.

27. RELATED PARTY TRANSACTIONS (CONT'D)

(c) Directors' Shareholdings

Aggregate number of shares disposed during the year:

Fred Fairthorne	nil shares (2011: 650,000 shares)

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

"A" Class redeemable non-cumulative preference shares:

Allan Burge	162,002 shares (2011: 162,002 shares)
Fred Fairthorne	850,003 shares (2011: 850,003 shares)
Deborah Smith	155,793 shares (2011: 155,793 shares)
Jack Scanlan	240,000 shares (2011: 240,000 shares)
Malcolm Ward	620,214 shares (2011: 520,004 shares)
David Williamson	72,002 shares (2011: 72,002 shares)
Sien Van Nguyen	3 shares (2011: 2 shares)

Superate Pty Ltd is an entity which controls a trust that owns two FoodWorks stores. Entities associated with Jack Scanlan own units in the relevant trust. The entity Superate Pty Ltd held 426,002 Class A shares at the year ended 30 June 2012 (2011: 426,003 shares). The entity Superate Pty Ltd disposed of its Myrtleford store in December 2011.

(d) Transactions with entities in the Consolidated Entity

During the current and prior reporting periods support services and funding was provided to FoodWorks Retail. The support services were provided on terms identical to other members, whilst the funding was a non interest bearing loan.

28. DIRECTORS' AND KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Details of Directors and Key Management Personnel

(i) The names of Directors who have held office during the financial year are:
John Bridgfoot
Allan Burge
Fred Fairthorne
Wayne Pattison – resigned 22 November 2011
Deborah Smith
Jack Scanlan
Malcolm Ward
David Williamson
Neil Osborne
Janette Kendall – resigned 22 November 2011
Sien Van Nguyen – appointed 22 November 2011

(ii) The Key Management Personnel of the Consolidated Entity during the financial year are:
Rick Wight
Tony Pacella
Helene Gordon – ceased 30 June 2012
Stephanie Holmes – ceased 2 July 2012
Midhat Massoud
Theo Stratopoulos

28. DIRECTORS' AND KEY MANAGEMENT PERSONNEL 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 Key Management Personnel.

Remuneration disclosures are provided on pages 10 - 14 of the Directors' Report.

Grants of performance-related bonuses

Key Management Personnel have received performance related bonuses, related to the 2011 financial year, during the period totalling $194,399 (2011: $ Nil). Refer to the Directors Report for disclosure on the remuneration policies including performance-related bonuses for Directors and Key Management Personnel.

The criteria used to determine the amount of compensation is based on the principles and processes described in the Directors report.

(c) Compensation by category of Directors and Key Management Personnel

	2012	2011
	$'000	$'000
Short-term employee benefits	2,449	2,633
Post-employment benefits	229	224
Termination benefits	255	112
	2,933	2,969

(d) Employment Contracts and Service Agreements

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

29. SUBSEQUENT EVENTS

In the period subsequent to 30 June 2012, a sale agreement has been executed for the remaining corporate store. At the date of this report the sale has not yet been settled.

30. PARENT ENTITY INFORMATION

	2012	2011
	$'000	$'000
(a) Summarised statement of financial position		
Assets		
Current assets	16,217	19,171
Non-current assets	1,011	724
Total Assets	17,228	19,895
Liabilities		
Current liabilities	20,501	21,909
Non-current liabilities	522	159
Total Liabilities	21,023	22,068
Net deficiency	(3,795)	(2,173)
Equity		
Contributed capital	10,119	10,119
Retained earnings	(13,914)	(12,292)
Total equity	(3,795)	(2,173)
(b) Summarised statement of comprehensive loss		
Loss for the year	(1,622)	(1,971)
Other comprehensive loss	-	-
Total comprehensive loss for the year	(1,622)	(1,971)

The loss for the parent entity includes a loan forgiveness of $5,296,000 (2011: $5,951,000).

(c) Parent entity guarantees

The parent entity has provided the guarantees outlined in Note 26(d).

30. PARENT ENTITY INFORMATION (CONT'D)

(d) Parent entity contingent liabilities

The parent entity has a contingent liability relating to the Second Amendment and Restatement Deed with CSA Retail (Finance) Pty Ltd as disclosed in Note 26(c).

(e) Parent entity commitments

The parent entity has the equipment loan and finance lease obligations as outlined in Note 26(a).

The future minimum lease payments under the non-cancellable operating leases are:

Payable		
- not later than one year	1,006	1,178
- later than one year and not later than five years	2,816	984
- later than five years	1,653	-
	5,475	2,162

DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 26 to 63 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 Consolidated Entity as at 30 June 2012 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(c) 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 2012.

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

Director

J Bridgfoot

Dated this 13th day of September 2012

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AUSTRALIAN UNITED RETAILERS LTD

We have audited the accompanying financial report of Australian United Retailers Ltd and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001,* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company'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*.

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AUSTRALIAN UNITED RETAILERS LTD

Opinion

In our opinion:

(a) the financial report of Australian United Retailers Ltd is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(c) Going Concern in the financial report which indicates that the consolidated entity incurred a net loss of $848,000 (30 June 2011: net profit $16,677,000). As at that date, the consolidated entity's current liabilities exceeded current assets by $7,348,000 (30 June 2011: $6,578,000) and total liabilities exceed total assets by $6,860,000 (30 June 2011: $6,012,000). These conditions, along with other matters set forth in Note 1(c) Going Concern, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 14 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Australian United Retailers Ltd and controlled entities for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

N R BULL
Partner

PITCHER PARTNERS
Melbourne

13 September 2012

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 11,560,407 Class A redeemable preference shares issued at 30 June 2012.

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 206 Class B redeemable preference shares issued at 30 June 2012. There are no substantial shareholders of Class B 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 2012

	No of shares	%
MR JEFFREY NEVILLE HALL	866,000	7.5%
MR PAUL DAMIAN REILLY	865,000	7.5%
DREYFUS PTY LTD	770,000	6.7%
MR GARRY RAYMOND ROBERSON	609,800	5.3%
OAKMEADOW PTY LTD	460,000	4.0%
DALEWING PTY LTD	430,001	3.7%
BACCHUS MARSH MEGA FRESH PTY LTD	374,000	3.2%
MELLWAY HOLDINGS PTY LTD	300,001	2.6%
RUMMAGE MARKET PTY LTD	240,000	2.1%
HOCKNEY NOMINEES PTY LTD	222,000	1.9%
		44.4%