



Offer information statement

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

AURL lodged this Offer Information Statement with ASIC on 18 December 2013.

IMPORTANT INFORMATION

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

This is the Offer Information Statement lodged by Australian United Retailers Limited on 18 December 2013:

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke extending to the right.

.....
Tony Pacella

Secretary

Australian United Retailers Limited
ACN 077 879 782

CORPORATE DIRECTORY

Company

Australian United Retailers Limited
Trading as FoodWorks
ACN 077 879 782
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Directors

John Bridgfoot – Chairman and Non Executive Director
Neil Osborne - Deputy Chairman and Non Executive Director
Allan Burge – Non Executive Director
Fred Fairthorne – Non Executive Director
Deborah Smith - Non Executive Director
Sein Van Nguyen - Non Executive Director
Malcolm Ward – Non Executive Director
David Williamson – Non Executive Director
Paul Job – Non Executive Director

Company Secretary

Tony Pacella

Lawyers to the Company

DLA Piper Australia
Level 21
140 William Street
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IMPORTANT NOTICE

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

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

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

This OIS is dated 18 December 2013 (**OIS Date**). A copy of this OIS was lodged with the Australian Securities and Investments Commission (**ASIC**) on 18 December 2013. The ASIC does not take any responsibility for the contents of this OIS or the merits of the Offer contained in it.

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

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

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

Exposure Period

The Corporations Act prohibits the Company from processing applications in the seven (7) day period after the OIS Date. This period is known as the Exposure Period. This Exposure Period may be extended by the ASIC by up to seven (7) days. The purpose of the Exposure Period is to enable this OIS to be examined by market participants prior to the raising of funds. That examination may result in the identification of deficiencies in the disclosure document. In those circumstances any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on applications received during the Exposure Period.

Offer for Australian Residents

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

Definitions and Abbreviations

Please refer to the Glossary in section 2 for explanations of defined terms and abbreviations used in this OIS.

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1 Investment Overview

1.1 The Offer

Australian United Retailers Limited invites Eligible Applicants to apply for Class A Redeemable Preference Shares in Australian United Retailers Limited (AURL) at an offer price of \$1.00 per share. Under the Constitution, each Eligible Applicant is entitled to be issued and allotted one Class A Redeemable Preference Share in respect of each Approved Store they operate and control. As such, an Eligible Applicant's total investment under this OIS is expected to be only \$1.00, unless the Eligible Applicant operates and controls more than one Approved Store.

1.2 Do you have to pay anything to have a Class A Redeemable Preference Share issued to you?

Yes, you have to pay \$1.00.

1.3 Who is an Eligible Applicant?

Under the Company's Constitution a person is an Eligible Applicant if the person:

- is an owner or joint owner of an Approved Store or if the Directors determine that the person intends to become an Approved Storeowner; and
- has signed (or proposes to sign) a Unity Agreement.

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

1.4 Key Dates

Event	Date
OIS Lodgement Date at ASIC	18 December 2013
Offer Opens	18 December 2013
Offer Closes	This Offer is open for a period of 13 months from the date of lodgement, and closes on the Closing Date (5:00pm AEST on 18 January 2015)
Shares Issued	Normally after scheduled Board meetings (see section 7.3)

1.5 Application Criteria

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

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

1.6 Purpose of Class A Redeemable Preference Shares

The purpose of the Offer and issuing Class A Redeemable Preference Shares is not to raise funds for the Company but to secure the status of each Eligible Applicant as an Approved Storeowner. The Unity Agreement which each Eligible Applicant has signed (or proposes to sign) provides that your status as an Approved Storeowner only takes effect once a Class A Redeemable Preference Share is issued to you.

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Your Class A Redeemable Preference Share(s) will be your link to membership of the Company. As a shareholder you have the right to receive certain information about the Company. There are also voting rights attached to Class A Redeemable Preference Shares. For example, holders of Class A Redeemable Preference Shares can participate in resolutions electing board members. Section 10 contains detailed information about the rights attaching to each class of Shares under the Company's Constitution. Please read this information carefully and seek professional advice if you have any questions.

1.7 Key Risks

Applicants should carefully consider the risks set out in Section 9 (as well as the other information in this OIS) before deciding to subscribe for a Share(s) in the Company.

2 Glossary

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

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

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

"ASIC" means the Australian Securities and Investments Commission.

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

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

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

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

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

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

"Board" means the Board of Directors of FoodWorks.

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

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

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

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

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

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

"Closing Date" means the date on which the Offer closes, being 5:00pm AEST on 18 January 2015.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Merger" means the merger of the FSG and AUR in November 2004.

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

"NSX" means National Stock Exchange of Australia Limited.

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

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

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"Private Label" means the branded products which are proprietary to the Company, including the FoodWorks Best Buy, branded products.

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

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

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

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

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

"Share" means a share in the Company.

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

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

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

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

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

"Unity Agreement" means an agreement between FoodWorks and:

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

3 Key Questions and Answers

3.1 What is this document?

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

This OIS sets out all information that, in the opinion of the Directors, is likely to be material to the decision of an Eligible Applicant whether or not to acquire Class A Redeemable Preference Share(s). The terms of the Offer are set out in section 7 of this OIS.

3.2 Why has this document been provided to you?

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

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

3.3 Why do you need a Share?

As noted in section 3.2 above, Eligible Applicants are entitled under the Constitution to be issued and allotted one Class A Redeemable Preference Share in respect of each Approved Store they operate and control. Further, the Unity Agreement provides that your status as an Approved Storeowner only takes effect once a Class A Redeemable Preference Share is issued to you.

Your Class A Redeemable Preference Share(s) will be your link to membership of the Company. As a shareholder you have the right to receive certain information about the Company. There are also voting rights attached to Class A Redeemable Preference Shares. For example, holders of Class A Redeemable Preference Shares can participate in resolutions electing board members. Section 10 contains detailed information about the rights attaching to each class of Shares under the Company's Constitution. Please read this information carefully and seek professional advice if you have any questions.

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

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

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

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

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

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

As at the date of this OIS, the Company has 11,560,411 Class A Redeemable Preference Shares and 171 Class B Redeemable Preference Shares on issue.

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

Yes. However, the Constitution contains certain restrictions on the transfer of Shares. These restrictions are explained in sections 11.3.3 and 11.3.12.

3.6 What is a 'redeemable preference share'?

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

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

Further details on the rights and restrictions attaching to each class of Shares are set out in section 10.

3.7 Will you get any dividends?

Any dividend payment will be subject to the Company's ability to meet any of its then cash funding requirements for the growth of the business and taking into account the capital and trading requirements of the Company and its subsidiaries at the time.

Until the Company has further certainty surrounding the completion of the divestment of the Company owned stores in particular Townsville, the Company is not in a position to predict when it will pay a dividend. The Company remains committed to paying a dividend as soon as possible.

3.8 Should you subscribe for Shares?

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

3.9 Who can apply for shares under this OIS?

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

3.10 What should you do if you require further information?

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

3.11 Where else can I obtain a copy of this OIS?

Copies can be obtained from the Members section of the Company's extranet: extranet.foodworks.com.au or by contacting the Company.

4 Information about the Company, its business and plans

4.1 Background information

AURL is an independent retail supermarket group trading under the “FoodWorks” Brand. It was created from the Merger of the FSG and AUR in November 2004.

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

The combined business has a network of stores which has grown to approximately 600 stores with annual aggregate store turnover in excess of \$1.9 billion.

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

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

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

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

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

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

On 29 June 2009, the Company announced its intention to purchase up to 45 Coles stores in South Australia, Victoria, New South Wales and Queensland at a total acquisition value of around \$35 million. This acquisition was approved by the Company’s members on 17 August 2009 and 22 of those stores were progressively transferred to the FoodWorks group during the period until February 2010. The acquisition was financed by the Wesfarmers group. In March 2010 the Company announced that initial performance benchmarks for the acquired stores had not been met and that plans would be developed to divest a number of stores. In addition to reaching agreement with Coles that FoodWorks was not required to acquire further stores under the original sale and purchase agreement, a divestment and closure plan was developed. As at the date of this OIS, all but two sites have been sold, closed or converted to an alternative use. Arrangements in respect of these two sites are being negotiated.

4.2 The FoodWorks National Network

FoodWorks has grown to represent a network of Branded and Unbranded stores, spanning all states and territories across Australia, excluding the Northern Territory.

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

4.3 Growth of Member Distributions

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

Over the last three years total distributions as a proportion of Eligible Warehouse Withdrawals have increased.

4.4 What does FoodWorks do?

The Company's Activities - Overview

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

- Negotiating supply arrangements, including pricing, trading terms, logistics, and promotions;
- Building and marketing a range of Private Label (controlled brand) product lines, to improve store sales and margins and generate customer loyalty;
- Conducting marketing and advertising on behalf of Branded Store-owners to grow sales and enhance customer awareness of the FoodWorks Brand;
- Providing a range of support services and tools to assist Members who own Approved Stores to:
 - run** their businesses - such as business plans, product sales benchmarking information, space planning, Retail Development Partners (RDPs), Fresh Specialists
 - manage** their businesses - such as training, manuals, price file hosting and maintenance and accounts payable services (e.g. Chargeback); and
 - reduce** the cost of doing business – such as local area marketing, media buying, production and distribution of catalogues, group deals for telecommunications, EFTPOS and automatic teller machines (ATM's);
- Assisting Members who own Approved Stores regarding store refurbishment and redevelopment opportunities and the management of their development projects;
- Assisting Members who own Approved Stores in their choices of Point of Sale and Back Office Systems, and associated support arrangements; and
- Representing the interests of independent retailers generally with governments, industry groups or associations.

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

4.5 Key FoodWorks Services

To effectively deliver its diverse range of support services to Members who own Approved Stores, FoodWorks is organised into the following primary functions – Merchandising, Retail Operations, Business and Store Development, Marketing & Communication, Information Technology and Pricing, Finance and Human Resource Management. The activities of each of these functions are outlined below.

4.6 Merchandising

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

- Supplier agreements;
- Private Label ranges;
- Category specific initiatives – i.e. LiquorLink and TobaccoLink;
- Promotional negotiations and support; and
- Space Management.

4.6.1 Supplier Agreements

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

In particular, FoodWorks and its Member retailers have access to a comprehensive long-term supply agreement with Metcash. The agreement is based on national access to an extensive product range of grocery, perishable, general merchandise, tobacco and packaged liquor items. Further details with respect to this agreement are set out in section 11.7.

FoodWorks also manages the supply arrangements for all direct to store suppliers primarily for Fresh Produce, Meat, Deli and Bread categories.

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

4.6.2 Private Label Ranges

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

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

4.6.3 Category Specific Initiatives - LiquorLink and TobaccoLink

LiquorLink and TobaccoLink are FoodWorks' innovative, value added merchandising and promotional programs which provide regular competitive pricing and promotions support from liquor and tobacco Suppliers with retailer commitments to meet merchandising expectations of Suppliers' products.

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

4.6.4 Promotional Negotiations and Support

FoodWorks provides its members with an ongoing promotional program to drive customers into the stores and to increase sales. There are up to 51 catalogues produced each year which can be distributed around the stores' catchment areas. These catalogues are tailored to the stores' size and are available in a 12 page, 6 page and 4 page version. Promotional activities are typically one week specials, or 4 week price reductions. Supplier support is negotiated on behalf of the network by the Merchandise Team to meet price points that are market competitive and drive increased customer count.

4.6.5 Space Management

FoodWorks provides Branded Storeowners with product and category range planograms and consumer-focused floor plans to improve store flow and product category footage allocations.

4.7 Retail Operations

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

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

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

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

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

4.8 Business & Store Development

FoodWorks' business & store development function encompasses a range of specialist services, from investigating and identifying new business opportunities through to computer aided retail design.

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

These barriers include:

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- Lack of data necessary to make a confident decision on a store's possible development options;
- Limited specialist expertise – i.e. limited ability to assess and quantify the opportunities, costs and potential return on investment or the high cost of accessing such expertise;
- High cost of development – ad hoc use of contractor and professional services and equipment, without formalised trading terms or standard specifications.

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

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

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

4.9 Marketing & Communications

Over the next 12 months the FoodWorks Marketing Team will continue to drive awareness of the FoodWorks brand, points of difference and competitive advantage in the marketplace. The team continues to support individual store level activity to maximise local presence and drive sales.

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

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

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

- Provision of all Member retailers' communications, corporate communications and media support and services. Through ensuring the right mix of technology and traditional methods, the team seeks to ensure all Member retailers are aware of company activities and actively share news and ideas to grow the business.

4.10 Information Technology

FoodWorks provides advice and direction on retail technologies and aligns with accredited back office software vendors. The Company has relationships and agreements in place to enable Member retailers to take advantage of group pricing for EFTPOS merchant fees, telecommunications and broadband services.

Other services include:

- ScanWorks, which is exclusive to FoodWorks and is a data analysis management tool collecting scanned product sales data from FoodWorks stores on a daily basis.
- The retrieved data underpins many of FoodWorks' support services – such as special promotional activities (scan deal rebates), category management, analysis of store development potential for new and existing stores, and the creation of meaningful, tailored business plans.
- ScanWorks is also a powerful tool for Member retailers to assist them to benchmark their performance and to make effective merchandising decisions.

4.11 Pricing and Hosting Support Services

Member retailers with FoodWorks approved Point of Sale and Back Office Systems can elect to have FoodWorks host their product price files in order to save time and effort during promotional periods and to manage price changes. The flexible “host management system” allows retailers to mix and match pricing zones at a subcategory level to improve profitability.

4.12 Finance

The Company's objective is to ensure that its legal and fiduciary corporate obligations are discharged fully in a cost effective manner.

Business controls and systems are in place to increase income generation, control spending, and mitigate risk areas which improve the services and financial return to Member retailers. The management of the Company's working capital is important so as not to hinder the pursuit of growth opportunities.

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

4.13 Human Resources

FoodWorks has a focus on developing the capability of FoodWorks support office employees and providing varied human resources related services to Member retailers.

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

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

5 FoodWorks' Vision

FoodWorks' stated vision is "to be an outstanding independent Retail Support Organisation"

Stores are our customers – our key focus is on our stores; driving their sales and increasing their profitability.

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

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

6 Industry overview

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

7 Details of the Offer

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

7.1 Key dates

Event	Date
OIS Lodgement Date at ASIC	18 December 2013
Offer Opens	18 December 2013
Offer Closes	This offer is open for a period of 13 months from the date of lodgement, and closes on the Closing Date (5:00pm AEST on 18 January 2015)
Shares Issued	Normally after a scheduled Board meeting (see section 7.3)

7.2 Offer terms

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

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

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

7.3 Offer structure

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

By lodging a completed Application Form with AURL in respect of each Class A Redeemable Preference Share applied for, the Applicant is deemed to acknowledge that the Offer set out in this OIS is only capable of acceptance by AURL where the conditions set out in section 7.2 above are met.

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

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

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

7.4 Minimal cash will be raised pursuant to the Offer

The purpose of this OIS is not to raise funds for the Company but to comply with the disclosure requirements of the Corporations Act relating to the issue of securities. As noted in the Investment Overview and section 7.2 above, the consideration for each Class A Redeemable Preference Share issued under this OIS will be \$1.00. Accordingly, funds raised under the Offer will be minimal, and will be incorporated into the Company's general revenue.

As set out in section 10 of the OIS, Class A Redeemable Preference Shares and / or Class B Redeemable Preference Shares may be redeemed in accordance with the Redemption Procedure upon the occurrence of a Redemption Event. In addition, section 254K of the Corporations Act provides that a company may only redeem redeemable preference shares out of profits or the proceeds of a new issue of shares made for the purpose of the redemption.

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

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amount payable by the Company (per share redeemed) where the Board elects to redeem Class A Redeemable Preference Shares and / or Class B Redeemable Preference Shares will be funded by the Offer Proceeds.

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

7.5 How to apply for Shares

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

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

7.6 Closing Date

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

7.7 What to do if you have queries or want extra copies of this OIS

Applicants who require additional copies of the OIS can contact:

Company Secretary

Australian United Retailers Ltd

Ph: 03 9809 8600

Email: companysecretary@foodworks.com.au

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

7.8 Company's discretion

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

8 Directors and Senior Management

8.1 Who are AURL's directors and officers?

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

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

- Engage in prudent financial management;
- Set strategy and direction for the Company;
- Monitor results on an on-going basis;
- Establish compelling Business Plans including stretch targets; and

- Apply best practice corporate governance practices.

None of the Directors is a nominee appointed to represent a substantial shareholder of the Company. Further, in respect of each Director, the Board does not consider that any business or other relationships or interests of that Director will interfere with the independent exercise of the Director's judgment in performing their duties as a Director of the Company.

The Board comprises the following Directors:

8.1.1 John Bridgfoot - Chairman and Non Executive Director

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

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

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

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

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

8.1.2 Neil Osborne – Deputy Chairman and Non Executive Director

With over 20 years' experience in the retail industry, Neil was appointed to AURL as a director in November 2006. He is Chairman of the Board's Audit & Risk Committee and Supply Chain Management Committee.

Neil is a Director of the Vita Group, a company listed on the ASX.

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 the world's largest consulting and technology services firm, Accenture.

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

8.1.3 Allan Burge – Non Executive Director

Allan has been a retailer since 1968 and currently operates two FoodWorks Supermarkets at Loganholme and Woodridge in Queensland. He was appointed as a Director of the Company in November 2010 and is Chairman of the Remuneration & Nomination Committee of the Board.

Allan was appointed to the Q.I.W. Board in 1981. In 1983, when Q.I.W. was taken over by Q.I.W. Retailers, Allan was elected a Director and was founding Chairman, a position he was elected to annually for the next 10 years, eventually retiring from the Board in 1993. At the direction of a General Meeting of SPAR Retailers during 1993, a group of retailers prepared a business plan for the purchase and distribution of fresh fruit and vegetables for QLD and N.S.W. SPAR Fresh Pty Ltd was registered and commenced operations in 1999 trading as Independent Produce Professionals. It is still progressing into its 13th year. Allan was elected a Director and founding Chairman and he has retained these positions to date.

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

8.1.4 Frederick Fairthorne - Non Executive Director

Fred was appointed as a Director of the Company in September 2009. He is a member of the Supply Chain Management Committee of the Board.

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

Fred has a strong presence in supermarket retailing, and is currently involved in the ownership and operation of several facilities in the Perth area with a strong focus on merchandising, marketing product offerings and store layout development. Fred therefore brings to the Board a depth of relevant and diverse retailing experience at both operational and management levels.

8.1.5 Deborah Smith - Non Executive Director

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

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

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

8.1.6 Sien (John) Van Nguyen - Non Executive Director

John was appointed as a Director of the Company in November 2011 and is a member of the Audit & Risk Committee and Supply Chain Management Committee

John currently owns three FoodWorks supermarkets in Queensland. He is the Managing Director of a family group of companies operating the stores and other enterprises.

Before entering the retail industry, John and his family operated an award-winning restaurant in Brisbane, which catered for 200 patrons. He was responsible for its operation, financial management, purchasing and quality control.

John brings a broad range of relevant commercial and practical experience to the board and is highly committed to the future and success of the FoodWorks group through service to its customers.

8.1.7 Malcolm Ward – Non Executive Director

Malcolm was appointed as a Director of the Company in November 2010 and is a member of the Audit & Risk Committee of the Board.

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

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Malcolm is a director and audit committee member of several production and marketing companies in the Australian egg industry including Farm Pride Foods Ltd and 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.

8.1.8 David Williamson – Non Executive Director

David was appointed as a Director of the Company in November 2010 and is a member of the Remuneration & Nomination Committee and Supply Chain Management Committee of the Board.

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

In 2002 David was voted onto the FoodWorks Supermarket Group board as a Retail board member and served for two years before choosing to resign in 2004 to help reduce the number of board members when the two groups merged to become the AUR. In 2006, with his wife, David purchased the Gisborne store, excited by the prospect of carrying on his family's legacy. Since this time he has also purchased Sunbury FoodWorks.

8.1.9 Paul Job – Non Executive Director

Paul was appointed as a Director of the Company in November 2012 and is a member of the Remuneration & Nomination Committee and Supply Chain Management Committee of the Board.

Paul currently owns two FoodWorks supermarkets, one in Pearce in the ACT and the other in Bradbury in NSW. He is also the Managing Director of a group of companies operating these and other businesses.

Paul has more than 30 years' experience in the retail industry. He started with a single service station and has since expanded this to over 13 retail stores. These stores operate over 3 States, with in excess of 220 staff and an annual turnover of more than \$100 million.

8.1.10 Antonio Pacella - Company Secretary

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

He joined FoodWorks in 2010. Tony has previously held senior finance positions with Stockland and Coles.

Tony holds a Bachelor of Business with an Accounting Major and has Associate Chartered Accountant status and is a Graduate of Australia Institute of Company Directors (G.A.I.C.D.).

8.2 The Senior Management team

FoodWorks' senior management comprises a group of experienced professionals with widespread expertise in their areas of business management, retail operations and services, people management, marketing, merchandise and finance.

The Company's Management Team comprises:

8.2.1 Ricky Wight - Chief Executive Officer

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

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

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

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

Rick holds a Bachelor of Business in Accounting & Economics and has Fellow Chartered Accountant status.

8.2.2 Antonio Pacella - Chief Financial Officer

Refer to paragraph 8.1.10.

8.2.3 Midhat Massoud - General Manager, Merchandise

Midhat joined FoodWorks in 2009 from the wholesale retail sector.

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

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

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

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

8.2.4 Theodoros Stratopoulos - General Manager Retail Operations

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

In March 2011, Theo moved into the role of General Manager – Retail Operations, taking on the responsibility for all FoodWorks stores and also overseeing the business and store development teams.

Theo has over 30 years' experience in supermarket retailing, 24 of which were with the Coles Group at all levels of store operation and a number of senior state and national positions.

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

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

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

9 Risk factors

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

9.1 Specific Key Risks

There are a range of specific key risks associated with the Company's operations. Potential investors in the Company should note the following risks prior to subscribing for a share under this Offer. The Directors have sought to list these key risks in the order of materiality, with what they consider to be the most material risks listed in sections 9.1.1 and 9.1.2.

9.1.1 Divestment and Closure of Coles stores

The closure and divestment program associated with certain corporate owned stores from Coles is nearing completion. All but two sites have been sold, closed or converted to an alternative use. Arrangements in respect of these two remaining sites are being negotiated.

It is important to note that, in respect of the two stores that have been closed (as opposed to sold), the Company (or one of its subsidiaries) has ongoing payment obligations in respect of those stores. In addition, in respect of a number of the stores that have been sold, the Company (or one of its subsidiaries) has remained as a lessee and has sub-let the premises to the purchaser. In these instances, the Company remains liable to the landlord under the terms of the lease. These arrangements expose the Company to certain counterparty risks in the event that the sub-lessee (or purchaser) fails to comply with the terms of its sub-lease.

The Company is actively managing its remaining obligations in relation to the divestment and closure process and expects that these will be discharged in a satisfactory manner but there remains some element of uncertainty around the finalisation of these matters.

9.1.2 Supply Chain Risk

The Company has, via its relationship with Metcash and other Suppliers, an extensive supply chain that provides for the procurement and delivery of grocery, dairy and frozen products,

fresh products (including produce), liquor and tobacco to FoodWorks Members who own Approved Stores. Significant disruption of any aspect of this supply chain by any major Supplier could have a material adverse impact on the Company's operational and financial performance. Such disruptions may occur in a number of ways, including as a result of a dispute between FoodWorks and a Supplier or the inability or unwillingness of a Supplier to comply with the contractual arrangements that are in place with FoodWorks.

Further details of the Company's contractual arrangements with Suppliers are set out in section 10.

9.2 Specific Other Risks

While it is difficult to evaluate the effect that a risk may have on the Company, the Board is of the view that the risks set out below may have a lesser impact on the performance of the Company than those Specific Key Risks discussed above. Again, these risks are intended to be listed in the order of materiality, with the most material risk (in the directors' opinion) listed first.

9.2.1 Litigation and Dispute Risk

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

9.2.2 Retention of Members

Notwithstanding the introduction of the Unity Agreement (see section 11.4), some Member retailers operate under the Approved Store Agreement and / or Banner Agreement (see sections 11.5 and 11.6). There is a risk that these Members may terminate such agreements, which may occur without fault on FoodWorks' behalf following either 30 or 90 days' written notice. There is also a risk that the Company may not be able to retain Members that do sign the Unity Agreement, either because of a breach of the Unity Agreement or the Member invalidly terminates the Agreement. Likewise, it may be that Members do not renew their Unity Agreements at the date of expiration of the relevant term.

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

9.2.3 Competitive retail environment

The retail grocery environment in Australia is highly competitive. The major chains are pursuing an active strategy of acquisition, alliance and growth, and will continue to pose a significant

challenge to independent grocery retailers. The Company will continue to compete with both the major chains and other independent grocery retailers for target customers. The entry of new retailers, or the actions of current retailers, including a change of strategic direction, along with changes in consumer preference, may have a material adverse effect on the Company's performance.

9.2.4 Risks associated with losing key personnel

The Company's ongoing performance will depend to some extent on its key personnel, in particular the Management Team discussed in section 8.2. Despite efforts to retain the services of key employees, the loss of key personnel could have a material adverse effect on the Company's growth prospects. The Company may not be able to recruit suitable replacements within a short timeframe.

9.2.5 Information Technology

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

9.2.6 Australian Competition and Consumer Act Risks

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

9.2.7 Government Legislation

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

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

9.2.8 Liability and Insurance Risk

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

9.3 General Risks

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

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

10 Rights attaching to Shares

10.1 What rights and restrictions attach to the Class A Shares?

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

- 10.1.1 may only be held by an Eligible Member;
- 10.1.2 may be redeemed in accordance with the Redemption Procedure upon the occurrence of a Redemption Event (see section 11.3.4);
- 10.1.3 carry the sole right to vote (on the basis of one vote for each share held) at general meetings, and the voting restrictions attached to shares in the Company generally (see section 11.3.6);
- 10.1.4 carry the right to participate in any dividend declared and paid by the Company to holders of shares in the class;
- 10.1.5 carry the right, on a winding up of the Company, to participate in any distribution of assets; and
- 10.1.6 carry a restriction on transfer (see section 11.3.12).

10.2 What rights and restrictions attach to the Class B Shares?

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

- 10.2.1 may only be held by an Eligible Member;
- 10.2.2 may be redeemed in accordance with the Redemption Procedure upon the occurrence of a Redemption Event (see section 11.3.4);
- 10.2.3 carry the right to participate in any dividend declared and paid by the Company to holders of shares in the class, but not as of right an entitlement to the same dividend as each other share in the class;
- 10.2.4 do not carry any right to vote at general meetings, but a right to vote at a meeting of the Class B Redeemable Preference Shareholders;
- 10.2.5 do not carry a right to participate on a winding up of the Company or reduction of capital; and
- 10.2.6 carry a restriction on transfer (see section 11.3.12).

10.3 In what circumstances can Shares be redeemed?

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

- 10.3.1 the Member ceasing (for whatever reason) to be an Approved Storeowner of the Approved Store in respect of which the share was allotted, or otherwise ceasing to be an Eligible Member;
- 10.3.2 the holder becoming bankrupt or insolvent;
- 10.3.3 where the Member is an Approved Storeowner, a Default Event occurs (see section 10.4); or

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

Shares may only be redeemed in accordance with the Corporations Act. Further details in respect of redemption are contained in section 11.3.4.

10.4 What are 'Default Events'?

Relevant Default Events in respect of an Approved Storeowner include:

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

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

10.5 What is the 'Redemption Procedure'?

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

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

10.6 What is the 'Redemption Amount'?

The price payable in respect of each Share on redemption will be the aggregate of the price paid (or credited as paid) by or on behalf of the holder in the opinion of the Directors acting

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reasonably in respect of the issue, transfer, allotment or other disposal of the share to that holder, plus any dividends declared and unpaid in respect of the Share(s) being redeemed.

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

10.7 Voting Restrictions

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

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

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

10.8 Future Entitlement to Issue Additional Shares

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

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

10.9 Risks

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

Regardless, Applicants are advised to carefully consider the Risks Section of this OIS set out in section 9.

11 Additional information

11.1 Incorporation

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

11.2 Rights and Liabilities Attaching to Shares

The rights attaching to Shares in the Company are:

- set out in the Constitution of the Company, and summarised in section 10 above and 11.3 below; and
- in certain circumstances, regulated by the Corporations Act and the general law.

11.3 Constitution

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

11.3.1 General

The rights and liabilities attaching to the Shares are set out in the Company's Constitution, and are regulated by the Corporations Act and the general law. The Constitution is subject to the Listing Rules. Set out below is a summary of the key terms of the Constitution, including the difference between share classes, and the principal rights and liabilities attaching to the Shares. This summary is not exhaustive and is not a definitive statement of the rights and liabilities of the shareholders of the Company. In particular, the summary should be read in conjunction with the summaries of the Unity Agreements, Approved Store Agreements and Banner Store Agreements contained in sections 11.4, 11.5 and 11.6 of this OIS.

11.3.2 Application of Listing Rules

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

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

11.3.3 Right to hold Shares

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

11.3.4 Redemption & Forfeiture

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

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

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

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

11.3.5 Partly paid Shares

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

11.3.6 Voting Rights & Restrictions

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

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

11.3.7 General Meeting and Notices

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

11.3.8 Dividends

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

11.3.9 Variation of Class Rights

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

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

11.3.10 Further Issues of Shares

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

11.3.11 Winding Up

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

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

11.3.12 Transfer of Shares

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

11.3.13 Directors

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

11.3.14 Indemnities and Insurance

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

11.3.15 Amendment of the Constitution

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

11.4 Unity Agreements

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

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

The Unity Agreements set out the rights and obligations of Members who have entered into such an agreement with FoodWorks (**Unity Storeowners**). The Unity Storeowners are currently being transitioned to a new form of the Unity Agreement that has been introduced this year (**New Unity Agreement**). The majority of Unity Storeowners have entered into the New Unity Agreement as at the date of this OIS.

There are still a number of Unity Storeowners who have not yet entered into the New Unity Agreement and remain bound by the former Unity Agreement. The former Unity Agreement generally continued for a term of six years from the date of commencement, subject to termination provisions and the right of both parties to consent to the renewal of the agreement.

The New Unity Agreements have no specific term or expiry date and remain in place until either party provides written notice to the other party indicating that they wish to terminate the agreement. Written notice to terminate the agreement may be given at any time after the anniversary of the 1st year of the agreement, however the agreement will remain in effect for 2 years from the date that the notice is received. This effectively means that each agreement has a minimum term of 3 years. Also a Storeowner's entitlement to the loyalty rebate is immediately withdrawn from the date they give written notice that they are terminating the agreement.

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

Under the Unity Agreements, and largely consistent with Approved Store Agreements (see section 11.5) Unity Storeowners must comply with all relevant FoodWorks policies, as well as a range of specific obligations, including the maintenance of adequate stock and staffing levels, stocking recommended levels of allocated brands and compliance with specified store upkeep requirements. Branded Storeowners who have signed Unity Agreements, referred to throughout as Unity Branded Storeowners, are also subject to additional obligations, including ongoing compliance with specified branding criteria, the provision of information relating to store performance, compliance with FoodWorks' promotional programs, the maintenance of accurate sales data and ensuring that staff training and uniform requirements are met.

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

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

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

11.5 Approved Store Agreements

Those Members who own Approved Stores but have not executed a Unity Agreement are subject to an Approved Store Agreement (and, in some cases, a Banner Agreement). The Approved Store Agreements provide for Members who own Approved Stores to benefit from the wholesale supply arrangements between FoodWorks and the Suppliers (see sections 11.7 and 11.8 of this OIS), as well as outlining primary obligations and benefits to such Members. As mentioned above, a number of Members who own Approved Stores have since entered into Unity Agreements which supersede the old form Approved Store Agreements (see section 11.4 of this OIS).

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

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

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

11.6 Banner Agreements

A number of Members who entered into Approved Store Agreements with FoodWorks also entered into Banner Agreements, which provide for both additional obligations and benefits

superseded by Unity Agreements. As with Approved Store Agreements, the Banner Agreements of those parties who have since entered into Unity Agreements will have been superseded by the latter.

Members who entered into Banner Agreements with FoodWorks, referred to as 'Branded Storeowners' and formerly referred to as 'Banner Storeowners', were also issued with a Class B Redeemable Preference Share (refer to section 11.2 of this OIS) per Branded Store.

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

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

11.7 Metcash Supply Agreement

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

11.8 Supply Agreements

In addition to the Metcash supply agreements, as referred to in section 11.7, FoodWorks has entered into numerous supply agreements with various other Suppliers relating to a range of retailer products. These agreements set out the principal terms under which the Suppliers agree to provide various products to FoodWorks Members who own Approved Stores, including the specification of rebate levels.

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

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

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

11.9 Acquisition of supermarkets from Coles

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

These arrangements were subsequently varied such that the number of supermarkets whose assets would be acquired was reduced to 22 stores and, by early 2010, the 22 stores were acquired. The divestment and closure of these stores has subsequently occurred in respect of all but two stores as outlined in section 4.1.

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

The initial financing agreements with the vendor financiers were varied on 28 June 2011 such that all debt outstanding under this agreement has been reduced to a zero balance.

11.10 Deeds of indemnity, insurance and access

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

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

11.11 CEO employment agreement

In March 2013, the Company extended its employment agreement with Rick Wight, the Company's Chief Executive Officer through to 25 October 2016. The employment agreement incorporates a base salary and an annual bonus which is dependent on attainment of annual performance targets.

11.12 Tax Considerations

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

12 Director's statement and Consents

12.1 Directors

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

12.2 Pitcher Partners

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

- inclusion of its report for the Company in respect of the year ended 30 June 2013 in this OIS; and
- being named in the OIS as the auditor to Australian United Retailers Limited in the form and context in which it appears in the OIS.

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

12.3 DLA Piper Australia

DLA Piper Australia has given and, at the date of lodgement of this OIS with the ASIC, has not withdrawn, its consent to be named in this OIS as lawyers to the Company in the form and context in which it is named.

Dated 18 December 2013

Signed for, and on behalf of, FoodWorks

A handwritten signature in black ink, appearing to read 'John Bridgfoot', with a stylized flourish at the end.

John Bridgfoot

Chairman and Non Executive Director

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

2013

Annual Report



FOODWORKS
Supermarket

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

Financial Report
For the year ended 30 June 2013

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**AUSTRALIAN UNITED RETAILERS LTD
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AND CONTROLLED ENTITIES**

DIRECTORS' REPORT

The Directors present their report together with the financial report of the of Australian United Retailers Ltd ("AURL" or the "Company") and the entities it controlled for the financial year ended 30 June 2013 (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:

<u>Name</u>	<u>Period of directorship</u>
John Bridgfoot	
Jack Scanlan	Retired 27 November 2012
Deborah Smith	
Neil Osborne	
Fred Fairthorne	
Allan Burge	
Malcolm Ward	
David Williamson	
Sien Van Nguyen	
Paul Job	Appointed 27 November 2012
John Florey	Appointed 27 November 2012 & resigned 30 August 2013

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.

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

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

- a) The operation of supermarkets in Australia. During the financial year the last of the corporate owned trading stores was sold; and
- b) The continued divestment of the two remaining non-trading former corporate owned store sites.

Results

The profit of the Consolidated Entity for the financial year, after income tax, amounted to \$2,485,000 (2012: Loss of \$848,000).

Review of Operations

The Consolidated Entity's profit after tax for the year ended 30 June 2013 is as follows:

	\$ 000
Profit for the year (Continuing operations)	6,160
Loss for the year (Discontinued operations)	(3,675)
Profit for the year	<u>2,485</u>

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DIRECTORS' REPORT (CONT'D)

The Member based business contributed a profit of \$6.2 million in the current year which is up from \$3.7 million in the prior year. The current year result includes the impact of the re-instatement of \$2.9 million of deferred tax assets 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 16. The entity has access to some additional facilities as outlined in Note 20 to enable the business to pursue some short term objectives, which include the 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 have recognised that the finalisation of the divestment of the remaining corporate stores has not been possible within the previously expected timeframes. The progress made on converting one of the former corporate stores to an alternate use has taken longer than expected whilst another former corporate owned store has not been able to achieve a satisfactory level of trading activity resulting in a need to make-good that site in line with our lease obligations. 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 has resulted in the loss recorded by the Discontinued Operations.

As disclosed in Note 24(c), the Consolidated Entity remains subject to a re-instatement 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 year.

After Balance Date Events

No 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.

Likely Developments

The Company will continue to pursue its operating strategy to deliver quality retail support services to its Members and to finalise the divestment of the remaining corporate stores.

**AUSTRALIAN UNITED RETAILERS LTD
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DIRECTORS' REPORT (CONT'D)

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.

**AUSTRALIAN UNITED RETAILERS LTD
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DIRECTORS' REPORT (CONT'D)

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.

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.

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 14th 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.
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AUSTRALIAN UNITED RETAILERS LTD
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DIRECTORS' REPORT (CONT'D)

Jack Scanlan	- Non Executive Director (Retired effective 27 November 2012)
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 up until his retirement on 27 November 2012.
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.
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.

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DIRECTORS' REPORT (CONT'D)

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, marketing, project and property management and banking.

Special Responsibilities

- Member of the Audit & Risk Committee.

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.

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DIRECTORS' REPORT (CONT'D)

Sien Van Nguyen

- Non Executive Director

Experience

- Sien was appointed as Director of the Company on 22 November 2011. 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 Gordon House Pty Ltd, a company which is in the process of building an accommodation village for the Liquefied Natural Gas and mining industry in the Surat Basin and Sing Sing Investments, an investment company focusing on retail shopping centre acquisition, development and management. In addition, Sien is also a partner of Hydco International, a manufacturer of drilling rigs operating in India.

Special Responsibilities

- Member of the Audit & Risk Committee

Mr John Florey

- Non Executive Director

John was appointed as Director of the Company on 27 November 2012 and resigned as a director on 30 August 2013

Experience

- John is the CEO of the Gippsland Business Developers group (GBD) who is the majority equity partner in 12 independent supermarkets under the Foodworks banner, a major shareholder in the "Best is Fresh" fresh produce wholesaler and a major shareholder in the "JV Retail business services" accountancy firm.

John has over 30 years' experience in the Independent and corporate retail sectors.

Prior to his time with GBD, John was a senior manager with the Coles Group, MITRE 10 and Tru Value Hardware, Repco Automotive and Telstra.

John brings to the Board a robust skill set in business development, merchandise range management and performance improvement in retail and strong commercial and visionary skills combined with experience ranging from store and operational expertise through to strategic sourcing.

Special Responsibilities

- Member of the Remuneration & Nomination Committee from 28 November 2012 up to the date of his resignation on 30 August 2013

**AUSTRALIAN UNITED RETAILERS LTD
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DIRECTORS' REPORT (CONT'D)

Mr Paul Job

- Non Executive Director

Paul was appointed as Director of the Company on 27 November 2012.

Experience

- Paul currently owns two FoodWorks Supermarkets. One in the ACT and the other in Sydney NSW. He is the Managing Director of a group of Companies that operates these stores and other businesses.

Paul brings to the Board over 30 years experience in Retail. Starting with one Service Station and expanding to over 13 sites, operating across 3 states at different points in time.

Paul has a background in the finance industry with a focus on Development and Leasing finance.

Paul and his wife Margaret are well known for their charity work raising funds for seriously ill children.

Special Responsibilities

- Member of the Remuneration & Nomination Committee from 28 November 2012.

Tony Pacella

- Company Secretary

Qualifications

- Bachelor of Business (Accountancy)
- Associate of the Australian Institute of Chartered Accountants in Australia
- Graduate of Australia Institute of Company Directors (G.A.I.C.D.)

Experience

- Tony joined AURL in April 2010 as Chief Financial Officer and has assumed the responsibilities of Company Secretary effective 30 June 2012 in addition to his executive role with the business.

AUSTRALIAN UNITED RETAILERS LTD
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DIRECTORS' REPORT (CONT'D)

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	-	-	3	3
J Bridgfoot	9	9	4	4	3	3
F Fairthorne	9	9	4	1	-	-
J Florey	6	6	-	-	2	1
P Job	6	6	-	-	2	2
N Osborne	9	9	4	4	-	-
J Scanlan	3	3	-	-	1	1
D Smith	9	9	-	-	3	3
S Van Nguyen	9	9	4	3	-	-
M Ward	9	9	4	3	-	-
D Williamson	9	8	-	-	3	2

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	1,072,002
Deborah Smith	155,793
Sien Van Nguyen	168,003
Malcolm Ward	1,378,464
David Williamson	72,003
Paul Job	18,002

John Florey is the CEO of the GBD group who is the majority equity partner in 12 independent supermarkets under the FoodWorks banner. These 12 stores currently hold 12 A Class Redeemable preference shares in AURL Ltd.

Transactions with Directors are disclosed in Note 25.

Directors' interests in contracts

Directors' interests in contracts are disclosed in Note 25 to the financial statements.

**AUSTRALIAN UNITED RETAILERS LTD
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DIRECTORS' REPORT (CONT'D)

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, namely Pitcher Partners (Melbourne), 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*.

	2013	2012
	\$	\$
Amounts paid or payable to Pitcher Partners (Melbourne) for non-audit services provided during the year by the auditor to any entity that is part of the Consolidated Entity for:		
Other assurance services	5,750	5,650
Taxation services	9,769	13,581

**AUSTRALIAN UNITED RETAILERS LTD
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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 have 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 Australian United Retailers Ltd 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 2013 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 2012, 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 2013 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 2013 incentive policy. The criteria for the Company's 2013 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 and retaining stores as members of the business and compliance related initiatives.

AUSTRALIAN UNITED RETAILERS LTD
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REMUNERATION REPORT (CONT'D)

Rick Wight extended his contract as CEO on 14 March 2013 for a 3 year period. 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 2013 year the target was the Company's 2013 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

	2013 *	2012	2011	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Profit – continuing operations	6,160	3,673	3,980	1,832	(2,104)
Profit/(loss) – discontinued operations	(3,675)	(4,521)	12,697	(27,847)	-
Profit/(loss) for the year	2,485	(848)	16,677	(26,015)	(2,104)
Annual incentive to KMP	243	208	194	-	210
Dividends Paid	-	-	-	-	-
End of year share price – Cents	100	100	55	95	95
Change in share price – Cents	-	45	(40)	-	-

Incentive Performance Metric

Earnings before interest and tax	Partial	Yes	Yes	No	Yes
Like for Like Sales performance	Yes	No	No	N/A	Yes
Improving in store offer, retention & compliance	Partial	Partial	Partial	N/A	Partial

* The 2013 short-term incentive is not payable to Key Management Personnel until the 2014 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.

**AUSTRALIAN UNITED RETAILERS LTD
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REMUNERATION REPORT (CONT'D)

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
Stephanie Holmes – ceased 2 July 2012	General Manager - Retail Services
Midhat Massoud	General Manager Merchandise
Tony Pacella	Chief Financial Officer
Theo Stratopoulos	General Manager Retail Operations

The Key Management Personnel have been in office since the start of the financial year to the date of this report unless indicated otherwise.

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

2013	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)	156,000	-	-	-	-	-	-	156,000	-
J Scanlan*	20,833	-	-	-	-	-	-	20,833	-
N Osborne (Deputy Chairman)	104,587	-	-	9,413	-	-	-	114,000	-
A Burge	50,459	-	-	4,541	-	-	-	55,000	-
F Fairthorne	50,000	-	-	-	-	-	-	50,000	-
J Florey *(appointed 27/11/2012)	29,167	-	-	-	-	-	-	29,167	-
P Job *(appointed 27/11/2012)	29,167	-	-	-	-	-	-	29,167	-
D Smith	50,000	-	-	-	-	-	-	50,000	-
M Ward	49,656	-	-	344	-	-	-	50,000	-
D Williamson	50,000	-	-	-	-	-	-	50,000	-
S Van Nguyen	45,872	-	-	4,128	-	-	-	50,000	-
Total	635,741	-	-	18,426	-	-	-	654,167	-
Key Management Personnel**									
R. Wight	413,496	52,000	-	44,624	-	-	-	510,120	10
H. Gordon (ceased 30/6/2012)	-	-	-	-	-	-	-	-	-
S. Holmes (ceased 2/7/2012)	-	-	-	-	-	-	-	-	-
M. Massoud	247,706	29,989	-	24,993	-	-	-	302,688	10
A. Pacella	253,471	29,055	-	27,643	-	-	-	310,169	9
T. Stratopoulos	206,422	27,007	26,000	21,009	-	-	-	280,438	10
Total	1,121,095	138,051	26,000	118,269	-	-	-	1,403,415	10
Grand Total	1,756,836	138,051	26,000	136,695	-	-	-	2,057,582	

* Amounts refer to only part of the financial year. Mr Florey resigned as a Director on 30 August 2013.

** 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 2013

**** Cash bonus amounts were paid in financial year ended 30 June 2013 in respect to performance based entitlements arising from the financial year ended 30 June 2012

AUSTRALIAN UNITED RETAILERS LTD
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DIRECTORS' AND KEY MANAGEMENT PERSONNEL COMPENSATION

2012	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)	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
Grand Total	2,239,102	194,400	15,500	228,858	-	-	254,615	2,932,475	

* 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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DIRECTORS' REPORT (CONT'D)

Voting and comments made at the company's 2012 Annual General Meeting (AGM)

At the company's most recent AGM, resolution to adopt the prior year remuneration report was put to the vote and at least 75% of 'yes' votes were cast for adoption of that report. No comments were made on the remuneration report that was considered at the AGM.

Rounding of Amounts

The parent entity and the Consolidated Entity have applied the relief available under ASIC Class Order 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.

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 2013 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 2013

AUDITOR'S INDEPENDENCE DECLARATION**To the Directors of Australian United Retailers Ltd**

In relation to the independent audit for the year ended 30 June 2013, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001; and
- (ii) No contraventions of any applicable code of professional conduct.



N R BULL
Partner

13 September 2013



PITCHER PARTNERS
Melbourne

**AUSTRALIAN UNITED RETAILERS LTD
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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>

**AUSTRALIAN UNITED RETAILERS LTD
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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 and Succession planning for the CEO and Board members;
- Approval of remuneration and incentive policies and individual executive employment contracts;
- Approval of annual financial reports, accounting & dividend policies, new borrowings or financial arrangements, strategic objectives and plans, major expansions or changes to the Company's structure;
- 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 & Officers insurance cover for each Director and Key Management Personnel.

Evaluating the performance of Key Management Personnel

The performance of the Chief Executive Officer is reviewed by the Board annually. The Board looks at qualitative and quantitative criteria which includes profit and other financial measures and achievement of strategic objectives. During the year ended 30 June 2013, the Chief Executive Officers performance was reviewed at the time of his contract renewal using the above principles.

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;
- 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'.

**AUSTRALIAN UNITED RETAILERS LTD
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CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Appointment to the Board

The Board's 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

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CORPORATE GOVERNANCE STATEMENT (CONT'D)

Board's current composition includes eight 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 Committee and the 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.

All members of the Committee have appropriate business expertise and are financially literate. At least one member has relevant financial qualifications and experience, as determined by the Board.

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. Jack Scanlan was a member until his retirement on 27 November 2012. Paul Job joined the Committee effective 28 November 2012 and John Florey was a member of the Committee from 28 November 2012 to 30 August 2013 when he resigned. The Committee held three meetings in the year to 30 June 2013. 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.

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CORPORATE GOVERNANCE STATEMENT (CONT'D)

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 Corporations 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 2013, the proportion of women employees in the whole organisation is 56%. There is currently one female Board member.

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CORPORATE GOVERNANCE STATEMENT (CONT'D)

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 and Risk 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, Malcolm Ward and Sien van Nguyen. The Committee met four times in the year to 30 June 2013. The qualifications of Committee members and attendance details at Committee meetings throughout the year are set out in the Directors' report.

All Directors are financially literate, with members of the Audit and Risk Committee having a particular focus on financial and risk management areas in the industry in which the Company operates.

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

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CORPORATE GOVERNANCE STATEMENT (CONT'D)

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 21 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 its 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

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CORPORATE GOVERNANCE STATEMENT (CONT'D)

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 and 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.

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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.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2013

	Note	2013 \$'000	2012 \$'000
Continuing operations			
Revenue			
Supplier & member income	5	56,198	56,481
Interest income	5	45	145
Other income	5	394	474
		<u>56,637</u>	<u>57,100</u>
Less: expenses			
Distribution to members		(23,046)	(23,764)
Cost of members services		(7,608)	(7,520)
Merchandising expenses		(4,346)	(2,658)
Marketing expenses		(1,896)	(2,256)
Business development expenses		(648)	(524)
Administrative expenses		(15,441)	(16,274)
Depreciation	6	(399)	(404)
		<u>(53,384)</u>	<u>(53,400)</u>
Finance costs	6	(30)	(27)
Profit before income tax		<u>3,223</u>	<u>3,673</u>
Income tax benefit	7	2,937	-
Profit from continuing operations		<u>6,160</u>	<u>3,673</u>
Net loss from discontinued operations	9	(3,675)	(4,521)
Profit/(loss) for the year		<u><u>2,485</u></u>	<u><u>(848)</u></u>

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)
FOR THE YEAR ENDED 30TH JUNE 2013

	Note	2013 \$'000	2012 \$'000
Other comprehensive income		-	-
Total comprehensive income/(loss)		<u>2,485</u>	<u>(848)</u>
Profit/(loss) is attributable to:			
Members of the parent		<u>2,485</u>	<u>(848)</u>
Total comprehensive income/(loss) attributable to:			
Members of the parent		<u>2,485</u>	<u>(848)</u>
		Cents	Cents
Earnings/(loss) per share attributable to equity holders of the parent entity	8		
- basic earnings/(loss) per share		21.50	(7.34)
- diluted earnings/(loss) per share		21.50	(7.34)
Earnings per share from continuing operations attributable to equity holders of the parent entity	8		
- basic earnings per share		53.29	31.77
- diluted earnings per share		53.29	31.77
Loss per share from discontinued operations attributable to equity holders of the parent entity	8		
- basic loss per share		(31.79)	(39.11)
- diluted loss per share		(31.79)	(39.11)

AUSTRALIAN UNITED RETAILERS LTD
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2013

	Note	2013 \$'000	2012 \$'000
Current assets			
Cash and cash equivalents	10	654	1,865
Trade and other receivables	11	13,260	14,377
Non-current assets held for sale	12	-	-
Other	13	24	70
Total current assets		<u>13,938</u>	<u>16,312</u>
Non-current assets			
Property, plant and equipment	14	662	1,011
Deferred tax asset	7	2,937	-
Total non-current assets		<u>3,599</u>	<u>1,011</u>
Total assets		<u><u>17,537</u></u>	<u><u>17,323</u></u>
Current liabilities			
Trade and other payables	15	18,741	21,113
Short term borrowings	16	210	209
Provisions	17	2,639	2,338
Total current liabilities		<u>21,590</u>	<u>23,660</u>
Non-current liabilities			
Long term borrowings	16	111	322
Provisions	17	211	201
Total non-current liabilities		<u>322</u>	<u>523</u>
Total liabilities		<u><u>21,912</u></u>	<u><u>24,183</u></u>
Net deficiency		<u><u>(4,375)</u></u>	<u><u>(6,860)</u></u>
Equity			
Share capital	18	10,119	10,119
Accumulated losses	19	(14,494)	(16,979)
Total equity		<u><u>(4,375)</u></u>	<u><u>(6,860)</u></u>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2013

	Contributed equity \$'000	Accumulated losses \$'000	Total Equity \$'000
Balance as at 1 July 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)
Profit for the year	-	2,485	2,485
Total comprehensive profit for the year	-	2,485	2,485
Balance as at 30 June 2013	10,119	(14,494)	(4,375)

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2013

	Note	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		59,308	65,649
Cash payments in the course of operations		(60,302)	(67,434)
Interest received		45	171
Finance costs		(30)	(27)
Net cash used in operating activities	20(b)	(979)	(1,641)
Cash flows from investment activities			
Payments for purchases of property, plant and equipment		(51)	(691)
Proceeds on sale of property, plant and equipment		1	-
Proceeds from store divestments		28	184
Net cash used in by investing activities		(22)	(507)
Cash flows from financing activities			
Loan equipment payments		(210)	(241)
Proceeds from / net repayment of borrowings		-	611
Net cash (used in)/provided by financing activities		(210)	370
Net decrease in cash held		(1,211)	(1,778)
Cash and cash equivalents at beginning of financial year		1,865	3,643
Cash and cash equivalents at end of financial year	20(a)	654	1,865

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013

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 2013 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 13 September 2013.

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 profit for the year after income tax of \$2,485,000 (2012: Loss of \$848,000), a net deficiency of assets totalling \$4,375,000 (2012: \$6,860,000) and a current working capital deficit of \$7,652,000 (2012: current working capital deficit of \$7,348,000).

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.

As at 30 June 2013, the Consolidated Entity has an undrawn bank loan facility of \$1,000,000 with its Bankers. The bank loan facility is due to expire in April 2014 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.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

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

(c) Going concern (Continued)

Should the Consolidated Entity not achieve profitable trading and positive cashflows from the continuing operations, or 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 report. 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 22.

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

Current income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

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

(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 indicates 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).

(j) 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.

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

(k) 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.

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

(l) Investments and other financial assets

The Consolidated Entity has investments in controlled entities.

Investments in controlled entities

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

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

(m) 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	25 - 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.

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

(n) 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 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.

(i) 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.

(o) 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.

Forward Foreign Exchange Contracts

The Consolidated Entity holds derivative financial instruments to mitigate the risk exposure from foreign currency movements.

(p) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

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(p) Leases (Continued)

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.

(q) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the 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.

(r) 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.

(s) 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.

(t) 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.

(u) Foreign currency

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

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

(v) 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.

(w) 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.

(x) 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.

(y) 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.

(z) New Accounting standards and interpretations

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective and have not yet been adopted for the annual reporting period ended 30 June 2013. These are as follows:

(i) *AASB 9 Financial Instruments*, *AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9*, *AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and *AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure* (effective from 1 January 2015)

AASB 9 Financial Instruments improve and simplify the approach for classification and measurement of financial assets compared with the requirements of *AASB 139*. The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard could change the classification and measurement of financial assets. *AASB 9* only permits the recognition of fair value gains and losses in other comprehensive income for equity investments that are not held for trading.

The Consolidated Entity does not have any financial liabilities that are designated at fair value through profit or loss. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. Therefore, there will be no impact on the Consolidated Entity's accounting for financial liabilities. The Consolidated Entity has decided not to early adopt *AASB 9* at 30 June 2013.

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

(z) New Accounting standards and interpretations (Continued)

(ii) *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards, and AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* (effective 1 January 2013)

AASB 10 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 standard fundamentally changes the way control is defined for the purpose of identifying those entities to be included in the consolidated financial statements. It focuses on the need to have power over the investee, rights or exposure to variable returns and ability to use the power to affect the amount of its returns. Returns must vary and can be positive, negative or both. There is also new guidance on substantive rights versus protective rights and on agent versus principal relationships. 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 accounting for consolidation.

AASB 11 does not focus on the legal structure of joint arrangements, but rather on how and what rights and obligations are shared between parties. If the parties share the right to the net assets of the joint arrangement, these parties are parties to a joint venture. A joint venturer accounts for an investment in the arrangement using the equity method, and the choice to proportionately consolidate will no longer be permitted. If the parties share the right to the separate assets and obligations for the liabilities of the joint arrangement, these parties are parties to a joint operation. A joint operator accounts for assets, liabilities and corresponding revenues and expenses arising from the arrangement by recognising their share of interest in each item.

The Consolidated Entity has performed a detailed analysis of the new requirements and has determined AASB 10 and AASB 11 have no impact on the composition of the consolidated group.

AASB 12 sets new minimum disclosures requirements for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard will affect the type of information disclosed in relation to the Consolidated Entity's investments as the new standard requires extensive new disclosures regarding the nature of risk associated with the entity's interest in other entities and the effect of those interest on its financial position, financial performance and cash flows.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest if an investment in a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Consolidated Entity is still assessing the impact of these amendments.

The Consolidated Entity does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 introduces a fair value framework for all fair value measurements in the full suite of accounting standards. This standard explains how to measure fair value and aims to enhance fair value disclosures. The Consolidated Entity is currently assessing which, if any of its current measurement techniques will have to change as a result of the new standard. However, it is not yet possible to provide a reliable estimate of the impact, if any, of these new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

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

(z) New Accounting standards and interpretations (Continued)

The Consolidated Entity does not expect to adopt the new standard before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

Other standards and interpretations have been issued at the reporting date but are not yet effective. When adopted, these standards and interpretations are likely to impact on the financial information presented, however the assessment of impact has not yet been completed.

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.

(c) Income tax

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

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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

2013	Retail Support Services \$'000	Retail Stores \$'000	Total \$'000
Segment revenue			
Total segment revenue	56,646	239	56,885
Inter-segment revenue	(9)	-	(9)
Total segment revenue from external source	56,637	239	56,876
Segment result			
Total segment result	2,911	(3,684)	(773)
Inter-segment elimination	(9)	9	-
Inter-segment impairment elimination	3,258	-	3,258
Segment result from external source	6,160	(3,675)	2,485
Items included within the segment result:			
Interest revenue	45	1	46
Interest expense	(30)	-	(30)
Depreciation and amortisation	(399)	-	(399)
Total Segment Assets	17,528	9	17,537
Total Segment Liabilities	18,421	3,491	21,912

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3. SEGMENT INFORMATION (CONT'D)

2012	Retail Support Services \$'000	Retail Stores \$'000	Total \$'000
Segment revenue			
Total segment revenue	57,179	5,356	62,535
Inter-segment revenue	(79)	-	(79)
Total segment revenue from external source	<u>57,100</u>	<u>5,356</u>	<u>62,456</u>
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	<u>3,673</u>	<u>(4,521)</u>	<u>(848)</u>
Items included within the segment result:			
Interest revenue	145	26	171
Interest expense	(27)	-	(27)
Depreciation and amortisation	(404)	-	(404)
Total Segment Assets	<u>17,102</u>	<u>221</u>	<u>17,323</u>
Total Segment Liabilities	<u>20,899</u>	<u>3,284</u>	<u>24,183</u>

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 23. Interest rate risk is managed by maintaining competitive interest rates or fixing rates as may be appropriate.

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4. FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk

The Consolidated Entity has entered into forward exchange contracts to purchase United States Dollars in relation to the costs of the 2013 Members Conference. This was done to manage any exposure to the reduction in the value of the AUD relative to United States Dollar.

During the year ended 30 June 2012 the Consolidated Entity had 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 Hong Kong Dollar.

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

	2013	2012
	\$'000	\$'000
USD Foreign exchange Contracts	639	-
HKD Foreign exchange Contracts	-	934

Sensitivity

Based on the financial instruments held at 30 June 2013, had the Australian Dollar weakened/ strengthened by 10% against the US Dollar with all other variables held constant, the Consolidated Entity's post-tax profit for the year would have been \$70,967 lower/ \$58,063 higher as a result of foreign exchange gains/ losses.

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 20(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.

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5. REVENUE FROM CONTINUING OPERATIONS

	Note	2013 \$'000	2012 \$'000
Operating activities			
- Supplier & member income		55,033	55,340
- Rent from member stores		1,165	1,141
		<u>56,198</u>	<u>56,481</u>
- Interest	5(a)	45	145
- Other revenue		394	474
Total revenue		<u><u>56,637</u></u>	<u><u>57,100</u></u>
 (a) Interest from:			
- Other persons		45	145
		<u><u>45</u></u>	<u><u>145</u></u>

6. PROFIT FROM CONTINUING OPERATIONS

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

Employee benefits expense			
Wages and salaries		10,338	10,493
Workers' compensation costs		67	39
Superannuation costs		746	816
Total employee benefits expense		<u><u>11,151</u></u>	<u><u>11,348</u></u>
 Finance costs expensed			
Equipment loan interest		30	27
Total Borrowing costs expensed		<u><u>30</u></u>	<u><u>27</u></u>
 Depreciation of non-current assets			
Leasehold improvements		28	113
Plant and equipment		18	35
Leased assets		204	102
Computer equipment		142	147
Furniture, fixtures and fittings		7	7
Total depreciation of non-current assets		<u><u>399</u></u>	<u><u>404</u></u>
 Other expenses			
Inventory write back		(24)	(22)
Bad debts		188	19
Doubtful debts expense / (write back)		(301)	448
		<u><u>(137)</u></u>	<u><u>445</u></u>

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7. INCOME TAX	2013	2012
(a) Components of tax expense:	\$'000	\$'000
Income tax expense:		
Increase in deferred tax assets	2,937	-
	<u>2,937</u>	<u>-</u>
 (b) Prima facie tax payable:		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Profit from continuing operations	3,223	3,673
Loss from discontinuing operations	<u>(3,675)</u>	<u>(4,521)</u>
	(452)	(848)
 Prima facie income tax payable on (loss)/ profit before income tax at 30% (2012 - 30%)	(136)	(254)
Add:		
Tax effect of:		
- Other non-allowable items	146	-
- Recognition of deferred tax assets not previously brought to account	2,927	-
- Current year tax losses not brought to account	<u>-</u>	<u>254</u>
Income tax benefit	<u>2,937</u>	<u>-</u>
 (c) Deferred tax:		
Deferred tax assets relate to the following:		
Provision for doubtful debts	194	-
Provision for obsolescence	31	-
Plant and equipment under lease	5	-
Accruals	139	-
Provisions – Annual and long service leave	496	-
Provisions – Other	1,405	-
Tax losses	<u>667</u>	<u>-</u>
	<u>2,937</u>	<u>-</u>
 (d) Deferred tax assets not brought to account:		
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.	<u>-</u>	<u>5,365</u>

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.

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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:

	2013	2012
	\$'000	\$'000
Net profit attributable to equity holders from continuing operations	6,160	3,673
Net profit/(loss) attributable to discontinued operations	<u>(3,675)</u>	<u>(4,521)</u>
Net profit/(loss) for the year	<u><u>2,485</u></u>	<u><u>(848)</u></u>
	2013	2012
	No.	No.
Weighted average number of preference shares for basic earnings/(loss) per share	11,560,410	11,560,428
Effect of dilution:		
Share options	<u>-</u>	<u>-</u>
Adjusted weighted average number of preference shares for diluted earnings/(loss) per share	<u><u>11,560,410</u></u>	<u><u>11,560,428</u></u>

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

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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 the divestment program continued to progress with the last of the corporate owned stores being sold and the alternative use strategies for the two remaining lease sites being further developed.

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

	Note	2013 \$'000	2012 \$'000
(i) Financial performance information			
Sales Revenue		211	5,139
Gains on disposal	(iv)	28	184
Other income		-	33
Total Revenue		<u>239</u>	<u>5,356</u>
Expenses			
Expected closure costs from divestment program		(3,211)	(2,876)
Doubtful debts written back		(575)	-
Operating expenses		<u>(128)</u>	<u>(7,001)</u>
Expenses		(3,914)	(9,877)
Income tax expense		-	-
<i>Loss from discontinued operations</i>		<u>(3,675)</u>	<u>(4,521)</u>
(ii) Cash flow information			
Net cash used in operating activities		(3,472)	(5,517)
Net cash provided by investing activities		28	184
Net cash provided by financing activities		<u>3,258</u>	<u>5,389</u>
<i>Net cash flow</i>		<u>(186)</u>	<u>56</u>

Net cash provided by financing activities in the current financial year \$3,258,000 (2012: \$5,398,000) relates to cash received from the parent entity to fund the divestment program.

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9. DISCONTINUED OPERATIONS (CONT'D)

	2013 \$'000	2012 \$'000
(iii) Carrying amount of assets and liabilities		
<i>Assets</i>		
Cash	9	195
Receivables	-	26
<i>Assets directly associated with discontinued operations</i>	<u>9</u>	<u>221</u>
<i>Liabilities</i>		
Payables and accruals – external	(3,488)	(3,209)
Payables – parent entity	(19,866)	(16,607)
Provisions	-	(75)
<i>Liabilities directly associated with discontinued operations</i>	<u>(23,354)</u>	<u>(19,891)</u>
<i>Net liabilities attributable to discontinued operations</i>	<u><u>(23,345)</u></u>	<u><u>(19,670)</u></u>
 (iv) Details of discontinued operations disposed		
Consideration received or receivable	<u>28</u>	<u>184</u>
Gain on disposal of discontinued operations before tax	28	184
Income tax expense	-	-
Profit from disposal of discontinued operations	<u><u>28</u></u>	<u><u>184</u></u>

A corporate owned store was sold on 24 September 2012 for a total consideration of \$1 plus employee entitlements, realising a profit of \$28,000.

During the year ended 30 June 2012, the assets at two former corporate owned supermarkets were sold for a total consideration of \$184,000, as the assets were fully impaired the sale of the assets realised a profit of \$184,000.

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10. CASH AND CASH EQUIVALENTS

	2013	2012
	\$'000	\$'000
Cash on hand	1	68
Cash at bank	653	1,797
	<u>654</u>	<u>1,865</u>

11. TRADE AND OTHER RECEIVABLES

<i>Current</i>		
Trade & member receivables	11,591	13,833
Provision for impairment	(246)	(1,102)
	<u>11,345</u>	<u>12,731</u>
 Sundry debtors and accrued income	 2,315	 2,066
Provision for impairment	(400)	(420)
	<u>1,915</u>	<u>1,646</u>
	<u>13,260</u>	<u>14,377</u>

Provision for impairment:

Trade receivables are non interest bearing with 30 day terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. The impairment losses have been included within the administrative expenses in the Consolidated Income Statement. Amounts outstanding beyond the normal 30 day trading terms which have not been provided for at 30 June 2013 or 2012 are not considered impaired by management based on the trading history with the debtor. All trade receivables that are not impaired are expected to be received within trading terms.

Movements in the provision for impairment were:

Opening balance at 1 July 2012	1,522	772
Charge for the year	(876)	750
Closing balance at 30 June 2013	<u>646</u>	<u>1,522</u>

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11. TRADE AND OTHER RECEIVABLES (CONT'D)

a) Trade Receivables

Trade receivables ageing analysis

	Gross 2013 \$'000	Impairment 2013 \$'000	Gross 2012 \$'000	Impairment 2012 \$'000
Not past due	6,007	-	6,887	24
Past due 0-30 days	2,200	-	2,329	77
Past due 31-90 days	541	-	646	32
Past due more than 91 days	20	136	668	605
	<u>8,768</u>	<u>136</u>	<u>10,530</u>	<u>738</u>

b) Member Receivables

Member receivables ageing analysis

Not past due	413	44	550	54
Past due 0-14 days	1,080	-	1,355	81
Past due 14-21 days	1,404	-	1,253	84
Past due more than 21 days	(74)	66	145	145
	<u>2,823</u>	<u>110</u>	<u>3,303</u>	<u>364</u>
Trade and member receivables	<u>11,591</u>	<u>246</u>	<u>13,833</u>	<u>1,102</u>

12. NON-CURRENT ASSETS HELD FOR SALE

	2013 \$'000	2012 \$'000
Property, plant & equipment	-	69
Intangibles	-	17
	<u>-</u>	<u>86</u>
Accumulated impairment	-	(86)
	<u>-</u>	<u>-</u>

13. OTHER ASSETS

Current

Security Deposit	1	1
Prepayments	23	69
	<u>24</u>	<u>70</u>

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14. PROPERTY, PLANT & EQUIPMENT

	2013	2012
	\$'000	\$'000
Leasehold improvements		
At cost	1,073	1,073
Less accumulated depreciation	<u>(954)</u>	<u>(926)</u>
	119	147
Plant and equipment		
Leased assets		
At costs	611	611
Less accumulated depreciation	<u>(306)</u>	<u>(102)</u>
	305	509
Plant and equipment		
At cost	188	184
Less accumulated depreciation	<u>(166)</u>	<u>(148)</u>
	22	36
Computer equipment		
At cost	1,510	1,463
Less accumulated depreciation	<u>(1,349)</u>	<u>(1,206)</u>
	161	257
Furniture, fixtures and fittings		
At cost	111	112
Less accumulated depreciation	<u>(56)</u>	<u>(50)</u>
	55	62
Total plant and equipment	<u>543</u>	<u>864</u>
Total property, plant and equipment	<u>662</u>	<u>1,011</u>

(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 2011	260	71	327	-	66	724
Additions	-	-	77	611	3	691
Depreciation charge for the year	<u>(113)</u>	<u>(35)</u>	<u>(147)</u>	<u>(102)</u>	<u>(7)</u>	<u>(404)</u>
Carrying amount as at 30 June 2012	147	36	257	509	62	1,011
Additions	-	4	46	-	1	51
Disposals					(1)	(1)
Depreciation charge for the year	<u>(28)</u>	<u>(18)</u>	<u>(142)</u>	<u>(204)</u>	<u>(7)</u>	<u>(399)</u>
Carrying amount at 30 June 2013	<u>119</u>	<u>22</u>	<u>161</u>	<u>305</u>	<u>55</u>	<u>662</u>

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15. TRADE AND OTHER PAYABLES

	2013	2012
	\$'000	\$'000
<i>Current</i>		
Trade payables	10,301	12,432
Divestment closure costs payable	3,487	2,706
Sundry payables and accrued expenses	4,953	5,975
	<u>18,741</u>	<u>21,113</u>

16. BORROWINGS

Current

Secured

Equipment loan	-	13
Finance lease liability	210	196
	<u>210</u>	<u>209</u>

Non-Current

Secured

Finance lease liability	111	322
	<u>321</u>	<u>531</u>

(a) Items pledged as security:

(i) National Australia Bank

Guarantee & Indemnity for \$373,000 (2012: \$373,000) given by AURL and lease purchase agreements. Operating lease commitments are disclosed in Note 24(b).

17. PROVISIONS

Current

Employee benefits	2,639	2,338
	<u>2,639</u>	<u>2,338</u>

Non-current

Employee benefits	211	201
	<u>211</u>	<u>201</u>

Aggregate employee benefits liability	<u>2,850</u>	<u>2,539</u>
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18. ISSUED AND PAID UP CAPITAL

	2013	2012
	\$'000	\$'000
11,560,412 (2012 : 11,560,407) Class A redeemable preference shares	20(a)	
	10,119	10,119
	<u>10,119</u>	<u>10,119</u>

(a) Movement in shares on issue

	Parent Equity 2013		Parent Equity 2012	
	No of Shares	\$'000	No of Shares	\$'000
At the beginning of the reporting period	11,560,407	10,119	11,560,449	10,119
Shares issued during the year	93	-	68	-
Shares bought back during the year	(88)	-	(110)	-
At reporting date	<u>11,560,412</u>	<u>10,119</u>	<u>11,560,407</u>	<u>10,119</u>

(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 2013 173 Class 'B' preference shares are on issue (2012: 186). 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 24(c) for further details regarding the potential for the Transitional Funding Facility to be reinstated.

19. ACCUMULATED LOSSES

	2013	2012
	\$'000	\$'000
Accumulated losses at the beginning of the financial year	(16,979)	(16,131)
Profit/(loss) attributable to members of the entity	<u>2,485</u>	<u>(848)</u>
Accumulated losses at the end of the financial year	<u>(14,494)</u>	<u>(16,979)</u>

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20. 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:

	2013	2012
	\$'000	\$'000
Cash on hand	1	68
Cash at bank	653	1,797
	<u>654</u>	<u>1,865</u>

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

Net profit/(loss) from ordinary activities after tax	2,485	(848)
<i>Adjustments for:</i>		
Depreciation and amortisation	399	404
Net profit on disposal of stores	(28)	(184)
<i>Changes in assets and liabilities:</i>		
Decrease in debtors	1,117	1,156
Decrease in inventories	-	607
Increase in deferred tax asset	(2,937)	-
Decrease in other assets	46	7
Decrease in trade and other payables	(2,372)	(2,824)
Increase in provisions	311	41
Net cash from operating activities	<u><u>(979)</u></u>	<u><u>(1,641)</u></u>

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20. CASHFLOW INFORMATION (CONT'D)

(c) Credit: Standby Arrangements with banks

	2013	2012
	\$'000	\$'000
Credit Facility	5,498	5,742
Amount Utilised	(401)	(514)
Unused Credit Facility	<u>5,097</u>	<u>5,228</u>

The major facilities are summarised as follows:

Guarantee Facility

Nil : (2012: \$106,440) facility provided by CSA Retail (Finance) Pty Ltd

Bank Guarantee Facility

\$373,000 : (2012: \$373,000) facility provided by the National Australia Bank

Business Card Facility

\$125,000 : (2012: \$125,000) variable interest rate facility provided by the National Australia Bank

Equipment Loan Facility

Nil : (2012: \$12,796) fixed interest rate facility provided by the National Australia Bank

Direct Payments Facility

\$4,000,000 : (2012: \$4,000,000) variable interest rate facility provided by the National Australia Bank

Bank Loan Facility

\$1,000,000 : (2012: \$1,000,000) variable interest rate facility provided by the National Australia Bank which was undrawn at the balance date.

21. AUDITORS REMUNERATION

	2013	2012
	\$'000	\$'000
Amounts received or due and receivable by Pitcher Partners for:		
- an audit or review of the financial report of the entity and any other entity in the Consolidated Entity	101	93
Other services in relation to the entity and any other entity in the Consolidated Entity		
- tax compliance	10	14
- other assurance services	6	6
	<u>117</u>	<u>113</u>

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22. CONTROLLED ENTITIES

(a) Controlled entities

	Country of Incorporation	Percentage Owned (%)	
		2013	2012
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 2013. All voting power is reflective of the ownership interest.

23. 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
2013	\$'000	\$'000	\$'000	%	
<i>(i) Financial assets</i>					
Cash	653	1	654	2.09	Variable
Trade and other receivables	-	13,260	13,260	-	
Total financial assets	653	13,261	13,914		
<i>(ii) Financial liabilities</i>					
Trade and other creditors	-	18,741	18,741	-	
Finance lease	321	-	321	7.00	Fixed
Total financial liabilities	321	18,741	19,062		

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23. FINANCIAL INSTRUMENTS (CONT'D)

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
2012	\$'000	\$'000	\$'000	%	
<i>(i) Financial assets</i>					
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		
<i>(ii) Financial liabilities</i>					
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		

(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 2013	Note	< 6 Months	6 - 12 Months	1-5 Years	Total
		\$'000	\$'000	\$'000	\$'000
Cash and cash receivables	10	654	-	-	654
Receivables	11	13,260	-	-	13,260
Payables	15	(16,436)	(1,344)	(961)	(18,741)
Borrowings	16	(103)	(107)	(111)	(321)
Net outflow		(2,625)	(1,451)	(1,072)	(5,148)
Year ended 30 June 2012	Notes	< 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	15	(19,985)	(1,128)	-	(21,113)
Borrowings	16	(109)	(100)	(322)	(531)
Net outflow		(3,852)	(1,228)	(322)	(5,402)

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23. 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.

24. COMMITMENTS AND CONTINGENT LIABILITIES

	Note	2013 \$'000	2012 \$'000
(a) Equipment loan / Finance leases			
Payable			
- not later than one year		239	239
- later than one year and not later than five years		111	339
- later than five years		-	-
Minimum payments		350	578
Less future finance charges		(29)	(47)
Total liability		321	531
Represented by:			
Current liability	16	210	209
Non-current liability	16	111	322
		321	531

(b) Operating lease commitments

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

Payable			
- not later than one year		2,326	2,764
- later than one year and not later than five years		7,301	8,666
- not later than 5 years		5,337	7,409
		14,964	18,839

The Consolidated Entity has non-cancellable property leases with terms ranging from one year to twelve 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 15) at 30 June 2013 is \$1,771,000 of non-cancellable operating leases (2012: \$1,776,000).

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24. 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 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.

25. 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 2013 (2012: \$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
John Florey (resigned 30 August 2013)	Paul Job
Jack Scanlan (retired 27 November 2012)	

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 \$65,181 (2012: \$42,042). The aggregate amount of rebates paid or payable and included in the result for the year is \$4,528,601 (2012: \$4,232,685).

Rebates for Malcolm Ward and Fred Fairthorne are paid via Supermarkets West during the financial year \$3,072,478 (2012:\$3,080,221) were paid or payable to Supermarkets West. Of this a portion was paid to the directors in line with the same commercial terms and conditions as transactions with other members.

John Florey is the CEO of the GBD Group. Rebates paid or payable to the GBD Group during the financial year were \$1,979,207 (2012:\$1,819,041) to the GBD Group. These transactions are on the same commercial terms and conditions as transactions with other members.

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25. RELATED PARTY TRANSACTIONS (CONT'D)

(c) Directors' Shareholdings

Aggregate number of shares disposed during the year :

Jack Scanlan 240,000 shares (2012: Nil shares)

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

"A" Class redeemable non-cumulative preference shares:

Allan Burge	162,002 shares	(2012: 162,002 shares)
Fred Fairthorne	1,072,002 shares	(2012: 850,003 shares)
Deborah Smith	155,793 shares	(2012: 155,793 shares)
Jack Scanlan	Nil shares	(2012: 240,000 shares)
Malcolm Ward	1,378,464 shares	(2012: 620,214 shares)
David Williamson	72,003 shares	(2012: 72,003 shares)
Sien Van Nguyen	168,003 shares	(2012: 3 shares)
Paul Job	18,002 shares	(2012: 18,002 shares)

Superate Pty Ltd is an entity which controls a trust that owns two FoodWorks stores. Entities associated with Jack Scanlan (retired director as at 27 November 2012) own units in the relevant trust. The entity Superate Pty Ltd held 2 Class A shares at 30 June 2013 (2012: 426,002 shares)

John Florey is the CEO of the GBD group who is the majority equity partner in 12 independent supermarkets under the FoodWorks banner. These 12 stores currently hold 12 A Class Redeemable preference shares in AURL Ltd.

(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.

26. 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	Deborah Smith
Allan Burge	Jack Scanlan – retired 27 November 2012
Fred Fairthorne	Malcolm Ward
Paul Job - appointed 27 November 2012	David Williamson
Neil Osborne	Sien Van Nguyen
John Florey – appointed 27 November 2012 and resigned on 30 August 2013	

(ii) The Key Management Personnel of the Consolidated Entity during the financial year are:

Rick Wight	Midhat Massoud
Tony Pacella	Theo Stratopoulos
Stephanie Holmes – ceased 2 July 2012	

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26. 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 13 - 17 of the Directors' Report.

Grants of performance-related bonuses

Key Management Personnel have received performance related bonuses, related to the 2012 financial year, during the period totalling \$138,051 (2012: \$194,400). 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

	2013	2012
	\$'000	\$'000
Short-term employee benefits	1,920	2,449
Post-employment benefits	138	229
Termination benefits	-	255
	<u>2,058</u>	<u>2,933</u>

(d) Employment Contracts and Service Agreements

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

27. SUBSEQUENT EVENTS

There has been no matter or circumstances, which has arisen since 30 June 2013 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2013, of the Consolidated Entity, or
- (b) the results of those operations, or
- (c) the state of affairs, in the years subsequent to 30 June 2013, of the Consolidated Entity.

AUSTRALIAN UNITED RETAILERS LTD
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013

28. PARENT ENTITY INFORMATION

	2013	2012
	\$'000	\$'000
(a) Summarised statement of financial position		
Assets		
Current assets	13,929	16,217
Non-current assets	<u>3,599</u>	<u>1,011</u>
Total Assets	<u><u>17,528</u></u>	<u><u>17,228</u></u>
Liabilities		
Current liabilities	18,099	20,501
Non-current liabilities	<u>322</u>	<u>522</u>
Total Liabilities	<u><u>18,421</u></u>	<u><u>21,023</u></u>
Net deficiency	<u><u>(893)</u></u>	<u><u>(3,795)</u></u>
Equity		
Contributed capital	10,119	10,119
Accumulated losses	<u>(11,012)</u>	<u>(13,914)</u>
Total equity	<u><u>(893)</u></u>	<u><u>(3,795)</u></u>
(b) Summarised statement of comprehensive income/(loss)		
Profit/(loss) for the year	<u>2,902</u>	<u>(1,622)</u>
Total comprehensive income/(loss) for the year	<u><u>2,902</u></u>	<u><u>(1,622)</u></u>

The profit/(loss) for the parent entity includes a loan impairment of \$3,258,000 (2012: \$5,296,000).

(c) Parent entity guarantees

The parent entity has provided the guarantees outlined in Note 24(d).

**AUSTRALIAN UNITED RETAILERS LTD
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2013**

28. 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 24(c).

(d) Parent entity commitments

	2013	2012
	\$'000	\$'000
The parent entity has the equipment loan and finance lease obligations as outlined in Note 24(a).		
The future minimum lease payments under the non-cancellable operating leases are:		
Payable		
- not later than one year	1,057	1,006
- later than one year and not later than five years	2,458	2,816
- later than five years	1,065	1,653
	<u>4,580</u>	<u>5,475</u>

**AUSTRALIAN UNITED RETAILERS LTD
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DIRECTORS DECLARATION


The directors declare that the financial statements and notes set out on pages 29 to 66 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 Consolidated Entity as at 30 June 2013 and of their performance 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 2013.

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



Director

J Bridgfoot

Dated this 13th day of September 2013

**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 2013, 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 2013 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 should the Consolidated Entity not achieve profitable trading and positive cash flows from the continuing operations, or the bank withdraw the 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 report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 17 of the directors' report for the year ended 30 June 2013. 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.

**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, the Remuneration Report of Australian United Retailers Ltd and controlled entities for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.



N R BULL
Partner

13 September 2013



PITCHER PARTNERS
Melbourne

**AUSTRALIAN UNITED RETAILERS LTD
ABN 93 077 879 782
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SHAREHOLDER INFORMATION

Class A Redeemable Preference Shares. One Class A redeemable preference share is issued and allotted to each approved storeowner in respect of each approved store they operate and control. Other than in certain prescribed circumstances, Class A redeemable preference shares are the only shares that carry voting rights at general meetings of the Company, with each eligible member or its related party having one vote per share. On 15 June 2009, pursuant to the prospectus dated 2 April 2007, all fully paid Class C redeemable preference shares converted to Class A redeemable preference shares on a 1:1 basis. There were 11,560,412 Class A redeemable preference shares issued at 30 June 2013.

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 173 Class B redeemable preference shares issued at 30 June 2013. 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 2013

	No of shares	%
MR JEFFREY NEVILLE HALL	866,000	7.5%
MR PAUL DAMIAN REILLY	865,000	7.5%
DREYFUS PTY LTD	823,250	7.1%
MR MALCOLM GEOFFREY WARD	704,250	6.1%
DALEWING PTY LTD	652,001	5.6%
MR GARRY RAYMOND ROBERSON	609,800	5.3%
OAKMEADOW PTY LTD	502,000	4.3%
BACCHUS MARSH MEGA FRESH PTY LTD	374,000	3.2%
MELLWAY HOLDINGS PTY LTD	300,001	2.6%
GIANT FRESH PTY LTD	180,000	1.6%
		50.8%