



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

2015

Annual Report

FOODWORKS
Supermarket

**AUSTRALIAN UNITED RETAILERS
LTD**

**ABN: 93 077 879 782
AND CONTROLLED ENTITIES**

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2015**

**AUSTRALIAN UNITED RETAILERS LTD AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE YEAR ENDED
30 JUNE 2015**

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DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity consisting of Australian United Retailers Ltd ("AURL") and the entities it controlled, for the financial year ended 30 June 2015 (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

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

<u>Name</u>	<u>Period of directorship</u>
John Bridgfoot	Retired as Director 19 November 2014
Neil Osborne	
Allan Burge	
Fred Fairthorne	
Paul Job	
Deborah Smith	
Sien Van Nguyen	
Malcolm Ward	
David Williamson	
Rick Wight	

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

Principal activities

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

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

The principal activity of the controlled entities during the financial year was the completion of the 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 \$1,890,000 (2014: Profit of \$2,306,000).

Review of operations

A review of the operations of the consolidated entity during the financial year and the results of those operations follows:

The Member based business contributed a profit of \$1.9 million in the current year which is down from \$3.8 million in the prior year. The current year result includes \$0.7m of tax expense, whereas in the prior year a tax benefit of \$0.8m was recognised associated with previously unrecognised tax assets, as well as reflecting an environment where retail outlets are increasingly securing supply from alternative sources which resulted in a reduction in revenues of \$2.9m when compared to the

prior year. The costs of operating the support office were reduced by \$2.6m during the year which exceeded the revenue reduction.

The Member based business continues to be focused on the delivery of a robust support function whilst maintaining a level of profitability which will allow the business to grow and achieve its longer term corporate objectives. The 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 the business as outlined in Note 14. The Company has access to additional facilities as outlined in Note 18 to enable the business to pursue short term objectives to evolve its service offer to Members in the coming financial year. The completion of the divestment program during the current financial year enabled the Consolidated Entity to fully focus on the Member store related objectives.

The Directors are pleased that the finalisation of the divestment of the remaining corporate stores was completed within the previously expected level of closure cost provision.

As disclosed in Note 20, 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 the state of affairs

There have been 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.

Environmental regulation

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

Dividend paid, recommended and declared

No dividends were paid, declared or recommended since the start of the financial year.

Share options

No options over unissued shares or interests in the consolidated entity were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

Information on directors and company secretary

The qualifications, experience and special responsibilities of each person who has been a director of Australian United Retailers Ltd at any time during or since 1 July 2014 is provided below, together with details of the company secretary as at the year end.

John Bridgfoot

Qualifications

- Independent Non Executive Chairman
- Exec, M.B.A. (Washington State)
Bachelor of Arts (La Trobe University)
Member Australian Institute of Company Directors (MAICD)

Experience

- John retired as a Director on 19 November 2014.

He was appointed as a Director on 22 September 2001 of Australian United Grocers Pty Ltd. In July 2004 John was appointed Chairman of AUURL. 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

- **Was a** Member of Remuneration & Nomination Committee and Audit & Risk Committee and Supply Chain Management Committee.

Neil Osborne

Qualifications

- Independent Non Executive Chairman
(Appointed 19 November 2014)
- Fellow Australian Institute of Company Directors (FAICD)
Bachelor of Commerce
Certified Practising Accountant

Experience

- With over 20 years experience in the retail industry, Neil was appointed as a Director in November 2006, and as Chairman on 19 November 2014. He has also been a Director of Vita Group since June 2007, Beacon Lighting Group since 2013 and Lovisa Holdings since April 2015. 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

- Was Chairman of the Audit & Risk Committee and Supply Chain Management Committee, up until his appointment as Chairman of the Board on 19 November 2014.

Allan Burge

Qualifications

- Non Executive Director
- Fellow Australian Institute of Company Directors (FAICD)

Experience

- 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.

David Williamson

Experience

- Non Executive Director
- 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 15 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 Chairman of the Supply Chain Committee (Appointed 19 November 2014).

Deborah Smith

Qualifications

- Non Executive Director
- 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 (MAICD)

Experience

- Appointed as a Director on 10 April 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 Audit & Risk Committee and was a member of the Remuneration & nomination Committee.

Fred Fairthorne

Experience

- Non Executive Director
- 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 - 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 - Chairman of the Audit & Risk Committee (Appointed 19 November 2014).

Sien Van Nguyen

- Non Executive Director

Experience - Appointed as a Director of the Company on 22 November 2011.

Sien joined the supermarket industry in 1994 when he purchased his first store in Inala, south of Brisbane. Sien 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.

Paul Job	- Non Executive Director
Experience	<ul style="list-style-type: none">- Appointed as a Director of the Company on 27 November 2012. <p>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.</p> <p>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.</p> <p>Paul has a background in the finance industry with a focus on Development and Leasing finance.</p> <p>Paul and his wife Margaret are well known for their charity work raising funds for seriously ill children.</p>
Special Responsibilities	<ul style="list-style-type: none">- Member of the Remuneration & Nomination Committee and the Supply Chain Management Committee.
Rick Wight	- Executive Director
Qualifications	<ul style="list-style-type: none">- Rick holds a Bachelor of Business Studies and is a Fellow of the Institute of Chartered Accountants Australia.
Experience	<ul style="list-style-type: none">- Appointed as a Director of the Company on 30 May 2014. <p>Rick has a strong background in finance, franchising and strategy management.</p> <p>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.</p> <p>Rick joined FoodWorks in the role of Chief Operating Officer in 2008 and was appointed as Chief Executive Officer in 2011.</p>
Special Responsibilities	<ul style="list-style-type: none">- Rick is the Chief Executive Officer of the Consolidated Entity and a member of the Supply Chain management Committee.
Tony Pacella	- Company Secretary
Qualifications	<ul style="list-style-type: none">- 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	<ul style="list-style-type: none">- 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.

AUSTRALIAN UNITED RETAILERS LTD AND CONTROLLED ENTITIES

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Directors' meetings

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

DIRECTORS	BOARD MEETINGS		AUDIT & RISK COMMITTEE		REMUNERATION & NOMINATION COMMITTEE		SUPPLY CHAIN 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	10	-	-	3	2	-	-
J Bridgfoot (Resigned 19 Nov 2014)	4	4	1	1	-	-	2	2
F Fairthorne	10	9	-	-	-	-	4	1
P Job	10	10	-	-	3	3	4	4
N Osborne	10	10	2	2	-	-	3	3
D Smith	10	10	2	2	1	1	-	-
S Van Nguyen	10	10	4	3	-	-	4	4
M Ward	10	10	4	4	-	-	-	-
D Williamson	10	10	-	-	3	2	4	2
R Wight	10	10	-	-	-	-	4	4

Directors' interests in shares or options

Refer to Remuneration report.

Transactions with directors and director related entities

Refer to Remuneration report.

Indemnification and insurance of directors, officers and auditors

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any directors, officers or auditors of the consolidated entity.

Proceedings on behalf of the consolidated entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

Auditor's independence declaration

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

Non-audit services

Non-audit services are approved by resolution of the Audit and Risk Committee and approval is provided in writing to the board of directors. Non-audit services were provided by the auditors of entities in the consolidated group 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*.

	2015	2014
	\$	\$
Amounts paid and payable to Pitcher Partners (Melbourne) for non-audit services:		
Other assurance services	2,580	1,950
Taxation services	10,000	11,190
Total auditors' remuneration for non-audit services	12,580	13,140

Remuneration report (Audited)

The directors present the consolidated entity's 2015 remuneration report which details the remuneration information for Australian United Retailers Ltd's **executive directors**, directors and other key management personnel.

A. Details of Key Management Personnel

(i) Directors	Period of Responsibility	Position
<i>John Bridgfoot</i>	<i>Retired 19 November 2014</i>	<i>Chairman – Non-Executive</i>
<i>Allan Burge</i>		<i>Director – Non-Executive</i>
<i>Fred Fairthorne</i>		<i>Director – Non-Executive</i>
<i>Paul Job</i>		<i>Director – Non-Executive</i>
<i>Neil Osborne</i>	<i>Appointed 19 November 2014</i>	<i>Chairman – Non-Executive</i>
<i>Deborah Smith</i>		<i>Director – Non-Executive</i>
<i>Sien Van Nguyen</i>		<i>Director – Non-Executive</i>
<i>Malcolm Ward</i>		<i>Director – Non-Executive</i>
<i>David Williamson</i>		<i>Director – Non-Executive</i>
<i>Rick Wight</i>		<i>Director and Chief Executive Officer</i>
(ii) Executives		
<i>Tony Pacella</i>		<i>Chief Financial Officer & Company Secretary</i>
<i>Midhat Massoud</i>		<i>General Manager – Merchandise & Marketing</i>
<i>Theo Stratopoulos</i>		<i>General Manager - Operations</i>

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

B. Remuneration policies

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 Executive-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 Executive-Key Management Personnel excluding the CEO is annually assessed against relevant executive remuneration market data sourced from a major remuneration consultancy firm. In the 2015 financial year the Company did not engage a remuneration consultant to provide recommendations in respect of Executive-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 2015, Executive-Key Management **Personnel went through the Company's Annual Performance Review and an increase in line with performance was applied.** In the 2015 financial year each member of the Executive-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 2015 incentive policy. The criteria for the Company's 2015 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.

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 2015 year the target was the **Company's 2015 incentive policy.**

C. Details of key management personnel remuneration

(a) Directors' and Executives' remuneration:

2015	Short-term			Post Employment		Equity	Other	Total	Performance Related Bonus ****
	Salary & Fees ***	Cash Bonus ****	Non-monetary	Superannuation	Retirement benefits	Options	Termination Benefits		
	\$	\$	\$	\$	\$	\$	\$		
Directors									
J Bridgfoot (Retired 19/11/14)	65,000	-	-	-	-	-	-	65,000	-
N Osborne (Appointed Chairman 19/11/14)	123,288	-	-	11,712	-	-	-	135,000	-
A Burge	50,228	-	-	4,772	-	-	-	55,000	-
F Fairthorne	50,000	-	-	-	-	-	-	50,000	-
P Job	50,000	-	-	-	-	-	-	50,000	-
D Smith	50,000	-	-	-	-	-	-	50,000	-
M Ward	55,833	-	-	-	-	-	-	55,833	-
D Williamson (Deputy Chairman)	67,500	-	-	-	-	-	-	67,500	-
S Van Nguyen	45,662	-	-	4,338	-	-	-	50,000	-
R. Wight* (Executive Director - CEO)	432,640	50,705	-	54,635	-	-	-	537,979	9
Total	990,151	50,705	-	75,457	-	-	-	1,116,312	9
Executives**									
M. Massoud	260,357	27,333	-	33,114	-	-	-	320,804	9
T. Pacella	268,756	28,215	-	34,180	-	-	-	331,151	9
T. Stratopoulos	216,265	25,251	26,000	27,940	-	-	-	295,456	9
Total	745,378	80,799	26,000	95,233	-	-	-	947,411	9
Grand Total	1,735,529	131,504	26,000	170,690	-	-	-	2,063,723	

* R.Wight has a potential to earn a bonus of 20% of his salary.

** Executives have the potential to earn a bonus of 20% of their salary

*** These amounts include fees accrued during the financial year ended 30 June 2015

**** Cash bonus amounts were paid in financial year ended 30 June 2015 in respect to performance based entitlements arising from the financial year ended 30 June 2014

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(a) Directors' and Executives' remuneration (cont'd):

2014	Short-term			Post Employment		Equity	Other	Total	Performance Related Bonus ****
	Salary & Fees ****	Cash Bonus *****	Non-monetary	Superannuation	Retirement benefits	Options	Termination Benefits		
	\$	\$	\$	\$	\$	\$	\$		
Directors									
J Bridgfoot (Chairman)	156,000	-	-	-	-	-	-	156,000	-
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	-
R. Wight (Appointed a director 30/5/14)***	429,652	70,392	-	42,110	-	-	-	542,154	13
Total	1,040,360	70,392	-	60,569	-	-	-	1,171,321	13
Executives**									
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	731,120	124,114	26,000	76,300	-	-	-	957,534	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

*** R.Wight has a potential to earn a bonus of 20% of his 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

D. Relationship between remuneration and company performance

(a) Remuneration not dependent on satisfaction of performance condition

The non-executive Directors 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.

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 when needed. During the current year no remuneration consultants were engaged.

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

(b) Remuneration dependent on satisfaction of performance condition

A portion of the Executive Remuneration is based on attainment of performance conditions. Performance-based remuneration includes short-term cash bonus.

For Executive-Key Management Personnel the Company provides total remuneration packages and short term incentives packages. The contracts for service between the Company and Executive-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 Executive-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 Executive-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 following table summarises the performance conditions for performance-linked bonus:

	2015*	2014	2013	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000
Profit – continuing operations	1,890	3,770	6,160	3,673	3,980
Profit/(loss) – discontinued operations	-	(1,464)	(3,675)	(4,521)	12,697
Profit/(loss) for the year	1,890	2,306	2,485	(848)	16,677
Annual incentive to KMP	132	195	138	194	-
Dividends Paid	-	-	-	-	-
End of year share price – Cents	65	72	100	100	55
Change in share price – Cents	(7)	(28)	-	45	(40)
Incentive Performance Metric					
Earnings before interest and tax	Partial	Partial	Partial	Yes	Yes
Like for Like Sales performance	Yes	No	Yes	No	No
Improving business processes in store offer, retention & compliance	Yes	Yes	Partial	Partial	Partial

* The 2015 short-term incentive is not payable to Executive-Key Management Personnel until the 2016 financial year

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(c) Consequences of Company's performance on shareholder wealth

The following table summarises company performance and key performance indicators:

	2015	2014	2013	2012	2011
Revenue (\$'000)	50,456	53,377	56,637	57,100	59,558
% increase/decrease in revenue	-5%	-6%	-1%	-4%	5%
Profit before tax (\$'000)	2,601	2,925	3,223	3,673	3,980
% increase/decrease in profit before tax	-11%	-9%	-12%	-8%	46%
Change in share price (%)	-10%	-28%	-	82%	-42%
Dividend paid to shareholders (\$'000)	-	-	-	-	-
Return of capital (\$'000)	-	-	-	-	-
Total remuneration of KMP	1,932	1,934	1,920	2,738	2,969
Total performance based remuneration	132	195	138	194	-
Total remuneration of KMP	2,064	2,129	2,058	2,932	2,969

E. Key management personnel's equity holdings

(a) Number of shares held by key management personnel (consolidated)

Directors' relevant interests in shares of Australian United Retailers Ltd are detailed below.

Directors' relevant interests in:	A Class Redeemable Preference Shares of AUR Ltd
Allan Burge	274,002
Fred Fairthorne	1,108,002
Deborah Smith	155,792
Sien Van Nguyen	399,603
Malcolm Ward	1,712,464
David Williamson	144,003
Paul Job	18,002

F. Loans to key management personnel

(a) Aggregate of loans made

During the year, there were no loans made, guaranteed or secured, directly or indirectly, by the group and any of its subsidiaries to key management personnel, their close family members and entities related to them.

(b) Aggregate of loans made is greater than \$100,000

During the year, there were no loans made, guaranteed or secured, directly or indirectly, by the group and any of its subsidiaries to key management personnel, their close family members and entities related to them greater than \$100,000.

G. Other transactions with key management personnel

Directors or director related entities that hold Australian United Retailers Limited shares as store members entered into transactions with the Company and may have outstanding balances at year end. The Directors involved are:

Alan Burge	Paul Job	Sien Van Nguyen
Fred Fairthorne	Deborah Smith	Malcolm Ward
		David Williamson

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 \$39,542 (2014: \$35,750). The aggregate amount of rebates paid or payable and included in the result for the year is \$2,649,356 (2014: \$2,420,797).

Rebates for Malcolm Ward and Fred Fairthorne are paid via Supermarkets West Pty Ltd. During the financial year \$3,053,317 (2014: \$3,208,309) 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.

I. Voting and comments made at the company's 2015 Annual General Meeting (AGM)

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

-----end of the remuneration report (Audited)-----

Rounding of amounts

The amounts contained in the report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Chief Executive Officer's and Chief Financial Officer's Declaration

The Chief Executive Officer and Chief Financial Officer have given a declaration to the Board concerning the Consolidated Entity's financial statements for the year ended 30 June 2015 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 directors.



.....

Director N. Osborne

Melbourne

Dated this 7th Day of September 2015

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

In relation to the independent audit for the year ended 30 June 2015, 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.

This declaration is in respect of Australian United Retailers Ltd and the entities it controlled during the period.



K L BYRNE
Partner

7 September 2015



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'.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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

The Board includes one independent Director who is also the Chairman of the Board. He provides an external perspective designed to maximise the interests of the shareholders.

The Board's independent non-executive Director (at the date of this report) is 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 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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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 Neil Osborne, 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 all three Board committees are Retail Directors (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 Committees have appropriate business expertise and are financially literate. At least one member has relevant financial qualifications and experience, as determined by the Board.

Audit and Risk Committee

Refer to Principal 4: Safeguard Integrity in Financial Reporting

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, Deborah Smith and Paul Job. John Bridgfoot was a member until 19 November 2014 when he retired. The Committee held three meetings during the year to 30 June 2015. 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 throughout the financial year were David Williamson (Chairman), Neil Osborne, Fred Fairthorne, Sien Van Nguyen, Paul Job, Rick Wight. John Bridgfoot was a member until 19 November 2014 when he retired. Midhat Massoud and Tony Pacella are Key Management Personnel who also participate in this Committee. The Committee held four 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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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 2015, 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 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: SAFEGUARD 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:
 - i. **That the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards;**
 - ii. That the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Members of the Committee throughout the year were Malcolm Ward (Chairman), Neil Osborne (until his appointment as Chairman of the Board), Deborah Smith, Sien Van Nguyen and John Bridgfoot (until his retirement).

The Committee met four times in the year to 30 June 2015. 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 24** 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 2001* **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.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 \$'000	2014 \$'000
Continuing operations			
Revenue & Other Income			
Supplier & member income	5	50,040	52,812
Interest income	5	29	32
Other income	5	387	533
		<u>50,456</u>	<u>53,377</u>
Less: expenses			
Distribution to members		(18,801)	(20,307)
Cost of members services		(7,344)	(7,540)
Merchandising expenses		(4,348)	(4,469)
Marketing expenses		(2,020)	(2,179)
Business development expenses		(527)	(745)
Administrative expenses		(14,585)	(14,854)
Depreciation and amortisation	6	(227)	(341)
		<u>(47,852)</u>	<u>(50,435)</u>
Finance costs	6	(3)	(17)
Profit before income tax		<u>2,601</u>	<u>2,925</u>
Income tax (expense) / benefit	7	(711)	845
Profit from continuing operations		<u>1,890</u>	<u>3,770</u>
Net loss from discontinued operations	8	-	(1,464)
Profit for the year		<u><u>1,890</u></u>	<u><u>2,306</u></u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 \$'000	2014 \$'000
Other comprehensive income		-	-
Total comprehensive income		<u>1,890</u>	<u>2,306</u>
Profit is attributable to:			
Members of the parent		<u>1,890</u>	<u>2,306</u>
Total comprehensive income attributable to:			
Members of the parent		<u>1,890</u>	<u>2,306</u>
		Cents	Cents
Earnings per share attributable to equity holders of the parent entity	21		
- basic earnings per share		16.35	19.95
- diluted earnings per share		16.35	19.95
Earnings per share from continuing operations attributable to equity holders of the parent entity	21		
- basic earnings per share		16.35	32.61
- diluted earnings per share		16.35	32.61
Loss per share from discontinued operations attributable to equity holders of the parent entity	21		
- basic loss per share		-	(12.66)
- diluted loss per share		-	(12.66)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	2015 \$'000	2014 \$'000
Current assets			
Cash and cash equivalents	9	1,996	342
Trade and other receivables	10	10,851	11,240
Other	11	24	25
Total current assets		<u>12,872</u>	<u>11,607</u>
Non-current assets			
Property, plant and equipment	12	282	346
Deferred tax asset	7	3,071	3,782
Total non-current assets		<u>3,353</u>	<u>4,128</u>
Total assets		<u><u>16,225</u></u>	<u><u>15,735</u></u>
Current liabilities			
Trade and other payables	13	13,594	15,321
Short term borrowings	14	-	111
Provisions	15	2,597	2,162
Total current liabilities		<u>16,191</u>	<u>17,594</u>
Non-current liabilities			
Provisions	15	212	210
Total non-current liabilities		<u>212</u>	<u>210</u>
Total liabilities		<u><u>16,403</u></u>	<u><u>17,804</u></u>
Net deficiency		<u><u>(178)</u></u>	<u><u>(2,069)</u></u>
Equity			
Share capital	16	10,119	10,119
Accumulated losses	17a	(12,188)	(12,188)
Accumulated profits reserve	17b	1,890	-
Total equity		<u><u>(178)</u></u>	<u><u>(2,069)</u></u>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015**

Consolidated Entity	Contributed equity \$'000	Retained earnings \$'000	Total Equity \$'000
Balance as at 1 July 2013	10,119	(14,494)	(4,375)
Profit for the year	-	2,306	2,306
Total comprehensive income for the year	-	2,306	2,306
Balance as at 30 June 2014	10,119	(12,188)	(2,069)
Balance as at 1 July 2014	10,119	(12,188)	(2,069)
Profit for the year	-	1,890	1,890
Total comprehensive income for the year	-	1,890	1,890
Balance as at 30 June 2015	10,119	(10,297)	(178)

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		52,293	56,438
Cash payments in the course of operations		(50,391)	(56,530)
Interest received		29	32
Finance costs		(3)	(17)
Net cash received (used) in operating activities	18(b)	<u>1,928</u>	<u>(77)</u>
Cash flows from investment activities			
Payments for purchases of property, plant and equipment		(163)	(25)
Net cash used in investing activities		<u>(163)</u>	<u>(25)</u>
Cash flows from financing activities			
Loan equipment payments		(111)	(210)
Net cash used in financing activities		<u>(111)</u>	<u>(210)</u>
Net increase / (decrease) in cash held		1,654	(312)
Cash and cash equivalents at beginning of financial year		342	654
Cash and cash equivalents at end of financial year	18(a)	<u><u>1,996</u></u>	<u><u>342</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Reporting Entity

Australia United Retailers Ltd (the "Company") is a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office is Level 1, 1601 Malvern Road, Glen Iris VIC 3146. The consolidated financial statements of the Company as at and for the year ended 30 June 2015 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 applicable authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers Australian United Retailers Ltd and controlled entities as a consolidated entity. Australian United Retailers Ltd is a company limited by shares, incorporated and domiciled in Australia. 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 7 September 2015.

Compliance with IFRS

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

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Significant accounting estimates

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

(c) Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Consolidated Entity reported a profit for the year after income tax of \$1,890,000 (2014: \$2,306,000), a net deficiency of assets totalling \$178,000 (2014: \$2,069,000) and a current working capital deficit of \$3,319,000 (2014: current working capital deficit of \$5,987,000).

The Directors believe that with the divestment program having been completed and maintenance of normal trading volumes the on-going trading activities of the core business are expected to enable the consolidated entity to meet its obligations as and when they fall due.

(c) Going concern (Cont'd)

As at 30 June 2015, the Consolidated Entity has a bank loan facility of \$300,000 with its Bankers. The bank loan facility 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.

(d) Accumulated profits reserve

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

(e) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

(f) Revenue

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 revenue from operating leases is recognised on a straight-line basis over the term of the lease.

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, 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 borrowings in current liabilities on the statement of financial position.

(h) Property, plant and equipment

Cost and valuation

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

Depreciation

The depreciable amount of all 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

(i) 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 fair value or, if lower, 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 term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(j) Impairment of non-financial assets

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

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.

(k) Income tax

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

Deferred tax balances

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

Australian United Retailers Ltd (parent entity) and its controlled entities have implemented the tax consolidation legislation and have formed a 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.

(l) Provisions

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

(m) 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

The provision for employee benefits in respect of long service leave and annual leave which, are 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 obligations

The Consolidated entity makes contributions to defined superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the employee services are received.

(iv) Bonus plan

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

(v) Termination benefits

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the entity provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy.

The consolidated entity recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

(n) Borrowing costs

Borrowing costs can include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

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

(o) Financial instruments

Classification

The consolidated entity classifies its financial instruments in the following categories: loans and receivables, and financial liabilities. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial instruments at initial recognition.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit or loss.

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, loans from third parties and loans 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.

(p) 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 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.

(q) Foreign currency translations and balances

Functional and presentation currency

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

Transactions and balances

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

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

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

(r) Goods and services tax (GST)

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

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

(s) 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.

(t) 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.

(u) Comparatives

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

(v) Rounding of amounts

The parent entity and the consolidated entity have 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.

(w) Accounting standards issued but not yet effective at 30 June 2015

AASB 15 Revenue from contracts with customers

AASB 15 introduces a five step process for revenue recognition with the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. The five step approach is as follows:

- Step 1: Identify the contracts with the customer;
- Step 2: Identify the separate performance obligations;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price; and
- Step 5: Recognise revenue when a performance obligation is satisfied.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2017.

The changes in revenue recognition requirements in AASB 15 is not expected to cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

AASB 9 Financial Instruments

AASB 9 requires significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

AASB 9 amends measurement rules for financial liabilities that the entity elects to measure at fair value **through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are** presented in other comprehensive income.

The effective date is annual reporting periods beginning on or after 1 January 2018.

The impacts on the reported financial position and performance have not yet been determined.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Employee benefits

Calculation of long term employment benefits requires estimation of the retention of staff, future remuneration levels and timing of the settlement of the benefits. The estimates are based on historical trends.

(b) Income tax

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

NOTE 3: SEGMENT INFORMATION

(a) Description 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 operated solely in Australia and are reported as discontinued operations throughout this report.

(b) Segment information

2015	Retail Support Services \$'000	Retail Stores \$'000	Total \$'000
Segment revenue			
Total segment revenue	50,456	-	50,456
Total segment revenue from external source	50,456	-	50,456
Segment result			
Total segment result	659	-	659
Inter-segment impairment elimination	1,231	-	1,231
Segment result from external source	1,890	-	1,890
Items included within the segment result:			
Interest revenue	29	-	29
Interest expense	(3)	-	(3)
Depreciation and amortisation	(227)	-	(227)
Income tax expense	(711)	-	(711)
Total Segment Assets	16,225	-	16,225
Total Segment Liabilities	16,393	10	16,403

NOTE 3: SEGMENT INFORMATION (Cont'd)

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	-	57,377
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

NOTE 4: FINANCIAL RISK MANAGEMENT

The consolidated entity is exposed to a variety of financial risks comprising:

- Interest rate risk
- Credit risk
- Liquidity risk

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

The consolidated entity holds the following financial instruments:

	2015	2014
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	1,996	342
Receivables	10,851	11,240
	<hr/> 12,847	<hr/> 11,582
Financial liabilities		
Payables	13,594	15,321
Borrowings	-	111
	<hr/> 13,594	<hr/> 15,432
	<hr/> <hr/>	<hr/> <hr/>

NOTE 4: FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Interest rate risk

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

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

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate	Fixed / variable rate
2015	\$'000	\$'000	\$'000	%	
<i>(i) Financial assets</i>					
Cash	1,995	1	1,996	1.5	Variable
Trade and other receivables	-	10,851	10,851	-	
Total financial assets	1,995	10,852	12,847	-	
<i>(ii) Financial liabilities</i>					
Trade and other creditors	-	13,594	13,594	-	
Total financial liabilities	-	13,594	13,594	-	
2014					
<i>(i) Financial assets</i>					
Cash	341	1	342	1.75	Variable
Trade and other receivables	-	11,240	11,240	-	
Total financial assets	341	11,241	11,582	-	
<i>(ii) Financial liabilities</i>					
Trade and other creditors	-	15,321	15,321	-	
Finance lease liability	111	-	111	7.00	Fixed
Total financial liabilities	111	15,321	15,432	-	

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

Sensitivity

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

NOTE 4: FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit risk

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

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

i) Cash deposits

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

ii) Trade & Member receivables and Sundry Debtors

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

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

(c) Liquidity risk

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

Maturity analysis

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

	< 6 Months \$'000	6-12 Months \$'000	1-5 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
Year ended 30 June 2015					
Cash and cash equivalents	1,996	-	-	1,996	1,996
Receivables	10,851	-	-	10,851	10,851
Payables	(13,496)	(98)	-	(13,594)	(13,594)
Borrowings	-	-	-	-	-
Net maturities	(649)	(98)	-	(747)	(747)
Year ended 30 June 2014					
Cash and cash equivalents	342	-	-	342	342
Receivables	11,240	-	-	11,240	11,240
Payables	(15,183)	(138)	-	(15,321)	(15,321)
Borrowings	(111)	-	-	(111)	(111)
Net maturities	(3,712)	(138)	-	(3,850)	(3,850)

(d) Fair value compared with carrying amounts

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

NOTE 5: REVENUE AND OTHER INCOME

Revenue and other income from continuing operations

	2015	2014
	\$'000	\$'000
<i>Operating activities</i>		
Supplier & member income	48,785	51,570
Rent from member stores	1,255	1,242
Other revenue	387	533
	50,427	53,345
<i>Other income</i>		
Interest	29	32
Total revenue & Other Income	50,456	53,377

NOTE 6: PROFIT FROM CONTINUING OPERATIONS

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

	2015	2014
	\$'000	\$'000
<i>Employee benefits expense</i>		
Wages and salaries	9,870	9,509
Workers' compensation costs	36	41
Superannuation costs	781	746
	10,687	10,296
<i>Depreciation and amortisation of non-current assets</i>		
Leasehold improvements	38	19
Plant and equipment	13	5
Leased assets	102	203
Computer equipment	51	108
Furniture, fixtures and fittings	23	6
	227	341
<i>Finance costs expensed</i>		
Equipment loan interest	3	17
	3	17
<i>Other expenses</i>		
Inventory (writeoff)/back	(109)	107
Bad debts	19	115
Doubtful debts write back	(98)	(10)
	(188)	212

NOTE 7: INCOME TAX

(a) Components of tax expense:

	2015	2014
	\$'000	\$'000
Current tax	-	-
Deferred tax	711	(845)
	711	(845)

(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 before tax from continuing operations	2,601	2,925
Loss before tax from discontinued operations	-	(1,464)
Total profit before income tax	2,601	1,461

Prima facie income tax payable on profit before income tax at 30% (2014: 30%)

	780	438
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Add tax effect of:

- other non-allowable items

	1	2
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	781	440
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Less tax effect of:

- other allowable items

	(5)	(24)
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- recognition of deferred tax assets not previously brought to account

	(65)	(1,261)
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	(70)	(1,285)
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Income tax expense (benefit) attributable to profit

	711	(845)
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(c) Deferred tax

Deferred tax relates to the following:

Deferred tax assets

The balance comprises:

Provision for doubtful debts	161	191
Provision for obsolescence	29	33
Plant and equipment under lease	-	3
Accruals	107	254
Employee benefits – annual and long service leave	843	712
Provisions – other	-	369
Tax losses carried forward	1,931	2,220

Net deferred tax assets

	3,071	3,782
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NOTE 7: INCOME TAX (Cont'd)

(d) Deferred income tax revenue/(expense) included in income tax expense comprises

	2015	2014
	\$'000	\$'000
Decrease / (increase) in deferred tax assets	711	(845)

(e) 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
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(i) Deferred tax assets recognised

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

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

NOTE 8: DISCONTINUED OPERATION

Two corporate owned store sites remained at 30 June 2014. The leases on the two sites were surrendered during the year end 30 June 2015.

	2015	2014
	\$'000	\$'000
(i) Financial performance information		
Revenue	-	-
Expenses	-	-
Profit/(loss) before income tax	-	-
Income tax benefit	-	-
Profit/(loss) after income tax of discontinued operation	-	-
Gain on store divestments before income tax		
Store divestment expenses before income tax	-	(1,464)
Income tax expense	-	-
Loss on store divestments after income tax	-	-
Loss) from discontinued operation	-	(1,464)
(ii) Cash flow information		
Net cash used in operating activities	(1,231)	(3,711)
Net cash used in investing activities	-	-
Net cash provided by financing activities	1,231	3,702
Net cash flow	-	(9)
<p>Net cash provided by financing activities in the current financial year \$1,231,000 (2014: \$3,702,000) relates to cash received from the parent entity to fund the divestment program.</p>		
(iii) Carrying amount of assets and liabilities		
<i>Assets</i>		
Assets directly associated with discontinued operations	-	-
<i>Liabilities</i>		
Payables and accruals – external	(10)	(1,241)
Payables – parent entity	(24,799)	(23,568)
Liabilities directly associated with discontinued operations	(24,809)	(24,809)
Net liabilities attributable to discontinued operations	(24,809)	(24,809)

NOTE 9: CASH AND CASH EQUIVALENTS

	2015	2014
	\$'000	\$'000
Cash at bank and on hand	1	1
Deposits at call	1,995	341
	1,996	342
	1,996	342

NOTE 10: TRADE AND OTHER RECEIVABLES

CURRENT

Trade and member receivables	9,409	9,730
Provision for impairment	(138)	(236)
	9,271	9,494
Sundry debtors and accrued income	1,980	2,146
Provision for impairment	(400)	(400)
	1,580	1,746
	10,851	11,240

(a) 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 2015 or 2014 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.

	2015	2014
	\$'000	\$'000
Movements in the provision for impairment were:		
Opening balance at 1 July	636	646
Charge for the year	(98)	(10)
	538	636
Closing balance at 30 June	538	636

NOTE 10: TRADE AND OTHER RECEIVABLES (Cont'd)

(b) Trade receivables

Trade and other receivables ageing analysis at 30 June is:

	Gross 2015 \$'000	Impairment 2015 \$'000	Gross 2014 \$'000	Impairment 2014 \$'000
Not past due	4,947	-	4,645	-
Past due 31-60 days	1,115	-	1,138	-
Past due 61-90 days	179	-	405	-
Past due more than 91 days	(81)	16	55	164
	<u>6,160</u>	<u>16</u>	<u>6,243</u>	<u>164</u>

(c) Member receivables

Member receivables ageing analysis at 30 June is:

	Gross 2015 \$'000	Impairment 2015 \$'000	Gross 2014 \$'000	Impairment 2014 \$'000
Not past due	1,012	122	1,216	72
Past due 31-60 days	1,160	-	1,123	-
Past due 61-90 days	1,186	-	1,258	-
Past due more than 91 days	(109)	-	(110)	-
	<u>3,249</u>	<u>122</u>	<u>3,487</u>	<u>72</u>
Trade and member receivables	<u>9,409</u>	<u>138</u>	<u>9,730</u>	<u>236</u>

NOTE 11: OTHER CURRENT ASSETS

	2015 \$'000	2014 \$'000
Prepayments	23	24
Security deposit	1	1
	<u>24</u>	<u>25</u>

NOTE 12: PROPERTY PLANT AND EQUIPMENT

	2015	2014
	\$'000	\$'000
<i>Leasehold improvements</i>		
At cost	1,137	1,073
Accumulated depreciation	(972)	(973)
	165	100
<i>Plant and equipment Leased assets</i>		
At cost	611	611
Accumulated amortisation	(611)	(509)
	-	102
<i>Plant and equipment</i>		
At cost	199	188
Accumulated depreciation	(179)	(171)
	20	17
<i>Computer equipment</i>		
At cost	873	831
Accumulated depreciation	(804)	(754)
	69	77
<i>Furniture, fixtures and fittings</i>		
At cost	85	113
Accumulated depreciation	(56)	(63)
	29	50
<i>Total property, plant and equipment</i>		
Cost	2,905	2,816
Accumulated depreciation and amortisation	(2,622)	(2,470)
Total property, plant and equipment	282	346

NOTE 12: PROPERTY PLANT AND EQUIPMENT (cont'd)

(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 2013	119	22	161	305	55	662
Additions	-	-	24	-	1	25
Disposal	-	-	-	-	-	-
Depreciation charge for the year	(19)	(5)	(108)	(203)	(6)	(341)
Carrying amount as at 30 June 2014	100	17	77	102	50	346
Additions	103	16	42	-	2	163
Disposals	-	-	-	-	-	-
Depreciation charge for the year	(38)	(13)	(51)	(102)	(23)	(227)
Carrying amount at 30 June 2015	165	20	68	-	29	282

NOTE 13: TRADE & OTHER PAYABLES

	2015	2014
	\$'000	\$'000
CURRENT		
Trade payables	7,558	9,000
Divestment closure costs payable	-	1,231
Sundry payables and accrued expenses	6,036	5,090
	13,594	15,321
	13,594	15,321

NOTE 14: BORROWINGS

CURRENT

Secured

Finance Lease liability	-	111
	-	111
	-	111

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 \$329,000 (2014: \$373,000). Operating lease commitments are disclosed in Note 19(a).

NOTE 15: PROVISIONS

CURRENT

Employee benefits	2,597	2,162
	2,597	2,162

NON-CURRENT

Employee benefits	212	210
	212	210
	212	210

Aggregate employee benefits liability	2,809	2,372
	2,809	2,372
	2,809	2,372

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

NOTE 16: CONTRIBUTED CAPITAL

	2015	2014
	\$'000	\$'000
(a) Issued and paid up capital		
11,560,388 Class A redeemable preference shares (2014: 11,560,399)	10,119	10,119

(b) Movements in shares on issue

	Parent Equity 2015		Parent Equity 2014	
	No of Shares	\$'000	No of Shares	\$'000
Beginning of the financial year	11,560,399	10,119	11,560,412	10,119
– Shares issued during the year	89	-	86	-
– Share buybacks	(100)	-	(99)	-
End of the financial year	11,560,388	10,119	11,560,399	10,119

(c) Rights of each type of share

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

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 2015 135 Class 'B' preference shares are on issue (2014: 153). 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.

(e) 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 20(a) for further details regarding the potential for the Transitional Funding Facility to be reinstated.

NOTE 17: ACCUMULATED LOSSES AND ACCUMULATED PROFITS RESERVE

	2015	2014
	\$'000	\$'000
(a) Accumulated losses		
Accumulated losses at the beginning of the financial year	(12,188)	(14,494)
Profit attributable to members of the entity	-	2,306
Accumulated losses at the end of the financial year	(12,188)	(12,188)
(b) Accumulated profits reserve		
Accumulated profits reserve at the beginning of the financial year	-	-
Profit attributable to members of the entity	1,890	-
Accumulated profits reserve at the end of the financial year	1,890	-

NOTE 18: CASH FLOW 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:

	2015	2014
	\$'000	\$'000
Cash Items		
– Cash on hand	1	1
– Cash at bank	1,995	341
Closing cash balance	1,996	342

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

Profit from ordinary activities after tax	1,890	2,306
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Non - Cash Items

– Depreciation and amortisation	227	341
– Net profit on disposal of stores	-	-

Changes in assets and liabilities

– Decrease in debtors	389	2,020
– Decrease/(increase) in deferred tax asset	711	(845)
– Decrease/(increase) in other assets	1	(1)
– Decrease in trade and other payables	(1,727)	(3,420)
– Increase/(decrease) in provisions	437	(478)

Net cash flow from operating activities

	1,928	(77)
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(c) Credit stand by arrangements with banks (National Australia Bank)

Credit facility	4,825	5,748
Amount utilised	(329)	(400)
Unused credit facility	4,496	5,348

(d) Loan facilities

Bank guarantee facility	400,000	373,000
Business card facility – variable interest rate	125,000	125,000
Direct Payments facility –variable interest rate	4,000,000	4,000,000
Unused bank loan facility	300,000	1,250,000

NOTE 19: COMMITMENTS

2015 **2014**
\$'000 **\$'000**

Lease expenditure commitments

(a) Operating leases (non-cancellable):

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 13) at 30 June 2015 is NIL of non-cancellable operating leases (2014: \$1,034,000).

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

– Not later than one year	1,263	2,184
– Later than one year and not later than five years	4,449	7,002
– Later than five years	2,205	3,330
Aggregate lease expenditure contracted for at reporting date	7,918	12,516

(b) Finance leases:

Payable

– Not later than one year	-	113
– Later than one year and not later than five years	-	-
– Later than five years	-	-
Minimum payments	-	113
Less future charges	-	(2)
Total liability	-	111
Represented by:		
Current liability	-	111
Non-current liability	-	-
	-	111

NOTE 20: CONTINGENCIES

(a) 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.

(b) 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 \$3.3 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.

NOTE 21: EARNINGS PER SHARE

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

	2015	2014
	\$'000	\$'000
Reconciliation of earnings used in calculating earnings per share:		
Profit from continuing operations	1,890	3,770
Loss from discontinued operations	-	(1,464)
Profit used in calculating basic earnings per share	1,890	2,306
	2015	2014
	No of Shares	No of Shares
Weighted average number of preference shares used in calculating basic earnings per share	11,560,394	11,560,406
Effect of dilutive securities:		
Share options	-	-
Adjusted weighted average number of preference shares used in calculating diluted earnings per share	11,560,394	11,560,406

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

NOTE 22: DIRECTORS' AND EXECUTIVES' COMPENSATIONS

	2015	2014
	\$'000	\$'000
Compensation by category		
Short-term employment benefits	1,893	1,992
Post-employment benefits	171	136
	2,064	2,128

Refer to the directors' report for disclosure on the remuneration policies and remuneration for Directors and Executives.

NOTE 23: RELATED PARTY DISCLOSURES

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

	Country of incorporation	Percentage owned	
		2015	2014
<i>Parent Entity:</i>			
Australian United Retailers Ltd	Australia		
<i>Subsidiaries of Australian United Retailers Ltd</i>			
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%

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

There were no loans to and from directors and director related entities at 30 June 2015 (2014: \$nil).

(c) Other transactions with directors and director related entities

Directors or director related entities that hold Australian United Retailers Ltd shares as store members enter into transactions with the Company and may have outstanding balances at year end.

The Directors involved are:

Deborah Smith	Malcolm Ward
Fred Fairthorne	Alan Burge
Sien Van Nguyen	David Williamson
Paul Job	

(c) Other transactions with directors and director related entities (Cont'd)

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 \$39,542 (2014: \$35,750). The aggregate amount of rebates paid or payable and included in the result for the year is \$2,649,356 (2014: \$2,420,797).

Rebates for Malcolm Ward and Fred Fairthorne are paid via Supermarkets West Pty Ltd. During the financial year \$3,053,317 (2014: \$3,208,309) 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.

(d) Director Shareholdings

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

	2015	2014
	No of Shares	No of Shares
Alan Burge	274,002	274,002
Fred Fairthorne	1,108,002	1,072,002
Deborah Smith	155,793	155,793
Malcolm Ward	1,712,464	1,378,464
David Williamson	144,003	72,003
Sien Van Nguyen	399,603	399,603
Paul Job	18,002	18,002

(e) 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.

NOTE 24: AUDITOR'S REMUNERATION

	2015	2014
	\$'000	\$'000
Amounts paid and payable to Pitcher Partners (Melbourne) for:		
(i) Audit and other assurance services		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	105	112
Other assurance services	3	2
Total remuneration for audit and other assurance services	108	114
(ii) Other non-audit services		
Taxation services	10	11
Total auditors' remuneration	118	125

NOTE 25: PARENT ENTITY INFORMATION

Summarised presentation of the parent entity, Australian United Retailers Ltd, financial statements:

	2015	2014
	\$'000	\$'000
(a) Summarised statement of financial position		
Assets		
Current assets	12,872	11,607
Non-current assets	3,353	4,128
Total assets	16,225	15,735
Liabilities		
Current liabilities	16,180	16,351
Non-current liabilities	212	210
Total liabilities	16,392	16,561
Net assets	(167)	(826)
Equity		
Contributed capital	10,119	10,119
Accumulated losses	(10,286)	(10,945)
Total equity	(167)	(826)
(b) Summarised statement of comprehensive income		
Profit for the year	659	68
Other comprehensive income for the year	-	-
Total comprehensive income for the year	659	68
The profit for the parent entity includes a loan impairment of \$1,231,000 (2014: \$3,702,000).		
(c) Parent entity guarantees		
The parent entity has provided the guarantees outlined in Note 20(b).		
(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 20(a).		
(e) Parent entity contractual commitments		
The parent entity finance lease obligations as outlined in Note 19(b).		
The future minimum lease payments under non-cancellable operating leases are payable:		
– Not later than one year	1,263	1,334
– Later than one year and not later than five years	4,449	4,213
– Later than five years	2,205	3,147
	7,918	8,694

NOTE 26: SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 30 June 2015 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2015, of the consolidated entity, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2015, of the consolidated entity.

DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 28 to 63 in accordance with the *Corporations Act 2001*:

- (a) Comply with Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;
- (b) As stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and
- (c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2015 and of its 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 section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2015.

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



N. Osborne
Director

Melbourne
Date 7 September 2015

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AUSTRALIAN UNITED RETAILERS LTD AND CONTROLLED ENTITIES**

Report on the Financial Report

We have audited the accompanying financial report of Australian United Retailers Ltd and controlled entities, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and 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.

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.

Independence

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AUSTRALIAN UNITED RETAILERS LTD AND CONTROLLED ENTITIES**

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 company's financial position as at 30 June 2015 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 9 to 15 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.



K L BYRNE
Partner

7 September 2015



PITCHER PARTNERS
Melbourne

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 11,560,388 Class A redeemable preference shares issued at 30 June 2015.

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 135 Class B redeemable preference shares issued at 30 June 2015. 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 2015

	No of shares	%
MR MALCOLM GEOFFREY WARD	891,250	7.71%
MR JEFFREY NEVILLE HALL	866,000	7.49%
MR PAUL DAMIAN REILLY	865,000	7.48%
MR MICHAEL DAMIAN REDDROP + MRS TINA DREYFUS REDDROP <DREYFUS SUPER FUND A/C>	760,000	6.57%
DALEWING PTY LTD	688,001	5.95%
MR GARRY RAYMOND ROBERSON	609,800	5.27%
OAKMEADOW PTY LTD <SUNRISE SUPER FUND A/C>	517,000	4.47%
MRS DU THI TRAN	399,600	3.46%
MELLWAY HOLDINGS PTY LTD	300,001	2.60%
FISH LAY PTY LTD <J & A SUPER FUND A/C>	285,673	2.47%
		53.47%