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

2014
Annual Report

FOODWORKS
Supermarket

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

Financial Report
For the year ended 30 June 2014

TABLE OF CONTENTS

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 2014 (together referred to as the “Consolidated Entity”) and auditor’s report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors Names

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

Name	Period of directorship
John Bridgfoot	
Deborah Smith	
Neil Osborne	
Fred Fairthorne	
Allan Burge	
Malcolm Ward	
David Williamson	
Sien Van Nguyen	
Paul Job	
John Florey	Resigned 30 August 2013
Rick Wight	Appointed 30 May 2014

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 activity of the controlled entities during the financial year was 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 $2,306,000 (2013: Profit of $2,485,000).

Review of Operations

The Consolidated Entity's profit after tax for the year ended 30 June 2014 is as follows:

	$ 000
Profit for the year (Continuing operations)	3,770
Loss for the year (Discontinued operations)	(1,464)
Profit for the year	2,306

The Member based business contributed a profit of $3.8 million in the current year which is down from $6.2 million in the prior year. The current year result includes increasing to three years the timeframe over which tax assets associated with carry forward tax losses are recognised as well as 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 dividends 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 15. The Company has access to additional facilities as outlined in Note 19 to enable the business to pursue 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 level of closure cost provision. The finalisation of the divestment of the two former corporate store sites including the need to make-good those sites in line with our lease obligations has resulted in the need to revise the projected costs to complete the divestment program. The impact of those revisions is reflected in the loss recorded by the Discontinued Operations.

As disclosed in Note 22, the Consolidated Entity remains subject to the Second Amendment and Restatement Deed which includes restrictions which if triggered will result in 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 strategy to deliver quality retail support services to its Members and to finalise the divestment of the remaining corporate store sites.

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 are held which are designed to provide Directors and Officers insurance cover for each Director and Key Management Personnel. Disclosure of further details of the policies and the premiums payable is prohibited under the terms of the relevant insurance policies.

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.

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) Bachelor of Arts (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 and Beacon Lighting Group since 2013. 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 and Supply Chain Management 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 Queensland and New South Wales SPAR Fresh Pty Ltd was registered and commenced operations in 1999 trading as Independent Produce Professionals. It is still progressing today. Allan was elected a Director and founding Chairman and he has retained these positions to date.
Special Responsibilities	-	Chairman of the Remuneration & Nomination Committee.

DIRECTORS' REPORT (CONT'D)

Deborah Smith	-	Non Executive Director
Qualifications	-	Diploma of Education (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 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 Supply Chain Management Committee.

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

DIRECTORS' REPORT (CONT'D)

David Williamson	-	Non Executive Director
Experience	-	David was appointed as a director of the Company on 17 November 2010. David has been part of a family who has been serving its local community as owners of an Independent Retail Business for over 30 years. He has grown up in this industry, helping his family run their Tuckerbag Supermarket from a young age. At the age of 17, he became Store Manager of his family's second store, Riddell's Creek Riteway. From there he moved on to manage their third store which became a Payless Super barn and then graduated to their biggest store, Tuckerbag. He continued as the Store manager until 14 years ago when he was made 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.
Special Responsibilities	-	Member of the Remuneration & Nomination Committee and Supply Chain Committee.
Sien Van Nguyen	-	Non Executive Director
Experience	-	Sien was appointed as 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 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 and the Supply Chain Committee.

DIRECTORS' REPORT (CONT'D)

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 who previously traded under the Foodworks banner, a major shareholder in the "Best is Fresh" fresh produce wholesaler and held 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.
Special Responsibilities	-	Member of the Remuneration & Nomination Committee from 28 November 2012 up to the date of his resignation on 30 August 2013.

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 thirteen sites, operating across three 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 and the Supply Chain Management Committee.

DIRECTORS' REPORT (CONT'D)

Rick Wight	-	Executive Director
		Rick was appointed a Director of the Company on 30 May 2014.
Qualifications	-	Rick holds a Bachelor of Business Studies and is a Fellow of the Institute of Chartered Accountants Australia.
Experience	-	Rick's has a strong background in finance, franchising and strategy management.
		Prior to joining FoodWorks, Rick spent 15 years at Blockbuster International where he worked in various senior roles including Area Senior Vice President and finally Chief Executive Officer.
		Rick joined FoodWorks in the role of Chief Operating Officer in 2008 and was appointed as Chief Executive Officer in 2011.
Special Responsibilities	-	Rick is the Chief Executive Officer of the Consolidated Entity and a member of the Supply Chain management Committee.

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 assumed the responsibilities of Company Secretary effective 30 June 2012 in addition to his executive role with the business.

DIRECTORS' REPORT (CONT'D)

Meetings of Directors

DIRECTORS	BOARD MEETINGS		AUDIT & RISK COMMITTEE		REMUNERATION & NOMINATION COMMITTEE		SUPPY CHAIN MANAGEMENT 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
A Burge	10	9	-	-	1	1	-	-
J Bridgfoot	10	10	4	4	1	-	5	3
F Fairthorne	10	9	-	-	-	-	5	3
J Florey (Resigned 30 August 2013)	2	1	-	-	-	-	-	-
P Job	10	10	-	-	1	1	5	5
N Osborne	10	10	4	4	-	-	5	5
D Smith	10	10	-	-	1	1	-	-
S Van Nguyen	10	10	4	3	-	-	5	5
M Ward	10	10	4	4	-	-	-	-
D Williamson	10	10	-	-	1	1	5	4
R Wight (Appointed 30 May 2014)	1	1	-	-	-	-	1	1

DIRECTORS' REPORT (CONT'D)

Directors' Interests in Shares or Options

Directors' relevant interests in the shares of the Company are detailed below.

Directors' relevant interests in:	A Class Redeemable Preference Shares of AUR Ltd
Allan Burge	274,002
Fred Fairthorne	1,072,002
Deborah Smith	155,793
Sien Van Nguyen	399,603
Malcolm Ward	1,378,464
David Williamson	72,003
Paul Job	18,002

Transactions with directors and director related entities

Directors or director related entities that hold Australian United Retailers Limited 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

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 $35,750 (2013: $65,181). The aggregate amount of rebates paid or payable and included in the result for the year is $2,420,797 (2013: $4,528,601).

Rebates for Malcolm Ward and Fred Fairthorne are paid via Supermarkets West Pty Ltd. During the financial year $3,208,309 (2013: $3,072,478) were paid or payable to Supermarkets West Pty Ltd. Of this a portion was paid to these directors in line with the same commercial terms and conditions as transactions with other members.

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 and risk 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*.

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:	**2014 $**	**2013 $**
Other assurance services	1,950	5,750
Taxation services	11,190	9,769

Remuneration Report (Audited)

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:

- Reviewing 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 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 2014 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 June 2014, 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 2014 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 2014 incentive policy. The criteria for the Company's 2014 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 enhancing business processes and compliance related initiatives.

Remuneration Report (Cont'd)

Rick Wight extended his contract as CEO on 14 March 2013 for a three year period. The contract includes a three month notice period. The employment conditions of the Chief Executive Officer (CEO) comprise a fixed salary package and an annual incentive. For the 2014 year the target was the Company's 2014 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

	2014 *	**2013**	**2012**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Profit – continuing operations	3,770	6,160	3,673	3,980	1,832
Profit/(loss) – discontinued operations	(1,464)	(3,675)	(4,521)	12,697	(27,847)
Profit/(loss) for the year	**2,306**	**2,485**	**(848)**	**16,677**	**(26,015)**
Annual incentive to KMP	195	243	208	194	-
Dividends Paid	-	-	-	-	-
End of year share price – Cents	72	100	100	55	95
Change in share price – Cents	(28)	-	45	(40)	-
Incentive Performance Metric					
Earnings before interest and tax	Partial	Partial	Yes	Yes	No
Like for Like Sales performance	No	Yes	No	No	N/A
Improving business processes in store offer, retention & compliance	Yes	Partial	Partial	Partial	N/A

* The 2014 short-term incentive is not payable to Key Management Personnel until the 2015 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.

Remuneration Report (Cont'd)

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

Directors Names	**Period of directorship**
John Bridgfoot	
Deborah Smith	
Neil Osborne	
Fred Fairthorne	
Allan Burge	
Malcolm Ward	
David Williamson	
Sien Van Nguyen	
Paul Job	
John Florey	Resigned 30 August 2013
Rick Wight	Appointed 30 May 2014

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

Key Management Personnel for the financial year are:

Executive	**Position**
Rick Wight	Chief Executive Officer / Director
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.

DIRECTORS' AND KEY MANAGEMENT PERSONNEL COMPENSATION

	Short-term			Post Employment		Equity	Other		
2014	Salary & Fees ***	Cash Bonus ****	Non-monetary	Superannuation	Retirement benefits	Options	Termination Benefits	Total	Performance Related Bonus
	$	$	$	$	$	$	$	$	%
Directors									
J Bridgfoot (Chairman)	156,000	-	-	-	-	-	-	156,000	-
N Osborne (Deputy Chairman)	104,391	-	-	9,609	-	-	-	114,000	-
A Burge	50,364	-	-	4,636	-	-	-	55,000	-
F Fairthorne	50,000	-	-	-	-	-	-	50,000	-
J Florey *(resigned 30/08/13)	4,167							4,167	
P Job	50,000							50,000	
D Smith	50,000	-	-	-	-	-	-	50,000	-
M Ward	50,000	-	-	-	-	-	-	50,000	-
D Williamson	50,000	-	-	-	-	-	-	50,000	-
S Van Nguyen	45,786	-	-	4,214	-	-	-	50,000	
Total	610,708	-	-	18,459	-	-	-	629,167	-
Key Management Personnel**									
R. Wight (appointed a director 30/5/14)	429,652	70,392	-	42,110	-	-	-	542,154	13
M. Massoud	255,377	41,915	-	26,578	-	-	-	323,870	13
T. Pacella	263,615	43,234	-	27,344	-	-	-	334,193	13
T. Stratopoulos	212,128	38,965	26,000	22,378	-	-	-	299,471	13
Total	1,160,772	194,506	26,000	118,410	-	-	-	1,499,688	13
Grand Total	1,771,480	194,506	26,000	136,869	-	-	-	2,128,855	

* 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 2014
**** Cash bonus amounts were paid in financial year ended 30 June 2014 in respect to performance based entitlements arising from the financial year ended 30 June 2013

DIRECTORS' AND KEY MANAGEMENT PERSONNEL COMPENSATION

2013	Short-term			Post Employment		Equity	Other		
	Salary & Fees ***	Cash Bonus ****	Non-monetary	Superannuation	Retirement benefits	Options	Termination Benefits	Total	Performance Related Bonus
	$	$	$	$	$	$	$	$	%
Directors									
J Bridgfoot (Chairman)	156,000	-	-	-	-	-	-	156,000	-
J Scanlan* (Retired 27/11/2012)	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
M. Massoud	247,706	29,989	-	24,993	-	-	-	302,688	10
T. 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.
** 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

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 2014 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 10th Day of September 2014

AUSTRALIAN UNITED RETAILERS LTD AND CONTROLLED ENTITES

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF AUSTRALIAN UNITED RETAILERS LTD

In relation to the independent audit for the year ended 30 June 2014, 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

10 September 2014

PITCHER PARTNERS
Melbourne

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

Board and Management Roles

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

- Appointment of the CEO and Company Secretary, approval of the appointment of Senior Executive Personnel upon the recommendation of the CEO, recommendations regarding appointment and removal of the auditor, appointment of Directors to fill casual Board vacancies;
- Delegations of authority to the CEO, Membership and terms of reference of Board committees;
- Assessment of performance of the Company, CEO and the Board 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 and includes profit and other financial measures and achievement of strategic objectives. 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 progress towards the achievement of agreed outcomes and reaching agreement regarding outcomes and objectives and the strategies designed to achieve them; and
- Discussion of the reasons for the performance rating and overall specific goals obtained.

The performance review of Key Management Personnel undertaken during the year followed these principles.

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

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Appointment to the Board

The 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 reviews 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 support of existing Directors for re-election 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 of commencing to serve on the Board;
- Within the last three years has been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with the service provided;
- Is a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Has a material contractual relationship with the Company other than as a Director;
- Is free from any business or other relationship which could, or reasonably be perceived to, materially interfere with the Directors independent exercise of their judgement.

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

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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

Independent professional advice

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

Company Secretary

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

Chairman and Chief Executive Officer (CEO)

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

Board Committees

To assist in the execution of its responsibilities, the Board currently has three Board committees – the Audit and Risk Committee, the Remuneration and Nomination Committee and the Supply Chain Management 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 committee meeting. Committees have no executive powers regarding their findings and recommendations. The Chair of Audit and Risk Committee and the Supply Chain Management Committee is considered independent whilst the Chair 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 this 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, David Williamson and Deborah Smith. John Florey was a member of the Committee up until 30 August 2013 when he resigned. The Committee held one meeting during the year to 30 June 2014. Attendance at Committee meetings throughout the year are set out in the Directors' report.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Supply Chain Management Committee

Responsibilities of the committee include:

- Developing alternative solutions to supply chain issues faced by FoodWorks;
- Developing the potential for improved outcomes on promotional purchases and better usage of generic products within the FoodWorks Supply Chain;
- Developing solutions for a multi-site business operating across all Australian states.

Members of the Committee
The committee was convened during the year ended 30 June 2014. Members of the Committee include Neil Osborne (Chairman), Fred Fairthorne, Sien Van Nguyen, Paul Job, Rick Wight. Midhat Massoud and Tony Pacella are Key Management Personnel who also participate in this Committee. The Committee held five meetings during the year. Attendance at Committee meetings through the year is set out in the Directors' report.

All Directors, whether independent or not, bring an independent judgement to bear on Committees decisions.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

The Board has adopted as its Code of Conduct, the Code of Conduct of the Australian Institute of Company Directors. This Code sets out the conduct that Shareholders would reasonably expect from their Board of Directors - including honesty and good faith, care and diligence, no misuse or abuse of the office of Director, conflicts of interest (including an over-riding requirement that commercial arrangements with Director Related parties are on commercial terms negotiated on an arm's length basis), independent judgment, confidentiality, proper use of Company assets, privacy, and compliance with the letter and spirit of the law and the Code.

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

The Company has a Securities Trading Policy for Directors and staff designed to ensure that trading in the Company's securities by Directors and staff are fair and equitable and specifically precludes any 'insider trading' or other activities not permitted by the 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 2014, the proportion of women employees in the whole organisation is 59%. There is currently one female Board member.

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

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

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

PRINCIPLE 4: SAFEGAURD INTEGRITY IN FINANCIAL REPORTING

Audit and Risk Committee

The main responsibilities of the Audit and Risk Committee are to:

- Review, assess and recommend to the Board to 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 recommend to the Board to 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;
- Meet with the external auditors at least once a year, and more frequently if necessary;
- Review the processes the CEO and CFO have in place to support their certifications to the Board;
- Review any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- Review a statement in writing to the Board signed by the Chief Executive Officer and Chief Financial Officer certifying:
    1. 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;
    2. 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, Malcolm Ward and Sien Van Nguyen. During the year Fred Fairthorne elected to focus his efforts on the Supply Chain

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Management Committee and discontinued his involvement in the Audit and Risk Committee. The Committee met four times in the year to 30 June 2014. 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.

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 20 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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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

In addition, various meetings, which are attended by management, staff and Directors, provide opportunities for the distribution of information and exchange of views with members on a wide range of issues. The Annual General Meeting of Shareholders (AGM) allows Shareholders to ask questions of the Board, to express views and vote on the various items on the agenda. The Annual Report is available via the extranet for Shareholders and is available in hard copy on request.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

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

The Company is not of a size which requires a separate Internal Audit Department or dedicated Risk Management Function. The Board, through the Audit and Risk Committee, oversees the establishment, implementation and ongoing review of the Company's risk management and internal control system. The Audit 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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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.

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

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

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

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Committee:

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

In relation to the remuneration aspects of the Remuneration Committee, its role is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees and ensuring appropriate salary budgets are adopted by the Company.

Remuneration Policy

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

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

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $'000	2013 $'000
Continuing operations			
Revenue & Other Income			
Supplier & member income	**5**	52,812	56,198
Interest income	**5**	32	45
Other income	**5**	533	394
		53,377	56,637
Less: expenses			
Distribution to members		(20,307)	(23,046)
Cost of members services		(7,540)	(7,608)
Merchandising expenses		(4,469)	(4,346)
Marketing expenses		(2,179)	(1,896)
Business development expenses		(745)	(648)
Administrative expenses		(14,854)	(15,441)
Depreciation	**6**	(341)	(399)
		(50,435)	(53,384)
Finance costs	**6**	(17)	(30)
Profit before income tax		2,925	3,223
Income tax benefit	**7**	845	2,937
Profit from continuing operations		3,770	6,160
Net loss from discontinued operations	**9**	(1,464)	(3,675)
Profit for the year		**2,306**	**2,485**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $'000	2013 $'000
Other comprehensive income		-	-
Total comprehensive income		2,306	2,485
Profit is attributable to:			
Members of the parent		2,306	2,485
Total comprehensive income attributable to:			
Members of the parent		2,306	2,485
		Cents	**Cents**
Earnings per share attributable to equity holders of the parent entity	**8**		
- basic earnings per share		19.95	21.5
- diluted earnings per share		19.95	21.5
Earnings per share from continuing operations attributable to equity holders of the parent entity	**8**		
- basic earnings per share		32.61	53.29
- diluted earnings per share		32.61	53.29
Loss per share from discontinued operations attributable to equity holders of the parent entity	**8**		
- basic loss per share		(12.66)	(31.79)
- diluted loss per share		(12.66)	(31.79)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	10	342	654
Trade and other receivables	11	11,240	13,260
Other	12	25	24
Total current assets		11,607	13,938
Non-current assets			
Property, plant and equipment	13	346	662
Deferred tax asset	7	3,782	2,937
Total non-current assets		4,128	3,599
Total assets		15,735	17,537
Current liabilities			
Trade and other payables	14	15,321	18,741
Short term borrowings	15	111	210
Provisions	16	2,162	2,639
Total current liabilities		17,594	21,590
Non-current liabilities			
Long term borrowings	15	-	111
Provisions	16	210	211
Total non-current liabilities		210	322
Total liabilities		17,804	21,912
Net deficiency		(2,069)	(4,375)
Equity			
Share capital	17	10,119	10,119
Accumulated losses	18	(12,188)	(14,494)
Total equity		(2,069)	(4,375)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Contributed equity $'000	Accumulated losses $'000	Total Equity $'000
Balance as at 1 July 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)**
Profit for the year	-	2,306	2,306
Total comprehensive profit for the year	**-**	**2,306**	**2,306**
Balance as at 30 June 2014	**10,119**	**(12,188)**	**(2,069)**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		56,438	59,308
Cash payments in the course of operations		(56,530)	(60,302)
Interest received		32	45
Finance costs		(17)	(30)
Net cash used in operating activities	**19(b)**	(77)	(979)
Cash flows from investment activities			
Payments for purchases of property, plant and equipment		(25)	(51)
Proceeds on sale of property, plant and equipment		-	1
Proceeds from store divestments		-	28
Net cash used in investing activities		(25)	(22)
Cash flows from financing activities			
Loan equipment payments		(210)	(210)
Net cash used in financing activities		(210)	(210)
Net decrease in cash held		(312)	(1,211)
Cash and cash equivalents at beginning of financial year		654	1,865
Cash and cash equivalents at end of financial year	**19(a)**	342	654

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 2014 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 10 September 2014

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 $2,306,000 (2013: $2,485,000), a net deficiency of assets totalling $2,069,000 (2013: $4,375,000) and a current working capital deficit of $5,987,000 (2013: current working capital deficit of $7,652,000).

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 2014, the Consolidated Entity has a bank loan facility of $1,250,000 with its Bankers. The bank loan facility is due to expire in March 2015 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.

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

(c) Going concern (cont'd)

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 21.

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.

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, except for borrowing costs incurred as part of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

(g) Impairment of non-financial assets

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.

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

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.

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

(k) Impairment of financial assets

Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment.

For loans and receivables or held-to-maturity investments carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss reduces the carrying amount of the asset and is recognised in profit or loss. The impairment loss is reversed through profit or loss if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised.

(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.

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.

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

(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 the 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.

(iii) Superannuation obligation
Contributions made by the Company to an employee superannuation fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

(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.

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

(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.

Financial liabilities are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

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

Derivatives are initially recognised at fair value and applicable transaction costs are recognised in profit or loss as they are incurred. After initial recognition, derivatives that are not designated in a qualifying hedge relationship are measured at fair value and changes in value are recognised immediately in profit or loss. Derivatives designated as hedging instruments are accounted for as described below.

Some financial instruments have embedded derivatives within them.

(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.

Finance leases
Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating Leases
Lease payments for operating leases are recognised as an expense on a straight-line basis over the life of the lease.

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

(q) 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 out flow of economic benefits will result and that outflow can be reliably measured.

(r) 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.

(s) Foreign currency

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

(t) 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.

(u) 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.

(v) 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.

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

(w) Accounting standards and interpretations Issued but not Operative at 30 June 2014

The following standards and interpretations have been issued at the reporting date but are not yet effective. The directors' assessment of the impact of these standards and interpretations is set out below.

(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), AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure and AASB 2013*-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* (effective from 1 January 2017)

AASB 9 *Financial Instruments* improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. 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.

Most of the requirements for financial liabilities were carried forward unchanged. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. 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.

In December 2013, new general hedge accounting requirements were incorporated into AASB 9. The new model aligns hedge accounting more closely with risk management, and will be easier to apply and reduce the costs of implementation. However, the new model requires extended disclosure. The standard is not applicable until 1 January 2017 but is available for early adoption. The consolidated entity has yet to assess the impact of new general hedge accounting model on its hedge arrangements. The consolidated entity has decided not to early adopt AASB 9 at 30 June 2014.

Other standards and interpretations, including IFRS15 - Revenue from Contracts with Customers 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 certain state taxes and related items. 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

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 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.

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

2014	Retail Support Services $'000	Retail Stores $'000	Total $'000
Segment revenue			
Total segment revenue	53,377	-	53,377
Total segment revenue from external source	53,377	-	53,377
Segment result			
Total segment result	68	(1,464)	(1,396)
Inter-segment impairment elimination	3,702	-	3,702
Segment result from external source	3,770	(1,464)	2,306
Items included within the segment result:			
Interest revenue	32	-	32
Interest expense	(17)	-	(17)
Depreciation and amortisation	(341)	-	(341)
Income tax benefit	845	-	845
Total Segment Assets	15,735	-	15,735
Total Segment Liabilities	16,563	1,241	17,804

3. SEGMENT INFORMATION (CONT'D)

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)
Income tax benefit	2,937	-	2,937
Total Segment Assets	17,528	9	17,537
Total Segment Liabilities	18,421	3,491	21,912

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, liquidity risk, credit risk, foreign currency risk and liquidity risk.

(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 2014	**Interest bearing $'000**	**Non-interest bearing $'000**	**Total carrying amount $'000**	**Weighted average effective interest rate %**	**Fixed / variable rate**
(i) Financial assets					
Cash	341	1	342	1.75	Variable
Trade and other receivables	-	11,240	11,240	-	
Total financial assets	341	11,241	11,582		
(ii) Financial liabilities					
Trade and other creditors	-	15,321	15,321	-	
Finance lease	111	-	111	7.00	Fixed
Total financial liabilities	111	15,321	15,432		

Financial instruments 2013	**Interest bearing $'000**	**Non-interest bearing $'000**	**Total carrying amount $'000**	**Weighted average effective interest rate %**	**Fixed / variable rate**
(i) Financial assets					
Cash	653	1	654	2.09	Variable
Trade and other receivables	-	13,260	13,260	-	
Total financial assets	653	13,261	13,914		
(ii) Financial liabilities					
Trade and other creditors	-	18,741	18,741	-	
Finance lease	321	-	321	7.00	Fixed
Total financial liabilities	321	18,741	19,062		

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Liquidity risk

Maturity analysis

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

Year ended 30 June 2014	Note	< 6 Months	6 - 12 Months	1-5 Years	Total
		$'000	$'000	$'000	$'000
Cash and cash receivables	10	342	-	-	342
Receivables	11	11,240	-	-	11,240
Payables	14	(15,183)	(138)	-	(15,321)
Borrowings	15	(111)	-	-	(111)
Net outflow		(3,712)	(138)	-	(3,850)

Year ended 30 June 2013	Notes	< 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	14	(16,436)	(1,344)	(961)	(18,741)
Borrowings	15	(103)	(107)	(111)	(321)
Net outflow		(2,625)	(1,451)	(1,072)	(5,148)

(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.

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.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Consolidated Entity had 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.

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

	2014	2013
	$'000	$'000
USD Foreign exchange Contracts	-	639

4. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Foreign currency risk (cont'd)

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.

(e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. 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 19(c) for available and used lending facilities.

(f) 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.

5. REVENUE FROM CONTINUING OPERATIONS

	2014 $'000	2013 $'000
Operating activities		
- Supplier & member income	51,570	55,033
- Rent from member stores	1,242	1,165
	52,812	56,198
- Interest	32	45
- Other revenue	533	394
Total revenue & Other income	53,377	56,637

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	9,509	10,338
Workers' compensation costs	41	67
Superannuation costs	746	746
Total employee benefits expense	10,296	11,151
Finance costs expensed		
Equipment loan interest	17	30
Total Borrowing costs expensed	17	30
Depreciation of non-current assets		
Leasehold improvements	19	28
Plant and equipment	5	18
Leased assets	203	204
Computer equipment	108	142
Furniture, fixtures and fittings	6	7
Total depreciation of non-current assets	341	399
Other expenses		
Inventory write off/(back)	107	(24)
Bad debts	115	188
Doubtful debts write back	(10)	(301)
	212	(137)

7. INCOME TAX

	2014	2013
(a) Components of tax (benefit):	**$'000**	**$'000**
Deferred tax	(845)	(2,937)
(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	2,925	3,223
Loss from discontinuing operations	(1,464)	(3,675)
Total profit/(loss) before income tax	1,461	(452)
Prima facie income tax payable on profit/(loss) before income tax at 30% (2013 - 30%)	438	(136)
Add Tax effect of:		
- Other non-allowable items	2	146
Less Tax effect of:		
- Other allowable items	(24)	-
- Recognition of deferred tax assets not previously brought to account	(1,261)	(2,947)
Income tax (benefit)	(845)	(2,937)
(c) Deferred tax:		
Deferred tax assets relate to the following:		
Provision for doubtful debts	191	194
Provision for obsolescence	33	31
Plant and equipment under lease	3	5
Accruals	254	139
Provisions – Annual and long service leave	712	496
Provisions – Other	369	1,405
Tax losses	2,220	667
	3,782	2,937
(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.	65	1,326
(e) Deferred income tax revenue included in income tax expense comprises:		
Increase in deferred tax assets	(845)	(2,937)

Recognition of deferred tax assets

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

8. EARNINGS PER SHARE

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	2014 $'000	2013 $'000
Net profit attributable to equity holders from continuing operations	3,770	6,160
Net loss attributable to discontinued operations	(1,464)	(3,675)
Net profit for the year	2,306	2,485

	2014 No.	2013 No.
Weighted average number of preference shares for basic earnings per share	11,560,406	11,560,410
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of preference shares for diluted earnings per share	11,560,406	11,560,410

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

9. DISCONTINUED OPERATIONS

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

During the year the divestment program continued to progress with the alternative use strategies for the two remaining lease sites being further developed.

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

	Note	2014 $'000	2013 $'000
(i) Financial performance information			
Sales Revenue		-	211
Gains on disposal	(iv)	-	28
Total Revenue		-	239
Expenses			
Expected closure costs from divestment program		(1,464)	(3,211)
Doubtful debts written back		-	(575)
Operating expenses		-	(128)
Expenses		(1,464)	(3,914)
Income tax expense		-	-
Loss from discontinued operations		(1,464)	(3,675)
(ii) Cash flow information			
Net cash used in operating activities		(3,711)	(3,472)
Net cash provided by investing activities		-	28
Net cash provided by financing activities		3,702	3,258
Net cash flow		(9)	(186)

Net cash provided by financing activities in the current financial year $3,702,000 (2013: $3,258,000) relates to cash received from the parent entity to fund the divestment program.

9. DISCONTINUED OPERATIONS (CONT'D)

	2014 $'000	2013 $'000
(iii) Carrying amount of assets and liabilities		
Assets		
Cash	-	9
Assets directly associated with discontinued operations	-	9
Liabilities		
Payables and accruals – external	(1,241)	(3,488)
Payables – parent entity	(23,568)	(19,866)
Liabilities directly associated with discontinued operations	(24,809)	(23,354)
Net liabilities attributable to discontinued operations	(24,809)	(23,345)

(iv) Details of discontinued operations disposed

	2014 $'000	2013 $'000
Consideration received or receivable	-	28
Gain on disposal of discontinued operations before tax	-	28
Income tax expense	-	-
Profit from disposal of discontinued operations	-	28

10. CASH AND CASH EQUIVALENTS

	2014 $'000	2013 $'000
Cash on hand	1	1
Cash at bank	341	653
	342	654

11. TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
Current		
Trade & member receivables	9,730	11,591
Provision for impairment	(236)	(246)
	9,494	11,345
Sundry debtors and accrued income	2,146	2,315
Provision for impairment	(400)	(400)
	1,746	1,915
	11,240	13,260

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 2014 or 2013 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:

	2014 $'000	2013 $'000
Opening balance at 1 July 2013	646	1,522
Charge for the year	(10)	(876)
Closing balance at 30 June 2014	636	646

11. TRADE AND OTHER RECEIVABLES (CONT'D)

a) Trade Receivables

Trade receivables ageing analysis

	Gross 2014 $'000	Impairment 2014 $'000	Gross 2013 $'000	Impairment 2013 $'000
Not past due	4,645	-	6,007	-
Past due 0-30 days	1,138	-	2,200	-
Past due 31-90 days	405	-	541	-
Past due more than 91 days	55	164	20	136
	6,243	164	8,768	136

b) Member Receivables

Member receivables ageing analysis

	Gross 2014 $'000	Impairment 2014 $'000	Gross 2013 $'000	Impairment 2013 $'000
Not past due	1,216	72	413	44
Past due 0-14 days	1,123	-	1,080	-
Past due 14-21 days	1,258	-	1,404	-
Past due more than 21 days	(110)	-	(74)	66
	3,487	72	2,823	110
Trade and member receivables	**9,730**	**236**	**11,591**	**246**

12. OTHER ASSETS

	2014 $'000	2013 $'000
Current		
Security Deposit	1	1
Prepayments	24	23
	25	24

13. PROPERTY, PLANT & EQUIPMENT

	2014 $'000	2013 $'000
Leasehold improvements		
At cost	1,073	1,073
Less accumulated depreciation	(973)	(954)
	100	119
Plant and equipment		
Leased assets		
At costs	611	611
Less accumulated depreciation	(509)	(306)
	102	305
Plant and equipment		
At cost	188	188
Less accumulated depreciation	(171)	(166)
	17	22
Computer equipment		
At cost	831	1,510
Less accumulated depreciation	(754)	(1,349)
	77	161
Furniture, fixtures and fittings		
At cost	113	111
Less accumulated depreciation	(63)	(56)
	50	55
Total plant and equipment	246	543
Total property, plant and equipment	346	662

(a) Movement in Carrying Amounts

	Leasehold Improve-ments $'000	Plant and Equipment $'000	Computer equipment $'000	Leased assets $'000	Furniture fixtures and fittings $'000	Total $'000
Carrying amount as at 1 July 2012	147	36	257	509	62	1,011
Additions	-	4	46	-	1	51
Disposal	-	-	-	-	(1)	(1)
Depreciation charge for the year	(28)	(18)	(142)	(204)	(7)	(399)
Carrying amount as at 30 June 2013	119	22	161	305	55	662
Additions	-	-	24	-	1	25
Disposals						
Depreciation charge for the year	(19)	(5)	(108)	(203)	(6)	(341)
Carrying amount at 30 June 2014	100	17	77	102	50	346

14. TRADE AND OTHER PAYABLES

	2014 $'000	2013 $'000
Current		
Trade payables	9,000	10,301
Divestment closure costs payable	1,231	3,487
Sundry payables and accrued expenses	5,090	4,953
	15,321	18,741

15. BORROWINGS

Current		
Secured		
Finance lease liability	111	210
Non-Current		
Secured		
Finance lease liability	-	111
	-	321

(a) Items pledged as security:

The National Australia Bank has provided a guarantee & indemnified certain of AURL's lease agreement obligations up to a value of $373,000 (2013: $373,000). Operating lease commitments are disclosed in Note 22(b).

16. PROVISIONS

Current		
Employee benefits	2,162	2,639
Non-current		
Employee benefits	210	211
Aggregate employee benefits liability	2,372	2,850

17. ISSUED AND PAID UP CAPITAL

		2014	2013
		$'000	$'000
11,560,399 (2013 : 11,560,412) Class A redeemable preference shares	17(a)	10,119	10,119

(a) Movement in shares on issue

	Parent Equity 2014		Parent Equity 2013	
	No of Shares	$'000	No of Shares	$'000
At the beginning of the reporting period	11,560,412	10,119	11,560,407	10,119
Shares issued during the year	86	-	93	-
Shares bought back during the year	(99)	-	(88)	-
At reporting date	11,560,399	10,119	11,560,412	10,119

(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 carries 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 2014 153 Class 'B' preference shares are on issue (2013: 173). 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 as of right have an entitlement to the same dividend as other share 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 Restatement 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 22(c) for further details regarding the potential for the Transitional Funding Facility to be reinstated.

18. ACCUMULATED LOSSES

	2014	2013
	$'000	$'000
Accumulated losses at the beginning of the financial year	(14,494)	(16,979)
Profit attributable to members of the entity	2,306	2,485
Accumulated losses at the end of the financial year	(12,188)	(14,494)

19. 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:

	2014 $'000	2013 $'000
Cash on hand	1	1
Cash at bank	341	653
	342	654

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

	2014	2013
Net profit from ordinary activities after tax	**2,306**	**2,485**
Adjustments for:		
Depreciation and amortisation	341	399
Net profit on disposal of stores	-	(28)
Changes in assets and liabilities:		
Decrease in debtors	2,020	1,117
Increase in deferred tax asset	(845)	(2,937)
(Increase)/decrease in other assets	(1)	46
Decrease in trade and other payables	(3,420)	(2,372)
(Decrease)/increase in provisions	(478)	311
Net cash from operating activities	(77)	(979)

19. CASHFLOW INFORMATION (CONT'D)

(c) Credit: Standby Arrangements with banks

	2014 $'000	2013 $'000
Credit Facility	5,748	5,498
Amount Utilised	(400)	(401)
Unused Credit Facility	5,348	5,097

The major facilities are summarised as follows:

Bank Guarantee Facility
$373,000 : (2013: $373,000) facility provided by the National Australia Bank

Business Card Facility
$125,000 : (2013: $125,000) variable interest rate facility provided by the National Australia Bank

Direct Payments Facility
$4,000,000 : (2013: $4,000,000) variable interest rate facility provided by the National Australia Bank

Bank Loan Facility
$1,250,000 : (2013: $1,000,000) variable interest rate facility provided by the National Australia Bank which was undrawn at the balance date.

20. AUDITORS REMUNERATION

	2014 $'000	2013 $'000
Amounts received or due and receivable by Pitcher Partners Melbourne for:		
- an audit or review of the financial report of the entity and any other entity in the Consolidated Entity	112	101
Other services in relation to the entity and any other entity in the Consolidated Entity		
- tax compliance	11	10
- other assurance services	2	6
	125	117

21. CONTROLLED ENTITIES

(a) Controlled entities	Country of Incorporation	Percentage Owned (%) 2014	2013
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 2014. All voting power is reflective of the ownership interest.

22. COMMITMENTS AND CONTINGENT LIABILITIES

	Note	2014 $'000	2013 $'000
(a) Finance leases			
Payable			
- not later than one year		113	239
- later than one year and not later than five years		-	111
- later than five years		-	-
Minimum payments		113	350
Less future finance charges		(2)	(29)
Total liability		111	321
Represented by:			
Current liability	15	111	210
Non-current liability	15	-	111
		111	321

(b) Operating lease commitments

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

	2014 $'000	2013 $'000
Payable		
- not later than one year	2,184	2,326
- later than one year and not later than five years	7,002	7,301
- not later than 5 years	3,330	5,337
	12,516	14,964

22. COMMITMENTS AND CONTINGENT LIABILITIES (CONT'D)

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 divestment closure costs payable (Note 14) at 30 June 2014 is $1,034,000 of non-cancellable operating leases (2013: $1,771,000).

(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 $3.7 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.

23. 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 2014 (2013: $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

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 $35,750 (2013: $65,181). The aggregate amount of rebates paid or payable and included in the result for the year is $2,420,797 (2013: $4,528,601).

Rebates for Malcolm Ward and Fred Fairthorne are paid via Supermarkets West Pty Ltd. During the financial year $3,208,309 (2013: $3,072,478) were paid or payable to Supermarkets West Pty Ltd. Of this a portion was paid to these directors in line with the same commercial terms and conditions as transactions with other members.

(c) Directors' Shareholdings

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

"A" Class redeemable non-cumulative preference shares:

Allan Burge	274,002 shares	(2013: 162,002 shares)
Fred Fairthorne	1,072,002 shares	(2013: 1,072,002 shares)
Deborah Smith	155,793 shares	(2013: 155,793 shares)
Malcolm Ward	1,378,464 shares	(2013: 1,378,464 shares)
David Williamson	72,003 shares	(2013: 72,003 shares)
Sien Van Nguyen	399,603 shares	(2013: 168,003 shares)
Paul Job	18,002 shares	(2013: 18,002 shares)

(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.

24. DIRECTORS' AND KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Details of Directors and Key Management Personnel

(i) The names of Directors who have held office during the financial year are:

John Bridgfoot
Allan Burge
Fred Fairthorne
Paul Job
Neil Osborne
John Florey – resigned on 30 August 2013
Rick Wight – appointed 30 May 2014
Deborah Smith
Sien Van Nguyen
Malcolm Ward
David Williamson

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

Rick Wight
Tony Pacella
Midhat Massoud
Theo Stratopoulos

(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 2013 financial year, during the period totalling $194,506 (2013: $138,051). 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

	2014	2013
	$'000	$'000
Short-term employee benefits	1,992	1,920
Post-employment benefits	136	138
	2,128	2,058

(d) Employment Contracts and Service Agreements

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

25. SUBSEQUENT EVENTS

There has been no matter or circumstances, which has arisen since 30 June 2014 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2014, of the Consolidated Entity, or
(b) the results of those operations, or
(c) the state of affairs, in the years subsequent to 30 June 2014, of the Consolidated Entity.

26. PARENT ENTITY INFORMATION

	2014	2013
	$'000	**$'000**
(a) Summarised statement of financial position		
Assets		
Current assets	11,607	13,929
Non-current assets	4,128	3,599
Total Assets	15,735	17,528
Liabilities		
Current liabilities	16,351	18,099
Non-current liabilities	210	322
Total Liabilities	16,561	18,421
Net deficiency	(826)	(893)
Equity		
Contributed capital	10,119	10,119
Accumulated losses	(10,945)	(11,012)
Total equity	(826)	(893)
(b) Summarised statement of comprehensive income		
Profit for the year	68	2,902
Total comprehensive income for the year	68	2,902

The profit for the parent entity includes a loan impairment of $3,702,000 (2013: $3,258,000).

(c) Parent entity guarantees

The parent entity has provided the guarantees outlined in Note 22(d).

26. 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 22(c).

(e) Parent entity commitments

	2014	2013
	$'000	**$'000**
The parent entity finance lease obligations as outlined in Note 22(a).		
The future minimum lease payments under the non-cancellable operating leases are:		
Payable		
- not later than one year	915	1,057
- later than one year and not later than five years	2,396	2,458
- later than five years	378	1,065
	3,689	4,580

DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 29 to 65 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 2014 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 2014.

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

Director

J Bridgfoot

Dated this 10th Day of September 2014

AUSTRALIAN UNITED RETAILERS LTD
93 077 879 782
AND CONTROLLED ENTITIES

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

Report on the Financial Report

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 2014, 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 of 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.

PITCHER PARTNERS

AUSTRALIAN UNITED RETAILERS LTD
93 077 879 782
AND CONTROLLED ENTITIES

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

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

    (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 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.

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 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Australian United Retailers Ltd and controlled entities for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

N R BULL
Partner

PITCHER PARTNERS
Melbourne

10 September 2014

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 11,560,399 Class A redeemable preference shares issued at 30 June 2014.

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 153 Class B redeemable preference shares issued at 30 June 2014. 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 2014

	No of shares	%
MR JEFFREY NEVILLE HALL	866,000	7.49%
MR PAUL DAMIAN REILLY	865,000	7.48%
MR MALCOLM GEOFFREY WARD	704,250	6.09%
DALEWING PTY LTD	652,001	5.64%
MR GARRY RAYMOND ROBERSON	609,800	5.27%
OAKMEADOW PTY LTD	502,000	4.34%
DREYFUS PTY LTD	435,000	3.76%
MRS DU THI TRAN	399,600	3.46%
MR MICHAEL DAMIAN REDDROP + MRS TINA DREYFUS REDDROP <DREYFUS SUPER FUND A/C>	335,000	2.90%
MELLWAY HOLDINGS PTY LTD	300,001	2.60%
		49.04%