

OUTBACK *Stores*



Annual Report

2012 | 2013

Mission

To make a positive difference in the health, employment and economy of remote Indigenous communities by supporting quality, sustainable retail stores.

Vision

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 Aim

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

OUTBACK *Stores*

22 August 2013

Senator the Hon Nigel Scullion

Minister for Indigenous Affairs

PO Box 6100

Senate

Parliament House

Canberra ACT 2600

Dear Minister,

In accordance with Section 36 of the Commonwealth Authorities and Companies Act 1997, I submit the annual report of Outback Stores Pty Ltd for the year ended June 2013.

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 Auditors 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 2013.

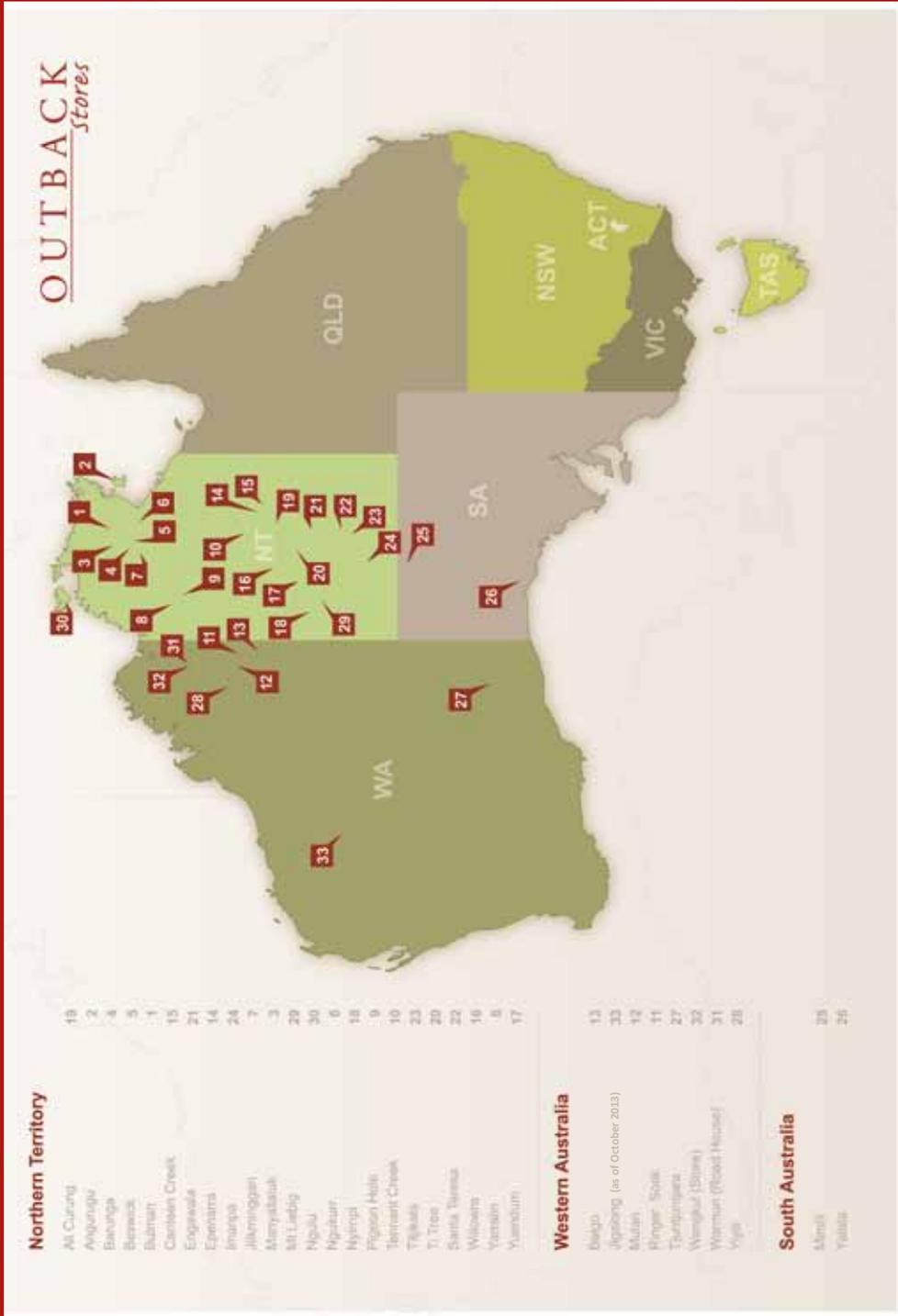
Yours Sincerely,



Stephen Bradley

Chairman, Board of Directors

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On behalf of the Board I am pleased to report on Outback Stores performance for the 2012–2013 financial year. Outback Stores provides retail management services to Indigenous community stores in remote areas of Australia. We are a Commonwealth Government owned organisation 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.

Five new stores joined the Outback Stores group in 2012–2013 bringing the total number of stores to thirty two. We are very pleased to welcome Piliyamanyirra store at Nguuu, Tjuntjuntjara Community store in Southern Western Australia, Mt Liebig Community store in Central Australia and the Wungkul store and Roadhouse in Warmun, Western Australia (from 1 July 2013) to the Outback Stores community. Outback Stores currently manages twenty three stores in the Northern Territory, seven in Western Australia and two in South Australia. This year we have provided relief or emergency management for two additional stores.

While we always apply the rigour of commercial disciplines we will not compromise our social objectives to make a profit in stores. Communities smaller than 200 people usually struggle to operate a commercially viable store while providing reasonably priced food. In this last year nine stores made an operating profit and were commercially viable in their own right. Any profits made are retained in the community and either spent on improving the store or supporting community initiatives. Fifteen stores required government operating subsidies totalling \$1,946,048, which converts to an average subsidy of \$390 per head to provide reliable access to affordable and healthy food in these communities. The government invested a further \$920,783 in capital improvements in the stores to maintain and improve infrastructure.

We recognise the importance of employing local Indigenous people in the stores and providing development opportunities for all staff. In the last year 298 Indigenous staff were employed in Outback Stores managed stores, which was 79% of all staff employed in stores. It is also important to note that if Tennant Creek Food Barn was removed from the equation, this figure would increase to 90%.

This year Outback Stores Pty Ltd made a profit after tax of \$509,482. While this is a significant reduction on the 2011–2012 operating profit of \$1.291 million, the difference is primarily due to lower interest income caused by lower interest rates. The result includes interest income of \$2,457,720 and it is Outback Stores long term objectives to break-even before interest, which will enable future interest income to fund unviable stores.

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. Transport, higher supplier prices and the lack of economies of scale in operating small stores are the main contributors to higher operating costs. Our selling prices compare 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 sales being a key indicator. The price of fruit and vegetables has been reduced further and turnover has increased from 226 tonnes to 292 tonnes over the year. We have worked hard to reduce the turnover of sugar sweetened soft drinks and have seen the market share of sugar sweetened soft drinks reduced by five percent of their category. We have also encouraged the sale of plain water and have seen volumes increase by forty percent in the soft drink water category. However these are relatively small changes in areas which are known to have a significant impact on the health of aboriginal people and much remains to be done. For example store sales of tobacco continue to dominate over that of fruit and vegetables. Overall we continue to believe that substantial dietary changes will take time and ongoing work with health and nutrition groups in the communities.

Although we continue to discourage the purchase of unhealthy products we will only remove them from sale if the community requests this.

Steve Moore has now completed his second year as CEO of Outback Stores. Many improvements have occurred under Steve's leadership and I thank him for his drive and commitment.

There was one change to the composition of the Board this year with the appointment of company director Natasha Short, on 20 June 2013. I would like to welcome Natasha to Outback Stores and look forward to working with her. The Board continued its close involvement with the business over the year, offering a wide range of skills relevant to the operation of Outback Stores and I thank all directors for their contribution.

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.



Stephen Bradley

Chairman

This year saw Outback Stores continue to operate at a profit. For the 2012 -2013 financial year the corporation made a profit after tax of \$509,482k. Our ongoing aim is to break-even before interest, each year.

The other significant achievement for the year was the addition of five new stores to the group. I would like to welcome the Mt Liebig Store, Piliyamanirra Store, Tjuntjuntjara Store, Wungkul Store and Warmun Roadhouse to the Outback Stores group and thank them for their ongoing support.

Our commitment to providing affordable and healthy food continues to be one of our key areas of focus. While we do not restrict a person's individual choice, we encourage healthier purchases, by making these choices more affordable. We currently offer preferential pricing on fresh fruit and vegetables, sugar free drinks and healthier take away food. Our in house nutritionist also works with store staff and community members to ensure we are providing a suitable range of healthy choices.

A significant achievement in our pursuit to improve nutritional outcomes for people in remote communities was the growth in bottled water sales. Working in partnership with Coca-Cola we have reduced the price of 600ml bottles of Mt Franklin water to just \$1.00 each. This has seen our water sales grow from 26554 litres at the start of the year to 39516 litres at the end of the year. Our efforts to reduce the turnover of sugar sweetened soft drinks have seen the market share drop by 5% and is equivalent to over 7.2 tonnes less sugar being sold through stores. While these results are a great start for Outback Stores, it is crucial we continue our efforts to encourage healthy choices in this category.

This year also saw us achieve our annual staff training targets, completing a total of 5540 hours of training. At the end of the year we had 15 Indigenous staff successfully complete retail certificate courses, with a further 40 Indigenous staff enrolled in retail training courses. We will continue to work towards nationally recognised, certificate level training for all staff interested in participating.

All of the stores we operate are run on sound commercial principles. Unfortunately some stores are not viable due to small populations and geographic locations. Despite this we manage to operate these stores as efficiently as possible, enabling us to keep the additional funds required to an absolute minimum. This year we provided \$1,946,048 to support unviable stores with a further \$920,783 spent on capital improvements at stores.

We currently manage thirty two stores 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, these stores are run as efficiently as possible while meeting the needs of the local community.

This year also saw the development of a new five year strategic plan. This replaces the plan developed in 2009 and more accurately reflects both the achievements to date and the challenges that lay ahead.

The key targets in the 2012 to 2017 strategy are:

- to become profitable before interest income
- maintain a strong relationship with current and potential clients
- have an effective healthy food strategy

- continue to grow at a sustainable rate
- reduce the cost to operate Outback Stores.

Since inception and over the past year, Woolworths has assisted Outback Stores with expert advice in several areas including safety, environment and technology. Their assistance is always greatly appreciated and makes a valuable contribution towards improving the way we conduct business.

This year saw three changes within the Outback Stores management team. Beverley Capaldo our human resources manager, Barry Orr our group operations manager and Belinda Orme our business development manager all departed Outback Stores. I would like to thank each of them for their hard work and significant contributions. I sincerely wish them all a happy and prosperous future.

John Quill has been promoted to group operations manager, while Peter Tonkin has joined us as our new merchandising manager and Andy Hill has taken on the role of human resources manager. We have chosen not to fill the business development position due to the specific skills required for the role. Our new managers have settled in well and will assist with the continued success of Outback Stores.

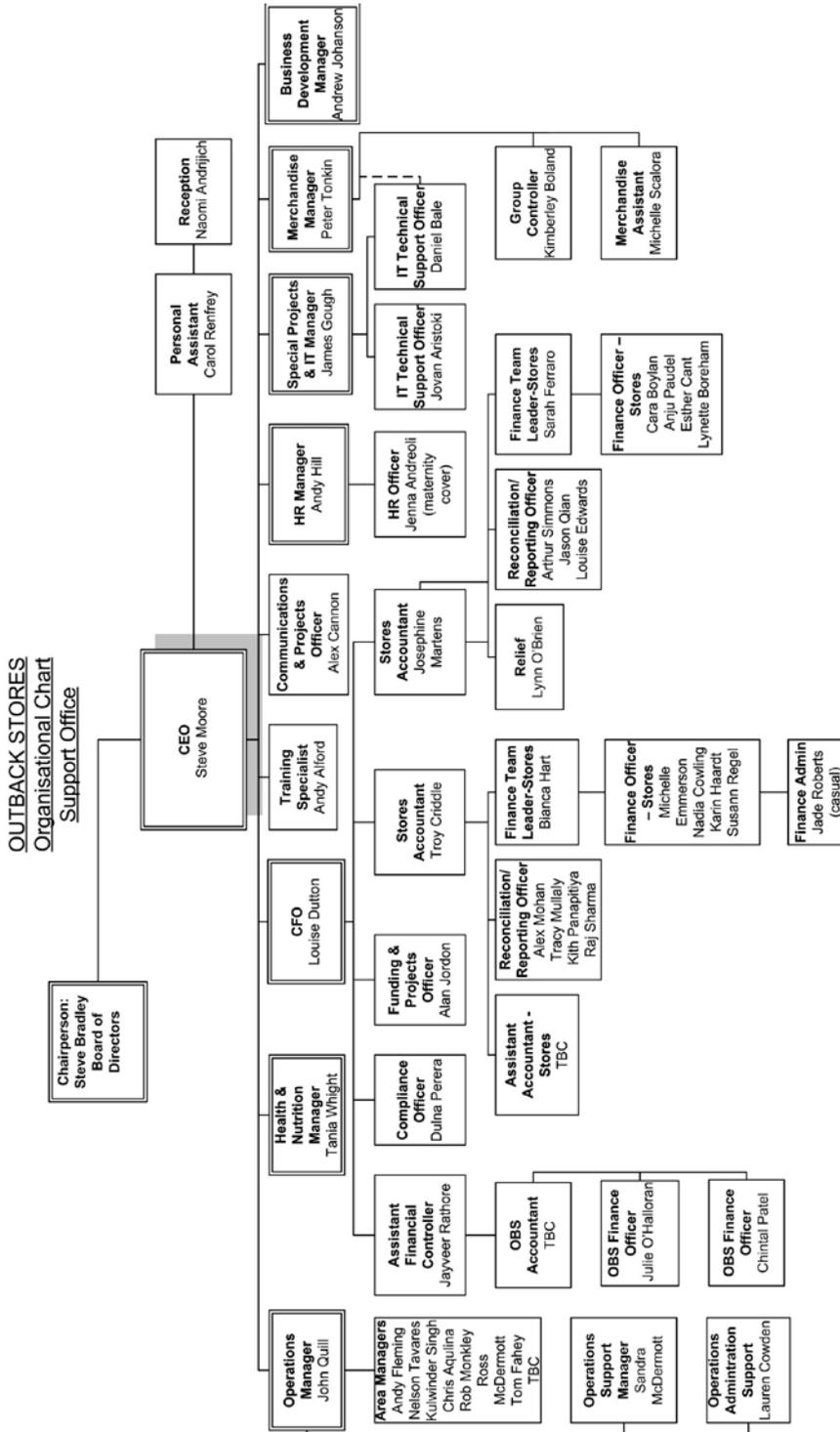
I would like to thank all of our staff for their hard work and dedication over the past year, in particular our store managers who sacrifice a considerable amount to work with Outback Stores. They move away from family and friends and live in some very remote locations to take on the challenging task of running these remote stores. Without them we would not be able to deliver on our mission.

I would also like to thank the Chairman and the Board of Directors, who give up their time to help Outback Stores 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 during the year.

Finally I would like to thank our clients, the thirty two store committees we report to. Without these passionate and supportive committees Outback Stores would not be the company it is today. Working with the individual store governing bodies is the most rewarding part of the job, it's great working with communities to improve stores and make sure we are meeting their needs.

Steve Moore

Chief Executive Officer



*This Organisational Chart
excludes Store Managers*

Outback Stores Darwin Support Office

67 Pruen Rd Berrimah NT 0828

Alice Springs Office

4/9 Ghan Rd Alice Springs NT 0870

Workplace Profile

The number of employees at Outback Stores has increased from an average of 103 in the 2011-2012 financial year to 117 permanent and 6 temporary staff as of 30th of June 2013. This increase reflects 5 new stores joining the group. Over 400 more additional staff are employed in stores, consisting

Male Full-time 60	Male Casual 149	Female Full-time 64	Female Casual 182
Male Part-time 12	Male Contractor	Female Part-time 24	Female Contractor 1.

Senior Management Team

Chief Executive Officer (CEO)	Highest executive corporate officer. Responsible for the total management of Outback Stores, reports to the board of directors.
Chief Financial Officer (CFO)	Manages the financial risks and supervises the finance department of Outback Stores. Also responsible for financial planning and record-keeping, as well as financial reporting to the CEO and the board of directors.
Operations Manager	Responsible for the daily operation of Outback Stores 32 remote stores and routinely reports to the Chief Executive Officer.
Merchandise Manager	Manages the stores merchandising activities by maintaining supplier relationships, formulating retail strategies and determining promotions and pricing.
Human Resources Manager	Responsible for the attraction, selection, training, assessment, and rewarding of employees, while also overseeing all leadership and company culture and ensuring compliance with employment and safety legislation.
Health and Nutrition Manager	Oversees the nutritional, environmental health and food safety requirements of community stores managed by the company, while ensuring we meet the parts of our mission relating to the health and nutrition of Indigenous people.
Information Technology and Special Projects Manager	Responsible for implementing and maintaining the Outback Stores technology infrastructure and monitors the company's operational requirements and builds the most cost-effective and efficient system to achieve these goals.
Group Business Development Manager	Responsible for establishing, developing and maintaining business relationships with remote community boards, committees and key Outback Stores stakeholders .

Learning and Development

Outback Stores is a Registered Training Organisation (RTO) offering nationally recognised qualifications in Retail. We are able to offer Certificate II and Certificate III in Retail Operations to all eligible store staff.

Subsidiaries

Outback Stores has one subsidiary; this is the Ti Tree Food Store in the Ti Tree community, Northern Territory. Information regarding this subsidiary can be found in the financial reports.

This year has seen another solid operational performance from Outback Stores. Despite a slow start to the first half of the year sales bounced back in the second half, with the group gaining 3.1 per cent on the previous years team sales. During this time, management partnered with stores to develop the stock management system by improving the consistency and quality of stock arriving in stores. This improvement is seeing offers across the group which will continue to evolve and grow, making Outback Stores the preferred destination to shop for our customers.

2012-2013 Operations Strategy

Over the past twelve months, work has also continued on building sustainable stores, with a primary focus on improving store efficiencies. These improvements are supported by implementing two basic strategies, which are both efficient methods to achieve our goals.

The first strategy was devised to improve retention of store managers, as well as training and developing local Indigenous staff. To help our new store managers with training we have reviewed our store manager induction and training process. This has generated a more tailored training and development pack, with continual follow-up and support to our store management team. This additional support will ensure all store managers have the ability to fulfill their roles within Outback Stores. Ultimately, this strategy aims to develop store managers' confidence in the day to day operation of stores and help them train local staff.

The second strategy was designed to improve store infrastructure through the use of capital investment to replace old and inefficient refrigeration. This will reduce stores' power consumption and repair and maintenance costs, resulting from old machinery breaking down and requiring repairs. Stores which have received upgrades have also been able to remove inefficient rolling refrigeration units such as Coke and Schweppes fridges.

Store Developments

Work is also continuing on the Aboriginal Benefit Account (ABA) funded store developments and refurbishments. The design stage is now nearing completion for Beswick (new store), Bulman (new store), Jilkminggan (refurbishments), Canteen Creek (refurbishments), Engawala (refurbishments) and Epenarra (refurbishments). Land use agreements and corresponding consultations with stores are also well underway. The Willowra refurbishment is due to start, with construction expected to be complete in the first half of 2014.

New and Continued Management Agreements

Four stores have re-signed management agreements with Outback Stores in the past twelve months. I am also pleased to report that on 11 June 2013 a further seven stores were approved by the Store Assessment Committee (SAC) with agreements to be re-signed early in the 2014 financial year.

The year has also seen five stores join the group, Mt Leibig and Piliyamyirra in the Northern Territory, Tjuntjuntjara, the Wungkul store and Warmun roadhouse, Western Australia. All stores have transitioned smoothly into Outback Stores sites, with generous support from community members and store committees.

Looking Forward

The next twelve months is set to be an exciting time for Outback Stores, with recent improvements already starting to contribute to store performance and growth. Our focus will continue to be providing well managed, well stocked and well controlled stores for remote communities. Similarly, achieving individual store budgets remains a priority while continuing to deliver a range of healthy, accessible and safe food.

Operation management will continue to develop and mentor our team to ensure job satisfaction is achieved and maintained.

John Quill

Group Operations Manager



Professional support, enthusiasm and encouragement, have enabled a smooth baton change in Merchandising Management during 2013. The work completed by the previous manager established a strong framework for the Outback Stores mission to be realised, in Australia.

I recognise the respect given to the core values, the Nutrition Strategy and successful economic outcomes of Outback Stores by previous management and I am committed to continue the trajectory of success.

Promotional Events

Annual promotional events continue to contribute to building business partnerships with wholesalers, manufacturers, suppliers and managers. The Independent Grocers Tradeshow is a great example of this. This year's show was held in Alice Springs and was once again able to boost efficiency and growth within the business. Outback Stores will continue to support events such as this, as they benefit the community's health and financial outcomes.

New avenues of business include;

- the pursuit of national pricing with suppliers and manufacturers to provide the best prices available, regardless of store location.
- enhanced business relationships with suppliers which improve pricing and financially benefit to communities
- collaboration with manufacturers to research and develop products to improve health and financial outcomes in the communities.

Looking Forward

The merchandise division of Outback Stores will continue to use the established business framework and add to it, using sound business principles.

Moving forward, 2013-2014 will see positive economic outcomes benefiting all stakeholders, in addition to the successful achievement of integral goals such as fresh food delivery, improved staff skills, sales data and measurable health indicators.

Peter Tonkin

Merchandise Manager





Pete, our Beswick Store manager capturing one of the challenges stores face, during the wet season. (April 2013)



Overlooking the Santa Teresa Community Store in the middle of the dry season.



Travelling out to the Ngukurr Store can be quite the adventure during the wet season.



Tides can make barge deliveries tricky on the Top End coast



No need for a traffic report as Outback Stores staff travel hundreds of kilometres to ensure remote community stores run smoothly.

Case Studies

BRINGING LOW COST GOODS TO COMMUNITIES TAPS GROWTH

Sugar sweetened soft drinks are a popular purchasing choice in remote areas and as outlined by the 2013 Australian Dietary Guidelines, when excessive consumption exceeds the recommended amount they have been linked to weight gain and tooth decay.

As a result, Outback Stores is working hard to encourage customers to purchase healthier drink alternatives, such as water.

With the assistance of Coca Cola Amatil, Outback Stores chose in July 2012 to make water the cheapest drink option, just in time for the warmer weather associated with the build up to the wet season.

Outback Stores Health and Nutrition Manager Tania Whight believes the results of this venture speak for themselves.

“This promotion saw more than a 40 per cent growth in volumes of water sales in just three months and material shifts in market share towards this healthier alternative,” Tania said.



COMPETING FOR HEALTH: TAKE THE CHALLENGE 2012

Research continues to show the importance of educating children about healthy lifestyles from a young age and that comprehensive programs work better than single strategies¹.

Kimberley Take the Challenge was a school based program sponsored by the Western Australia Department of Health that promoted healthy lifestyle behaviors.

Tanya Davis, teacher at the Birlirr Ngawiyiwu Catholic School was pleased by the outcome from the challenge and Outback Stores involvement.

“The children were able to become more physically active and make informed choices on ways that provide long-term consequences for their physical health.”

“We now see children making healthier choices when visiting our store.” said Tanya.

Outback Stores sponsored several categories of the 2012 challenge to improve links between communities, schools and our partner stores.

¹National Aboriginal and Torres Strait Islander Health Plan, *Education and Prevention: Child and Youth Health*, 2013-2023

Providing good food options which meet peoples' dietary needs and encouraging their sale is a key focus for Outback Stores. The Nutrition Department works closely with the Merchandise and Operations Departments to ensure that a range of better choices, at the best price available to us, is brought to our partner stores. The Nutrition Department also works with external agencies to integrate key health messages into the store environment, as well as organisations finding practical answers to health issues.

Key focuses for this year have been to continue the provision of quality affordable fruit and vegetables to stores, increasing turnover of water and diet soft drink options, meeting our legislative obligations to ensure no smoking areas in stores and to continue the support of research and other organisations to promote healthy options in wider community settings.

In the past, high transport costs, long distances and small turnover have made providing good quality fresh produce to remote areas at affordable prices difficult. Since its beginnings, OBS has worked to change this – an effort which is now starting to show fruit. This year our partner stores sold over 292 tonnes of fresh fruit and vegetables - 65 tonnes more than last year. This means customers are buying more fresh produce from partner stores than ever before¹.

Partnering with *Coca Cola Amatil*, Outback Stores chose in July 2012 to make water the cheapest drink option for a limited time, coinciding with the start of the hot season. This promotion saw over 40% growth in volume in just 3 three months and material shifts in market share towards this healthier alternative. This was supported by the introduction of drinks planograms in stores, ensuring that a range of bestselling lines and healthier alternatives are available. Despite these gains, sugar sweetened soft drink turnover remains high and work will continue to promote healthier alternatives in stores.

Smoking is more than twice as common among Indigenous Australians as among the rest of Australia, but recent research shows an increase in rates of quitting and fewer young Indigenous Australians starting to smoke². Taking learning's from the James Cook University's *Top End Tobacco Project* and support from the Northern Territory Department of Health, OBS worked with 5 of its partners to develop smoke free policies for their stores. Feedback from the project indicates that the policies have been successful at creating smoke free havens within store grounds. Work is now continuing with Store Boards to introduce smoke free areas within all store environments.

Outback Stores continued to work with Menzies School of Health Research and other organisations on several projects including *The Good Food Systems Nutrition Promotion, Education in Remote Stores* and *The Shop @ Remote Indigenous Stores* projects. We continued our support of the Jimmy Little Foundation *Thumbs Up Project* and for the first time, Outback Stores sponsored the Western Australia Health, *Take the Challenge* Program to promote healthy eating messages within the wider community.

Our focus moving forward will be to build on these efforts, meet our strategic goals and through that, satisfy our mission.

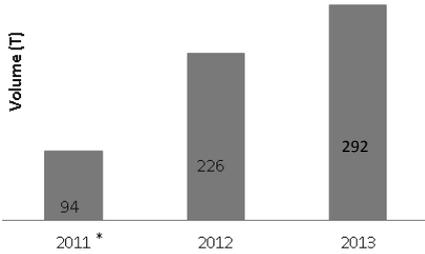
Tania Whight Health

Health and Nutrition Manager

¹ When compared by volume to any other produce available in remote community stores under OBS management

² Changes in smoking intensity among Aboriginal and Torres Strait Islander people 1994 – 2008. Menzies School of Health Research

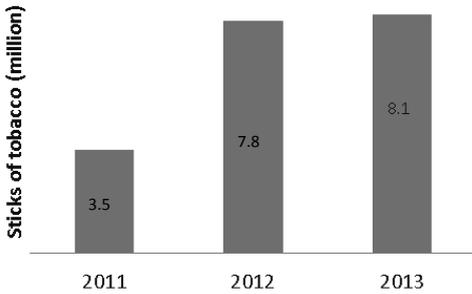
Fresh Fruit and Vegetables – all partner community stores



In 2013, partner community stores sold over 292 tonnes of fresh fruit and vegetables.

*Half year only

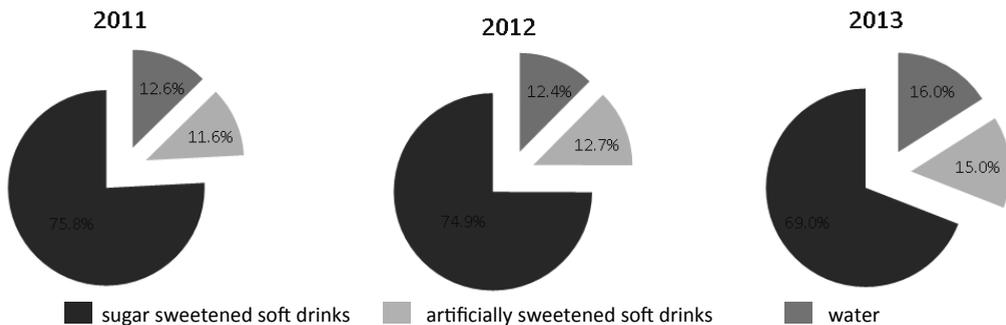
Tobacco – all partner community stores



In 2013, partner community stores sold over 8.1 million sticks of tobacco.

*Half year only

Drinks Market Share – all partner community stores



In 2013, the market share of soft drinks declined by 5% compared to other soft drinks and water.



Jilkinggan residents taking advantage of discounted bottled water



Fresh food and produce on display at the Beswick Store.



A selection of some fresh produce from the core range.



Filling the boot with the weekly shopping at the Beswick Store.

Case Studies



COMMUNITY TRAINING PROGRAM LAUNCHED IN NGUKURR

In October 2012, residents of a remote Northern Territory community participated in an innovative training program set up at the Ngukurr General Store.

The store established valuable training programs to teach employees skills in furniture assembly, gardening, maintenance and retail.

Store Manager Phil Wade said the initiative was about engaging community members in local employment and encouraging them to have a go.

“Many of the community members that approached us about working in the store did not have the skills to be able to repair things or put them together,” Phil said.

“In many cases this was because people were fearful of being seen to have failed, so it made sense to provide some training that would instill confidence.

“Through these step-by-step programs, we have seen people carrying out tasks really well, which has given them a great deal of personal satisfaction.”

MORE AFFORDABLE MEAT FOR CHRISTMAS

Meat became more affordable in remote stores managed by Outback Stores in the lead up to Christmas after they joined forces with a local meat supplier in Alice Springs.

Outback Stores CEO Steve Moore said introducing more affordable meat in remote communities was part of Outback Stores commitment to supply regular, quality and lower cost food across the Northern Territory. “In the past it has been difficult to get meat into remote communities at a reasonable price due to the cost of freight and maintaining refrigeration,” Steve said.

“The new pricing structure will help stretch the family budget a bit further in communities.”

Prime Cut Meats Alice Springs, General Manager Roger Oakden said the partnership with Outback Stores to provide their products was a reflection of the growth of both organisations.

“Both organisations have a strong commitment to growth and collaboration with the communities we service, by offering this great range of top quality products at city prices,” Roger said.



In 2012, Outback Stores delivered 5540 hours of funded training in the Northern Territory against a target of 5500. Although this is a decrease from 2011, the 2012 result represents a carefully measured approach to fulfilling our funding contract. Eight people completed their Certificate I in Retail and a further seven completed Certificate II.

Northern Territory Department of Business and Employment's funding has remained the same over the past three years, and a significant increase is unlikely. Enrolment numbers are steady at about 35 - 40 trainees which is in line with our funding contract.

In April 2014, Outback Stores will have maintained Registered Training Organisation (RTO) status for a period of five years. The regulatory and compliance landscape for RTOs has changed significantly since our initial registration in 2009. It has changed from a state to a federal regulator and there has been an introduction of legislated standards for continuing registration. Renewal of our registration for another five years is subject to an audit from the federal government registering body, Australian Skills Training Authority (ASQA). Standards and audit processes under ASQA are now more stringent.

Future Directions:

The coming year's focus will be continuing our core programs, Certificates II and III in Retail, under User Choice in the Northern Territory, while seeking other funding opportunities for additional programs. Western Australia also represents a growth opportunity for Outback Stores in training, especially with several new stores coming on board.

A pilot program will be launched in August 2013 at Piliyamyirra Supermarket on Bathurst Island to deliver Certificate I in Retail Services. We received additional Northern Territory Government funding to train a maximum of 13 people in five elemental units in a blended classroom and workplace environment. This program provides a 'head start' for participants wishing to continue with a Certificate II or III in Retail. The program represents a new approach to training for Outback Stores and could possibly lead to similar training at other stores, encouraging greater participant numbers and streamlining the initial stages of core training programs.

Outback Stores is due to participate in the RTO audit process in the first half of 2014. We are taking steps now to ensure that we meet the legislated standards, and we will introduce processes and systems to ensure that OBS continues to comply with the standards into the future. This will result in new, easier to use and fully compliant training and assessment materials.

Investing these efforts now aims to ensure that we meet audit requirements in April 2014 and our registration is renewed without disruption to our RTO operations. Most importantly, it assists Outback Stores in continuing to offer opportunities for Indigenous people to learn and develop in our stores with access to meaningful and effective training programs.

Andy Alford
Training Specialist

Introduction

Outback Stores is part of the Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) Portfolio and is required to fulfill the requirements of the *Corporations Act 2001* and *Commonwealth Authorities and Companies Act 1997* (CAC Act). The responsible Minister for the 2012-2013 reporting period was the Honorable Jenny Macklin.

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 2013.

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, Community Services and Indigenous Affairs. 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 Stores requirements.

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 financial statements.

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 2012 - 13 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 2012-13 was \$3,614.

Board of Directors



Steve Bradley
Chairman



Alastair King



Natasha Short



Bob Hudson



Heather D'Antoine



Kerin O'Dea



Drew Robinson



Naum Onikul

Meetings held during the year and attendance:

The Board of Directors meet quarterly, in August, November, February and May of each Financial Year.

Name	Director	Committee	Attendance 4 Meetings in FY2012-2013	Meetings missed
Mr Stephen Bradley (Chair)	Non Executive	SAC & AR	4	0
Mr Robert Hudson	Non Executive	AR	4	0
Mr Alastair King	Non Executive	AR	4	0
Ms Kerin O'Dea	Non Executive	SAC	4	0
Ms Heather D'Antoine	Non Executive	Nil	3	1
Mr Naum Onikul	Non Executive	SAC & AR	4	0
Mr Drew Robinson	Non Executive	SAC & AR	4	0
Ms Natasha Short **20/6/2013	Non Executive	Nil	0	0
Ms Belinda Orme	Secretary	Nil	3	1

Note: * Resigned ** Appointed

Performance Evaluation

The performance evaluation of the board directors is conducted yearly. The Chairman discusses with relevant parties whether they feel the board 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:

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 and follows the same process as the board evaluation.

Audit and Risk Committee Meetings held during the year and attendance

Name	Company Director	Committee Position	Attendance 4 Meetings in FY2012-FY2013	Meetings missed
Mr Robert Hudson	Yes	Chairman	4	0
Mr Stephen Bradley	Yes	Member	4	0
Mr Alastair King *22/11/2012	Yes	Member	2	0
Mr Drew Robinson **22/11/2012	Yes	Member	2	1
Mr Naum Onikul	Yes	Member	4	0
Ms Belinda Orme	No	Secretary	3	1

Note: * Resigned ** Appointed

Store Assessment Committee:

The Stores Assessment Committee, previously the Stores Acquisitions Committee, continued with the responsibilities delegated last financial year.

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.
- b) Consider management proposals to discontinue management services.
- c) To authorise requested operational underpinning by management for unviable stores
- d) To authorise requested capital underpinning by management for unviable stores.
- e) To authorise commercial loans to stores under company management.
- f) 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 through the year and attendance

Name	Company Director	Committee Position	Attendance 13 Meetings in FY2012-FY2013	Meetings Missed
Mr Stephen Bradley	Yes	Chairman	9	4
Mr Drew Robinson **22/11/2012	Yes	Member	7	0
Ms Kerin O'Dea	Yes	Member	8	5
Mr Naum Onikul	Yes	Member	12	1
Mr Steve Moore	No	CEO/ Member	12	1
Ms Louise Dutton	No	CFO	10	3
Mrs Belinda Orme	No	Secretary	13	0

Note: * Resigned ** Appointed

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 to 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 2012-13, 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, general policies or General Policy Orders issued to Outback Stores.

Information Publication Scheme

Outback Stores received no freedom of information requests' in the 2012-2013 financial year. 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. Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements. This will be developed and implemented in the 2013-2014 financial year.

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 2012-2013. The Commonwealth Ombudsman received no complaints regarding Outback Stores.

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 have continued to provide clarification around matters such as Board appointments and the non-profit objectives of the company.

Disclosure requirements for Government Business Enterprises

Outback Stores is not currently a government business enterprise and hence has no reporting requirement for this annual report relating to changes in financial conditions and community service obligations or information that is commercially prejudicial.

Health and Safety

In July 2012 "Project Zero" was launched throughout the Outback Stores business. This project encourages staff and managers to focus on safety in both the stores and Darwin Support Office, to reduce incidents and injuries to "zero". For the campaign to have significant impact "Project Zero" posters were displayed in all stores and around the Darwin Support Office. The logo was also applied to all staff email signatures, ensuring constant exposure to the 'safety first' message.



This year, I am pleased to report there have been no notifiable incidents and we have only one long term workers compensation claim. While there has been a documented increase in incidents reported to Outback Stores, it is suspected that this is a response to the emphasis that has been given to workplace safety and reporting. Staff are also more aware now of the risks and hazards in the stores, which also contributes to the increase of reported incidents.

To try to reduce the number of incidents and potential injuries, we have introduced job safe practices into all departments of the Tennant Creek store and will be adding them to the induction process for new store staff in all stores.

A safety checklist is also completed by stores and Darwin Support Office six times a year, as this assists with the identification of risks and hazards. The completed checklists are analysed by the Safety Committee and actions are taken where possible to eliminate or reduce the risk.

Environmental performance and Ecologically Sustainable Development

Section 516A of the *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act) requires Australian Government organisations—including authorities 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' ESD activities in accordance with section 516A(6) of the EPBC Act 1999.

Activity	How it Accords with the Principles	How it furthers or Advances ESD Principles
Recycling Plan	Integrating both long and short-term economic, environmental considerations.	Implementing and maintaining a recycling plan in the national office to reduce waste.
Store Refrigeration	Recognising and considering the environmental impacts of actions and policies.	Refrigeration in stores is upgraded accordingly to reduce power consumption and swapping to more efficient refrigerant gas in new equipment, where possible.
Lighting for Stores and Housing	Recognising and considering the environmental impacts of actions and policies.	Remote Stores and Manager Housing is fitted with energy-efficient lighting, where possible, to reduce power consumption.
Hot Water for Stores and Housing	Recognising and considering the environmental impacts of actions and policies.	Solar hot water systems are installed in stores and housing, where possible.
Sale of White Goods	Maintaining company competitiveness in an environmentally sound manner.	Stocking white goods with higher energy efficiency ratings, for sale in stores when possible.
Purchasing New Equipment	Integrating both long and short-term economic, environmental considerations.	Considering all environmental impacts when purchasing all new equipment.
Capital Improvement Programs	Integrating both long and short-term economic, environmental considerations.	Considering all environmental impacts as part of the process of identifying capital improvement programs.
Upgrading Computers	Recognising and considering the environmental impacts of actions and policies.	Computers are upgraded accordingly

Outback Stores Approach to Implementing ESD Principles

Outback Stores was established to improve access to affordable healthy food in remote Indigenous communities – our primary focus is on economic and social outcomes, rather than environmental outcomes.

As a result, we are yet to develop a comprehensive environmental strategy; however we have continued our efforts to reduce Outback Stores carbon footprint through various measures such as implementing more sustainable energy practices, water management and waste management

Outback Stores is continuing the development of programs at our national office and remote stores to reduce environmental impacts and although we are yet to develop metrics to monitor our carbon footprint, we are committed to continual improvement in environmental performance management.

Outback Stores Pty Ltd and Controlled Entity

Directors' report

The directors of Outback Stores Pty Ltd (Outback Stores or the Company) submit herewith the annual financial statements of the Group for the year ended 30 June 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors

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. 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.
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.
Mr. A. Robinson	Former partner of Allan Moore & Co Solicitors (now part of Gadens Solicitors), Corporate Counsel of Ipex Information Technology Group, Corporate Counsel of Senetas Corporation Ltd, Solicitor and Assistant Company Secretary with Coles Myer Ltd. Currently Principal of Flexpertise Pty Ltd, an organisation that provides legal and governance expertise to organisations. Appointed to the Board on 20th September 2012 in a non-executive capacity.
Ms. N. Short	Natasha Short has a long association and deep interest in helping to make positive changes among Aboriginal people. Her fields of experience cover education, justice and housing which have been important tools in gaining valuable insights into some of the challenges facing Indigenous people. Since June 2011, Natasha has served on the board of directors of the Wunan Foundation - an Aboriginal organisation which is dedicated to making long term changes within the East Kimberley Region. Natasha remains passionately committed to the goal of Indigenous people improving their quality of life and working with a team of people who would like to make a difference in remote locations. Appointment to the board 26th June 2013.

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

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 \$66million dollars from 30 stores. Outback Stores managed 30 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.

	<u>2013</u>	<u>2012</u>
	\$	\$
Profit for the year	509,482	1,291,241
Less: Income tax expense	220,261	546,881
Profit before income tax	729,743	1,838,122
Less: Adjustments for non-operating profit		
Revenue from Government Grants	2,990,526	2,731,664
Gain on sale of fixed assets	87,933	75,578
Store grant expenditure (underpinning)	(2,515,959)	(2,046,733)
Grant expenditure	(170,795)	26,073
Total non-operating loss	391,705	786,582
Total operating profit	338,038	1,051,540

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' 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 2013. 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. R.E. Hudson

Dr. B. Orme (Company Secretary)

Mrs. H. D'Antoine

Prof. K. O'Dea

Mr. N. Onikul

Mr. A. Robinson (Appointed 20/09/2012)

Ms. N. Short (Appointed 26/06/2013)

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, resigned 25 February 2013)
Mr. J. Quill (Operations Manager, appointed 27 February 2013)

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>2013</u>	<u>2012</u>
	\$	\$
Short-term employee benefits	165,346	33,973
Total remuneration:	165,346	33,973

Executive officers

Short-term employee benefits	669,417	641,619
Termination benefits	25,846	-
Total remuneration:	695,263	641,619

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) - Three year contract commencing 29 September 2012, with a required termination notice of three months.

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) - Resigned 25 February 2013.

Mr. J Quill - (Operations Manager) - Permanent position commencing 27 February 2013 with a required termination notice of eight weeks.

On behalf of the Directors

Mr. R.E. Hudson

Director

Darwin, Dated:

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

OUTBACK STORES PTY LTD FINANCIAL REPORT 2012-13 AUDITOR'S INDEPENDENCE DECLARATION

In relation to my audit of the financial report of the Outback Stores Pty Ltd and the controlled entity for the year ended 30 June 2013, to the best of my knowledge and belief, there have been:

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

Australian National Audit Office

Kristian Gage

Audit Principal

Delegate of the Auditor-General

Canberra

20 August 2013

Outback Stores Pty Ltd and Controlled Entity

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 2013, the consolidated Statement of Profit and Loss and Other Comprehensive Income, the consolidated Statement of Changes in Equity and the consolidated Statement of Cash Flows for the year then ended, Notes comprising a Summary of Significant Accounting Policies and other explanatory information, and the Directors' Declaration of the consolidated entity comprising the company and the entity 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.

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

Outback Stores Pty Ltd and Controlled Entity

Independent Auditor's Report

Independence

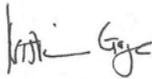
In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Outback Stores Pty Ltd on 20 August 2013, would be in the same terms if it had been given to the directors at the time the auditor's report was made.

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 Outback Stores Pty Ltd and the Controlled Entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (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 2013

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. R.E. Hudson

Director

Darwin, Dated:

Outback Stores Pty Ltd and Controlled Entity

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2013

	Notes	Consolidated	
		2013	2012
		\$	\$
Revenue			
Revenue from government grants	3A	2,990,526	2,731,664
Sale of goods and rendering of services	3B	3,874,998	3,515,972
Interest income	3C	2,457,720	3,061,288
Rental income	3D	20,020	20,468
Store recoveries and charges	3E	5,672,094	5,678,538
Rebates	3F	1,526,258	1,398,685
Other revenue	3G	346,442	267,616
Total Revenue		16,888,058	16,674,231
Expenses			
Consulting expenditure	4A	119,946	112,303
Cost of goods sold	4B	705,339	797,527
Depreciation and amortisation	4C	731,996	915,166
Employee benefit	4D	8,987,427	8,243,048
Gain on disposal of fixed assets	4E	(87,933)	(75,578)
Rental expenses	4F	238,670	261,175
Store grant expenditure	4G	2,515,959	2,046,733
Administrative expenditure	4H	2,776,116	2,561,808
Other grant (income) / expenditure	4I	170,795	(26,073)
Total Expenses		16,158,315	14,836,109
Profit before income tax		729,743	1,838,122
Income tax expense	5A	220,261	546,881
Profit for the year		509,482	1,291,241
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		509,482	1,291,241
Profit for the year is attributable to:			
Owners of the Company		509,482	1,291,241
Total comprehensive income is attributable to:			
Owners of the Company		509,482	1,291,241

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

Outback Stores Pty Ltd and Controlled Entity

STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

	Notes	Consolidated	
		2013	2012
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	6A	61,672,882	63,592,975
Inventories	6B	120,111	115,859
Trade and other receivables	6C	2,058,143	2,475,793
Other financial assets	6D	55,657	93,035
Other current assets	6E	122,726	96,672
Total current assets		64,029,519	66,374,334
Non-current assets			
Property, plant and equipment	7	2,634,618	2,486,627
Deferred tax asset	5D	315,953	320,239
Other financial assets	6D	177,261	253,327
Intangible assets	8	10,827	22,693
Total non-current assets		3,138,659	3,082,886
Total Assets		67,168,178	69,457,220
LIABILITIES			
Current liabilities			
Trade and other payables	9A	661,970	926,554
Grants	9B	23,929,682	26,204,326
Provisions	9C	669,456	660,485
Borrowings	9D	53,936	32,080
Current tax liability	5C	208,469	539,194
Total current liabilities		25,523,513	28,362,639
Non-current liabilities			
Provisions	9C	229,832	196,736
Deferred tax liabilities	5D	35,051	27,545
Total non-current liabilities		264,883	224,281
Total Liabilities		25,788,396	28,586,920
Net Assets		41,379,782	40,870,300
EQUITY			
Issued capital	10	40,000,001	40,000,001
Retained earnings		1,379,781	870,299
Total Equity		41,379,782	40,870,300

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 2013

	Consolidated		
	Fully Paid Ordinary Shares	Retained Earnings	Total Equity
	\$	\$	\$
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
Balance at 1 July 2012	40,000,001	870,299	40,870,300
Total comprehensive income for the year, net of tax	-	509,482	509,482
Balance as at 30 June 2013	40,000,001	1,379,781	41,379,782

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 2013

	Notes	Consolidated	
		2013 \$	2012 \$
Cash flows from operating activities			
Receipts from customers		11,143,532	11,173,040
Payments to suppliers and employees		(13,054,516)	(11,726,834)
Grants received		715,881	902,930
Income taxes paid		(539,194)	(169,007)
Net cash (used) / generated by operating activities	12b	(1,734,297)	180,129
Cash flows from investing activities			
Payments for property, plant and equipment	7	(841,745)	(1,010,312)
Proceeds from sales of property, plant and equipment		95,929	129,123
Payment for purchase of intangible assets		(34,371)	-
Underpinning payments for stores and other grants		(2,686,754)	(2,020,659)
Amounts received from stores under commercial loans		113,449	134,177
Interest received		3,145,837	2,827,114
Net cash (used in) / generated investing activities		(207,655)	59,443
Cash flows from financing activity			
Proceeds from borrowings		21,859	32,080
Net cash generated by financing activity		21,859	32,080
Net increase / (decrease) in cash and cash equivalents		(1,920,093)	271,652
Cash and cash equivalents at the beginning of the year		63,592,975	63,321,323
Cash and cash equivalents at the end of the year	12a	61,672,882	63,592,975

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 2013

Note 1: General information

1. General information

Outback Stores Pty Ltd (Outback Stores or the Company) 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

2.1 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 101 'Presentation of Financial Statements'

The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 2: Summary of Significant Accounting Policies

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.

Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle') requires an entity that changes restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.
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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', and the relevant amending standards	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	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
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014

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.

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 2: Summary of Significant Accounting Policies

2.3 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.

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 2013.

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.

Critical judgements in applying 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(i), 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.

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.

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:

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 2: Summary of Significant Accounting Policies

(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 profit or loss and other 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.

(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.

(e) 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.

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 2: Summary of Significant Accounting Policies

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.

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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

(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.

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 borrowings and 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.

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 2: Summary of Significant Accounting Policies

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.

(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 profit or loss and other 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.

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 2: Summary of Significant Accounting Policies

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.

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>2013</u>	<u>2012</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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

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>2013</u>	<u>2012</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.

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.

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 2: Summary of Significant Accounting Policies

(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 the goods are delivered and the titles have passed, at which time 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).

Rebate income

Rebate income from suppliers is recognised when it is probable that economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(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 2013

Note 3: Revenue

<i>Revenue</i>	Consolidated	
	2013 \$	2012 \$
<u>Note 3A: Revenue from Government Grants</u>		
Grants from related entities:		
FaHCSIA - Food Grant	1,501,074	1,255,098
FaHCSIA - Food Security	1,312,196	1,465,747
FaHCSIA - Governance and Training	82,397	-
FaHCSIA - Community Support Grant	711	1,500
FaHCSIA - Pigeon Hole Bush Order	12,471	6,638
FaHCSIA - Other	81,677	2,681
<i>Total revenue from Government Grants</i>	<u>2,990,526</u>	<u>2,731,664</u>
<u>Note 3B: Sale of goods and rendering of services</u>		
Management fees	2,848,696	2,345,927
Sale of goods	1,026,302	1,170,045
<i>Total sale of goods and rendering of services</i>	<u>3,874,998</u>	<u>3,515,972</u>
<u>Note 3C: Interest income</u>		
Financial Institutions	48,476	71,262
Interest from Loans to Stores	17,326	27,378
Term Deposits	2,391,918	2,962,648
<i>Total interest income</i>	<u>2,457,720</u>	<u>3,061,288</u>
<u>Note 3D: Rental income</u>		
Operating lease:		
House	20,020	20,468
<i>Total rental income</i>	<u>20,020</u>	<u>20,468</u>
<u>Note 3E: Store recoveries and charges</u>		
Managers Services On-charged	4,377,264	4,116,415
Recoveries from Managed Stores	1,294,830	1,562,123
<i>Total store recoveries and charges</i>	<u>5,672,094</u>	<u>5,678,538</u>

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 3: Revenue

	Consolidated	
	2013	2012
	\$	\$
<u>Note 3F: Rebates</u>		
Rebates received	1,526,258	1,398,685
<i>Total other revenue</i>	<u>1,526,258</u>	<u>1,398,685</u>
<u>Note 3G: Other revenue</u>		
Commission received	4,357	5,999
Consultancy fees	222,214	155,811
Sundry income	203	8,153
Training government subsidy	119,668	97,653
<i>Total other revenue</i>	<u>346,442</u>	<u>267,616</u>

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 4: Expenses

	Consolidated	
	2013	2012
	\$	\$
Note 4A: Consulting expenditure		
Consultancy fees	103,365	78,729
Legal fees	16,581	33,574
Total consulting expenditure	119,946	112,303
Note 4B: Cost of goods sold		
Purchases and direct cost	705,339	797,527
Note 4C: Depreciation and amortisation		
Amortisation of intangible assets	46,237	29,454
Depreciation of property, plant and equipment	685,759	885,712
Total depreciation and amortisation	731,996	915,166
Note 4D: Employee benefit		
Wages and salaries	7,952,425	7,181,498
Termination benefits	25,846	21,807
Travel and other allowances	123,890	152,400
Superannuation contributions - defined contribution plans	693,693	628,821
Staff incentive provision	9,223	10,612
Leave and other entitlements	182,350	247,910
Total employee benefit	8,987,427	8,243,048
Note 4E: (Gain) / Loss on disposal of fixed assets		
Gain on disposal of fixed assets	(95,566)	(76,123)
Loss on disposal of fixed assets	7,633	545
Total net gain on disposal of fixed assets	(87,933)	(75,578)

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 4: Expenses (Cont'd)

	Consolidated	
	2013	2012
	\$	\$
Note 4F: Rental expenses		
Operating lease rentals	238,670	261,175
Total rental expenses	238,670	261,175

Note 4G: Store grant expenditure

Ali Curung - Mirnirri Indigenous Corporation	21,204	5,991
Yimilyumanja - Warningakalinga Indigenous Corporation	-	3,450
Balgo - Wirrimanu Community Store Pty Ltd	-	155
Barunga - Barunga Community Store Indigenous Corporation - Ngan Jilngurru Store	60,899	30,952
Beswick - Wuduluk Progress Indigenous Corporation - Beswick Community Store	-	21,519
Bulman - Gulin Gulin Community Store Incorporated	104,561	-
Canteen Creek - Canteen Creek Store Charitable Trust	84,851	81,260
Engawala - Ntjaminya Store Indigenous Corporation	18,687	2,300
Epenarra - Wetengerr Indigenous Corporation	182,511	181,911
Imanpa - Imanpa Yaatijiti Store Association Incorporated	177,010	174,486
Jilkminggan - Dungalan Indigenous Association Incorporated	119,010	74,668
Manyallaluk - Nungalawuy Store Indigenous Corporation	217,251	206,333
Mimili - Mimili Maku Store Indigenous Corporation	25,948	109,828
Mulan - Pinanyi Store Indigenous Corporation	118,565	228,383
Ngukurr - Ngukurr Progress Indigenous Corporation	-	30,348
Nyirripi - Nyirripi Community Store Incorporated	71,582	72,678
Pigeon Hole - Nitjipurru Indigenous Corporation	148,474	180,707
Ringer Soak - Kundat Djaru Community Store Indigenous Corporation	179,629	128,347
Titjikala - MacDonnell Shire Council - Titjikala Store	124,605	306,028
Santa Teresa - Santa Teresa Community Store	17,920	-
Willowra - Wirliyajarrai Store Inc	18,028	7,336
Wallace Rockhole	-	(18,116)
Yalata	30,917	69,490
Yarralin - Victoria Daly Shire Council - Yarralin Store	-	3,450
Yiyili - Yiyili Community Store Indigenous Corporation	261,358	145,229
Mt Liebig - Mt Liebig Community Store Aboriginal Corporation	260,093	-
Tjuntjuntjara - Paupiyala Tjarutja Aboriginal Corporation	272,856	-
Total store grant expenditure	2,515,959	2,046,733

Store grants represent non-recoverable cash advances and other underpinning to assist unviable remote community stores.

Note 4H: Administrative Expenditure

Travel and accommodation	362,152	316,575
Bad debts	295	2
Information technology	298,008	330,018
Recruitment costs	135,239	81,320
Insurance	337,635	150,376
Accountancy fees	30,110	21,924
Audit fees (Note 4J)	40,800	45,000
Motor vehicle	278,835	334,759
Fringe benefit and payroll tax	591,184	575,973
Training	78,494	88,214
Communication	113,246	114,114
Other expenses	510,118	503,533
Total Administrative expenditure	2,776,116	2,561,808

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 4: Expenses (Cont'd)

	Consolidated	
	2013	2012
	\$	\$
<u>Note 4I: Other grant (income) / expenditure</u>		
Expenditure of grants received from other entities:		
Elliot Grant Funding	711	1,500
Food Security	6,010	-
Nutrition	82,397	-
Other	81,677	(27,573)
<i>Total other grant (income) / expenditure</i>	<u>170,795</u>	<u>(26,073)</u>

Note 4J: 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	40,800	45,000
<i>Total auditors' remuneration</i>	<u>40,800</u>	<u>45,000</u>

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 2013

Note 5: Income tax expense

Consolidated	
2013	2012
\$	\$

Note 5A: Income tax recognised in profit or loss

Tax expense comprises:

Current tax expense / (income) in respect of the current year	208,469	539,194
Adjustments recognised in the current year in relation to the current tax of prior years	-	8,250
Current tax	208,469	547,444
Deferred tax expense / (income) relating to the origination and reversal of temporary differences	11,792	(563)
Total income tax expense / (benefit)	220,261	546,881

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 before income tax	729,743	1,838,122
Income tax expense calculated at 30% (2012: 30%)	218,923	551,437
Effect of expenses that are not deductible in determining taxable profit	1,528	3,390
Effect of unused tax losses and tax offsets not recognised	-	(8,199)
Difference	(190)	254
Income tax expense in statement of comprehensive income	220,261	546,881

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

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

Opening balance	1,186,836	1,017,829
Tax paid	392,270	169,007
Closing balance	1,579,106	1,186,836

Note 5C: Current tax liabilities

Current tax liabilities

Income tax payable	208,469	539,194
	208,469	539,194

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 5: Income tax expense (Cont'd)

Note 5D: Deferred tax balances

Consolidated

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

	Opening balance \$	Charged to Income \$	Charged to Equity \$	Total \$
2013				
Temporary differences				
Allowance for impairment	7,310	-	-	7,310
Prepayments	(27,545)	(7,506)	-	(35,051)
Property, plant & equipment and Intangible assets	23,781	21,897	-	45,678
Other assets	4,744	(1,581)	-	3,163
Accrued expenses	27,238	(18,798)	-	8,440
Employee benefits	220,039	2,978	-	223,017
Provision for audit fees	12,600	240	-	12,840
Fringe benefit and payroll tax	24,527	(9,022)	-	15,505
	<u>292,694</u>	<u>(11,792)</u>	<u>-</u>	<u>280,902</u>

Presented on the statement of financial position as follows:

Deferred tax liability attributable to continuing operations	35,051
	<u>35,051</u>
Deferred tax asset attributable to continuing operations	315,953
	<u>315,953</u>

	Opening balance \$	Charged to Income \$	Charged to Equity \$	Total \$
2012				
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
	<u>292,131</u>	<u>563</u>	<u>-</u>	<u>292,694</u>

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>

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 6: Current Assets

	Consolidated	
	2013	2012
	\$	\$
Note 6A: Cash and cash equivalents		
Cash	1,672,882	2,542,975
Short term deposits	60,000,000	61,050,000
Total cash and cash equivalents	61,672,882	63,592,975
Note 6B: Inventories		
Finished goods at cost	120,111	115,859
	120,111	115,859

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 \$705,339 (2012: \$797,527).

Note 6C: Trade and other receivables

Trade receivables (i)		
Other	74,074	34,475
Rebates	306,093	252,071
Store debt	863,556	759,548
	1,243,723	1,046,094
Allowance for impairment of trade receivables	(24,531)	(24,366)
Total trade receivables	1,219,192	1,021,728
Other receivables		
Accrued interest	579,960	1,268,078
Bonds	18,586	18,586
Investment clearing - stores	-	10,486
Rebates accruals	43,225	43,240
Sundry receivables	197,180	113,675
Total other receivables	838,951	1,454,065
Total trade and other receivables	2,058,143	2,475,793

(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	2,017,381	2,455,460
Overdue:		
30 to 60 days	8,654	100
60 to 90 days	20,958	2,922
More than 90 days	11,150	17,311
Total trade and other receivables	2,058,143	2,475,793

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 6: Current Assets (cont'd)

	<u>Consolidated</u>	
	2013	2012
	\$	\$
<u>Movement in allowance for impairment of trade receivables</u>		
Balance at the beginning of the year	24,366	24,366
Impairment losses recognised on receivables	164	-
Balance at the end of the year	24,531	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.

<u>Ageing of impaired trade receivables</u>		
More than 90 days	24,531	24,366
Balance at the end of the year	24,531	24,366

Note 6D: Other financial assets

Current

Loans to other entities (i)	55,657	93,035
	55,657	93,035

Non-current

Loans to other entities (i)	177,261	253,327
	177,261	253,327

Total other financial assets	232,918	346,362
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(i) 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	122,726	96,672
Total other current assets	122,726	96,672

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 7: Property, Plant and Equipment

Consolidated

	Housing at cost \$	Containers at cost \$	Furniture and fittings at cost \$	Leasehold Improvements at cost \$	Motor Vehicle and components at cost \$	IT Equipment at cost \$	Total \$
As at 1 July 2012							
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)
Net book value 1 July 2012	1,601,762	34,105	87,555	15,091	337,312	410,802	2,486,627
Additions	640	-	54,642	3,400	379,132	403,931	841,745
Depreciation	(116,010)	(18,533)	(32,710)	(10,149)	(215,014)	(293,343)	(685,759)
Disposals	-	-	(7,633)	-	(362)	-	(7,995)
Net book value 30 June 2013	1,486,392	15,572	101,854	8,342	501,068	521,390	2,634,618
Net book value as of 30 June 2013 represented by:							
Gross book value	1,950,045	114,710	329,377	132,106	2,387,451	3,034,966	7,948,655
Accumulated depreciation/amortisation and impairment	(463,653)	(99,138)	(227,523)	(123,764)	(1,886,383)	(2,513,576)	(5,314,037)
	1,486,392	15,572	101,854	8,342	501,068	521,390	2,634,618
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

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 8: Intangible Assets

Consolidated

	Trademarks	IT Software	Total
	\$	\$	\$
As at 1 July 2012			
Gross book value	16,177	314,329	330,506
Accumulated amortisation and impairment	(8,692)	(299,121)	(307,813)
Net book value 1 July 2012	7,485	15,208	22,693
Additions	-	34,371	34,371
Amortisation	(1,617)	(44,620)	(46,237)
Net book value 30 June 2013	5,868	4,959	10,827
Net book value as of 30 June 2013 represented by:			
Gross book value	16,177	348,700	364,877
Accumulated amortisation and impairment	(10,309)	(343,741)	(354,050)
	5,868	4,959	10,827

As at 1 July 2011			
Gross book value	16,177	314,329	330,506
Accumulated amortisation and impairment	(8,692)	(299,121)	(307,813)
Net book value 1 July 2011	7,485	15,208	22,693
Amortisation	(1,618)	(27,836)	(29,454)
Net book value 30 June 2012	5,867	(12,628)	(6,761)
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

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 9: Current Liabilities

	Consolidated	
	2013	2012
	\$	\$
Note 9A: Trade and other payables		
Trade creditors	306,333	559,058
Goods and services tax payable	166,809	147,377
Accrued expenses	122,196	129,356
Staff and other liabilities	66,632	90,763
Total trade and other payables	661,970	926,554

Settlement of trade creditors is net 30 days.

Note 9B: Grants

Unexpended grants - Parent entity		
IBA - Northern Territory Emergency Relief Funding (NTER)	11,425,297	12,945,448
FAHCSIA Food Grant	12,378,717	12,974,374
Unexpended grants - Other		
Nutritional and minor Grant Funding	80,359	80,081
Governance and Training Grant Funding	45,309	139,575
Bickerton Grant Funding	-	64,848
Total grants	23,929,682	26,204,326

Grants liabilities are represented by:

Current	23,929,682	26,204,326
Total grants	23,929,682	26,204,326

Note 9C: Provisions

Current

Employee benefits	513,559	536,728
Audit fees	42,800	42,000
Fringe benefit and payroll tax	113,097	81,757
Total current provisions	669,456	660,485

Non-current

Employee benefits (i)	229,832	196,736
Total provisions	899,288	857,221

(i) The non-current employee benefits are represented by the employee entitlements not expected to be taken within 12 months, being \$ 229,832 long service leave, (2012: \$196,736 long service leave).

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 9: Current Liabilities (Cont'd)

Note 9C: Provision movements

2013

Balance at 1 July 2012
 Additional provisions recognised

Fringe benefit payable
 Balance as at 30 June 2013

Disclosed in the financial statements as:

Current provisions
 Non Current provision

Consolidated		
Employee Benefits \$	Audit fees \$	Fringe benefit and payroll tax \$
733,464	42,000	81,757
9,927	800	31,340
743,391	42,800	113,097
<hr/>		
743,391	42,800	113,097
<hr/>		
513,559	42,800	113,097
229,832	-	-
743,391	42,800	113,097

Note 9D: Borrowings

Unsecured - at amortised cost

Current

Corporate credit cards (i)

53,936	32,080
53,936	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 2013

Note 10: Issued Capital

	<u>Consolidated</u>	
	2013	2012
	\$	\$
Authorised and issued shares:		
40,000,001 fully paid ordinary share (2012: 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	204,877	214,611
Later than 1 year and not later than 5 years.	165,411	354,951
	<u>370,288</u>	<u>569,562</u>

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

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	
	2013	2012
	\$	\$
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents	61,672,882	63,592,975
Total cash and cash equivalents	61,672,882	63,592,975
(b) Reconciliation of profit / (loss) to cash flows from operating activities		
Profit / (loss) for the year	509,482	1,291,241
<u>Items reclassified as investing activities:</u>		
Interest received	(2,457,720)	(3,061,288)
Underpinning of stores	2,686,754	2,020,659
<u>Non cash transactions</u>		
Depreciation and amortisation	731,996	915,166
Net gain on disposal of fixed assets	(87,933)	(75,578)
<u>Changes in net assets and liabilities:</u>		
(Increase) / decrease in assets:		
Trade and other receivables	(270,476)	261,938
Inventories	(4,252)	(14,373)
Other current assets	(26,054)	29,824
Deferred tax assets	4,286	(10,998)
Increase / (decrease) in liabilities:		
Trade and other payables	(264,584)	110,954
Grants	(2,274,644)	(1,828,734)
Current tax liabilities	(330,725)	378,437
Deferred tax liabilities	7,506	10,435
Provisions	42,067	152,446
Net cash generated or (used in) operating activities	(1,734,297)	180,129

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

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 of Australia.

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 2013	year ended 2012	year ended 2013	year ended 2012
	\$	\$	\$	\$
Ti - Tree	316,288	327,711	23,808	283
Tennant Creek Foodbarn Partnership	528,821	463,709	340	795
Total	845,109	791,420	24,148	1,078

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

	Amounts owed by related parties		Amounts owed to related parties	
	2013	2012	2013	2012
	\$	\$	\$	\$
Ti - Tree	24,532	27,452	-	243
Tennant Creek Foodbarn Partnership	32,864	34,987	-	-
Total	57,396	62,439	-	243

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 2013

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	
	2013	2012
	\$	\$
Short-term employee benefits	834,763	663,794
Termination benefits	25,846	-
Reportable fringe benefits	-	11,798
Total	860,609	675,592

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)
John Quill	Operations Manager (appointed 27 February 2013)
Louise Dutton	Chief Financial Officer (appointed 1 March 2009)
Alaistair King	Director (appointed 17 August 2009)
Robert Hudson	Director (appointed 24 July 2008)
Steve Bradley	Chairman (appointed 31 July 2007)
Andrew Robinson	Director (appointed 20 September 2012)
Kerin O'Dea	Director (appointed 15 July 2010)
Barry Orr	Operations Manager (resigned 25 February 2013)

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 still 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 2013

Note 17: Financial Instruments

	<u>Consolidated</u>	
	<u>2013</u>	<u>2012</u>
	\$	\$
<u>17A Categories of financial instruments</u>		
<u>Financial Assets</u>		
Loans and receivables:		
Cash and cash equivalents	61,672,882	63,592,975
Trade and other receivables	2,058,143	2,475,793
Other financial assets - loans	232,918	346,362
Carrying amount of financial assets	63,963,943	66,415,130
<u>Financial Liabilities</u>		
Other financial liabilities:		
Trade and other payables	661,970	926,554
Grants	23,929,682	26,204,326
Borrowings	53,936	32,080
Carrying amount of financial liabilities	24,645,588	27,162,960

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 17: Financial Instruments (Cont'd)

17B Financial risk management objectives

Capital 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 Metcash and Arnhem Land Progress Aboriginal Corporation (ALPA). Metcash supply the Group of inventory. 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 2013

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
2013	%	\$	\$	\$			\$
Short term deposits (fixed interest rate)	4.18%	23,700,000	13,300,000	23,000,000	-	-	60,000,000
Other cash & cash equivalents (variable interest)	2.65%	-	-	1,672,882	-	-	1,672,882
Store loans (fixed interest rate)	6.53%	-	-	55,658	173,036	4,225	232,919
		23,700,000	13,300,000	24,728,540	173,036	4,225	61,905,801
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

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
2013	\$	\$	\$	\$			\$
Trade and other payables	-	-	661,970	-	-	-	661,970
Grants	-	-	-	23,929,682	-	-	23,929,682
Corporate cards	-	53,936	-	-	-	-	53,936
		53,936	661,970	23,929,682	-	-	24,645,588
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

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

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.

Outback Stores Pty Ltd and Controlled Entity

Notes to the financial statements for the year ended 30 June 2013

Note 18: Parent Entity Disclosures

Financial position	Company	
	2013	2012
	\$	\$
Assets:		
Current assets	64,225,493	66,551,745
Non-current assets	2,340,731	2,270,221
Total assets	66,566,224	68,821,966
Liabilities		
Current liabilities	25,372,666	28,102,261
Non-current Liabilities	263,783	223,480
Total liabilities	25,636,449	28,325,741
Equity		
Issued capital	40,000,001	40,000,001
Retained earnings	929,774	496,224
Total equity	40,929,775	40,496,225
Comprehensive income	Year ended	Year ended
	2013	2012
	\$	\$
Profit for the year	433,550	917,166
Total comprehensive income	433,550	917,166

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	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 10	29
Directors	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 11	24 & 31
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	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 12	9
Related entity transactions	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 13	69
Key activities and changes affecting the	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 14	28
Significant judicial or administrative	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 15	27
Obtaining information from subsidiaries	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 16	N/A
Disclosure requirements for	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 17	28
Index of annual report requirements	Commonwealth Companies (Annual Reporting) Orders 2011, Clause 18	



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