

OUTBACK *Stores*

Annual Report 2011-2012



Mission

To be the most efficient and effective provider of retail services that makes a positive difference in the health, employment and economy of remote Indigenous communities by supporting quality and sustainable retail stores.

Vision

Outback Stores aspires to be the national company of choice by being the most efficient and effective provider of retail services that deliver quality and sustainable retail stores

Nutrition Policy

To improve the health of Indigenous people living in remote communities by improving access to a nutritious and affordable food supply.

LETTER OF TRANSMITTAL

13 September 2012
The Hon. Jenny Macklin MP
Minister for Families, Community Services
& Indigenous Affairs
Parliament House
Canberra ACT 2600

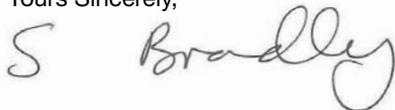
Dear Minister,

In accordance with Section 36 of the Commonwealth Authorities and Companies Act 1997(CAC Act), I submit the annual report of Outback Stores Pty Ltd for the financial year ended June 2012.

Under Section 36 of the CAC Act, the Directors of Outback Stores are responsible for producing an annual report that includes a financial report, Directors report and Auditor's report that is required by the Corporations Act 2001, and other additional information or report required by the Minister for Finance and Deregulation orders under the CAC Act.

All reports and Audited Financial Statements contained in this Annual Report were made in accordance with a resolution of Outback Stores Directors on the 22nd of August 2012.

Yours Sincerely,

A handwritten signature in black ink that reads "S Bradley". The signature is written in a cursive style with a large, stylized 'S' at the beginning.

Stephen Bradley
Chairman, Board of Directors

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CHAIRMAN'S REPORT

On behalf of the Board, I am pleased to report on Outback Stores' performance for the financial year 2011-12. Outback Stores provides retail management services to Indigenous community stores in remote areas of Australia. We are owned by the Australian Government with a mandate to improve the affordability and quality of nutritious food available in communities. Outback Stores is committed to making a positive difference to the health, employment and economy of remote Indigenous communities by providing quality, sustainable retail stores.

We are strongly committed to providing a long term, commercially viable solution for the management of remote Indigenous community stores. I am pleased to announce that in the financial year 2011-12, for the first time, Outback Stores Pty Ltd made an operating surplus of \$1.051m, which is a major improvement on the financial year 2010-2011 operating loss of \$70,000 and the financial year 2009-2010 operating loss of \$1.988m. It is the Board's preference that any surplus will be retained within the company and used either to provide additional services to communities or to reduce costs.

While the surplus result is very pleasing, it does include interest income of \$3m. Outback Stores next major financial objective is to break even before interest income. This will permit interest income to thereafter provide a continued source of funding for unviable stores.

In financial year 2011-12 Outback Stores was operating 10 unviable stores (stores not able to sustain operations without subsidy), 11 barely viable stores (stores that sustain their own operations unless a major expense is incurred) and 5 viable stores (stores that sustain their own operation and produce profits for their owners). Unviable and barely viable stores required \$2.046m in government subsidies in Financial Year 2011-12 to continue operating. This converts to an average subsidy of \$430 per person per annum in these communities to provide reliable access to affordable and healthy food.

We are constantly striving to improve the affordability of food in our communities while recognising that it will be more expensive than in an urban supermarket. Our additional costs compared to a mainstream supermarket are predominantly from transport, higher buying prices from suppliers and the lack of economies of scale operating small stores. On our most recent survey an average basket of goods was 21% more expensive than Woolworths or Coles in Alice Springs but a healthy basket was only 16% more, reflecting our focus on healthy food. Our selling prices compare very favourably with most community stores and reflect many initiatives taken to reduce costs.

We have continued to make improvements to our healthy food offer with fruit and vegetable consumption being a key indicator. The price of fruit and vegetables has been reduced further and consumption has increased from 53.5 tonnes to 59.7 tonnes over the year. However fruit and vegetables still only account for between 3% and 4% of total food sales in our communities. This compares to about 13% in urban supermarkets and illustrates the opportunities we still have.

Overall, we continue to believe that substantial dietary changes will take a significant amount of time and involve continuing to work with health and nutrition groups in the communities.

Outback Stores currently manages 26 stores with 21 in the Northern Territory, 3 in Western Australia and 2 in South Australia. This year we have provided relief or emergency management for 3 stores.

We are committed to employing Indigenous people in as many roles as possible. Wherever possible, the people employed in the store are local Indigenous people and we are committed to

CHAIRMAN'S REPORT

developing their retail and commercial skills. We employed 233 Indigenous staff and completed 7,380 hours of training in Financial Year 2011-12.

Steve Moore was appointed CEO in June 2011 and has now completed his first year as CEO. Under Steve's excellent leadership, Outback Stores has significantly improved its performance and I am sure will continue to do so for years to come.

Bess Price resigned from the Board in May 2012 to avoid any conflicts of interest as she commenced her campaign for election to the Northern Territory parliament. Bess has provided great insights into the issues in remote Indigenous communities and will be much missed by the Board. We thank Bess for her contribution to the Board and wish her well in her political career.

I would like to thank the directors for their time and commitment devoted to Outback Stores. Some of the Board have opted to continue in a voluntary capacity and others have accepted fees as determined by the Remuneration Tribunal. This is consistent with a long held view by the Board that once the company was profitable and commercially viable director's fees should be paid in line with government policy.

Outback Stores operates in one of the most demanding environments in Australia. I am constantly surprised and delighted by the enthusiasm and commitment of the Outback Stores staff. I would like to thank all of the people employed by and supporting Outback Stores for their contribution, they are the key to our continuing success. We are all committed to making a very real contribution to improving the lives of the Indigenous people of remote Australia.

A handwritten signature in black ink that reads "S Bradley". The signature is written in a cursive style with a large, stylized 'S' at the beginning.

Stephen Bradley
Chairman

CEO REPORT

This year saw a significant improvement in Outback Stores' financial performance. For the first time in our history, Outback Stores made a net income from continuing operations of \$1.838m before tax for the Financial Year 2011-12.

The other significant achievement for the year was the addition of three new stores under management. Yalata in South Australia, along with Mulan and Yiyili in Western Australia all signed agreements for Outback Stores to manage their stores. I would like to welcome each of the new communities to the Outback Stores family and thank them for their support.

The safety of our staff and customers has been a key focus area this year. With some stores in very remote areas, it can be a challenge to ensure we are providing a safe environment for our staff to work in and our customers to shop in. I am pleased to report that several stores have been independently audited to check compliance with the recently introduced Work Health and Safety Act and all stores were found to be compliant.

Our commitment to providing affordable, healthy food continues to be one of our key areas of focus. Whilst we do not restrict a person's individual choice, we aim to encourage people to buy healthier options by making the healthier choices more affordable. We currently offer preferential pricing on fresh fruit and vegetables, sugar-free drinks and healthy take away food items. Our in house Nutritionist also works with both store staff and community members to ensure we are providing the correct range of healthy choices in each store.

This year saw us achieve our staff training targets for the year completing 7,380 hours of training, and at the end of the year we had 12 Indigenous staff successfully complete retail certificate courses with a further 35 Indigenous staff enrolled in retail training courses. We will continue to work to deliver nationally recognised certificate level training to all staff who wish to participate. Outback Stores has a strong commitment to Indigenous employment and at the end of the Financial Year 2011-12, 233 Indigenous staff were employed at stores we manage.

All of the stores we operate are run on sound commercial principles. While some are not viable due to small populations, we still operate these stores as efficiently as possible enabling us to keep the additional funds required to an absolute minimum. This year we provided \$2.046m of funds to support unviable and barely viable stores with a further \$568,000 spent on capital improvements at stores.

I have now been at Outback Stores for over a year. During this time, it has been very satisfying to see that after a period of consolidation, Outback Stores has continued to grow. We currently manage 26 stores at the end of Financial Year 2011-12 across some of the most remote parts of the Northern Territory, Western Australia and South Australia. Thanks to the hard work of our store, regional and support office staff, the stores are run as efficiently as possible while meeting the needs of the local community.

Since inception, Woolworths has assisted Outback Stores with expert advice on various matters and over the past year we have asked for and received assistance in several areas. Woolworths has donated a variety of equipment to us during the year, including Big W shelving and checkout stands, saving considerable expenditure for the stores we manage.

Woolworths have also provided us with expert advice on how to reduce power consumption in stores, thus reducing the stores carbon footprint, along with advice in many other areas. This type of assistance is invaluable and we are very grateful for their ongoing support.

CEO REPORT

This year saw two changes within the Outback Stores Management Team. Beverley Capaldo has joined us as our Human Resources Manager, a position that was vacant at the start of the financial year. Beverley comes to us with a background in Human Resources with Coles and more recently experience in managing remote community stores. Beverley has been a welcome addition to the Outback Stores Management Team.

Our Nutritionist, Stacey Holden departed from Outback Stores during the year. I would like to thank Stacey for all her hard work and dedication during her time with us. Tania Whight has taken on the role of Nutritionist at Outback Stores and has joined us from an extensive nutrition background. Tania's career has involved working in food safety, working with volunteer organisations building community capacity in India and as a Community Health Dietician. Tania has already made a big impact during her short time with us by developing and implementing a new Take Away Food Policy and has worked with our Merchandise department to improve the fresh fruit and vegetable offered in stores.

I would like to thank all of our staff for their hard work and dedication over the past year, in particular our Store Managers who sacrifice a lot to work with us. They move away from family and friends to some very remote locations to take on the challenging task of running remote stores. Without them, we would not be able to deliver our Mission.

I would also like to thank the Chairman and the Board of Directors who give up their time to provide support to Outback Stores and address the many challenges we face. As experts in their chosen fields, they bring a great deal of expertise to a company that would not normally have access to such skilled individuals. I am also personally grateful for all the support and assistance I have received since joining Outback Stores.

Finally, I would like to thank our clients. Without the 26 store committees we report to, Outback Stores would not exist. Working with the individual store governing bodies is by far the most rewarding part of the job. It's great to work with the communities to help improve their stores and make sure we are meeting their needs.

Steve Moore
Chief Executive Officer

STORE OPERATIONS REPORT

Over the past year, we have continued to work towards making more stores sustainable for the longer term. We have provided funding for capital upgrades, where appropriate, and have several initiatives in place that are to be rolled out this coming Financial Year. Several stores are now in a position to fund their own capital projects, which is really positive.

Sales growth for the year has slowed from previous years, which in turn has made us focus much harder on cost controls across all stores. There have been several factors affecting sales. The stores have had similar challenges faced by other retailers throughout Australia with the down turn in the economy, but have also dealt with many other unique issues such as the unrest within the Yuendumu community, which has seen a decline in the population. Nyirripi Store has experienced similar disruption to their community, and the Yimilyumanja Store on Groote Eylandt, has had a significant number of days closed due to cultural activities to show respect to the families affected.

Our overall objective is to continue to work with each store committee to improve their individual stores result, and to enable their store to become efficient, profitable and sustainable over the long term. For the smaller, unviable stores, we are working to make them more efficient and to minimise any losses, whilst still meeting community needs.

Three stores have had new convotherm steam ovens installed with a further three on order. These ovens make it quicker for the staff to prepare and cook healthy meals and allow much greater volumes to be cooked in a shorter time. The stores in Santa Teresa, Titjikala, and Mimili Maku Store have had these ovens installed. This will bring the total number of ovens installed in stores to eight over the past two years, with plans for another three ovens to be installed in financial year 2012-13. Several of these ovens have been funded by The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), which is very supportive to the stores that we manage.

We have ordered our first Optional Payment Terminal (OPT) for the Wirrimanu Community store. This is a fuel payment system that will allow customers 24 hour access to fuel without the Store Manager having to be present. Currently, Store Managers are required to hand pump all fuel to ensure that proper security is maintained. The OPT system will maintain security whilst dramatically reducing the time that Store Managers and staff spend in providing this service. The OPT terminals will accept basics card, credit card and EFTPOS cards at any time. However, fuel can still be purchased inside the store using cash during trading hours, if required. If this trial is successful at Wirrimanu Community Store, we have plans for four more systems in financial year 2012-13. Not only is the efficiency of the Store Manager expected to improve, but the sales of fuel are also expected to increase due to the much improved access.

At the Beswick Community Store and Ngan Jilngurru Store we are in the process of trialling a radio frequency stock control system (Grocery Manager Mobile). When fully operational, this system is expected to improve efficiencies by dramatically reducing the time it takes to place and receive orders. This will give our Store Managers more time to manage the business, focus on improving results and provide training to their staff. There are numerous other benefits to this system such as real time viewing of stock holding, sales information, completing stock adjustments and printing shelf labels from the shop floor without having to continuously return to the office. We are planning to roll this out to fifteen more stores in Financial Year 2012-2013.

We continue to focus on costs across all stores. Two stores this year (Imanpa General Store and Titjikala Store) have had the number of managers reduced from a two person (couple) management

STORE OPERATIONS REPORT

team to a single manager. This has an immediate impact on reducing expenses, but also puts more emphasis on local community members stepping up to provide labour for the store. This fits well with our Mission of providing employment and training. We will continue to review how we manage stores to ensure that we are very cost effective, and will be continuously seeking more ways to improve efficiencies and costs across the stores. Employing local community members who can be trained in a whole range of skills will always be a focus.

The new Ngukurr General Store is trading better than in Financial Year 2010-2011, and continues to show significant improvement. Trading hours have recently been increased to trade 7 days per week and we are about to implement several measures to improve energy consumption which will have a positive effect on this year's operating profit.

This year has been an exciting time for the Beswick community with their store paying off all debts after being placed into administration. The store is now operating as a viable business and performing very well.

The Yimilyumanja Community Store in Angurugu on Groote Eylandt is undergoing a refurbishment of their refrigeration facilities and the first of two stages is now complete with a new air-conditioning system installed, and several upgrades to the display and storage rooms also completed. Stage two will see the remaining cool rooms upgraded to improve their reliability and efficiency.

We have nine stores in the Northern Territory affected by the proposed new store developments and refurbishments, which is to be funded by the Aboriginals Benefit Account. Five of the stores we manage are to have new store buildings and four will be refurbished. Along with this, six of these stores will have new houses built for the Store Managers. The quality of housing continues to be a focus and this program will allow the quality of housing across stores we manage to be substantially improved with the worst houses being replaced. Some of the work is expected to begin later in 2012.

Planning continues for the redevelopment of the Wirrimanu Store in Balgo Western Australia. We have recently had approval from the Wirrimanu Community Store Aboriginal Corporation to proceed with their store's redevelopment. This will be a two stage project due to the high cost, but will see a doubling of the size of the store into a supermarket that has the ability to properly service the community's needs. The store will incorporate a large takeaway and a laundrette. This store has also recently commenced trading 7 days a week.

Several stores have had either partial or full relays to install shelving provided by Big W through Woolworths. This has allowed us to provide cost effective shelving to suit the needs of the store. Each store has been able to improve the standard of merchandising and range of products available, whilst keeping their stock holding to a minimum. The following stores have installed Big W shelving this year: Mirnirri Store, Yalata Community Store, Engawala Store, Wirilajarrayi Store, Mulan Community Store, Dungalana Store, Kundat Djaru Community Store, and Mimili Maku Store. Nyirripi Community Store is next to be completed in September 2012, and Yiyili Community Store is due to be completed in October 2012.

Whilst our safety record has improved with two workers compensation accidents being recorded for the year, down from four the previous year, the only acceptable number of accidents is zero. With this in mind, we have launched a safety awareness campaign called "Project Zero" across

STORE OPERATIONS REPORT

the business and the stores we manage to remind our staff daily of everybody's responsibilities in regards to safety.

We also continue to ensure that each store has the training and equipment available to protect staff and managers from the threat of injury. Our store staff and managers work in a difficult and challenging environment, and our Area Managers and Relief Managers travel thousands of kilometres on a regular basis.

The safety of our people has always got to come first.

Our relationship with Woolworths has enabled us to send staff and managers to attend training for up to 1 week at the Katherine and Alice Springs supermarkets. To date, 6 community store staff and 3 managers have benefited from this training. It has been a hugely positive experience for the staff and the Woolworths teams. Due to the program's success, we have plans to continue to work with Woolworths to provide further training opportunities to staff who would normally never have access to this type of experience. We are focussing on the care, maintenance and display of fruit and vegetables, proper food handling techniques, stock handling in the grocery department, and customer service.

We have a busy year ahead, with a lot of new initiatives and programs in place aimed at continuous improvement for all stores.

We have a committed and talented team of people who are looking forward to meeting the challenges ahead, eager to make change and achieve our mission.

Barry Orr
Operations Manager



MERCHANDISE REPORT

The past twelve months has seen relationships with key suppliers strengthen with regular meetings being held to discuss: opportunities in growth; improving our offers; quality and pricing. A major focus during this period has been improving the quality and reducing the prices in our fresh foods departments. As a direct result of this focus customers are now seeing significant price reductions in our meat and fruit and vegetable departments with reviews currently being conducted in other key departments.

We have also been meeting regularly with major manufacturers to discuss methods in which they may be able to assist to reduce pricing at store level on their products. This has enabled us to discuss the possibility of improving the nutritional outcomes of many products, which then translates into a healthier offer being available in stores for our customers. Currently several key products are being reviewed by the manufacturers as a result of these discussions.

In May 2012, Outback Stores attended the Independent Grocers Tradeshow in Darwin. Our CEO, Area Managers, Nutritionist, Operations Manager and Store Managers from Tennant Creek Foodbarn and Yarralin Store attended. During the trade show we purchased products on promotion for all stores at discounted prices. This translated into significant savings for the stores we manage. It also gave all those attending the opportunity to meet key manufacturers, view new lines and to discuss our business and the day-to-day challenges our stores encounter.

Income from the rebates received from supplies goes to reducing the operational cost of Outback Stores. This in turn allows us to offer lower management fees to our clients.

We look forward to the continual growth of our business into the future and we are encouraged by the ongoing support received from key suppliers and manufacturers in our industry.

John Quill
Merchandise Manager

NUTRITION REPORT

A key driver for Outback Stores is to make a positive difference in the health of the communities in which we operate. This is done primarily through improving food security, or in other words, providing consistent access to safe, affordable and nutritious foods and making healthier choices easier choices.

The second half of the year focussed on laying strong foundations for positive growth in the future. Nutrition reporting systems were reviewed and improved to ensure accurate reporting of key health indicators to the Outback Stores team, the Board and our clients.

Building on last year's initiative which saw stores supplied with open fronted display cabinets for fruit and vegetables, stores were provided this year with black point of sale material to further enhance the fresh produce this year. The display material is now of a similar standard to that found in metropolitan supermarkets.

Outback Stores continued to work with our research partners to further translational research in Indigenous health. Projects this year include:

- The Nutrition Promotion and Education in Remote Stores (NPERS) project conducted by Menzies School of Health Research was implemented and evaluated at Titjikala Store.
- The Cost of Dietary Improvement study, conducted by Menzies School of Health Research, was completed. This study investigated the current quality of community level diet and determines the lowest cost to achieve a diet for good health at the community level.
- Preparatory stages of the Shop at Remote Indigenous Stores (Shop @ RIC) study, headed by Menzies School of Health Research, commenced.
- Outback Stores continued to support the Northern Territory Tobacco Project, conducted by James Cook University, at Ngukurr Community. This 5 year project wound up at the end of this Financial Year.

Nutrition continued to work with Merchandise to monitor the food supplied in stores. Changes made to the core range continue to provide better nutritional options at a better cost.

This year saw four Store Committees in the Northern Territory agree to smoke free policies for their store. This is a great initiative to protect people in the store environs from second hand smoke and support people wanting or thinking of quitting to do so.

Tania Whight
Nutritionist

INDIGENOUS TRAINING

The 2011 calendar year saw Outback Stores deliver 6,840 hours of training. This exceeds our NT Department of Education (DET) contract target of 6,550 hours and nearly trebles the previous year's result of 2,450 hours. This effort resulted in 9 people completing their Certificate I in Retail Operations and a further 3 people completing Certificate II in Retail Operations. Qualification completions are always a huge source of pride to the participants and to us as a company.

We are also at record enrolment numbers with 35 participants currently in accredited training at 30 June 2012. A number of factors have contributed to the boost in training participation:

- the increase in permanent employment arrangements for staff has resulted in more people becoming eligible for, and taking up retail traineeships;
- commencement of funding agreements in Western Australia and South Australia mean additional enrolments have now been taken in these states, and
- the addition of Certificate III in Retail to Outback Stores' delivery scope has meant there is now a higher level option for people with previous experience or who have already studied at Certificate II level.

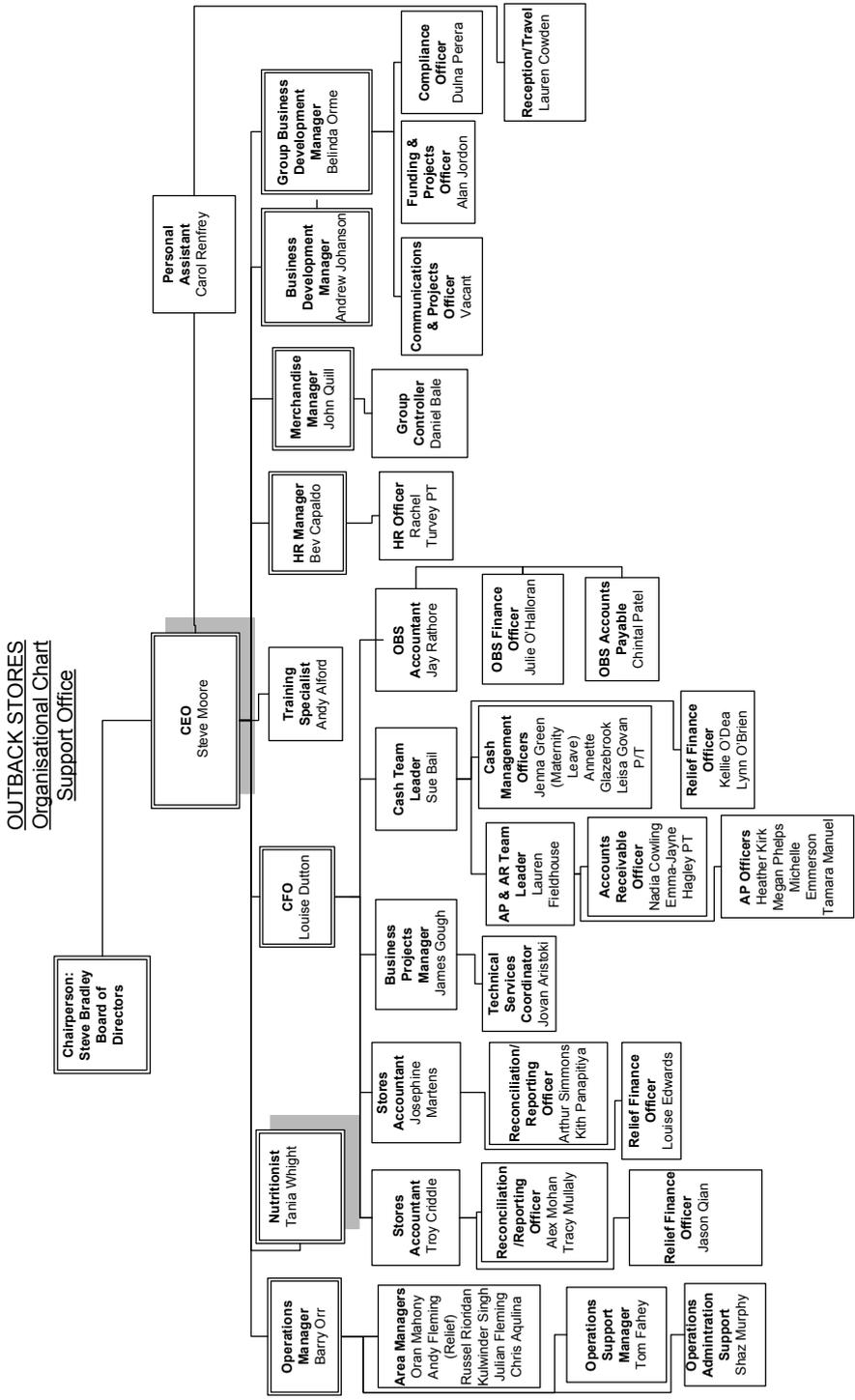
Anecdotal evidence suggests a higher retention rate and greater application of skills among staff who have participated in traineeships. With the growth of training participation, stores have also benefited financially with a total of around \$30,000 in Federal Government incentive payments being delivered to Stores.

Further pathways continue to be offered in learning and development with Outback Stores partnering with Arnhem Land Progress Association (ALPA) and the Australian Government Department of Education, Employment and Workplace Relations (DEEWR) to take part in the Remote Retail Excellence Program. The program is designed to equip Store Managers with the specific skills to operate successfully in the remote retail environment while achieving a Certificate IV in Retail Operations. A generic Certificate IV in Retail Operations is also on offer through partnership with Charles Darwin University (CDU) to those who missed out on one of the limited places in the remote Retail program.

In the coming year, the focus of the training function will be on widening the training offering by accessing a diverse range of funding streams and partnering with a broader range of providers and community entities. This will present opportunities to a greater number of Indigenous people to learn and apply new skills. Work will also be undertaken to improve measurement and evaluation of training effectiveness in order to ensure that programs continue to provide maximum benefit to clients and individuals.

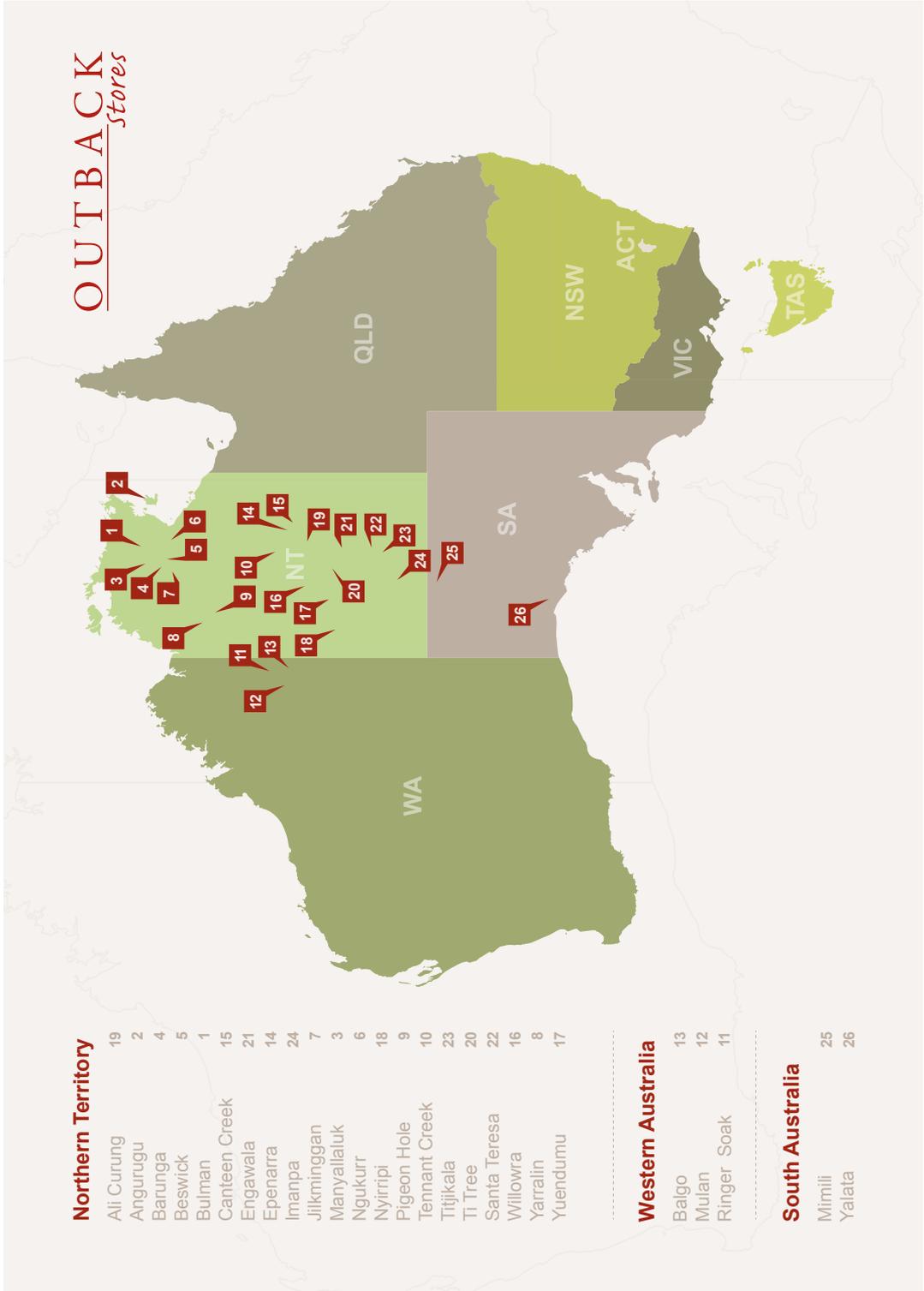
Andy Alford
Training Specialist

ORGANISATION CHART



*This Organisational Chart
excludes Store Managers*

STORE LOCATIONS





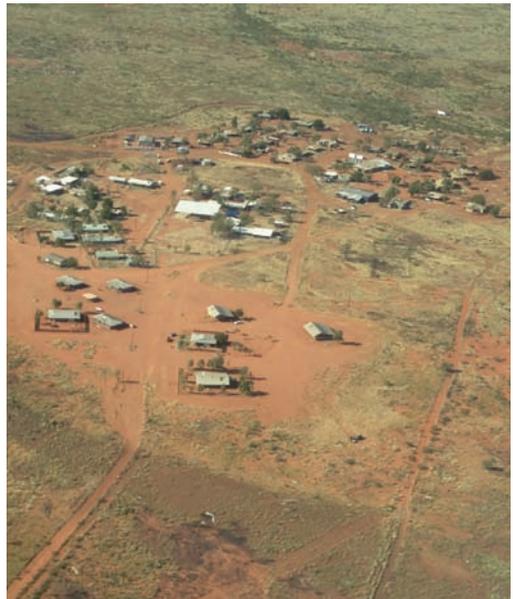
Alma Ngalmi an employee at Ngan Jiinguru Store receiving her certificate for completing Certificate II in Retail Operations and is now studying for Certificate III in Retail Operations.



Making deliveries during the wet season isn't always as straightforward as we would like.



Congratulations to Jackson Glen, Staff member of the year at Ti-Tree Food Store



Aerial view of one of the communities



The terminal building at Balgo Airport WA



A signpost showing the remoteness of the Territory.



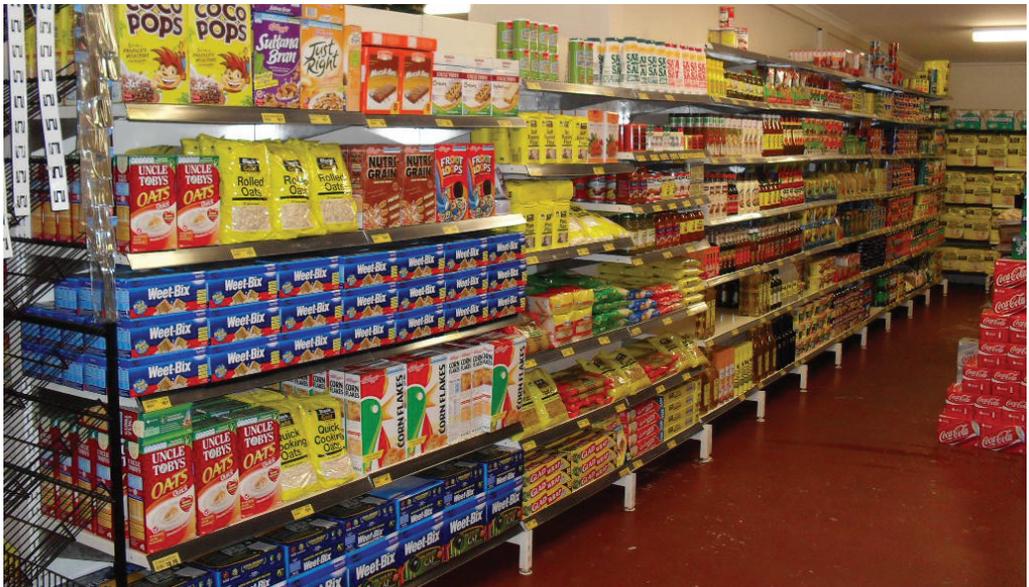
Heading out for stocktake to Western Australian Stores



Fresh offers at the Ti-Tree Food Store



Training for store employees, Charlotte Flowers and John Mulladad. Woolworths Store Manager, Chad Hannett, and Outback Stores Area Manager, Julian Fleming



Brimming over with choice on the shelves at Ti-Tree Food Store



Healthy choices at Gulin Gulin Community Store



Fruit & Vegetables at Imanpa General Store



Epenarra Saints football team



On the banks of the Roper River at Ngukurr

CORPORATE GOVERNANCE - BOARD AND COMMITTEE'S

Corporate Governance Statement

Unless otherwise disclosed below, the company has followed the best practice guide on corporate governance principles, as published by the Australian National Audit office, for the entire Financial Year ended 30 June 2012.

Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the Director's Report.

Outback Stores directors are appointed by the Minister of Families, Housing, Community Services and Indigenous Affairs, the Hon Jenny Macklin MP. All directors are non-executive.

Ethical Standards

The Board acknowledges and emphasises the importance of directors and employees maintaining the highest standard of corporate governance practice and ethical conduct.

Board development and review

New Board members undertake a formal induction into their role, including a meeting with the Chair and other directors. They are given an Induction pack that includes the Board Governance Charter.

Directors are required to pursue their own development and continuously update their knowledge to attain and maintain the levels of competence demanded of them. Directors are, with the assistance of Outback Stores, expected to undertake ongoing professional development that is relevant, required and commensurate with Outback Store's needs. A Board performance review will be completed in Financial Year 2012-13.

Remuneration

Outback Stores directors are entitled to remuneration and allowances in accordance with Remuneration Tribunal determinations. Details of directors' remuneration and interests are set out in the directors report

Indemnity and Insurance

Outback Stores indemnifies current and former directors and staff members against any liability or costs incurred in connection with any claim brought against them as a result of—or in connection with—their appointment to any office or position in Outback Stores or a related entity. Outback Stores holds directors' and officers' liability insurance cover through Comcover, the Australian Government's self-managed fund. As part of its annual insurance renewal process, Outback Stores reviewed its insurance coverage in Financial Year 2011-12 to ensure it remained appropriate for its operations.

During the year, 1 indemnity-related claim was made. This claim is yet to be finalised and is on-going.

The cost of directors' and officers' indemnity insurance for Financial Year 2011-12 was \$3,614. This compares to \$3,049 for Financial Year 2010-11.

CORPORATE GOVERNANCE - BOARD AND COMMITTEE'S

Board of Directors:



Steve Bradley
Chairman



Alastair King



Bob Hudson



Heather D'Antoine



Kerin O'Dea



Naum Onikul

Meetings held during the year and attendance.

The Board of Directors meet quarterly, in August, November, February and May each financial year.

Name	Director	Committee	Attendance 5 Meetings in FY2012	Meetings missed
Mr Stephen Bradley (Chair)	Non Executive	SAC & AR	5	0
Mr Ted Moore *24/11/2011	Non Executive	AR	2	0
Mr Alastair King	Non Executive	AR	4	1
Mr Robert Hudson	Non Executive	AR	4	1
Ms Kerin O'Dea	Non Executive	SAC	5	0
Ms Heather D'Antoine	Non Executive	Nil	4	1
Ms Bess Price * 29/5/2012	Non Executive	Nil	1	3
Mr Naum Onikul	Non Executive	SAC	5	0
Mr Drew Robinson * 8/5/2012	Secretary	Nil	3	0
Ms Belinda Orme ** 31/5/2012	Secretary	Nil	1	0

Note: * Resigned ** Appointed

Biographical details of Directors on page 30

CORPORATE GOVERNANCE - BOARD AND COMMITTEE'S

Audit and Risk Committee:

The Audit and Risk Committee was established in 2007 and meets quarterly or as required. The Company is required to have an Audit Committee under section 44 of the Commonwealth Authorities and Companies Act 1997.

The committee charter is to consider any matter relating to the financial reporting, internal control structure (including Director Reimbursement), internal risk management systems and external audit function of Outback Stores and any of its controlled entities.

The functions of the committee include:

- a) Helping the Company and its Directors to comply with obligations under the Commonwealth Authorities and Companies Act 1997 and the Corporations Act 2001 and,
- b) Providing a forum for communication between the Directors, the Senior Management, and the internal and external Auditors of the Company.

The performance evaluation of the Committee is conducted yearly. The Chairman discusses with relevant parties whether they feel the Committee is performing and any feedback required. The Chairman then discusses the outcomes at the next Board meeting to identify appropriate action to remedy any identified shortcomings to continue to perform effectively.

Audit and Risk Committee Meetings held during the year and attendance

Name	Company Director	Committee Position	Attendance 4 Meetings in FY12	Meetings missed
Mr Robert Hudson	Yes	Chairman	4	0
Mr Stephen Bradley	Yes	Member	4	0
Mr Ted Moore *24/11/2011	Yes	Member	2	0
Mr Naum Onikul **24/11/2011	Yes	Member	3	0
Mr Alastair King	Yes	Member	4	0
Mr Drew Robinson *08/05/2012	No	Secretary	4	0
Mr Steve Moore	No	CEO	4	0
Ms Louise Dutton	No	CFO	4	0
Ms Belinda Orme ** 31/5/2012	No	Secretary	1	0

Note: * Resigned ** Appointed

CORPORATE GOVERNANCE - BOARD AND COMMITTEE'S

Store Assessment Committee:

The Board established the Stores Assessment Committee in 2007 and meetings are held monthly or as required. Its Charter is to consider any matter relating to Store Management with individual Indigenous communities including strategy, agreements, termination, expenditure, capital loans and underpinning.

The functions of the committee include:

- a) consider management proposals for store acquisitions under Management agreements, leases or purchases. Consider management proposals to discontinue management services
- b) To authorise requested operational underpinning by Management for unviable stores
- c) To authorise requested capital underpinning by Management for unviable stores.
- d) To authorise commercial loans to stores under Company management.
- e) To ensure robust procedures are implemented and followed for the use of public funds to support remote stores under Company Management.

Store Assessment Committee Meetings held during the year and attendance

Name	Company Director	Committee Position	Attendance 14 Meetings in FY12	Meetings missed
Mr Stephen Bradley	Yes	Chairman	12	2
Ms Kerin O'Dea	Yes	Member	7	7
Mr Naum Onikul ** 29/7/2011	Yes	Member	11	3
Mr Steve Moore	No	Member/CEO	14	0
Ms Louise Dutton	No	CFO	13	1
Ms Belinda Orme ** 31/5/2012	No	Secretary	2	0
Mr Drew Robinson * 8/5/2012	No	Secretary	11	1

Note: * Resigned ** Appointed

OTHER INFORMATION

Risk Management

Regular Senior Management and Audit and Risk committee reviews identify strategic risks in the Company's activities. The Company's risk profile is updated on an ongoing basis and is reported quarterly. This is then discussed at each meeting with any concerns addressed at the Board.

Disability Reporting

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007-08, reporting on the employer role was transferred to the Australian Public Service (APS) Commission's State of the Service Report and the APS Statistical Bulletin. These reports are available at www.apsc.gov.au. From 2010-11, departments and agencies have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by a new National Disability Strategy which sets out a ten year national policy framework for improving life for Australians with disability, their families and carers. A high level report to track progress for people with disability at a National level will be produced by the Standing Council on Community, Housing and Disability Services to the Council of Australian Governments and will be available at www.fahcsia.gov.au. The Social Inclusion Measurement and Reporting Strategy agreed by the Government in December 2009 will also include some reporting on disability matters in its regular "How Australia is Faring" report and, if appropriate, in strategic change indicators in agency Annual Reports. More detail on social inclusion matters can be found at www.socialinclusion.gov.au.

Exemptions

The Finance Minister has not granted an exemption from any requirements under the CAC Act.

Ministerial Directions and General Policy Orders

There have been no Ministerial Directions or general policy orders that have been issued to Outback Stores.

Information Publication Scheme

Agencies subject to the Freedom of Information Act 1982 (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a section 8 statement in an annual report. Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements. This has not yet commenced but will be implemented in financial year 2012-2013

Judicial decisions and reviews by outside bodies

There were no judicial decisions or decisions of administrative tribunals that had a significant effect on Outback Stores operations during 2011-2012. The Commonwealth Ombudsman received no complaints regarding Outback Stores.

OTHER INFORMATION

Outback Stores Pty Ltd Company Constitution

A special resolution was passed on 18 August 2011 to adopt an amended constitution. The changes to the constitution were mainly administrative in nature and, for example, provided clarification around matters such as Board appointments, and the non-profit objectives of the company.

Health and Safety

In January 2012 the Northern Territory joined New South Wales and Queensland in the harmonisation of Work Health and Safety legislation. As a result, Outback Stores undertook a training and communication program to ensure all levels of the business understood their new roles and responsibilities.

The Board of Directors was given a presentation in November 2011 by the HR Manager on their roles and responsibilities which greatly increased under the new legislation. This was later followed up by a presentation by Comcare in January 2012. This was completed to meet their increased responsibilities of being informed of the risks and hazards associated with the business and also being familiar with the policies and procedures that are in place to prevent the occurrence of incidents.

All Work Health & Safety (WHS) policies and procedures were reviewed to ensure compliance with the new legislation. Our compliance has been tested by NT Worksafe by an unscheduled visit to one managed store and by an audit from an independent company on behalf of Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). Both visits were informative because they provided us with feedback on our policies and procedures. With a couple of small modifications to documents, we are now 100% compliant with the new legislation.

There were no notifiable incidents this year and a reduction in injuries resulting in workers' compensation claims, from four in Financial Year 2010-2011 to 2 in Financial Year 2011-12. We believe that the increased focus on safety this year and the re-formation of the Outback Stores Safety Committee has had an impact on the safety results for this year.

OTHER INFORMATION

Environmental performance and Ecologically Sustainable Development

Section 516A of the *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act) requires Australian Government organisations—including agencies such as Outback Stores—to include in their annual report a section detailing their environmental performance and their contribution to ecologically sustainable development (ESD). In doing this, Outback Stores is committed to the principles of ESD as detailed in section 3A of the EPBC Act.

The following table details Outback Stores' ecologically sustainable development (ESD) activities in accordance with section 516A(6) of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

ESD REPORTING REQUIREMENT	OUTBACK STORES RESPONSE
How Outback Stores activities accorded with the principles of ESD	Outback Stores is yet to develop an Environmental Strategy, however, we focus on reducing Outback Stores carbon footprint through various methods such as more sustainable energy, water and waste management. Outback Stores Operations department has general oversight of the current initiative.
Outcomes contributing to ESD	Outback Stores was established to improve access to affordable healthy food in remote Indigenous communities – our focus is on economic and social outcomes rather than environmental outcomes and, as such, has no ESD implications.
Activities that affect the environment	Outback Stores is in the process of developing programs at our national office and remote stores to reduce environmental impacts.
Measures taken to minimise the effect of activities on the environment	<ul style="list-style-type: none"> • Implemented a recycling plan in national office to reduce waste. • Upgrading refrigeration in stores to reduce power consumption and swapping to more efficient refrigerant gas in new equipment. • Installed energy-efficient lighting in some remote store manager housing. • Upgrading computers that use significantly less energy. • Where possible using solar hot water systems in stores and housing. • Stocking more energy efficient white goods in stores for sale. • Considering the environmental impact when purchasing new equipment. • Considering the environmental impact as part of the process of identifying capital improvement programs.
Mechanisms for reviewing and increasing the effectiveness of measures to minimise the environmental impact of activities	Outback Stores is yet to develop metrics for monitoring our carbon footprint. Outback Stores is committed to continual improvement in environmental performance management.

Outback Stores Pty Ltd and Controlled Entity

DIRECTORS' REPORT

The directors of Outback Stores Pty Ltd submit herewith the annual financial statements of the Group for the year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors and senior management

The names and particulars of the directors of the company during or since the end of the financial year are:

<u>Name</u>	<u>Particulars</u>
Mr. S. Bradley	Chairman, joined the Board on 31 July 2007 in a non-executive capacity. Mr. Bradley specialises in logistics and information technology and was involved in Woolworths, Big W Discount Stores and J. Sainsbury in London.
Mr. A.R. King	Joined the Board in 2006 in a non-executive capacity with over 25 years of retailing and remote retailing experience.
Mr A.J. Robinson	Company Secretary, appointed on 29 January 2008.
Dr. B. Orme	Company Secretary, appointed on 31 May 2012
Mr. E. A. Moore	Former Senior Executive with Coles Myer, currently Chairman of Frontline Defence Services, joined the Board in 2006 in a non-executive capacity.
Mr. R.E. Hudson	Chartered Accountant and former Managing Partner of Deloitte Touche Tohmatsu in the Northern Territory, joined the Board on 24 July 2008 in a non-executive capacity.
Prof. K. O'Dea AO	Director of the Sansom Institute of Health Research at the University of South Australia and serves on national committees advising government on health and medical research, Indigenous health, nutrition and diabetes. In 2004, she was made an Officer of the Order of Australia for service to medical and nutrition research and the development of public health policy, particularly research into chronic diseases affecting Indigenous Australians. Appointed to the Board 15th of July 2010 in a non-executive capacity.
Mrs. H. D'Antoine	Associate Director of Indigenous Programs for the Menzies School of Health Research. In 2009 she was awarded the public health Association of Australia WA Branch, Indigenous Health Award. She has been involved extensively in research and presentations for Indigenous health throughout her career. Appointed to the board 9th March 2011 in a non-executive capacity.
Mrs. B. Price	Chairwomen of the Indigenous Affairs Advisory Council NT. She has a Bachelor of Applied Science in Indigenous Community Management and Development. She has worked in a variety of fields including education and training, translating and public administration. Appointment to the board 24th May 2011 in a non-executive capacity.
Mr. N. Onikul	Former Senior executive with Woolworths over 40 years successful experience in the retail environment. He has specialised in all aspects of the food, liquor and petrol business and managed the Woolworths liquor business (BWS & Dan Murphy) during initial conceptualisation to growth. Appointment to the board 24th May 2011.

The above named directors held office for the above mentioned terms.

Mr A.J. Robinson - resigned 8 May 2012

Mrs. B. Price - resigned 29 May 2012

Mr. E. A. Moore - resigned 24 November 2011

Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report, on pages 6 to 7.

Outback Stores Pty Ltd and Controlled Entity

DIRECTORS' REPORT

Shares options granted to directors and senior management

No share options were granted or authorised to directors and senior management.

Company secretary

Dr. B Orme held the position of company secretary of Outback Stores Pty Ltd at the end of the financial year.

Principal activities

Outback Stores' principal activities in the course of the financial year were the management services provided to remote Indigenous Community stores across Australia. Activities also include commercial loans and support to unviable remote community stores.

Review of operations

Combined store turnover for the financial year was over \$65million dollars from 26 stores. Outback Stores managed 26 stores at the end of the financial year.

We have continued to encourage consumption of healthy food while not withdrawing unhealthy products (such as cigarettes) as our experience is that people will travel great distances to source their unhealthy preferences. We have significantly improved the affordability of fruit and vegetables this year and observed a pleasing increase in volumes. Overall we believe that substantial diet changes will take a significant amount of time and involve continuing to work with health and nutrition groups in the communities.

We have also focused on improving efficiencies within the business reducing operating costs substantially while maintaining high service levels to stores we manage.

The business of managing retail stores in remote community stores continues to be challenging due to the ongoing high operating costs both for the stores and for Outback Stores to service and support them. The company continues to work to reduce costs in stores and become more efficient in the way we manage them. The company still has a large number of stores that are not viable due to small populations and high operating costs.

	2012	2011
	\$	\$
Profit / (loss) for the year	1,291,241	303,206
Less: Income tax expense	546,881	118,227
Profit / (loss) before income tax	<u>1,838,122</u>	<u>421,433</u>
Less: Adjustments for non-operating profit		
Revenue from Government Grants	2,731,664	2,413,533
Impairment recovery	-	165,140
Gain on sale of fixed assets	75,578	(39,141)
Store grant expenditure (underpinning)	(2,046,733)	(1,952,716)
Grant expenditure	26,073	(94,499)
Total non-operating loss	<u>786,582</u>	<u>492,317</u>
Total operating profit / (loss)	<u>1,051,540</u>	<u>(70,884)</u>

Change in state of affairs

There was no significant change in the state of affairs of the Group during the financial year.

Outback Stores Pty Ltd and Controlled Entity

DIRECTORS REPORT

Subsequent events

There has not been any matter or circumstance occurring subsequent to the year end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of its operations, or the state of affairs of the company other than those matters outlined in Note 15 to the financial statements.

Future developments

Outback Stores will continue to grow through expanding their services to other remote Indigenous community stores across Australia. There is a possibility that some of the current Indigenous community stores could discontinue their management agreement with OBS, any further information of this nature has been omitted due to the uncertainty involved in the operations of Outback Stores.

Dividends

No dividends have been paid or declared since the start of the financial year and the directors have not recommended the payment of a dividend for the current financial year's performance.

Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above) and all executive officers of the company against a liability incurred as such a director or executive officer to the extent permitted by the Corporations Act 2001.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company against a liability incurred as such an officer or auditor.

Non-audit services

The auditor did not provide any non-audit services during or since the end of the financial year.

Auditor's independence declaration

The auditor's independence declaration is included on page 8 of the annual report.

Remuneration report

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Outback Stores' directors and its senior management for the financial year ended 30 June 2012. The prescribed details for each person covered by this report are detailed below under the following headings:

- director and senior management details
- remuneration policy
- relationship between the remuneration policy and company performance
- remuneration of directors and senior management
- key terms of employment contracts

Director and senior management details

The following persons acted as directors of the company during or since the end of the financial year:

Mr. S. Bradley (Chairman)

Mr. A.R. King

Mr A.J. Robinson (Company Secretary Resigned 8 May 2012)

Mr. E. A. Moore (Resigned 24 November 2011)

Mr. R.E. Hudson

Dr. B. Orme (Company Secretary Appointed 31 May 2012)

Mrs. H. D'Antoine (Appointed 9 March 2011)

Mrs. B. Price (Resigned 29 May 2012)

Prof. K. O'Dea (Appointed 15 July 2010)

Mr. N. Onikul (Appointed 24 May 2011)

Outback Stores Pty Ltd and Controlled Entity

DIRECTORS REPORT

The term 'senior management' is used in this remuneration report to refer to the following persons that have the authority and responsibility for planning, directing and controlling the activities of the company. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

Mr. S. Moore (Chief Executive Officer, appointed 29 June 2011)
Ms. L. Dutton (Chief Financial Officer, appointed 1 March 2009)
Mr B. Orr (Operations Manager- appointed 1 July 2009)

Remuneration policy

It is a requirement to agree any remuneration and wage contract of senior management with a member of the board. Remuneration is considered based on current market conditions and annual performance review.

Board approval is required to change the remuneration package of the Chief Executive Officer after determination by the remuneration tribunal.

Relationship between the remuneration policy and company performance

Remuneration for employees is based on employment contracts that are linked to the individual's and company performance.

The company's earnings are reported under the statement of comprehensive income.

Remuneration of directors and senior management

Non-executive directors

Remuneration has been paid to non-executive directors during or since the end of the financial year.

	<u>2012</u>	<u>2011</u>
	\$	\$
Short-term employee benefits	33,973	-
Other long-term benefits	-	-
Termination benefits	-	-
Total remuneration:	33,973	-

Executive officers

Short-term employee benefits	641,619	746,211
Other long-term benefits	-	-
Termination benefits	-	16,458
Total remuneration:	641,619	762,669

Bonuses and share-based payments granted as compensation for the current financial year

Bonuses

Bonuses to senior management are provided for based on their individual employee contracts and are based on company performance and at the Board's discretion.

Employee share option plan

No share-based payment arrangements existed during or since the end of the financial year.

Outback Stores Pty Ltd and Controlled Entity

DIRECTORS' REPORT

Key terms of employment contracts

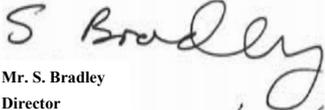
Employment contracts are negotiated on a per person basis and include the following details. Unless noted otherwise, the termination notice required to terminate the contract are four weeks.

Mr. S. Moore (Chief Executive Officer) - 1 Year contract commencing 30 Sept 2011, with a required termination notice period of one month.(This is while Outback Stores obtain official approval for a longer term contract).

Ms. L. Dutton - (Chief Financial Officer) - Permanent position commencing 1st March 2009 with a required termination notice of eight weeks.

Mr. B. Orr - (Operations Manager) - Permanent position commencing 1 July 2009 with a required termination notice of eight weeks.

On behalf of the Directors


Mr. S. Bradley
Director

Darwin, Dated:

22/8/12

Outback Stores Pty Ltd and Controlled Entity

AUDITOR'S INDEPENDENCE DECLARATION



Mr Stephen Bradley
Chairman
Outback Stores Pty Ltd
PO Box 1953
Berrimah NT 0828

Dear Mr Bradley

**OUTBACK STORES PTY LTD AND THE CONSOLIDATED ENTITY
FINANCIAL REPORT 2011-12
AUDITOR'S INDEPENDENCE DECLARATION**

In relation to my audit of the financial report of Outback Stores Pty Ltd and the consolidated entity for the year ended 30 June 2012, to the best of my knowledge and belief, there have been:

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

Australian National Audit Office

A handwritten signature in black ink, appearing to read 'Kristian Gage', is written over a horizontal line.

Kristian Gage
Audit Principal

Delegate of the Auditor-General
Canberra

21 August 2012

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the members of Outback Stores Pty Ltd

I have audited the accompanying financial report of Outback Stores Pty Ltd and Controlled Entity which comprises the consolidated Statement of Financial Position as at 30 June 2012, the consolidated Statement of Comprehensive Income, the consolidated Statement of Changes in Equity and the consolidated Statement of Cash Flows for the year then ended, Notes comprising a Summary of Significant Accounting Policies and other explanatory information, and the Directors' Declaration of the company and the controlled entity comprising Outback Stores Pty Ltd and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of Outback Stores Pty Ltd 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 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 2, 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

My responsibility is to express an opinion on the financial report based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I 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 the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Outback Stores Pty Ltd and Controlled Entity

INDEPENDENT AUDITOR'S REPORT

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Outback Stores Pty Ltd on 21 August 2012, would be in the same terms if provided to the directors as at the time of this auditor's report.

Opinion

In my opinion:

- (a) the financial report of Outback Stores Pty Ltd and the Controlled Entity is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company and controlled entity's financial positions as at 30 June 2012 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) The consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Australian National Audit Office



Kristian Gage
Audit Principal

Delegate of the Auditor-General

Canberra

22 August 2012

Outback Stores Pty Ltd and Controlled Entity

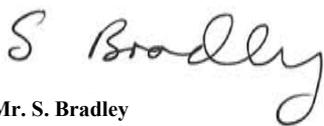
DIRECTORS' DECLARATION

The directors of Outback Stores Pty Ltd declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements; and
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Mr. S. Bradley

Director

Darwin, Dated:



Outback Stores Pty Ltd and Controlled Entity

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2012

	Notes	Consolidated	
		2012	2011
		\$	\$
Revenue			
Revenue from Government Grants	3A	2,731,664	2,413,533
Sale of goods and rendering of services	3B	3,515,972	3,661,864
Interest income	3C	3,061,288	3,048,728
Rental income	3D	20,468	18,968
Store recoveries and charges	3E	5,678,538	5,065,965
Other revenue	3F	1,666,301	1,696,363
Total Revenue		16,674,231	15,905,421
Expenses			
Consulting expenses		112,303	181,743
Cost of goods sold	4A	797,527	1,093,735
Depreciation and amortisation	4B	915,166	1,740,823
Employee benefit	4C	8,243,048	7,968,537
Finance costs	4D	-	302
Impairment of assets	4E	-	(165,140)
(Gain) / Loss on disposal of fixed assets	4F	(75,578)	39,141
Rental expenses	4G	261,175	271,206
Store grant expenditure	4H	2,046,733	1,952,716
Other expenses	4I	2,561,808	2,306,426
Other grant (income) / expenditure	4J	(26,073)	94,499
Total Expenses		14,836,109	15,483,988
Profit / (loss) before income tax		1,838,122	421,433
Income tax expense	5A	546,881	118,227
Profit / (loss) for the year		1,291,241	303,206
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income / (loss) for the year, net of tax		1,291,241	303,206
Profit / (loss) for the year is attributable to:			
Equity holders of the parent		1,291,241	303,206
Total comprehensive income / (loss) is attributable to:		1,291,241	303,206
Equity holders of the parent		1,291,241	303,206

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

Outback Stores Pty Ltd and Controlled Entity

STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2012

	Notes	Consolidated	
		2012 \$	2011 \$
ASSETS			
Current assets			
Cash and cash equivalents	6A	63,592,975	63,321,323
Inventories	6B	115,859	101,486
Trade and other receivables	6C	2,475,793	2,503,558
Other financial assets	6D	93,035	98,768
Current tax asset	5C	-	-
Other current assets	6E	96,672	126,496
Total current assets		66,374,334	66,151,631
Non-current assets			
Property, plant and equipment	7	2,486,627	2,415,571
Deferred tax asset	5D	320,239	309,241
Other financial assets	6D	253,327	381,771
Intangible assets	8	22,693	52,147
Total non-current assets		3,082,886	3,158,730
Total Assets		69,457,220	69,310,361
LIABILITIES			
Current liabilities			
Trade and other payables	9A	926,554	815,600
Grants	9B	26,204,326	28,033,060
Provisions	9C	660,485	552,610
Borrowings	9D	32,080	-
Current tax liability	5C	539,194	160,757
Total current liabilities		28,362,639	29,562,027
Non-current liabilities			
Grants	9B	-	-
Provisions	9C	196,736	152,165
Deferred tax liabilities	5D	27,545	17,110
Total non-current liabilities		224,281	169,275
Total Liabilities		28,586,920	29,731,302
Net Assets		40,870,300	39,579,059
EQUITY			
Issued capital	10	40,000,001	40,000,001
Retained earnings		870,299	(420,942)
Total Equity		40,870,300	39,579,059

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

Outback Stores Pty Ltd and Controlled Entity

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2012

	Consolidated		
	Fully Paid Ordinary Shares	Retained Earnings	Total Equity
	\$	\$	\$
Balance at 1 July 2010	40,000,001	(724,148)	39,275,853
Total comprehensive income for the year, net of tax	-	303,206	303,206
Balance as at 30 June 2011	40,000,001	(420,942)	39,579,059
Balance at 1 July 2011	40,000,001	(420,942)	39,579,059
Total comprehensive income for the year, net of tax	-	1,291,241	1,291,241
Balance as at 30 June 2012	40,000,001	870,299	40,870,300

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

Outback Stores Pty Ltd and Controlled Entity

STATEMENT OF CASH FLOWS

for the year ended 30 June 2012

	Consolidated	
	2012	2011
Notes	\$	\$
Cash flows from operating activities		
Receipts from customers	11,173,040	10,361,321
Payments to suppliers and employees	(11,726,834)	(11,804,366)
Grants received	902,930	606,655
Interest and other costs of finance paid	-	(302)
Income taxes (paid) / refunded	(169,007)	266
Net cash flows (used in) / generated by operating activities	12b 180,129	(836,426)
Cash flows from investing activities		
Payments for property, plant and equipment	(1,010,312)	(146,176)
Proceeds from sales of property, plant and equipment	129,123	76,685
Payment for purchase of intangible assets	-	(2,598)
Underpinning payments for stores and other grants	(2,020,659)	(2,047,214)
Amounts received / (advanced to) from stores under commercial loans	134,177	106,171
Interest received	2,827,114	2,433,405
Net cash flows generated by / (used in) investing activities	59,443	420,273
Cash flows from financing activities		
Repayment of capitalised finance lease	-	(56,052)
Proceeds from borrowings	32,080	-
Net cash flows (used in) / generated by financing activities	32,080	(56,052)
Net increase / (decrease) in cash and cash equivalents	271,652	(472,205)
Cash and cash equivalents at the beginning of the year	63,321,323	63,793,528
Cash and cash equivalents at the end of the year	12a 63,592,975	63,321,323

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

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 1: General information

1. General information

Outback Stores Pty Ltd (Outback Stores) is a proprietary company limited by shares, incorporated and domiciled in Australia. Outback Stores principal activities are management services provided to remote Indigenous community stores across Australia and commercial loans and other financial support to unviable remote community stores through the support of the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA).

The Group consist of Outback Stores and entities controlled by Outback Stores (its subsidiaries referred to as 'the Group' in these financial statements).

The Outback Stores' registered office and principal place of business of the company are as follows:

67 Pruen Road
Berrimah
Darwin NT 0828

Note 2: Summary of Significant Accounting Policies

2. Significant accounting policies

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 22 August 2012.

Basis of preparation

The financial statements have been prepared on the basis of historical cost except for certain non-current assets and financial instruments that are measured at fair value, as explained in the accounting policies below. Historical Cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. All amounts have been rounded to the nearest dollar.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 2: Summary of Significant Accounting Policies

The following are the critical judgements, apart from those involving estimations that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Useful lives of property, plant and equipment

As described in note 2(l), the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. No changes were made to the useful lives for existing assets however management determined a shortened effective life for motor vehicles leased to the stores and point of sale systems during the 2011 - 12 financial year, due to the remote location and harsh conditions they are used in. The potential effect of a change in these estimates is not expected to be material.

Employee entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date;

- future increases in wage and salaries;
- future on cost rates; and
- experience of employee departures and period of service

The potential effect of a change in these assumptions is not expected to be material.

Intangible assets

Useful lives for trademarks are based on contractual life for trademark registrations. In determining the estimated useful lives for IT Software, management relies on guidance provided by the Australian Taxation Office. The potential effect of a change in these estimates is not expected to be material.

Inventories

Inventory set out in note 6B represents finished goods purchased for sale in the retail stores owned and managed by the Group and is calculated at the lower of cost and net realisable value as stated in note 2 (j). The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated cost to sell which approximates fair value less cost to sell. The key assumptions require the use of management judgement and are reviewed annually. These key assumptions are the variables affecting the estimated costs to sell and the expected selling price. Any reassessment of cost to sell or selling price in a particular year will affect the cost of goods sold. The potential effect of a change in these assumptions is not expected to be material.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. These did not result in any material financial impact on the financial statements of the Group.

2.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2.

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments: Disclosure'

The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'

AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss).

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 2: Summary of Significant Accounting Policies

AASB 124 'Related Party Disclosures' (revised December 2009)

AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard delete various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs.

AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may effect the accounting for future transactions and arrangements.

AASB 2010-5 'Amendments to Australian Accounting Standards'

The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on the amounts reported in the Group's consolidated financial statements.

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

<u>Standard / Interpretation</u>	<u>Effective for annual reporting periods beginning on or after</u>	<u>Expected to be initially applied in the financial year ending</u>
AASB 9 Financial Instruments, AASB 2009-11' Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 ' Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 2: Summary of Significant Accounting Policies

AASB 2010-8 'Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

<u>Standard / Interpretation</u>	<u>Effective for annual reporting periods beginning on or after</u>	<u>Expected to be initially applied in the financial year ending</u>
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	30 June 2015
Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	30 June 2014
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016

Economic dependency

The financial statements have been prepared on a going concern basis, however the existence of the company was historically highly dependent upon continued government grant funding.

Accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The income and expenses of subsidiaries acquired or disposed during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Refer to note 13 for related party disclosures.

There are no non-controlling interests for the Group to report on.

(b) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 2: Summary of Significant Accounting Policies

(c) Cash and cash equivalents

Cash comprises cash on hand and on demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. The group did not have an overdraft during the financial period.

(c) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

(d) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss'(FVTPL), 'held to maturity' investments, 'available-for sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 2: Summary of Significant Accounting Policies

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced directly by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(e) **Financial liabilities and equity instruments issued by the Group**

Classification of Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Movements in equity instruments in the Group during the reporting period are outlined in the statement of changes in equity and Note 10.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss (FVTPL)' or other financial liabilities.

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 2: Summary of Significant Accounting Policies

Financial liabilities at fair value through profit or loss

Financial liabilities are classified at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in note 17C.

Other financial liabilities

Other financial liabilities, including trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount of initial recognition.

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit and loss.

(f) Government grants

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirement to operate in certain regions or industry sectors. Government grants are initially recognised as a liability.

Government grants are not recognised as income until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Other grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in of the period in which they become receivable.

(g) Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 2: Summary of Significant Accounting Policies

(h) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax is based on the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, as the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except, when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(i) Intangible assets

Patents, trademarks and licences

Patents, trademarks and licences are recorded at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 2: Summary of Significant Accounting Policies

IT Software

IT Software is recorded at cost less accumulated amortisation and impairment. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Estimated useful lives are:

<u>Class of intangible asset</u>	<u>2012</u>	<u>2011</u>
Trademarks	10 years	10 years
IT software	2.5 years	2.5 years

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

(k) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessor

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

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

As lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Refer to note 2(b). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 2: Summary of Significant Accounting Policies

(l) Property, plant and equipment

Buildings represent portable housing and fixtures in remote communities and are stated at cost less accumulated depreciation and accounting impairment losses.

Depreciation on buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued buildings, the attributable revaluation surplus remaining in the revaluation reserve, net of any related taxes, is transferred directly to retained earnings.

Furniture and fittings, containers, leasehold improvements, motor vehicles and components and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements and equipment under finance lease are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis. Assets acquired under \$1,000 are written off immediately for financial accounting purposes.

The following depreciation rates were used for each class of asset:

<u>Class of Property, Plant and Equipment</u>	<u>2012</u>	<u>2011</u>
Containers	20%	20%
Furniture and Fittings	20%	20%
Housing	10%	10%
IT Equipment	25% - 66.67%	25% - 66.67%
Capitalised leased assets	20% - 66.67%	20% - 66.67%
Leasehold improvements	2.50%	2.50%
Motor vehicles and components	20% - 33.33%	20% - 33.33%

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 2: Summary of Significant Accounting Policies

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. The Group was not subject to an onerous contract during the reporting period.

(n) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- management and accounting fees are recognised by reference to the management service contract which reflect the performance of contracted services.

Rental income:

The Group's policy for recognition from operating leases is described in note 2(k).

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are recognised in accordance with the accounting policy outline in note 2(f).

(o) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST, the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flow on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 3: Revenue

	Consolidated	
	2012	2011
	\$	\$
Revenue		
Note 3A: Revenue from Government Grants		
Grants from related entities:		
FaHCSIA - Food Grant	1,255,098	1,205,268
FaHCSIA - Food Security	1,465,747	876,026
FaHCSIA - Nutrition	-	-
FaHCSIA - Elliot	1,500	27,755
FaHCSIA - Pigeon Hole Bush Order	6,638	111,285
FaHCSIA - Bulman Generator	-	50,579
FaHCSIA - Other	2,681	142,620
Total revenue from Government Grants	2,731,664	2,413,533
Note 3B: Sale of goods and rendering of services		
Management fees	2,345,927	2,130,007
Sale of goods	1,170,045	1,531,857
Total sale of goods and rendering of services	3,515,972	3,661,864
Note 3C: Interest income		
Financial Institutions	71,262	88,671
Interest from Loans to Stores	27,378	33,329
Term Deposits	2,962,648	2,926,728
Total interest income	3,061,288	3,048,728
Note 3D: Rental income		
Operating lease:		
House	20,468	18,968
Total rental income	20,468	18,968
Note 3E: Store recoveries and charges		
Managers Services On-charged	4,116,415	3,762,036
Recoveries from Managed Stores	1,562,123	1,303,929
Total store recoveries and charges	5,678,538	5,065,965

Outback Stores Pty Ltd and Controlled Entity
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note 3: Revenue

	Consolidated	
	2012	2011
	\$	\$
Note 3F: Other revenue		
Commission received	5,999	5,848
Consultancy fees	155,811	168,569
Rebates received	1,398,685	1,431,020
Sundry income	8,153	22,900
Training Government Subsidy	97,653	68,026
Other rental income	-	-
Total other revenue	1,666,301	1,696,363

Outback Stores Pty Ltd and Controlled Entity
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note 4: Expenses

	Consolidated	
	2012	2011
	\$	\$
Note 4A: Cost of goods sold		
Purchases and direct cost	797,527	1,093,735
Note 4B: Depreciation and amortisation		
Amortisation of intangible assets	29,454	81,403
Depreciation of property, plant and equipment	885,712	1,659,420
Total depreciation and amortisation	915,166	1,740,823
Note 4C: Employee benefit		
Wages and salaries	7,181,498	6,948,343
Termination benefits	21,807	23,708
Travel and other allowances	152,400	157,743
Superannuation contributions - defined contribution plans	628,821	617,180
Staff incentive provision	10,612	5,469
Leave and other entitlements	247,910	216,094
Total employee benefit	8,243,048	7,968,537
Note 4D: Finance costs		
Interest on obligations under finance leases	-	302
Total finance costs	-	302
Note 4E: Impairment of assets		
Trade and other receivables	-	-
Other financial assets	-	(165,140)
Total impairment of assets	-	(165,140)
Note 4F: (Gain) / Loss on disposal of fixed assets		
Gain on disposal of fixed assets	(76,123)	(18,660)
Loss on disposal of fixed assets	545	57,801
Total (Gain) / Loss on disposal of fixed assets	(75,578)	39,141

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 4: Expenses (Cont'd)

	Consolidated	
	2012	2011
	\$	\$
Note 4G: Rental expenses		
Operating lease rentals	261,175	271,206
Total rental expenses	261,175	271,206
Note 4H: Store grant expenditure		
Ali Curung - Mirirri Indigenous Corporation	5,991	22,283
Yimilyumanja - Warningakalinga Indigenous Corporation	3,450	102,218
Balgo - Wirrimanu Community Store Pty Ltd	155	3,660
Barunga - Barunga Community Store Indigenous Corporation - Ngan Jilngurru Store	30,952	245,468
Beswick - Wuduluk Progress Indigenous Corporation - Beswick Community Store	21,519	52,782
Bulman - Gulin Gulin Community Store Incorporated	-	11,480
Canteen Creek - Canteen Creek Store Charitable Trust	81,260	97,831
Dajarra - Pathwell Pty Ltd	-	(95)
Engawala - Njamina Store Indigenous Corporation	2,300	51,836
Epenarra - Wetengerr Indigenous Corporation	181,911	129,865
Imanpa - Imanpa Yaatitjiti Store Association Incorporated	174,486	389,721
Jilkminggan - Dungalan Indigenous Association Incorporated	74,668	59,611
Manyallaluk - Nungalawuy Store Indigenous Corporation	206,333	241,137
Mimili - Mimili Maku Store Indigenous Corporation	109,828	75,161
Mulan - Pinanyi Store Indigenous Corporation	228,383	
Ngukurr - Ngukurr Progress Indigenous Corporation	30,348	8,360
Nguru Walalja - Yuendumu Women's Centre trading as Nguru Walalja	-	7,776
Nyirripi - Nyirripi Community Store Incorporated	72,678	14,569
Pigeon Hole - Nitjipuru Indigenous Corporation	180,707	144,923
Ringer Soak - Kundat Djaru Community Store Indigenous Corporation	128,347	89,248
Titjikala - MacDonnell Shire Council - Titjikala Store	306,028	77,970
Santa Teresa - Santa Teresa Community Store	-	8,048
Willowra - Wirliyajarrai Store Inc	7,336	91,045
Wallace Rockhole	(18,116)	-
Yalata	69,490	-
Yarralin - Victoria Daly Shire Council - Yarralin Store	3,450	-
Yiyili - Yiyili Community Store Indigenous Corporation	145,229	27,819
Total store grant expenditure	2,046,733	1,952,716
Store grants represent non-recoverable cash advances and other underpinning to assist unviable remote community stores.		
Note 4I: Other expenses		
Travel and accommodation	316,575	232,528
Bad debts	2	22,883
Information technology	330,018	390,199
Recruitment costs	81,320	59,271
Insurance	150,376	107,425
Accountancy fees	21,924	19,520
Audit fees (Note 4K)	45,000	40,000
Motor vehicle	334,759	302,230
Fringe benefit and payroll tax	575,973	436,802
Training	88,214	35,332
Communication	114,114	146,489
Other expenses	503,533	513,747
Total other expenses	2,561,808	2,306,426

Outback Stores Pty Ltd and Controlled Entity
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note 4: Expenses (Cont'd)

	<u>Consolidated</u>	
	2012	2011
	\$	\$
Note 4J: Other grant (income) / expenditure		
Expenditure of grants received from other entities:		
Bulman Generator	-	50,579
Elliot Grant Funding	1,500	27,755
Food Security	(27,573)	16,165
Nutrition	-	-
Other	-	-
Total other grant (income) / expenditure	(26,073)	94,499

Note 4K: Auditors' remuneration

Amounts paid or payable in respect of the audit or review of the financial statements of the Group to:

The Australian National Audit Office	45,000	42,000
Total auditors' remuneration	45,000	42,000

No non-audit services were provided by the auditors.

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 5: Income tax expense

Consolidated	
2012	2011
\$	\$

Note 5A: Income tax recognised in profit or loss

Tax expense comprises:

Current tax expense / (income) in respect of the current year	539,194	160,757
Adjustments recognised in the current year in relation to the current tax of prior years	8,250	-
Current tax	547,444	160,757
Deferred tax expense / (income) relating to the origination and reversal of temporary differences	(563)	(42,530)
Total income tax expense / (benefit)	546,881	118,227

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense / (benefit) in the financial statements as follows:

Profit / (Loss) before income tax	1,838,122	421,433
Income tax expense / (benefit) calculated at 30% (2011: 30%)	551,437	126,430
Effect of expenses that are not deductible in determining taxable profit	3,390	49,822
Effect of unused tax losses and tax offsets not recognised	(8,199)	(58,025)
Difference	254	-
Income tax expense in statement of comprehensive income	546,881	118,227

The applicable weighted average effective tax rates are as follows: 30% 28%

The tax rate used in the above reconciliation is the corporate tax rate of 30 % payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Note 5B: Franking Credits

Franking account balance	1,186,836	1,017,829
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Note 5C: Current tax assets and liabilities

Current tax assets

-	-
-	-

Current tax liabilities

Income tax payable	539,194	160,757
	539,194	160,757

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 5: Income tax expense (Cont'd)

Note 5D: Deferred tax balances

Consolidated

Deferred tax assets / (liabilities) arise from the following:

2012	Opening balance \$	Charged to Income \$	Charged to Equity \$	Total \$
Temporary differences				
Allowance for impairment	7,310	-	-	7,310
Prepayments	(16,062)	(11,483)	-	(27,545)
Property, plant & equipment and Intangible assets	2,848	20,933	-	23,781
Other assets	6,326	(1,582)	-	4,744
Accrued expenses	80,277	(53,039)	-	27,238
Employee benefits	199,880	20,159	-	220,039
Provision for audit fees	12,600	-	-	12,600
Fringe benefit and payroll tax	(1,048)	25,575	-	24,527
	292,131	563	-	292,694

Presented on the statement of financial position as follows:

Deferred tax liability attributable to continuing operations	27,545
	<u>27,545</u>

Deferred tax asset attributable to continuing operations	320,239
	<u>320,239</u>

2011	Opening balance \$	Charged to Income \$	Charged to Equity \$	Total \$
Temporary differences				
Allowance for impairment	45,106	(37,796)	-	7,310
Prepayments	(9,696)	(6,366)	-	(16,062)
Property, plant & equipment and Intangible assets	(8,851)	11,699	-	2,848
Other assets	-	6,326	-	6,326
Accrued expenses	-	80,277	-	80,277
Staff liabilities	5,344	(5,344)	-	-
Employee benefits	189,402	10,478	-	199,880
Provision for audit fees	16,500	(3,900)	-	12,600
Fringe benefit and payroll tax	11,796	(12,844)	-	(1,048)
	249,601	42,530	-	292,131

Presented on the statement of financial position as follows:

Deferred tax liability attributable to continuing operations	17,110
	<u>17,110</u>

Deferred tax asset attributable to continuing operations	309,241
	<u>309,241</u>

Consolidated

2012	2011
\$	\$

Note 5E: Unrecognised deferred tax assets

Unrecognised deferred tax assets	-	32,330
	<u>-</u>	<u>32,330</u>

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note6: Current Assets

	Consolidated	
	2012	2011
	\$	\$
Note 6A: Cash and cash equivalents		
Cash	2,542,975	1,971,323
Short term deposits	61,050,000	61,350,000
Total cash and cash equivalents	63,592,975	63,321,323
Note 6B: Inventories		
Finished goods at cost	115,859	101,486
	115,859	101,486

Inventories are purchased goods used in trading community stores that are owned and operated by the Group and are expected to be recovered within twelve months.

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$797,527 (2011: \$1,093,735).

Note 6C: Trade and other receivables

Trade receivables (i)		
Other	34,475	31,807
Rebates	252,071	151,894
Store debt	759,548	813,579
	1,046,094	997,280
Allowance for impairment of trade receivables	(24,366)	(24,366)
Total trade receivables	1,021,728	972,914
Other receivables		
Accrued interest	1,268,078	1,033,904
Bonds	18,586	19,419
Employees	-	1,002
Investment clearing - stores	10,486	8,099
Rebates accruals	43,240	140,587
Sundry receivables	113,675	327,633
Total other receivables	1,454,065	1,530,644
Total trade and other receivables	2,475,793	2,503,558

(i) No interest is charged on outstanding debtor balances. An allowance has been made for irrecoverable amounts determined from liquidity review of individual stores and management views. Debtor days is not viewed as an accurate measurement of impairment of receivables.

Net receivables are aged as follows:

Not overdue	2,455,460	2,474,180
Overdue:		
30 to 60 days	100	1,526
60 to 90 days	2,922	3,486
More than 90 days	17,311	24,366
Total trade and other receivables	2,475,793	2,503,558

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 6: Current Assets (cont'd)

	Consolidated	
	2012	2011
	\$	\$
<u>Movement / (recoveries) in allowance for impairment of trade receivables</u>		
Balance at the beginning of the year	24,366	302
Reversal of impairment provision	-	(302)
Impairment losses recognised on receivables	-	24,366
Balance at the end of the year	24,366	24,366

In determining the recoverability of receivables, management considers any change in the credit quality of the receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is high due to the nature of community stores and their dependency on government assistance. Amounts written off as uncollectible are recovered out of grant funding as store grants.

Ageing of impaired trade receivables

Current	-	-
30 to 60 days	-	-
60 to 90 days	-	-
More than 90 days	24,366	24,366
Balance at the end of the year	24,366	24,366

Note 6D: Other financial assets

Current

Loans to other entities (ii)	93,035	98,768
	93,035	98,768

Non-current

Loans to other entities (ii)	253,327	381,771
	253,327	381,771

Total other financial assets

	346,362	480,539
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Movement / (recoveries) in allowance for impairment of loans to other entities

Balance at the beginning of the year	-	165,140
Reversal of impairment provision	-	(165,140)
Impairment losses recognised on loans to other entities	-	-
Balance at the end of the year	-	-

(i) Outback Stores Pty Ltd is the shareholder of its wholly-owned subsidiary Ti-Tree Grocery Store Pty Ltd.

Ti-Tree was incorporated on 11 December 2008 within Australia and its financial position and results is reported in these consolidated financial statements.

(ii) Loans to other entities represents unsecured commercial loans to community stores under the terms of management agreements, repayable over the loan agreement period, being between 1 to 10 years. Interest is charged between 5 - 9%.

Note 6E: Other current assets

Prepayments	96,672	107,893
Deposits paid	-	18,603
Total other current assets	96,672	126,496

Outback Stores Pty Ltd and Controlled Entity
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note 7: Property, Plant and Equipment

Consolidated

	Housing at cost \$	Containers at cost \$	Furniture and fittings at cost \$	Capitalised Assets at cost \$	Leasehold Improvements at cost \$	Motor Vehicle and components at cost \$	IT Equipment at cost \$	Total \$
As at 1 July 2011								
Gross book value	1,389,562	118,814	293,291	-	126,206	1,815,970	2,529,325	6,273,168
Accumulated depreciation/amortisation and impairment	(246,213)	(59,914)	(171,603)	-	(76,874)	(1,560,446)	(1,742,547)	(3,857,597)
Net book value 1 July 2011	1,143,349	58,900	121,688	-	49,332	255,524	786,778	2,415,571
Additions	567,746	-	34,896	-	2,500	287,053	118,117	1,010,312
Depreciation	(101,430)	(20,691)	(40,776)	-	(36,741)	(205,266)	(480,808)	(885,712)
Transfers	(7,903)	-	7,903	-	-	-	-	-
Disposals	-	(4,104)	(36,156)	-	-	-	(13,284)	(53,544)
Net book value 30 June 2012	1,601,762	34,105	87,555	-	15,091	337,312	410,802	2,486,627
Net book value as of 30 June 2012 represented by:								
Gross book value	1,949,405	114,710	282,368	-	128,706	2,008,681	2,631,035	7,114,905
Accumulated depreciation/amortisation and impairment	(347,643)	(80,605)	(194,813)	-	(113,615)	(1,671,370)	(2,220,233)	(4,628,279)
	1,601,762	34,105	87,555	-	15,091	337,312	410,802	2,486,627
As at 1 July 2010								
Gross book value	1,389,562	184,106	326,624	128,411	140,344	1,891,632	2,493,324	6,554,003
Accumulated depreciation/amortisation and impairment	(152,192)	(64,459)	(164,997)	(115,558)	(71,762)	(954,419)	(1,055,541)	(2,578,928)
Net book value 1 July 2010	1,237,370	119,647	161,627	12,853	68,582	937,213	1,437,783	3,975,075
Additions	-	-	54,593	-	17,112	23,938	50,533	146,176
Depreciation	(94,021)	(27,190)	(45,574)	(12,853)	(36,362)	(697,109)	(746,311)	(1,659,420)
Disposals	-	(33,557)	(48,958)	-	-	(8,518)	(12,854)	(103,887)
Net book value 30 June 2011	1,143,349	58,900	121,688	-	49,332	255,524	786,778	2,415,571
Net book value as of 30 June 2011 represented by:								
Gross book value	1,389,562	118,814	293,291	-	126,206	1,815,970	2,529,325	6,273,168
Accumulated depreciation/amortisation and impairment	(246,213)	(59,914)	(171,603)	-	(76,874)	(1,560,446)	(1,742,547)	(3,857,597)
	1,143,349	58,900	121,688	-	49,332	255,524	786,778	2,415,571

Outback Stores Pty Ltd and Controlled Entity
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note 8: Intangible Assets

Consolidated

	Trademarks	IT Software	Total
	\$	\$	\$
As at 1 July 2011			
Gross book value	16,177	314,329	330,506
Accumulated amortisation and impairment	(7,074)	(271,285)	(278,359)
Net book value 1 July 2011	9,103	43,044	52,147
Additions	-	-	-
Amortisation	(1,618)	(27,836)	(29,454)
Disposals	-	-	-
Net book value 30 June 2012	7,485	15,208	22,693
Net book value as of 30 June 2012 represented by:			
Gross book value	16,177	314,329	330,506
Accumulated amortisation and impairment	(8,692)	(299,121)	(307,813)
	7,485	15,208	22,693

As at 1 July 2010			
Gross book value	16,177	423,224	439,401
Accumulated amortisation and impairment	(5,456)	(233,959)	(239,415)
Net book value 1 July 2010	10,721	189,265	199,986
Additions	-	2,598	2,598
Amortisation	(1,618)	(79,785)	(81,403)
Transfers	-	(57,627)	(57,627)
Disposals	-	(11,409)	(11,409)
Net book value 30 June 2011	9,103	43,042	52,145
Net book value as of 30 June 2011 represented by:			
Gross book value	16,177	314,329	330,506
Accumulated amortisation and impairment	(7,074)	(271,285)	(278,359)
	9,103	43,044	52,147

Outback Stores Pty Ltd and Controlled Entity
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note 9: Current Liabilities

	Consolidated	
	2012	2011
	\$	\$
Note 9A: Trade and other payables		
Trade creditors	559,058	396,137
Goods and services tax payable	147,377	32,611
Accrued expenses	129,356	384,362
Staff and other liabilities	90,763	-
PAYG withholding tax payable	-	2,490
Total trade and other payables	926,554	815,600

Settlement of trade creditors is net 30 days.

Note 9B: Grants

Unexpended grants - Parent entity		
IBA - Northern Territory Emergency Relief Funding (NTER)	12,945,448	14,207,184
FAHCSIA Food Grant	12,974,374	13,710,928
Unexpended grants - Other		
Elliot Grant Funding	-	34,982
Nutritional and minor Grant Funding	80,081	79,966
Governance and Training Grant Funding	139,575	-
Bickerton Grant Funding	64,848	-
Total grants	26,204,326	28,033,060
<i>Grants liabilities are represented by:</i>		
Current	26,204,326	28,033,060
Non-current	-	-
Total grants	26,204,326	28,033,060

Note 9C: Provisions

<u>Current</u>		
Employee benefits	536,728	514,103
Audit fees	42,000	42,000
Fringe benefit and payroll tax	81,757	(3,493)
Total current provisions	660,485	552,610
<u>Non-current</u>		
Employee benefits (i)	196,736	152,165
Total provisions	857,221	704,775

(i) The non-current employee benefits are represented by the employee entitlements not expected to be taken within 12 months, being \$196,725 long service leave, (2011: \$152,165 long service leave).

Outback Stores Pty Ltd and Controlled Entity
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note 9: Current Liabilities (Cont'd)

Note 9C: Provision movements

2012

Balance at 1 July 2011
Reduction resulting from payments of future economic benefits
Reduction resulting from remeasurement
Additional provisions recognised

Fringe benefit payable
Balance as at 30 June 2012

Disclosed in the financial statements as:

Current provisions
Non Current provision

Consolidated	
Audit fees \$	Fringe benefit and payroll tax \$
42,000	(3,493)
42,000	85,250
42,000	81,757
42,000	81,757
-	-
42,000	81,757

Note 9D: Borrowings

Unsecured - at amortised cost

Current

Corporate credit cards (i)

32,080	-
32,080	-

(i) Corporate credit cards are provided to management personnel for use of corporate expenses and are repayable within 14 days of being incurred.

Outback Stores Pty Ltd and Controlled Entity
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note 10: Issued Capital

	<u>Consolidated</u>	
	2012	2011
	\$	\$
Authorised and issued shares:		
40,000,001 fully paid ordinary share (2011: 40,000,001 fully paid ordinary share)	40,000,001	40,000,001

Note 11: Leases

Operating leases

Lessee arrangements

Operating leases relate to business premises with lease terms of between 1 to 6 years and residential facilities for temporary accommodation options. The lease terms include options to extend lease periods of between 1 and 2 years and escalation clauses that provide for rental increases based on CPI review. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

Non-cancellable operating lease commitments

No later than one year	214,611	262,278
Later than 1 year and not later than 5 years.	354,951	168,318
Later than 5 years	-	-
	<u>569,562</u>	<u>430,596</u>

Included in the financial statements as other payables:

Accrued expenses (Note 9A)	-	-
	<u>-</u>	<u>-</u>

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 12: Cash flow reconciliation

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in term deposits. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated	
	2012	2011
	\$	\$
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents	63,592,975	63,321,323
Total cash and cash equivalents	63,592,975	63,321,323
(b) Reconciliation of profit / (loss) to cash flows from operating activities		
Profit / (loss) for the year	1,291,241	303,206
<u>Items reclassified as investing activities:</u>		
Interest received	(3,061,288)	(3,048,728)
Underpinning of stores	2,020,659	2,047,214
<u>Non cash transactions</u>		
Impairment provision	-	(165,140)
Depreciation and amortisation	915,166	1,740,823
(Gain) / Loss on disposal of fixed assets	(75,578)	39,141
<u>Changes in net assets and liabilities:</u>		
(Increase) / decrease in assets:		
Trade and other receivables	261,938	(20,501)
Inventories	(14,373)	99,340
Other current assets	29,824	(46,244)
Deferred tax assets	(10,998)	(41,093)
Increase / (decrease) in liabilities:		
Trade and other payables	110,954	(78,520)
Grants	(1,828,734)	(1,806,878)
Current tax liabilities	378,437	160,491
Deferred tax liabilities	10,435	(1,437)
Provisions	152,446	(18,100)
Net cash flows generated or (used in) operating activities	180,129	(836,426)

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 13: Related Party Disclosures

Parent and Ultimate Parent Entity

The immediate parent and ultimate controlling party of the Group is the Department of Families, Housing, Community Services and Indigenous Affairs, on behalf of the Commonwealth.

Balances and transactions between the company and its subsidiary, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Trading Transactions

During the year, group entities entered into the following trading transactions with related parties.

	Sales of goods		Purchases of goods	
	year ended 2012	year ended 2011	year ended 2012	year ended 2011
	\$	\$	\$	\$
Ti - Tree	327,711	332,252	283	6,474
Tennant Creek Foodbarn Partnership	463,709	386,792	795	8,796
Total	791,420	719,044	1,078	15,270

The following balance were outstanding at the end of the reporting period.

	Amounts owed by related parties		Amounts owed to related parties	
	2012	2011	2012	2011
	\$	\$	\$	\$
Ti - Tree	27,452	29,794	243	198
Tennant Creek Foodbarn Partnership	34,987	41,126	-	-
Total	62,439	70,920	243	198

Transactions and Loans to Directors and Director-related Entities

No loans or transactions were made to the Directors or Director-related entities.

Transactions with Key Management Personnel

No transactions were entered into with key management personnel, other than that under their employment arrangements.

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 14: Key Management Personnel Compensation

The aggregate compensation made to directors and other members of key management personnel of the group is set out below:

	Consolidated	
	2012	2011
	\$	\$
Short-term employee benefits	663,794	746,211
Other long-term benefits	-	-
Termination benefits	-	16,458
Reportable fringe benefits	11,798	
Total	675,592	762,669

Details of key management personnel:

The directors and other members of key management personnel of the Group during the year were:

Steve Moore	Chief Executive Officer (appointed 29 June 2011)
Barry Orr	Operations Manager (appointed 1 July 2009)
Louise Dutton	Chief Financial Officer (appointed 1 March 2009)
Alaistair King	Director (appointed 17 August 2009)
Robert Hudson	Director (appointed 24 July 2008)

Note 15: Subsequent Events

There were no events subsequent to balance date that required reporting.

Note 16: Contingent Liabilities and Contingent Assets

An entity in the Group is currently in dispute with a previous client with issues relating to contractual obligations. The directors believe, based on legal advice, that no losses will be incurred. The legal claim is expected to be settled in the course of the next eighteen months.

Outback Stores Pty Ltd and Controlled Entity
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note 17: Financial Instruments

	Consolidated	
	2012	2011
	\$	\$
<u>17A Categories of financial instruments</u>		
<u>Financial Assets</u>		
Loans and receivables:		
Cash and cash equivalents	63,592,975	63,321,323
Trade and other receivables	2,475,793	2,503,558
Other financial assets - loans	346,362	480,539
Carrying amount of financial assets	66,415,130	66,305,420
<u>Financial Liabilities</u>		
Other financial liabilities:		
Trade and other payables	926,554	815,600
Grants	26,204,326	28,033,060
Borrowings	32,080	-
Carrying amount of financial liabilities	27,162,960	28,848,660

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 17: Financial Instruments (Cont'd)

17B Financial risk management objectives

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while meeting its social responsibility for food security through the optimisation of debt and grant funding.

The capital structure of the Group consists of issued share capital and retained earnings as disclosed in the statement of changes in equity.

The Group is not subject to externally imposed capital requirements. Operating cash flows are used to operate and expand the Group's operations as well as to make routine outflows of tax.

The nature of services provided contribute to the high liquidity risk underlying the financial instruments. The Group is dependent on ongoing government support to provide food security and quality stores within remote communities.

Financial risk management objectives

The Group has a formalised risk management processes in place. A risk register is kept updated for all risks identified for the Group. It lends money to stores that it manages on approval from the Stores Acquisition Committee, which is a sub committee of the board of directors. Loans are provided at a discounted rate of interest.

The Store Acquisition Committee's purpose is to review the viability of new stores proposed for management agreements to evaluate required establishment and support funds. This committee assists in mitigating liquidity risk prior to entering into a new contract. In some instances the stores are unable to repay the loans and these amounts are then funded from grant income received from the Group's immediate parent and ultimate parent entity.

The capital structure of the Group consists of debt, which includes borrowings disclosed in note 9D and unexpended grant funding in note 9B.

Market Risk

The Group has exposure to interest rate risk and no foreign currency risk. The Group has a treasury function policy and interest rate risks are managed by investing in short term interest bearing deposits, and lending to stores varied maturity periods. Periods include up to ten years and are provided to stores at a discounted rate of interest.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Value at Risk (VaR) analysis

The Group does not prepare a sensitivity analysis.

Foreign currency risk management

The Group has minimum foreign exchange exposure and does not manage any implicit risk.

Credit risks

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group only deals with stores that it manages, related parties, funding bodies or credit worthy counter parties such as Arnhem Land Progress Aboriginal Corporation (ALPA). ALPA supply the Group with relief managers as require, provide IT service desk support and provide assistance with grocery manager. It therefore is in a position to ensure that it minimises its exposure to credit risk.

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 17: Financial Instruments (Cont'd)

Interest rate risk management

The Group is exposed to interest rate risk from term deposits and loans provided to remote community stores. Currently there is a treasury function policy and interest rate risk is managed by investing in short term interest bearing deposits and lending to stores over the period of agreed management contracts. Term deposits and trading accounts are held in pre-approved financial institutions only.

The following tables illustrates the maturities for interest bearing financial assets subject to interest rate risk.

Consolidation

	Weighted Average effective interest rate %	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
		\$	\$	\$			\$
2012							
Short term deposits (fixed interest rate)	5.86%	27,800,000	18,500,000	14,750,000	-	-	61,050,000
Other cash & cash equivalents (variable interest)	3.25%	-	-	2,542,975	-	-	2,542,975
Store loans (fixed interest rate)	5.93%	-	-	93,035	208,547	44,780	346,362
		27,800,000	18,500,000	17,386,010	208,547	44,780	63,939,337
2011							
Short term deposits (fixed interest rate)	6.17%	-	-	61,350,000	-	-	61,350,000
Other cash & cash equivalents (variable interest)	4.50%	-	-	1,971,323	-	-	1,971,323
Store loans (fixed interest rate)	6.52%	-	-	98,768	336,991	44,780	480,539
		-	-	63,420,091	336,991	44,780	63,801,862

Liquidity risk management

Ultimate responsibility for liquidity risk management exists with the board of directors.

The Group manages liquidity risk by maintaining adequate reserves and banking facilities (term deposits) to meet forecast cash flows taking into account maturity profiles of financial assets and liabilities.

The following tables illustrates the maturities for financial liabilities attributable to liquidity risk. The tables have been drawn based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Consolidation

	Weighted Average effective interest rate %	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
		\$	\$	\$			\$
2012							
Trade and other payables	-	-	926,554	-	-	-	926,554
Grants	-	-	-	26,204,326	-	-	26,204,326
Corporate cards	-	32,080	-	-	-	-	32,080
		32,080	926,554	26,204,326	-	-	27,162,960
2011							
Trade and other payables	-	-	815,600	-	-	-	815,600
Grants	-	-	-	28,033,060	-	-	28,033,060
Corporate cards	-	-	-	-	-	-	-
		-	815,600	28,033,060	-	-	28,848,660

Outback Stores Pty Ltd and Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2012

Note 17: Financial Instruments (Cont'd)

17C Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

The fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Unless where otherwise stated, the directors consider the financial assets and financial liability carrying amount to also be its fair value.

Note 18: Parent Entity Disclosures

Financial position

	Company	
	2012	2011
	\$	\$
Assets:		
Current assets	66,551,745	66,349,302
Non-current assets	2,259,223	2,868,256
Total assets	68,810,968	69,217,558
Liabilities		
Current liabilities	28,227,517	29,469,529
Non-current Liabilities	213,046	168,970
Total liabilities	28,440,563	29,638,499
Equity		
Issued capital	40,000,001	40,000,001
Retained earnings	370,404	(420,942)
Total equity	40,370,405	39,579,059

Comprehensive income

	Year ended	Year ended
	2012	2011
	\$	\$
Profit for the year	791,346	303,206
Total comprehensive income	791,346	303,206

COMPLIANCE INDEX

Compliance Index of Commonwealth Authorities and Companies Act 1997 (CAC Act) requirements for Commonwealth Companies		
Requirement:	Reference:	Page/s:
Approval by Directors	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 5	3
Details of exemptions granted by Finance Minister in regard to reporting requirements	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 6	27
Responsible Minister	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 9	3
Ministerial Directions	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 10	27
General Policy Orders	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 10	27
Freedom of Information	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 10	27
Occupational Health and Safety	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 10	28
Ecologically sustainable development and environmental performance	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 10	29
Directors	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 11	24
Statement on governance	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 12	23
Board Committees	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 12	25
Organisational structure (including subsidiaries)	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 12	15
Related entity transactions	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 13	69
Key activities and changes affecting the company	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 14	28
Significant judicial or administrative tribunal decisions	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 15	27



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