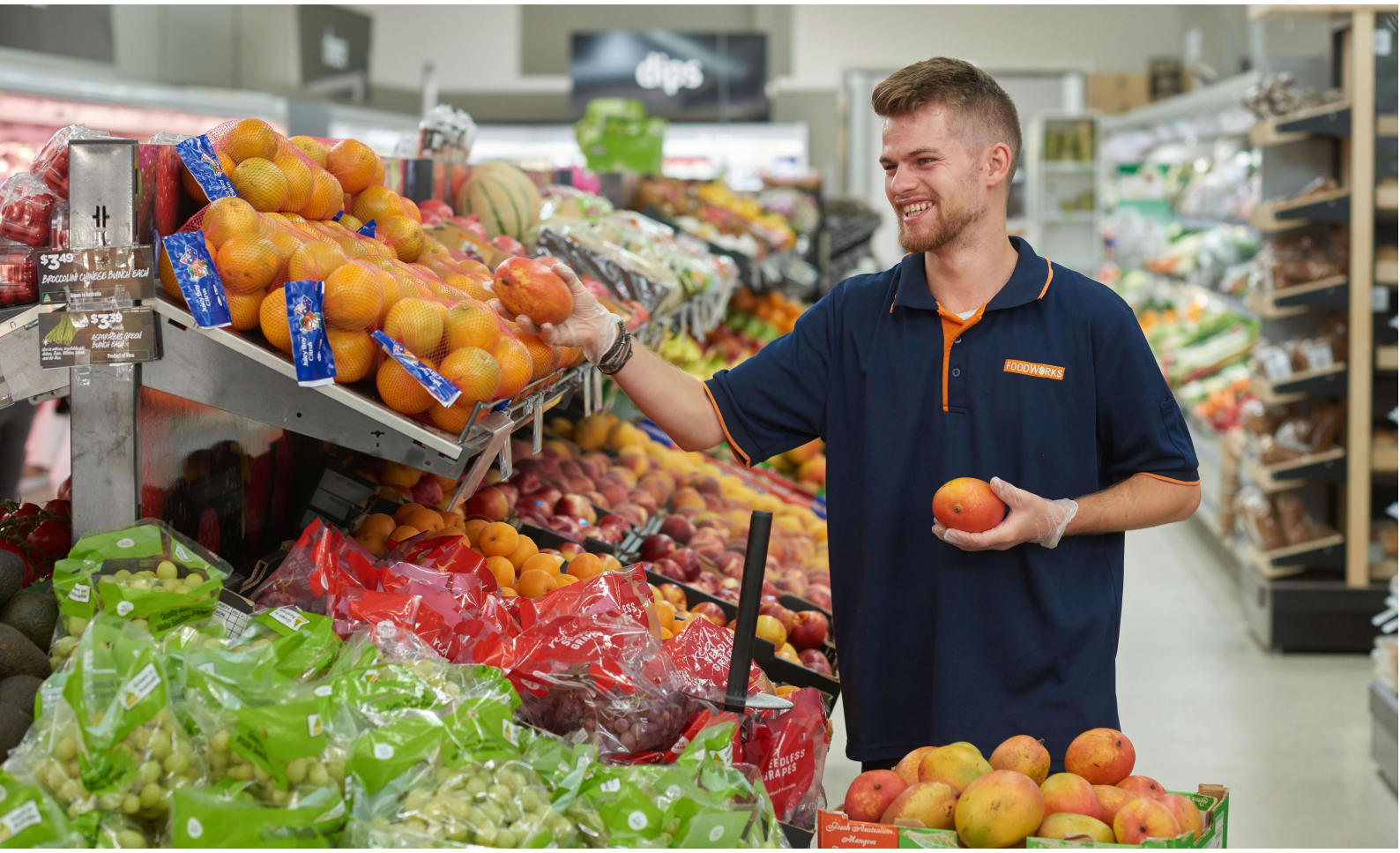
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021



AUSTRALIAN UNITED RETAILERS LTD
AND CONTROLLED ENTITIES

ABN: 93 077 879 782

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2021

AUSTRALIAN UNITED RETAILERS LTD AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE YEAR ENDED
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DIRECTORS' REPORT

The Directors present their report together with the financial report of the Consolidated Entity consisting of Australian United Retailers Ltd ("AURL") and the entities it controlled, for the financial year ended 30 June 2021 (together referred to as the "Consolidated Entity") and auditor's report thereon.

Directors

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

Name

Neil Osborne
Fred Fairthorne
Rod McPhee
Sien Van Nguyen
Malcolm Ward
Rick Wight
David Williamson

The Directors have been in office since the start of the 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.

There has been no significant change in the nature of these activities during the financial year.

The controlled entities did not engage in any activity during the financial year. All of the controlled entities with the exception of FoodWorks Retail Pty Ltd were de-registered during July 2020.

Results

The profit of the Consolidated Entity for the financial year, after income tax, amounted to $1,487,000 (2020: $181,000).

Review of operations

A review of the operations of the Consolidated Entity during the financial year and the results of those operations are as follows:

The Member based business contributed a profit after tax of $1,487,000 (30 June 2020: $181,000) The profit is after taking into account the write off ARIBA software of $573,000 (30 June 2020 : Nil).

The Member stores experienced an uplift in sales reflecting the change in consumer behaviour related to COVID-19 restrictions. This had a positive impact on the income of the Consolidated Entity that was marginally offset by incremental costs to support Members in managing health and safety risks.

The costs of operating the support office were substantially reduced due to staff working from home and the reduction in staff travel costs.

The Member based business is becoming increasingly retailer focused and has as its primary objective the increase in profitability of its Member's stores. It continues to be 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 Consolidated Entity has cash reserves and banking facilities as outlined in Note 19 to enable the business to pursue short term objectives and evolve its service offer to Members in the coming financial years.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Consolidated Entity during the period under review.

After balance date events

Other than the matters disclosed in this report, there were no events that have occurred after the end of the financial year that would materially affect the reported results or would require disclosure in this report.

Likely developments

The Company will continue to pursue its strategy to deliver quality retail support services to its Members.

Environmental regulation

The Consolidated Entity's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Dividend paid, recommended and declared

Details of dividends paid, declared or recommended are as follows:

	2021 $	2020 $
(a) Dividends paid or declared		
A dividend has been declared since the end of the reporting period of $0.04 (2020 : $0.015) per share fully franked at 30%	452,621	169,733
Dividends of $0.03 (2020 Nil) per share, fully franked, was declared and paid during the reporting period.	339,442	-
	792,063	169,733
(b) Dividends declared after the reporting period and not recognised		
All dividends declared after the end of the reporting period have been fully recognised	-	-

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.

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 1 July 2020 is provided below, together with details of the company secretary as at the year end.

Neil Osborne	-	Independent Non Executive Chairman
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, and as Chairman on 19 November 2014. He has also been a Director of Vita Group since June 2007 and Beacon Lighting Group since February 2014. 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	-	Appointed as Chairman of the Board on 19 November 2014.
David Williamson	-	Non Executive Director
Experience	-	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 16 years ago when he was made a 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 and FoodWorks Newtown in Geelong.
Special Responsibilities	-	Chairman of the Remuneration & Nomination Committee and appointed Deputy Chairman of the Board on 19 November 2014. David is also a member of the Supply Chain Committee.

Fred Fairthorne	-	Non Executive Director
Experience	-	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 as well as operating a Supermarket in Sydney with a strong focus on merchandising, marketing product offerings and store layout development.
Special Responsibilities	-	Member of the Audit & Risk Committee and Member of the Supply Chain Committee.

Malcolm Ward	-	Non Executive Director
Experience	-	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 two FoodWorks stores in Western Australia, and is Chairman 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	-	Chairman of the Audit & Risk Committee and Member of the Remuneration & Nomination Committee.

Sien Van Nguyen	-	Non Executive Director
Experience	-	Appointed as a Director of the Company on 22 November 2011.
	-	Sien joined the supermarket industry in 1994 when he purchased his first store in Inala, south of Brisbane. Sien and his family currently owns two FoodWorks supermarkets in Brisbane and the Miles and Goondiwindi stores in Regional Queensland. 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 four supermarkets. Sien's successes in retail and strategic management have enabled him to branch out into various other industries, some of which include Gordon HouseTrust which owns an accommodation village for the Liquefied Natural Gas, mining industry and solar farms 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 Exploration Drill Rig, a manufacturer of drilling rigs operating in India, Singapore and Brisbane. Sien also oversees the largest gym in Australia situated in Burpengary.
Special Responsibilities	-	Member of the Audit & Risk Committee.
Rod McPhee	-	Independent Non Executive Director
Experience	-	Appointed as a Director of the Company on 21 February 2018. Rod brings to the Board over 40 years of experience in retail and as Board member in various organisations. He has extensive retail experience in Retail Store Management, Resource Management (including Finance, Inventory, Property and Staff), Supply Chain, Quality Assurance and Client Engagement.
Special Responsibilities	-	Chairman of the Supply Chain Committee and Member of the Remuneration & Nomination Committee.
Rick Wight	-	Executive Director
Qualifications	-	Bachelor of Business (Accounting & Economics) Fellow Institute of Chartered Accountants Australia and New Zealand (FCA) Graduate Australian Institute of Company Directors (GAICD)
Experience	-	Appointed as a Director on 30 May 2014. Rick has a strong background in retail, finance, franchising and strategy management.

		Prior to joining the Consolidated Entity, Rick spent 15 years at Blockbuster International where he worked in various senior executive roles including Chief Executive Officer and Area Senior Vice President for Asia Pacific. Rick joined the Consolidated Entity in the role of Chief Operating Officer in 2008 and was appointed as Chief Executive Officer in 2010.
Special Responsibilities	-	Rick is the Chief Executive Officer of the Consolidated Entity.
Ian Pamensky	-	Company Secretary
Qualifications	-	Member of the Institute of Chartered Accountants Australia and New Zealand (CA)
	-	Fellow of the Governance Institute of Australia (FGIA)
	-	Government Institute of Australia certified Effective Director (certEDC)
	-	Member of finSIA
Experience	-	Ian was appointed as the Company Secretary on 23 April 2020. He has over 24 years of experience working across a wide range of industries, from audit and funds management to mining. He has worked with a range of clients, from small family businesses to SME and ASX listed entities.

Directors' meetings

The number of meetings of the board of directors and each board committee held during the financial year and the numbers of meetings attended by each director were:

DIRECTORS	BOARD MEETINGS		AUDIT & RISK COMMITTEE		REMUNERATION & NOMINATION COMMITTEE		SUPPLY CHAIN COMMITTEE	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
N Osborne	11	11	-	-	1	3**	-	1*
D Williamson	11	11	-	-	3	3	1	1
F Fairthorne	11	11	5	5	-	-	1	1
S Van Nguyen	11	11	5	5	-	-	-	1*
M Ward	11	11	5	5	2	3*	-	1*
R McPhee	11	11	-	-	3	3	1	1
R Wight as Executive Director	11	11	5	5	3	3	1	1

* Attended 1 meeting by invititation
** Attended 2 meetings by invitation

Transactions with Directors and Director related entities

For transactions with Directors and Director related entities, refer to Note 22 (c).

Indemnification and insurance of Directors, officers and auditors

Indemnities have been given and insurance premiums paid during and since the end of the financial year, for Directors, and Officers of the Consolidated Entity.

To the extent permitted by law, the parent entity has agreed to indemnify its auditors as part of the terms of engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify the auditors during or since the financial year.

Proceedings on behalf of the Consolidated Entity

Court proceedings have been brought by Australian United Retailers Limited for recovery of losses incurred as a result of the breach by a former owner of a corporate head lease store.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Signed in accordance with a resolution of the Directors.

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Director N. Osborne

Melbourne

Dated this 15th Day of September 2021

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

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF AUSTRALIAN UNITED RETAILERS LTD AND CONTROLLED ENTITIES

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australian United Retailers Ltd and Controlled Entities. As the lead audit partner for the audit of the financial report of Australian United Retailers Ltd and Controlled Entities for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of

(i) The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

Hall Chadwick Melbourne Audit
Chartered Accountants
Level 14, 440 Collins Street
MELBOURNE VIC 3000

Steven Nguyen
232C1A64154A3491

Director: Steven (Anh) Nguyen
Date: 15/09/2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 $'000	2020 $'000
Revenue and other income			
Supplier & member income	**4**	46,978	45,704
Interest income	**4**	134	164
Sales income	**4**	90,650	83,577
Other income	**4**	703	3,214
		138,465	132,659
Less: expenses			
Distribution to members		(18,452)	(18,088)
Cost of members services		(4,161)	(6,401)
Cost of sales		(90,650)	(83,577)
Onerous Contract write off	**5**	(414)	-
Other expenses		(20,396)	(22,251)
Finance Costs	**5**	(333)	(320)
Depreciation and amortisation	**5**	(2,006)	(1,901)
		(136,412)	(132,538)
Profit before income tax		2,053	121
Income tax (expense)/benefit	**6**	(566)	60
Profit for the year		**1,487**	**181**
Other comprehensive income		-	-
Total comprehensive income		1,487	181
Profit is attributable to:		-	-
Members of the parent		1,487	181
Total comprehensive income attributable to:		-	-
Members of the parent		1,487	181

The above statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	**8**	9,436	4,182
Trade and other receivables	**9**	13,298	13,303
Other current assets	**10(a)**	869	681
Inventories	**11**	6	9
Total current assets		23,609	18,175
Non-current assets			
Property, plant and equipment	**12**	2,124	3,556
Right of use assets	**13**	2,508	3,013
Deferred tax asset	**6(d)**	2,234	1,766
Other non-current assets	**10(b)**	764	1,481
Total non-current assets		7,630	9,816
Total assets		31,239	27,991
Current liabilities			
Trade and other payables	**14**	17,977	15,695
Provisions	**15**	3,854	3,493
Lease liability current	**13**	1,260	1,261
Loans and borrowings	**16**	60	120
Current tax liability	**6(c)**	1,035	-
Total current liabilities		24,186	20,569
Non-current liabilities			
Provisions	**15**	450	382
Lease liability non current	**13**	2,955	4,027
Loans and borrowings	**16**		60
Total non-current liabilities		3,405	4,469
Total liabilities		27,591	25,038
Net assets		**3,648**	**2,953**
Equity			
Share capital	**17**	9,890	9,890
Accumulated losses	**18(a)**	(12,628)	(12,628)
Accumulated profits reserve	**18(b)**	6,386	5,691
Total equity		**3,648**	**2,953**

The above statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

Consolidated Entity	Contributed equity $'000	Accumulated Profits $'000	Accumulated Losses $'000	Total Equity $'000
Balance as at 1 July 2019	9,890	5,680	(12,628)	2,942
Profit for the year	-	181	-	181
Total comprehensive income for the year	**-**	**181**	**-**	**181**
Dividend paid	-	(170)	-	(170)
Balance as at 30 June 2020	**9,890**	**5,691**	**(12,628)**	**2,953**
Profit for the year	-	1,487	-	1,487
Total comprehensive income for the year	**-**	**1,487**	**-**	**1,487**
Dividend Declared / paid	-	(792)	-	(792)
Balance as at 30 June 2021	**9,890**	**6,386**	**(12,628)**	**3,648**

The above statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 $'000	2020 $'000
Cash flow from operating activities			
Cash receipts in the course of operations		141,276	136,193
Cash payments in the course of operations		(134,477)	(133,187)
Income tax paid		-	-
Interest received		12	8
Interest paid		(5)	(4)
Net cash received in operating activities	**19(b)**	6,806	3,010
Cash flow from investment activities			
Payments for purchases of property, plant and equipment		(64)	(548)
Principal received from Finance Leased Assets		375	479
Interest received from Finance Leased Assets		122	155
Net cash used in investing activities		433	86
Cash flow from financing activities			
Dividends paid		(792)	(170)
(Repayment)/Proceeds from Bank Loans		(120)	180
Principal paid for Finance Leased Liabilities		(745)	(1,293)
Interest paid for Finance Leased Liabilities		(328)	(315)
Net cash used in financing activities		(1,985)	(1,598)
Net Increase in cash held		5,254	1,498
Cash and cash equivalents at beginning of financial year		4,182	2,684
Cash and cash equivalents at end of financial year	**19(a)**	**9,436**	**4,182**

The above statement should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDIATED FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2021

NOTE 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 9, 30 Convention Centre Place, South Wharf, Victoria. The consolidated financial statements of the Company comprises the Company and its subsidiary (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 applicable authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* .

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

The financial report was authorised for issue by the Directors on 15 September 2021.

Compliance with IFRS

The financial report also complies with the International Financial Reporting Standards (IFRS) 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.

Significant accounting estimates and adjustments

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

(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 $1,487,000 (2020: $181,000), a net surplus of assets totalling $3,648,000 (2020: $2,953,000) and a current working capital deficit of $577,000 (2020: $2,394,000).

The Directors believe that with the maintenance of normal trading volumes, the on-going trading activities of the core business are expected to enable the Consolidated Entity to meet its obligations as and when they fall due.

The Consolidated Entity is expecting it's current loan facility of $300,000 will be renewed until June 2022.

(d) Accumulated profits reserve

At the conclusion of each financial year, the Consolidated Entity records profits earned during the year to accumulated profits reserve and losses incurred during the year to accumulated losses.

(e) 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 the parent entity controls. The Consolidated Entity controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiary 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 consolidated from the date on which control is established and are de-recognised from the date that control ceases.

(f) Revenue

Revenue arises mainly from rebates received from suppliers, who supply product into branded and non-branded member stores and from member services income received from these stores, as well as other minor sources of revenue.

Revenue from suppliers is in the form of contract income and non-contract income. Contract income arises from contracts with suppliers whereby rebates are received for orders placed by a store on the supplier. Non-contract income is received from multiple suppliers. The amounts of the non-contract rebates received vary from one supplier to another and also varies with different products purchased.

Revenue from member services comprises fees for services provided to members, income received on behalf of members stores and members fees. Members fees are recoverable under the Unity Agreements signed by member stores and the Consolidated Entity.

To determine whether to recognise revenue the following principles apply:

- Supplier and member income is recognised when the right to receive the revenue has been established.
- Interest revenue is measured in accordance with the effective interest method.
- 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).

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, and short-term deposits with an original maturity of three months or less held at call with financial institutions.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

(i) Property, plant and equipment

Cost and valuation

Each class of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

The depreciable amount of all property, plant and equipment is calculated using the straight line method over their estimated useful lives commencing from the time the asset is held ready for use, consistent with estimated consumption of economic benefits embodied in the asset.

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

Right of use assets are depreciated over the period of the lease.

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation Rates	Depreciation Basis
Leasehold improvements	5 – 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
Right of use assets	14 – 33 %	Straight Line

(j) Leases

The Consolidated Entity has elected to apply the modified retrospective approach in transitioning to AABS 16 *Leases* on 1 July 2019.

(i) The Consolidated Entity as lessee

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Consolidated Entity under residual value guarantees
- the exercise price of a purchase option if the Consolidated Entity is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Consolidated Entity exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Consolidated Entity, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Consolidated Entity is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Consolidated Entity is reasonably certain to exercise a purchase option, the right of-use asset is depreciated over the underlying asset's useful life.

(ii) The Consolidated Entity as lessor

The Consolidated Entity entered into lease agreements as an intermediate lessor with respect to the store owners in Bradbury and Keysborough.

When the Consolidated Entity is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Consolidated Entity's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Consolidated Entity net investment outstanding in respect of the leases.

(k) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or the Consolidated Entity's assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

(l) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax balances

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor 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

Australian United Retailers Limited (parent entity) and its wholly owned subsidiary have implemented the tax consolidation legislation and have formed a tax-consolidated Consolidated Entity from 1 July 2009. The parent entity and subsidiaries in the tax-consolidated Consolidated Entity have entered into a tax funding agreement such that each entity in the tax-consolidated Consolidated Entity recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances; and
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the head entity as inter-company payables or receivables.

The tax-consolidated Consolidated Entity also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated Consolidated Entity arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

(m) Provisions

Provisions are recognised when the Consolidated Entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(n) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on current remuneration rates. The expected cost of short-term employee benefits in the form of bonus incentives, compensated absences such as annual leave and accumulated sick leave are recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

(ii) Other long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and at terms approximating the terms of the related obligation. For currencies in which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term 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. All other long-term employee benefit obligations are presented as non-current liabilities in the statement of financial position.

(iii) Retirement benefit obligations

The Consolidated Entity makes superannuation contributions to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The Consolidated Entity's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the statement of financial position.

(iv) Bonus plan

The Consolidated Entity recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

(v) Termination benefits

The Consolidated Entity recognises an obligation and expense for termination benefits at the earlier of: (a) the date when the Consolidated Entity can no longer withdraw the offer for termination benefits; and (b) when the Consolidated Entity recognises costs for restructuring and the costs include termination benefits. In either case, the obligation and expense for termination benefits is measured on the basis of the best estimate of the number of employees expected to be affected. Termination benefits expected to be settled wholly before twelve months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

(o) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Consolidated Entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Consolidated Entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Classification of financial assets

Financial assets recognised by the Consolidated Entity are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Consolidated Entity irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

(a) the Consolidated Entity's business model for managing the financial assets; and
(b) the contractual cash flow characteristics of the financial asset.

Classification of financial liabilities

Financial liabilities classified as held-for-trading, contingent consideration payable by the Consolidated Entity for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.
All other financial liabilities recognised by the Consolidated Entity are subsequently measured at amortised cost.

Trade and other receivables

Trade and other receivables arise from the Consolidated Entity's transactions with its customers and are normally settled within 30 days.

Consistent with both the Consolidated Entity's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

Loans to related parties

Loans to related parties are debt instruments, and are classified (and measured) at amortised cost on the basis that:

(a) they are held within a business model whose objective is achieved by the Consolidated Entity holding the financial asset to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(p) Impairment of financial assets

The following financial assets are tested for impairment by applying the 'expected credit loss' impairment model:

(a) debt instruments measured at amortised cost;
(b) debt instruments classified at fair value through other comprehensive income and
(c) receivables from contracts with customers and contract assets.

The Consolidated Entity applies the simplified approach under AASB 9 to measuring the allowance for credit losses for both receivables from contracts with customers and contract assets. Under the AASB 9 simplified approach, the Consolidated Entity determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the financial asset. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

For all other financial assets subject to impairment testing, when there has been a significant increase in credit risk since the initial recognition of the financial asset, the allowance for credit losses is recognised on the basis of the lifetime expected credit losses. When there has not been an increase in credit risk since initial recognition, the allowance for credit losses is recognised on the basis of 12-month expected credit losses. '12-month expected credit losses' is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Consolidated Entity considers a range of information when assessing whether the credit risk has increased significantly since initial recognition. This includes such factors as the identification of significant changes in external market indicators of credit risk, significant adverse changes in the financial performance or financial position of the counterparty, significant changes in the value of collateral, and past due information.

The Consolidated Entity assumes that the credit risk on a financial asset has not increased significantly since initial recognition when the financial asset is determined to have a low credit risk at the reporting date. The Consolidated Entity considers a financial asset to have a low credit risk when the counterparty has an external 'investment grade' credit rating (if available) of BBB or higher, or otherwise is assessed by the Consolidated Entity to have a strong financial position and no history of past due amounts from previous transactions with the Consolidated Entity.

The Consolidated Entity assumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 90 days past due.

Financial assets are regarded as 'credit-impaired' when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset. Indicators that a financial asset is 'credit-impaired' include observable data about the following:

(a) significant financial difficulty of the issuer or the borrower;
(b) breach of contract;
(c) the lender, for economic or contractual reasons relating to the borrower's financial difficulty, has granted concessions to the borrower that the lender would not otherwise consider; or
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

The gross carrying amount of a financial asset is written off (i.e., reduced directly) when the counterparty is in severe financial difficulty and the Consolidated Entity has no realistic expectation of recovery of the financial asset. Financial assets written off remain subject to enforcement action by the Consolidated Entity. Recoveries, if any, are recognised in profit or loss.

Refer to Note 9 for further information.

(q) Foreign currency translations and balances

Functional and presentation currency

The financial statements of each entity within the Consolidated Entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the Consolidated Entity's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies of entities within the consolidated entity are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

(r) Goods and services tax (GST)

Revenues, expenses and purchased 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.

(s) Comparatives

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

(t) Rounding of amounts

The parent entity and the Consolidated Entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the Directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

(u) Leases

AASB 16 introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:

- investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or

- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment;
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset and would account for each type of lease in a manner consistent with the current approach under AASB 117.

(v) New and revised accounting standards effective at 30 June 2021

There have been no new or revised accounting standards applicable to the organisation for the current financial year.

(w) Accounting standards issued but not yet effective at 30 June 2021

The AASB has not issued any new or amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, and are relevant to the Consolidated Entity.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities 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) Income tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Consolidated Entity 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.

(c) Non Contract Income

Due to the timing delay between when stores make purchases and when suppliers provide purchase data to the Consolidated Entity, management use historical data to estimate the income to be accrued at year end. In order to appropriately recognise accrued income at year end relating to purchase volumes, the recording of accrued income involves estimation and judgement.

NOTE 3: FINANCIAL RISK MANAGEMENT

The Consolidated Entity is exposed to the following financial risks in respect to the financial instruments that it held at the end of the reporting period:

- Interest rate risk
- Credit risk
- Liquidity risk

The board of directors has overall responsibility for identifying and managing operational and financial risks.

The Consolidated Entity holds the following financial instruments:

	2021	2020
Financial assets	**$'000**	**$'000**
Cash and cash equivalents	9,436	4,182
Trade and other receivables	13,298	13,303
Other current assets	869	681
Other non-current assets	764	1,481
	24,367	19,647
Financial liabilities		
Trade and other payables	17,977	15,695
Lease liabilities and borrowings current	1,320	1,381
Lease liabilities and borrowings non-current	2,955	4,087
	22,252	21,163

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Consolidated Entity has exposure to interest rate risks in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

NOTE 3: FINANCIAL RISK MANAGEMENT (Cont'd)

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
2021	**$'000**	**$'000**	**$'000**	**%**	
(i) Financial assets					
Cash and cash equivalents	9,436		9,436	-	Var/Fixed
Trade and other receivables	-	13,298	13,298	-	
Other current assets	690	179	869	7	Fixed
Other non-current assets	752	12	764	7	Fixed
Total financial assets	10,878	13,489	24,367	-	
(ii) Financial liabilities					
Trade and other payables	-	17,977	17,977	-	
Lease liabilities and borrowings current	1,320	-	1,320	8	Var/Fixed
Lease liabilities and borrowings non-current	2,955	-	2,955	6	Var/Fixed
Total financial liabilities	4,275	17,977	22,252	-	

	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
2020	**$'000**	**$'000**	**$'000**	**%**	
(i) Financial assets					
Cash	4,043	139	4,182	-	Variable
Trade and other receivables	-	13,303	13,303	-	
Other current assets	482	199	681	7	Fixed
Other non-current assets	1,457	24	1,481	7	Fixed
Total financial assets	5,982	13,665	19,647	-	
(ii) Financial liabilities					
Trade and other payables	-	15,695	15,695	-	
Lease liabilities and borrowings current	1,381	-	1,381	8	Var/Fixed
Lease liabilities and borrowings non-current	4,087	-	4,087	6	Var/Fixed
Total financial liabilities	5,468	15,695	21,163	-	

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

Sensitivity

If interest rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then no significant impact on profit for the year and equity is expected.

NOTE 3: FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the counterparty by failing to discharge an obligation.

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

The Consolidated Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Consolidated Entity.

i) Cash deposits

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks.

ii) Trade and other receivables

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.

The ageing analysis of trade and other receivables is provided in Note 9.

The Consolidated Entity does not have any material credit risk exposure for other receivables or other financial instruments.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

NOTE 3: FINANCIAL RISK MANAGEMENT (Cont'd)

Maturity analysis

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

	< 6 Months	6-12 Months	1-5 years	Total contractual cash flows	Carrying amount
Year ended 30 June 2021	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	9,436	-	-	9,436	9,436
Trade and other receivables	13,298	-	-	13,298	13,298
Other current assets	512	357	-	869	869
Other non-current assets	-	-	764	764	764
Trade and other payables	(16,071)	(1,906)	-	(17,977)	(17,977)
Lease liabilities and borrowings current	(721)	(599)	-	(1,320)	(1,320)
Lease liabilities and borrowings non-current	-	-	(2,955)	(2,955)	(2,955)
Net maturities	6,454	(2,148)	(2,191)	2,115	2,115
Year ended 30 June 2020					
Cash and cash equivalents	4,182	-	-	4,182	4,182
Trade and other receivables	13,303	-	-	13,303	13,303
Other current assets	402	279	-	681	681
Other non-current assets	-	-	1,481	1,481	1,481
Trade and other payables	(15,279)	(416)	-	(15,695)	(15,695)
Lease liabilities and borrowings current	(698)	(683)	-	(1,381)	(1,381)
Lease liabilities and borrowings non-current	-	-	(4,087)	(4,087)	(4,087)
Net maturities	1,910	(820)	(2,606)	(1,516)	(1,516)

(d) Fair value compared with carrying amounts

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

NOTE 4: REVENUE AND OTHER INCOME

	2021 $'000	2020 $'000
Operating activities		
Supplier & member income	46,929	45,701
Rent from member stores	49	3
Sales of goods	90,650	83,577
	137,628	129,281
Interest income		
Interest income on cash and cash equivalents	12	8
Sublease interest income	122	156
	134	164
Other income		
Other revenue	703	3,214
Total revenue & other income	138,465	132,659

NOTE 5: PROFIT FROM OPERATIONS

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

Employee benefits expense		
Wages and salaries	11,810	11,723
Workers' compensation costs	36	41
Superannuation costs	906	911
	12,752	12,675
Depreciation and amortisation of non-current assets		
Leasehold improvements	26	13
Plant and equipment	10	11
Computer equipment	1,241	1,249
Furniture, fixtures and fittings	34	30
Right of use of motor vehicles	223	212
Right of use of photocopy machine	29	31
Right of use of buildings	443	355
	2,006	1,901
Finance Costs		
Interest on bank loans	6	4
Interest on lease liabilities	327	316
	333	320
Other expenses		
Bad debts	13	45
Doubtful debts provision/(write back)	20	9
Onerous Contract Write Off of ARIBA software	414	-
	447	54

NOTE 6: INCOME TAX	2021 $'000	2020 $'000
(a) Components of tax expense/(benefit):		
Current tax	1,034	-
Deferred tax	(468)	(60)
	566	(60)
(b) Prima facie tax payable		
The prima facie tax payable on (loss)/profit before income tax is reconciled to the income tax expense as follows:		
(Loss)/profit before tax	2,053	121
Total (loss)/profit before income tax	2,053	121
Prima facie income tax payable on (loss)/profit before income tax at 30% (2020: 30%)	616	36
Add tax effect of:		
- other non-allowable items	(36)	41
	580	77
Less tax effect of:		
- blackhole	(4)	(4)
- previously unrecognised unused tax losses	-	(73)
- reclassification	(10)	-
	(14)	(77)
Income tax (benefit)/ expense attributable to (loss)/profit	566	-
(c) Current tax		
Current tax relates to the following:		
Opening balance	-	274
Income tax	1,034	-
Tax payments	-	(274)
Current tax liabilities	1,034	-

NOTE 6: INCOME TAX (Cont'd)	2021 $'000	2020 $'000
(d) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Provision for impairment	146	140
Accruals	758	252
Employee benefits	1,051	1032
Other provisions	220	131
Depreciation	(21)	(14)
ROU Leases	80	101
Tax Losses	-	124
Net deferred tax assets	2,234	1,766

(e) Deferred income tax expense comprises		
Recognised in equity		
Adjustment on initial application of AASB16 Leases	-	(34)
Recognised in profit or loss	(5,883)	64
Amounts relating to origination and reversal of temporary differences	(9)	(124)
Reclassification	124	-
Increase in deferred tax assets	(468)	(94)

(f) Deferred tax assets recognised

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.

(g) Unused tax losses

At the reporting date, the Consolidated Entity did not have any unused tax losses (2020 : $413,034) available for offset against future profits. A deferred tax asset has been recognised in the prior year in respect of all those losses.

NOTE 7: DIVIDENDS	2021 $'000	2020 $'000
(a) Dividends paid or declared		
Dividends of $0.07 (2020: $0.015) per share were declared fully franked at 30%	792	170
	792	170
(b) Dividends declared after the reporting period and not recognised		
All dividends declared since the end of the reporting period have been recognised.	-	-
(c) Franking account		
Balance of franking account on a tax paid basis at financial year-end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent years:	758	1019

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at banks and deposits at call	4,754	3,982
Term Deposits	4,682	200
	9,436	4,182

NOTE 9: TRADE AND OTHER RECEIVABLES

Current		
Trade and member receivables	12,015	12,126
Provision for impairment	(88)	(68)
	11,927	12,058
Sundry debtors and accrued income	1,771	1,645
Provision for impairment	(400)	(400)
	1,371	1,245
	13,298	13,303

A receivable from a contract with a customer represents the group's unconditional right to consideration arising from the transfer of goods or services to the customer (i.e., only the passage of time is required before payment of the consideration is due). Invoicing of customers occurs daily. For Trade receivables, outstanding invoices are due for payment within 30 days of the invoice date. Member receivables are generally due within 7 days from invoice date.

NOTE 9: TRADE AND OTHER RECEIVABLES (Cont'd)

Impairment of receivables from contracts with customers and member receivables

The Consolidated Entity applies the simplified approach under AASB 9 to measure the allowance for credit losses for both receivables from contracts with customers and contract assets. Under the AASB 9 simplified approach, the Consolidated Entity determines the allowance for credit losses for receivables from contracts with customers and contract assets on the basis of the lifetime expected credit losses of the instrument. Lifetime expected credit losses represent the expected credit losses that are expected to result from default events over the expected life of the financial asset.

The Consolidated Entity determines expected credit losses based on the Consolidated Entity's historical credit loss experience, adjusted for factors that are specific to the financial asset as well as current and future expected economic conditions relevant to the financial asset. When material, the time value of money is incorporated into the measurement of expected credit losses.

The following table provides a reconciliation from the opening balance to the closing balance of the loss allowance for receivables from contracts with customers and member receivables:

	2021 $'000	2020 $'000
Opening balance at 1 July	468	459
Increase/(Decrease)	20	9
Closing balance at 30 June	488	468

(a) Trade receivables

Trade and other receivables ageing analysis at 30 June is:

	Gross 2021 $'000	Impairment 2021 $'000	Gross 2020 $'000	Impairment 2020 $'000
Not past due	3,639	-	3,527	-
Past due 31-60 days	750	-	685	-
Past due 61-90 days	210	-	184	-
Past due more than 91 days	13	3	64	23
	4,612	3	4,460	23

(a) Member receivables	Gross 2021 $'000	Impairment 2021 $'000	Gross 2020 $'000	Impairment 2020 $'000
Not past due	2,898	-	2,718	-
Past due 1-14 days	2,745	-	2,932	-
Past due 15-21 days	1,760	-	1,825	-
Past due more than 22 days		85	191	45
	7,403	85	7,666	45
Trade and member receivables	**12,015**	**88**	**12,126**	**68**

NOTE 9: TRADE AND OTHER RECEIVABLES (Cont'd)

Receivables written off during the year

The gross carrying amount of a receivable balance is written off (i.e., reduced directly) when the counterparty is in severe financial difficulty and the group has no realistic expectation of recovery of the outstanding balance. The receivable written off remains subject to enforcement action by the group.

The contractual amount outstanding on receivables that were written off during the year, and are still subject to enforcement action by the group, is $13,359 (2020: $45,073).

NOTE 10: OTHER CURRENT AND NON-CURRENT ASSETS

	2021 $'000	2020 $'000
(a) Other Current Assets		
Prepayments	164	112
Loans to stores	12	87
Rental Deposits	3	-
Lease assets current	690	482
	869	681

Lease assets represent sub-leases on corporate stores whereby Australian United Retailers Ltd is the head lessor.

(b) Other Non-Current Assets		
Investments	6	6
Loans to Stores	7	19
Lease assets non-current	751	1,456
	764	1,481

Lease assets represent sub-leases on corporate stores whereby Australian United Retailers Ltd is the head lessor.

NOTE 11: INVENTORIES

Current		
Stock on hand at cost	6	9
Total Inventories	6	9

NOTE 12: PROPERTY PLANT AND EQUIPMENT	2021	2020
	$'000	$'000
Leasehold improvements		
At cost	270	266
Accumulated depreciation	(104)	(78)
	166	188
Plant and equipment		
At cost	74	74
Accumulated depreciation	(23)	(13)
	51	61
Computer equipment		
At cost	4,961	5,268
Accumulated depreciation	(3,178)	(2,118)
	1,783	3,150
Furniture, fixtures and fittings		
At cost	219	219
Accumulated depreciation	(95)	(62)
	124	157
Total property, plant and equipment		
Cost	5,524	5,827
Accumulated depreciation and amortisation	(3,400)	(2,271)
Total property, plant and equipment	**2,124**	**3,556**

(a) Movement in carrying amounts

	Leasehold Improvements	Plant and Equipment	Computer equipment	Furniture, Fixtures & Fittings	Total
	$'000	$'000	$'000	$'000	$'000
Carrying amount as at 1 July 2019	117	51	4,118	25	4,311
Additions	95	27	321	162	605
Disposal	(11)	(6)	(40)	-	(57)
Depreciation charge for the year	(13)	(11)	(1,249)	(30)	(1,303)
Carrying amount as at 30 June 2020	188	61	3,150	157	3,556
Additions	4	-	60	-	60
Disposals	-	-	(185)	-	(185)
Depreciation charge for the year	(26)	(10)	(1,242)	(33)	(1,285)
Carrying amount at 30 June 2021	166	51	1,783	124	1,958

NOTE 13: LEASES

	2021 $'000	2020 $'000

(a) Lease liabilities recognised

This note provides information for leases where the Consolidated Entity is the lessee.

(b) Right of use assets

The balance sheet shows the following amounts relating to leases:

Right of use of leased motor vehicles		
At cost	706	665
Accumulated depreciation	(485)	(371)
	221	294
Right of use of leased buildings		
At cost	2,896	2,896
Accumulated depreciation	(632)	(190)
	2,264	2,706
Right of use of leased photocopiers		
At cost	25	92
Accumulated depreciation	(2)	(79)
	23	13
Total right of use assets		
Cost	3,627	3,653
Accumulated depreciation	(1,119)	(640)
Total right of use assets	**2,508**	**3,013**

NOTE 13: LEASES (Cont'd)

	Right of Use Leased Motor Vehicle $'000	Right of Use Leased Buildings $'000	Right of Use Leased Photocopier $'000	Total $'000
Cost				
1 July 2020 Opening balance	665	2,896	92	3,653
Additions	150	-	106	256
Disposals	(109)	-	(106)	(215)
Closing balance	706	2,896	92	3,694
Accumulated Depreciation				
1 July 2020 Opening balance	(371)	(190)	(79)	(640)
Disposals	109	-	106	215
Current depreciation	(223)	(442)	(29)	(694)
Closing balance	(485)	(632)	(2)	(1,119)
Carrying amount at 30 June 2021	221	2,264	90	2,575
Cost				
1 July 2019 initial application of AASB16	615	2,598	92	3,305
Additions	136	2,625	-	2,761
Disposals	(86)	(2,327)	-	(2,413)
Closing balance	665	2,896	92	3,653
Accumulated Depreciation				
1 July 2019 initial application of AASB16	(235)	(2,161)	(49)	(2,445)
Disposals	76	2,326	-	2,402
Current depreciation	(212)	(355)	(30)	(597)
Closing balance	(371)	(190)	(79)	(640)
Carrying amount at 30 June 2020	294	2,706	13	3,013

	2021 $'000	2020 $'000
(c) Lease liabilities		
Current	1,260	1,261
Non-current	2,955	4,027
Total	4,215	5,288

(d) Lease liabilities

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

NOTE 13: LEASES (Cont'd)

Lease Liabilities	**2021 $'000**	**2020 $'000**
Less than 1 year	1,520	1,550
2 years	1,144	1,423
3 years	876	1,095
4 years	540	852
5 years	498	540
6 years	388	498
7 years	-	388
	4,966	6,346

NOTE 14: TRADE & OTHER PAYABLES

Current		
Trade payables	11,214	11,031
Sundry payables and accrued expenses	6,763	4,664
	17,977	15,695

NOTE 15: PROVISIONS

Current		
Employee benefits	3,495	3,344
Onerous lease liability	359	149
	3,854	3,493
Non-Current		
Employee benefits	110	96
Onerous lease liability	340	286
	450	382
Total		
Aggregate employee benefits liability	3,605	3,440
Aggregate onerous lease liability	699	435
	4,304	3,875

NOTE 16: LOANS AND BORROWINGS

(a) Bank Loan

Current	60	120
Non Current	-	60
Total	60	180

NOTE 17: CONTRIBUTED CAPITAL

	2021 $'000	2020 $'000
(a) Issued and paid up capital		
11,315,501 Class A redeemable preference shares (2020: 11,315,511)	9,890	9,890

(b) Movements in shares on issue	No of Shares	Parent Equity 2021 $'000	No of Shares	Parent Equity 2020 $'000
Beginning of the financial year	11,315,511	9,890	11,315,519	9,890
- Shares issued during the year	37	-	43	-
- Share buy-backs	(47)	-	(51)	-
End of the financial year	11,315,501	-	11,315,511	9,890

(c) 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 up to a maximum of 7.5% of total shares.

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 carries the right to participate in any dividend declared and paid by the Company to the holders of Class 'A' redeemable preference shares. There is no obligation to redeem the shares and redemption is at the discretion of the directors.

As at 30 June 2021 69 Class 'B' preference shares are on issue (2020: 77). 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 participate in any surplus assets of the Company on winding up or upon a reduction of capital. Each Class 'B' redeemable preference share carries the right to participate in any dividend declared and paid by the Company to holders of Class 'B' redeemable preference shares but does not have the right to participate in dividends declared and paid to holders of class 'A' ordinary shares.

(d) 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. During 2021, the Directors approved a dividend of $792,063 (2020 Dividends of $169,733 were paid).

NOTE 18: ACCUMULATED LOSSES AND ACCUMULATED PROFITS RESERVE

	2021 $'000	2020 $'000
(a) Accumulated losses		
Accumulated losses at the beginning of the financial year	(12,628)	(12,628)
Loss attributable to members of the entity	-	-
Accumulated losses at the end of the financial year	(12,628)	(12,628)

NOTE 18: ACCUMULATED LOSSES AND ACCUMULATED PROFITS RESERVE (Cont)

	2021 $'000	2020 $'000
(b) Accumulated profits reserve		
Accumulated profits reserve at the beginning of the financial year	5,691	5,759
Transition adjustment arising from adoption of AASB16 Leases	-	(79)
Profit attributable to members of the entity	1,487	181
Dividends paid	(792)	(170)
Accumulated profits reserve at the end of the financial year	6,386	5,691

NOTE 19: CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purpose 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:

Cash Items		
- Cash at bank and deposits at call	4,752	3,982
- Term deposit	4,682	200
Closing cash balance	9,434	4,182

(b) Reconciliation of cash flow from operations with profit after tax

Profit/(loss) from ordinary activities after tax	1,487	181
Non - Cash Items		
- Depreciation and amortisation	1,311	1,303
- Depreciation and amortisation on right of use assets	695	598
- Write off Onerous Contract	414	-
- Write off of fixed Assets	185	-
- Increase/(decrease) in provision for impairment	(20)	(9)
- AASB 16 Opening Balance Leasing Adjustment	-	(79)
Acquisition/(Disposal) of right of use assets	(189)	712
Changes in Assets and liabilities		
- Decrease/(Increase) in debtors	25	(805)
- Decrease/(Increase) in deferred tax asset	(468)	(94)
-(Increase)/Decrease in other assets	32	996
- Decrease/(increase) in inventories	3	(9)
- Increase in trade and other payables	2,280	1,110
- Increase/(Decrease) in provisions	16	(620)
- Increase/(Decrease) in current tax	1,035	(274)
Net cash flow from operating activities	6,806	3,010

NOTE 19: CASH FLOW INFORMATION (Cont)

	2021 $'000	2020 $'000
(c) Credit stand-by arrangements with banks (National Australia Bank)		
Credit facility	4,910	4,934
Amount utilised	(508)	(605)
Unused credit facility	4,402	4,329
(d) Loan facilities		
Bank guarantee facility	425	425
Business card facility – variable interest rate	125	125
Direct Payments facility - variable interest rate	4,000	4,000
Bank loan facility	360	537

NOTE 20: CONTINGENCIES

On 31 August 2020 TMA Australia Proprietary Limited terminated their contract with the Consolidated Entity to provide store expense items to Member Stores. TMA are alleging that the Consolidated Entity is required to purchase any unsold exclusive lines and other agreed specific goods. A claim has been made by lawyers acting for TMA in the aggregate sum of $308,392.87, which is disputed. A without prejudice offer of a full and final settlement in the sum of $132,808.40 has been made, the offer being subject to stocktake and verification. No response has been received to that offer.

NOTE 21: DIRECTORS' AND EXECUTIVES' COMPENSATIONS

	2021 $	2020 $
Non-Executive Directors		
Short-term employment benefits	438,085	437,324
Post-employment benefits	8,748	8,676
Total Directors' compensations	446,833	446,000
Executives (including CEO who is an Executive Director)		
Short-term employment benefits	1,520,782	2,031,610
Post-employment benefits	109,747	106,017
Termination benefits	-	156,626
Total Executives' compensations	1,630,529	2,294,253
	2,077,362	2,740,253

NOTE 22: RELATED PARTY DISCLOSURES

(a) The consolidated financial statements include the financial statements of Australian United Retailers Ltd and its controlled entities listed below:

	Country of incorporation	Percentage owned 2021	Percentage owned 2020
Parent Entity:			
Australian United Retailers Ltd	Australia		
Subsidiaries of Australian United Retailers Ltd			
Australian United Grocers Pty Ltd	Australia	de-registered	100%
National Retailers Group Pty Ltd	Australia	de-registered	100%
FoodWorks Retail Pty Ltd	Australia	100%	100%
FW Retail Holdings Pty Ltd	Australia	de-registered	100%
FW Viva 1 Pty Ltd	Australia	de-registered	100%
FW Viva 5 Pty Ltd	Australia	de-registered	100%
FW Viva 8 Pty Ltd	Australia	de-registered	100%
FW Viva 10 Pty Ltd	Australia	de-registered	100%
FW Viva 11 Pty Ltd	Australia	de-registered	100%
FW Viva 13 Pty Ltd	Australia	de-registered	100%
FW Viva 15 Pty Ltd	Australia	de-registered	100%
FW Viva 18 Pty Ltd	Australia	de-registered	100%

All of the subsidiaries with the exception of FoodWorks Retail Pty Ltd were de-registered during July 2020.

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

There were no loans to and from directors and director related entities at 30 June 2021 (2020: $nil).

(c) 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:

Fred Fairthorne Sien Van Nguyen Malcolm Ward David Williamson

The aggregate amounts of store membership fees received or receivable and included in the result for the year are $40,384 (2020: $35,531). The aggregate amount of rebates paid or payable and included in the result for the year is $1,266,213 (2020: $965,005).

Rebates for Malcolm Ward and Fred Fairthorne are paid via Supermarkets West Pty Ltd. During the financial year $3,177,255 (2019: $3,015,899) were paid or payable to Supermarkets West Pty Ltd. Of this a portion was paid to these directors.

NOTE 22: RELATED PARTY DISCLOSURES (Cont'd)

During the year $140,561 (2020: $33,598) was paid to Fresh & Direct Wholesalers Pty Ltd, a related party of David Williamson for rebate distributions.

All of these related party transactions are on the same commercial terms and conditions as transactions with other members.

Dividends (Franked) paid at the date of this report:

	2021	2020
	$	$
Fred Fairthorne	41,874	-
Malcolm Ward	52,394	-
David Williamson	4,620	-
Sien Van Nguyen	11,988	-

(d) Director Shareholdings

Aggregate number of shares held at the date of this report:
"A" Class redeemable non-cumulative preference shares:

	No of Shares	No of Shares
Fred Fairthorne	1,395,796	1,395,796
Malcolm Ward	1,746,463	1,746,463
David Williamson	154,002	154,003
Sien Van Nguyen	399,602	399,603

(e) Transactions with entities in the Consolidated Entity

There were no current or prior reporting period transactions reported for FoodWorks Retail Pty Ltd. The support services provided to FoodWorks Retail (Pty) Ltd were on terms identical to other members, whilst the funding was a non interest bearing loan.

NOTE 23: AUDITOR'S REMUNERATION

	$	$
Amounts paid and payable for:		
(a) Audit and other assurance services		
An audit or review of the financial report of the Consolidated Entity	45,500	60,577
Other assurance services	-	6,700
Total remuneration for audit and other assurance services	45,500	67,277
(b) Other non-audit services		
Taxation services	6,855	13,140
Total remuneration for non-audit services	6,855	13,140
Total remuneration of Auditors	**52,355**	**80,417**

NOTE 24: PARENT ENTITY INFORMATION

	2021 $'000	2020 $'000
(a) Summarised statement of financial position		
Assets		
Current assets	23,607	18,175
Non-current assets	7,626	9,816
Total assets	31,233	27,991
Liabilities		
Current liabilities	24,184	20,569
Non-current liabilities	3,401	4,469
Total liabilities	27,585	25,038
Net assets	3,648	2,953
Equity		
Contributed capital	9,890	9,890
Accumulated losses	(12,628)	(12,628)
Accumulated profits reserve	6,386	5,691
Total equity	3,648	2,953

(b) Summarised statement of profit and loss and other comprehensive income

Profit/(Loss) for the year	1,487	181
Other comprehensive income for the year	-	-
Total comprehensive income for the year	1,487	181

(c) Parent entity guarantees

The parent entity acts 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 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 such guarantee is $1,279,254.

(d) Parent entity Indemnification of Auditors

To the extent permitted by law, the parent entity has agreed to indemnify its auditors as part of the terms of engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify the auditors during or since the financial year.

(e) Parent entity contingent liabilities

On 31 August 2020 TMA Australia Proprietary Limited terminated their contract with the Consolidated Entity to provide store expense items to Member Stores. TMA are alleging that the Consolidated Entity is required to purchase any unsold exclusive lines and other agreed specific goods. A claim has been made by lawyers acting for TMA in the aggregate sum of $308,392.87, which is disputed. A without prejudice offer of a full and final settlement in the sum of $132,808.40 has been made, the offer being subject to stocktake and verification. No response has been received to that offer.

NOTE 25: SUBSEQUENT EVENTS

Other than the matters disclosed in this report, there were no events that have occurred after the end of the financial year that would materially affect the reported results or would require disclosure in this report.

DIRECTORS DECLARATION

The Directors declare that:

1. In the Directors' opinion, the financial statements and notes thereto, as set out on pages on pages 10 to 44 are in accordance with the Corporations Act 2001, including:

   (a) complying with Australian Accounting Standards and the *Corporations Regulations 2001* , and other mandatory professional reporting requirements;
   (b) as stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and
   (c) giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2021 and of its performance for the year ended on that date.

2. In the Directors' opinion 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 head of finance to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2021.

   This declaration is made in accordance with a resolution of the Directors.

Neil Osborne
Director

Melbourne
Date 15th September 2021

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

INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF AUSTRALIAN UNITED RETAILERS LTD AND CONTROLLED ENTITY

Opinion

We have audited the financial report of Australian United Retailers Ltd and Controlled Entity (Consolidated Entity) which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Australian United Retailers Ltd and Controlled Entity is in accordance with the Corporations Act 2001, including:

i. Giving a true and fair view of the group's financial position as at 30 June 2021 and of its performance for the period then ended; and

ii. Complying with Australian Accounting Standards to the extent described in Note 1, and the Corporations Regulations 2001.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibility section of our report. We are independent of the group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporation Act 2001, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors for the Financial Report

The directors of the Consolidated Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australia Accounting Standards and the Corporations Act 2001 and for such internal control as 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 preparing the financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the group's annual report for the period ended 30 June 2021, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hall Chadwick Melbourne Audit
Chartered Accountants
Level 14, 440 Collins Street
MELBOURNE VIC 3000

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Steven (Anh) Nguyen
Director
Dated: 15/09/2021