OUTBACK Stores

Annual Report 2009-2010

Mission

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

Vision

Outback Stores aspires to be the national manager of choice for quality, sustainable retail stores in remote Indigenous communities

Nutrition Policy

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

LETTER OF TRANSMITTAL

Date 13/09/2010
The Hon. Jenny Macklin MP
Minister for Families, Housing, Community Services
& Indigenous Affairs
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 2010.

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.

This reports and Audit Financial Statements contained in this Annual Report were made in accordance with a resolution of Outback Stores Directors on the 27th of August 2010.

Yours Sincerely,

S Bradley

Stephen Bradley
Chairman, Board of Directors

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CHAIRMAN'S REPORT

On behalf of the board I am pleased to report on Outback Stores performance for the 2009 – 2010 financial year. Outback Stores provides retail management services to Aboriginal community stores in remote areas of Australia. We are owned by the Federal Government with a mandate to improve the affordability and quality of nutritious food available in communities. Outback Stores is committed to making a positive difference in the health, employment and economy of remote indigenous communities by providing quality, sustainable retail stores.

After two years of rapid store growth our third year of operation has been one of consolidation. We have concentrated on improving the performance of our stores and reducing our costs. I am pleased to report that we have significantly reduced the wastage in our stores and improved the availability of healthy food. Our national office costs have dropped substantially as we strongly believe that to have a long term sustainable business we need to be the most cost effective operator in our market.

In this year we have provided relief or emergency management for 3 stores (Timber Creek, Wujal Wujal and Mt Liebig) gained 1 new store (Ngukurr) and lost 2 stores (Leonora & Hopevale) leaving us an overall total of 25 stores. While it is always disappointing to lose stores when committees choose alternative management options this reflects the reality of the difficult environment we operate in and the fact that the community has the right to choose who their store operator is. We continue to believe that we should only operate stores where we have the support of the community.

Outback Stores Pty Ltd made an operating loss of $1,988m this financial year, a significant improvement on the previous year. The loss which was created in the financial statements of $15.375m was in relation to a change in preference shares to ordinary shares. We aim to become a self sustaining commercial business once we are beyond the start up period and are actively working towards this.

In Financial Year ending June 2010 Outback Stores was operating 13 unviable stores (not able to sustain operations without subsidy), 6 barely viable stores (stores that sustain their own operations unless a major expense is incurred) and 8 viable stores (stores that sustain their own operation and produce profits for their owners). Unviable and barely viable stores (that needed it) required $2.218m in government subsidies last year to continue operating. This equates to an average subsidy of $585 per person per annum in these communities to provide reliable access to affordable and healthy food. In general our experience is that communities with fewer than 200 people cannot support a viable store.

We have introduced more flexible offerings we can provide to remote Aboriginal communities. In addition to our conventional stores we now offer an essentials model that is a flexible lower cost operating model for smaller communities that are not viable. We are assisting the Laynahapuy homelands to implement a bush ordering system and we are offering consultancy services to communities who require assistance in specific areas.

The company has moved from being wholly owned by Indigenous Business Australia to being owned directly by the Commonwealth of Australia. This facilitates greater alignment between the key government department responsible for indigenous affairs and Outback Stores.

Outback Stores is keen to improve the evidence base around the positive impacts of the increase sales of healthy food in Aboriginal communities. With the assistance of Professor Kerin O'Dea we are participating in a study run by the Menzies School of Health to determine the links between Store based initiatives and the effect they have on sales of fruit and vegetables, soft drinks and tobacco products. The initial results will be available in August 2011 and we look forward to the results with interest.

We are committed to employing Indigenous people in as many roles as possible. Wherever possible the staff employed in the store, are local Indigenous people and we are committed to developing their retail and commercial skills. Outback Stores have two stores managed by Indigenous people and will continue to support Indigenous employees in achieving management positions.

Alastair King, previously General Manager of the Arnhem Land Progress Association, has been the CEO since August 2009. As planned Alastair's appointment will conclude in August 2010 and he will return to ALPA. Alastair has brought enormous experience and commitment to the role and on behalf of the board I would like to thank him for his contribution in this last year.

Rod Mainard has been appointed as CEO commencing in July 2010. Rod brings many years' retail and senior management experience to the role and we are confident that under his leadership Outback Stores will continue to improve and grow.

Kerin O'Dea was appointed to the Board in July 2010. Kerin is the 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. Professor O'Dea is an eminent health professional in the field of Indigenous health and the knowledge she brings to our organisation will be invaluable.

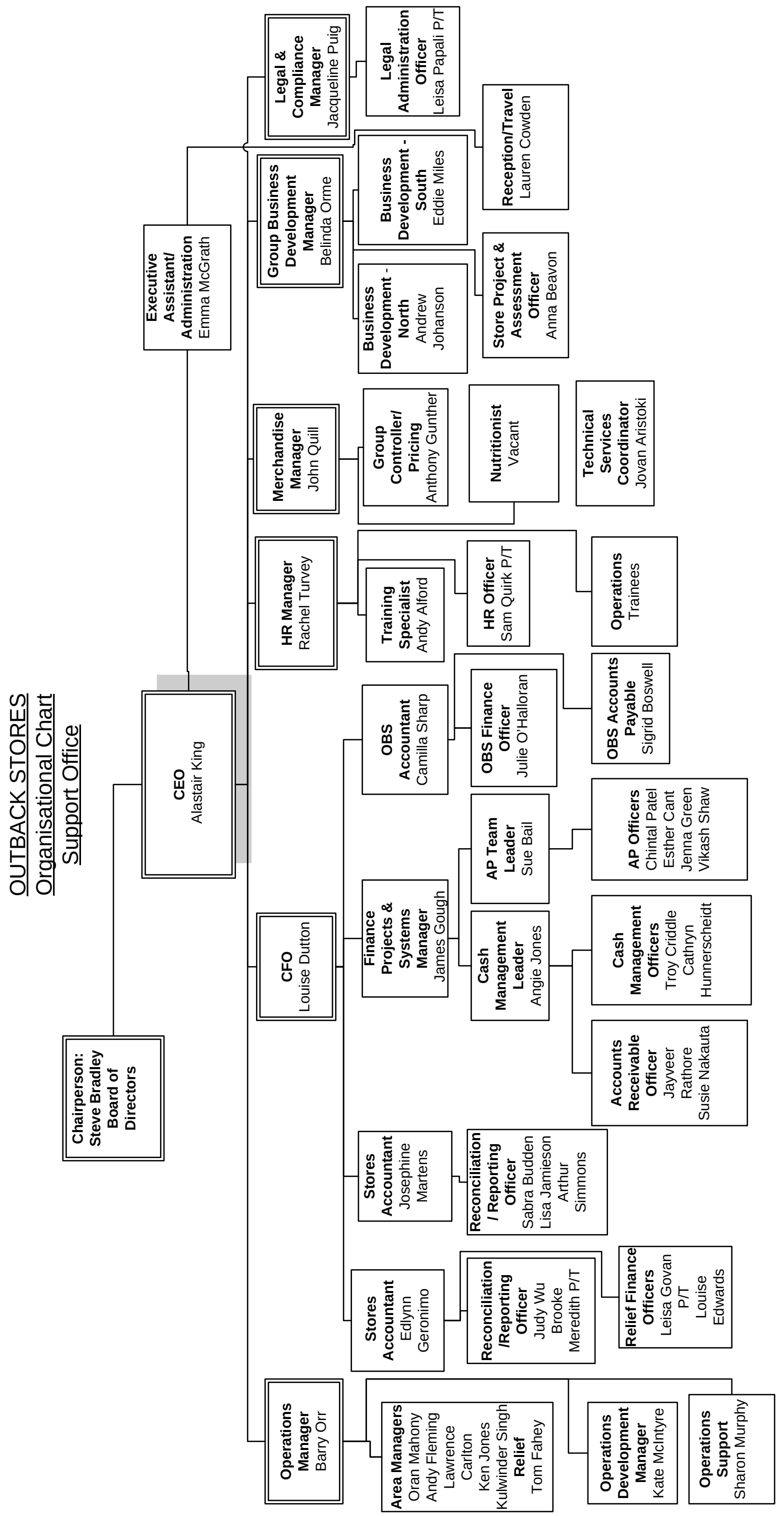
All non executive directors on the board operate in a voluntary capacity and I thank them for the time and commitment devoted to Outback Stores. The Store Acquisitions Committee has continued to assess and approve our major investments and commitments to stores. The Audit and Risk Committee has improved our controls and compliance under the leadership of Bob Hudson.

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.

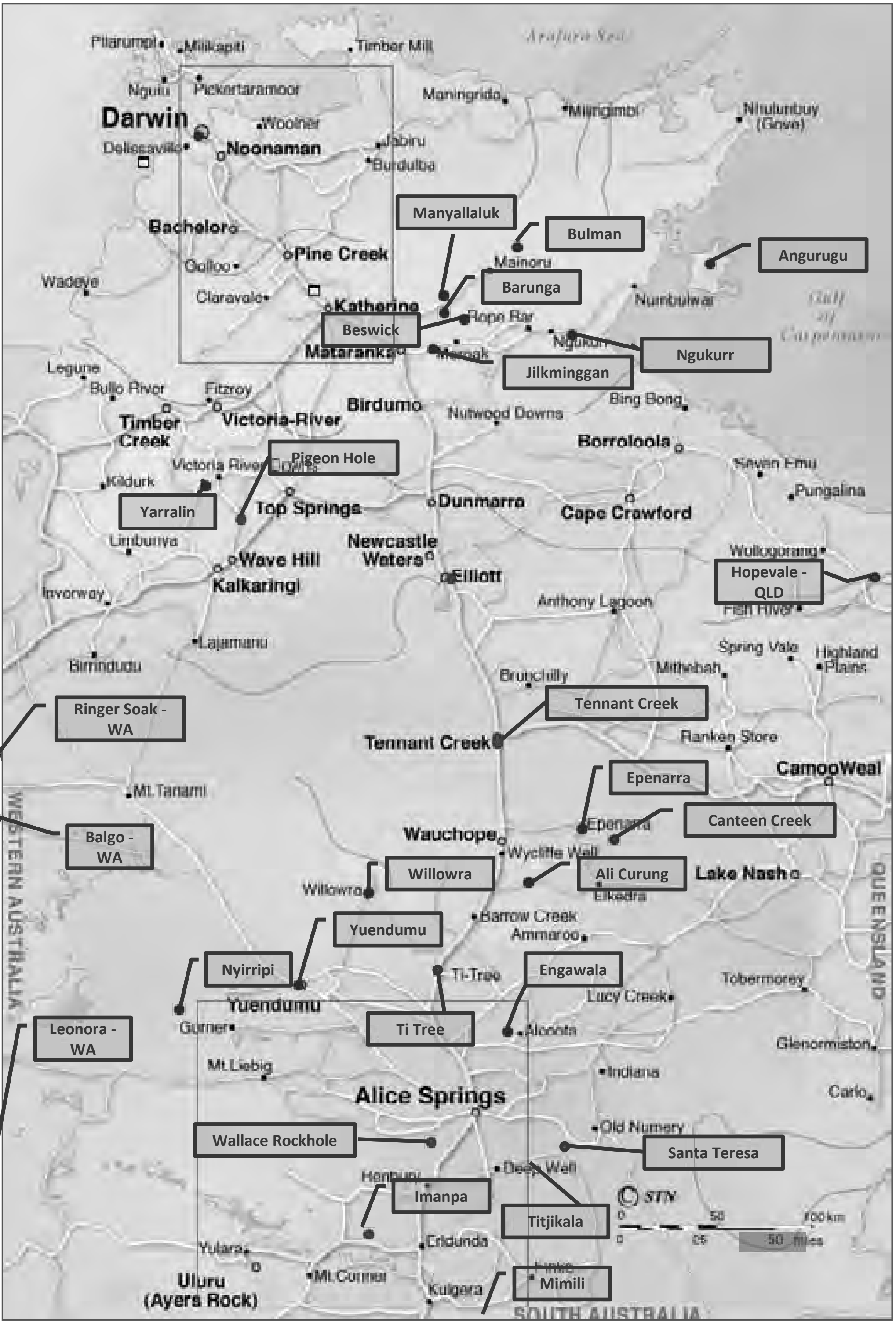
S Bradley

Stephen Bradley
Chairman

ORGANISATIONAL CHART



STORE LOCATIONS



BOARD COMMITTEES

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

<u>Meetings held during the year and attendance</u>

Name	Company Director	Committee Position	Attendance 6 Meetings in FY10	Meetings Missed
Mr Robert (Bob) Hudson	Yes	Chairman	6	0
Mr Stephen Bradley	Yes	member	6	0
Mr Ted Moore	Yes	member	6	0
Mr Drew Robinson	No	Secretary	6	0
Mr Alastair King	Yes	CEO	5	0
Ms Louise Dutton	No	CFO	4	0

Store Acquisitions Committee:

The Board established the Stores Acquisitions Committee in 2007, meetings are held monthly or as required.

Its Charter is to consider any matter relating to Store Management with individual Indigenous communities including strategy, agreements, termination, expenditure, capital loans and underpinning.

The functions of the committee include:

a) consider management proposals for store acquisitions under Management agreements, leases or purchases. Consider management proposals to discontinue management services.

b) To authorise requested operational underpinning by Management for unviable stores
c) To authorise requested capital underpinning by Management for unviable stores.
d) To authorise commercial loans to stores under company management.
e) To ensure robust procedures are implemented and followed for the use of public funds to support Remote Stores under company Management.

BOARD COMMITTEES

Meetings held during the year and attendance

Name	Company Director	Committee Position	Attendance 10 Meetings in FY10	Meetings missed whilst member
Mr Stephen Bradley	Yes	Chairman	8	2
Mr Robert (Bob) Hudson	Yes	member	9	1
Mr Drew Robinson	No	Secretary	10	0
Mr Alastair King	Yes	CEO	8	0
Mrs Louise Dutton	No	CFO	7	1
Ms L Curran	No	FaHCSIA	5	0
Ms Cath Halbert	No	FaHCSIA	4	0

BOARD OF DIRECTORS

Steve Bradley
Chairman

Roger Corbett

Ted Moore

Alastair King
CEO

Bob Hudson

Meetings held during the year and attendance

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

Name	Director	Committee	Attendance 4 Meetings in FY10	Meetings missed whilst member
Mr Stephen Bradley (Chair)	Non Executive	SAC & AR	4	0
Mr. Roger Corbett	Non Executive	Nil	2	2
Mr Ted Moore	Non Executive	AR	4	0
Mr Alastair King (CEO)	Executive	SAC & AR	4	0
Mr Robert (Bob) Hudson	Non Executive	SAC & AR	4	0
Ms Patricia Miller	Non Executive	Nil	Nil	4
Mr Drew Robinson	Company Secretary		4	0

Note: Mr John Kop resigned as CEO and Executive Director, 10th August 2009

Directors and Officers Indemnity

In respect of current and former Directors and Officers liability and indemnity the company did not pay premiums for the year ended 30 June 2010 due to being a subsidiary of Indigenous Business Australia.

The liabilities insured include the costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Company's Directors or Officers as a result of discharging their responsibilities and duties for the company.

Disability Discrimination Strategy

Outback Stores is aware of and acknowledges the Commonwealth Disability Strategy which is a planning framework that assists agencies to ensure their policies, programs and services are accessible for people with disabilities.

Outback Stores is committed to the continued development of our Disability Strategy.

The company's policies, procedures and services are accessible to people with disabilities and meet its obligations under the Disability Discrimination Act 1992. The company is not aware of any instance where a person with a disability has experienced difficulty in accessing any service the company offers.

DIRECTORS' REPORT

The directors of Outback Stores Pty Ltd submit herewith the annual financial statements of the company for the year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

Name	Particulars
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 King was appointed CEO on 17 August 2009 Contract ended as CEO on 27 August 2010 however still remains on the Board.
Mr A.J. Robinson	Company Secretary, appointed on 29 January 2008.
Mr. E. A. Moore	Former Senior Executive with Coles Myer, currently Chairman of Frontline Defence Services, joined the Board in 2006 in a non-executive capacity.
Mr. R. C. Corbett	Former CEO of Woolworths Limited; joined the Board in 2006 in a non-executive capacity. Mr Corbett currently serves on the Boards of Fairfax, Walmart and the Reserve Bank of Australia.
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.
Mrs. P. Miller	Director, Central Australian Aboriginal Legal Aid Service and Deputy Administrator of the Northern Territory, joined the Board in a non executive capacity on 18 March 2009.
Mr D.A. Kop	Chief Executive Officer joined the board in 2008. Resigned 10 August 2009.
Prof. K. O'Dea	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.

The above named directors held office during and since the end of the financial year except for:
Mr D.A. Kop - resigned 10 August 2009
Mr A.R. King - contract ends 31 August 2010

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.

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

Company secretary
Mr. A.J. Robinson, Practising Solicitor, held the position of company secretary of Outback Stores Pty Ltd at the end of the financial year.

Principal activities
Outback Stores' principal activity 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 $66 million dollars from 27 stores. During the year the company provided relief or emergency management for 3 stores (Timber Creek, Wujal Wujal and Mt Leibig) gained 1 new store (Ngukurr) and lost 2 stores. (Leonora & Hopevale) leaving us an overall total of 25 stores at the end of the financial year.

The year has been one of consolidation after the previous 2 years of rapid growth. This has given the company time to tighten operational disciplines in the business that is delivering improvements in the stores that we manage on behalf of our clients. In particular we have substantially reduced store waste, reduced margins and improved freight recovery. The company has improved affordability in store in particular by starting to sell fruit and vegetables by random weight giving our customers greater choice and reducing prices. This has resulted in increased tonnage volumes through the stores as customers can afford **and choose to consume more**

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

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.

	$
Profit / (loss) for the year	(15,375,725)
Less: Income tax expense	311,483
Profit / (loss) before income tax	(15,064,242)
Less: Adjustments for non-operating profit	
Income/(loss) from preference share movements	(15,157,378)
Revenue from Government Grants	4,322,408
Impairment recovery	214,065
Gain on sale of fixed assets	29,849
Store grant expenditure (underpinning)	(2,218,530)
Grant expenditure	(266,174)
Total non-operating loss	(13,075,760)
Total operating loss	(1,988,482)

Change in state of affairs
On 2 March 2010 the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs (the immediate and ultimate parent entity) purchased the shareholding of Outback Stores Pty Ltd from Indigenous Business Australia.

Prior to 2 March 2010 the immediate parent entity was the Indigenous Business Australia. The ultimate parent entity of the Group was the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs (FAHCSIA).

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 16 to the financial statements.

Future developments

Outback Stores has not considered future development outside the scope of its principal activities. Accordingly, there is no development relevant to disclose in this report.

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 or since the end of the financial year the company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred.

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 2010. The prescribed details for each person includes:

- 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 (Chief Executive Officer, appointed 17 August 2009 and contract ends as Chief Executive Officer 31 August 2010)

Mr D.A. Kop (Chief Executive Officer, resigned 10 August 2009)

Mr A.J. Robinson (Company Secretary)

Mr. E. A. Moore

Mr. R. C. Corbett

Mr. R.E. Hodson

Mrs P. Miller (appointed on 18 March 2009)

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. A.R. King (Chief Executive Officer, appointed 17 August 2009 and contract ends as Chief Executive Officer 31 August 2010)
Mr. R. Mainard (Chief Executive Officer, appointed 19 July 2010)
Mr D.A. Kop (Chief Executive Officer, resigned 10 August 2009)
Ms. L. Dutton (Chief Financial Officer, appointed 1 March 2009)
Mr B. Orr (Operations Manager- appointed 1 July 2009)
Mr. R. Loughnan (Regional Area Manager, resigned 9 October 2009)

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

Board approval is required to change the remuneration package of the Chief Executive Officer.

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
No remuneration has been paid to non-executive directors during or since the end of the financial year.

Executive officers

	2010	2009
Short-term employee benefits	**961,253**	851,740
Other long-term benefits	**69,315**	
Termination benefits	**111,332**	74,997
Total remuneration:	**1,141,900**	926,737

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 Boards discretion.

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

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 A.R. King (Chief Executive Officer) - One year contract commencing 17 August 2009, with a required termination notice period of three months. Contract ends 31 August 2010.

Mr. R. Mainard (Chief Executive Officer) - Three year contract commencing 19 July 2010, with a required termination notice of three months.

Mr D.A. Kop (Chief Executive Officer) - Five year contract commencing 21 November 2006, with a required termination notice period of three months. Resigned 10 August 2009.

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

Mr. R. Loughnan (Regional Area Manager) - Three year contract commencing 5 April 2007, with a termination notice period of three months. Moved to senior manager on 1 July 2009.

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

On behalf of the Directors

Mr. A.R. King
Director

Darwin, Dated: 27/8/2010

AUDITOR'S INDEPENDENCE DECLARATION

OUTBACK STORES PTY LIMITED
FINANCIAL REPORT 2009–10
AUDITOR'S INDEPENDENCE DECLARATION

In relation to my audit of the financial report of the Outback Stores Pty Limited and the consolidated entity for the year ended 30 June 2010, 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

John McCullough
Audit Principal
Delegate of the Auditor-General

Canberra
27 August 2010

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the members of Outback Stores Pty Ltd

Report on the Financial Statements

I have audited the accompanying financial statements of the Outback Stores Pty Ltd consolidated entity, which comprises the Statement of Financial Position as at 30 June 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, Schedule of Commitments, Notes to the Financial Statements, including a Summary of Significant Accounting Policies, and the Directors' Declaration. The consolidated entity comprises the Outback Stores Pty Ltd and the entity it controlled at the year's end or from time to time during the financial year.

The Directors' Responsibility for the Financial Statements

The directors of Outback Stores Pty Ltd are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. 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 statements based on my audit. I 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. 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 Outback Stores Pty Ltd's preparation and fair presentation of the financial statements in order to design audit procedures that are

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19 National Circuit BARTON ACT 2600
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appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Outback Stores Pty Ltd's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Independence

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

Auditor's Opinion

In my opinion:

(a) the financial statements of the Outback Stores Pty Ltd consolidated entity are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Outback Stores Pty Ltd consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Australian National Audit Office

John McCullough
Audit Principal
Delegate of the Auditor-General

Canberra
27 August 2010

DIRECTORS'S 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 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; and

(c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

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. A.R. King
Director

Darwin, Dated: 27/8/2010

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2010

		Consolidated	
		year ended 2010	year ended 2009
	Notes	$	$
Continuing Operations			
Revenue			
Revenue from Government Grants	3A	**4,322,408**	10,069,044
Sale of goods and rendering of services	3B	**4,744,317**	3,183,675
Interest	3C	**2,406,304**	3,190,210
Rental income	3D	**14,101**	47,933
Store recoveries and charges	3E	**5,291,981**	3,660,700
Other revenue	3F	**1,361,178**	837,323
Total Income		**18,140,289**	20,988,885
Expenses			
Consulting expenses		**222,335**	569,771
Cost of goods sold	4A	**1,477,349**	859,338
Depreciation and amortisation	4B	**1,486,726**	1,406,536
Employee benefit	4C	**8,960,950**	11,134,682
Finance costs	4D	**6,452**	47,700
Impairment / (impairment recovery) of assets	4E	**(214,065)**	(510,640)
(Gain) / Loss on disposal of fixed assets	4F	**(29,849)**	88,758
Rent	4G	**526,413**	354,072
Store grant expenditure	4H	**2,218,530**	1,827,602
Other expenses	4I	**3,126,138**	5,070,810
Other grant expenditure	4J	**266,174**	175,898
Total Expenses		**18,047,153**	21,024,527
Net income / (loss) from continuing operations		**93,136**	(35,642)
Preference share movements through profit or loss			
Other Income			
Change in fair value of preference shares	5A	**-**	4,461,271
Other Expenses			
Change in fair value of preference shares	5A	**14,173,778**	-
Interest expense on preference shares	5B	**983,600**	1,373,511
Net income / (loss) from preference shares movements		**(15,157,378)**	3,087,760
Profit / (loss) before income tax		**(15,064,242)**	3,052,118
Income tax expense	6A	**311,483**	57,494
Profit / (loss) for the year		**(15,375,725)**	2,994,624
Other comprehensive income for the year net of tax		**-**	-
Total comprehensive income / (loss) for the year, net of tax		**(15,375,725)**	2,994,624
Profit / (loss) for the year is attributable to:			
Equity holders of the parent		**(15,375,725)**	2,994,624
Total comprehensive income is attributable to:			
Equity holders of the parent		**(15,375,725)**	2,994,624

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

STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Notes	Consolidated 2010 $	2009 $
ASSETS			
Current assets			
Cash and cash equivalents	7A	63,793,528	67,092,419
Inventories	7B	200,826	178,200
Trade and other receivables	7C	1,867,733	2,178,217
Other financial assets	7D	65,894	82,983
Current tax asset	6C	266	910,455
Other current assets	7E	80,252	145,349
Total current assets		66,008,499	70,587,623
Non-current assets			
Property, plant and equipment	8	3,975,075	5,486,643
Deferred tax asset	6D	268,148	626,771
Other financial assets	7D	355,676	586,058
Intangibles	9	199,986	231,695
Total non-current assets		4,798,885	6,931,167
Total Assets		70,807,384	77,518,790
LIABILITIES			
Current liabilities			
Trade and other payables	10A	894,120	3,466,400
Grants	10B	29,839,938	33,260,318
Provisions	10C	622,065	1,002,444
Borrowings	10D	56,051	77,038
Current tax liability	6C	-	-
Total current liabilities		31,412,174	37,806,200
Non-current liabilities			
Grants	10B	-	-
Provisions	10C	100,810	136,412
Borrowings	10D	-	24,858,914
Deferred tax liabilities	6D	18,547	65,686
Total non-current liabilities		119,357	25,061,012
Total Liabilities		31,531,531	62,867,212
Net Assets		39,275,853	14,651,578
EQUITY			
Issued capital	11	40,000,001	1
Retained surplus		(724,148)	14,651,577
Total Equity		39,275,853	14,651,578

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

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2010

Consolidated

	Fully Paid Ordinary Shares	Retained Earnings	Total Equity
	$	$	$
Balance at 1 July 2008	1	11,656,953	11,656,954
Total comprehensive income for the year, net of tax	-	2,994,624	2,994,624
Balance as at 30 June 2009	1	14,651,577	14,651,578
Balance at 1 July 2009	**1**	**14,651,577**	**14,651,578**
Conversion of Redeemable Cumulative Preference Shares to ordinary shares	**40,000,000**	-	**40,000,000**
Total comprehensive income for the year, net of tax	-	**(15,375,725)**	**(15,375,725)**
Balance as at 30 June 2010	**40,000,001**	**(724,148)**	**39,275,853**

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

STATEMENT OF CASH FLOWS
for the year ended 30 June 2010

	Notes	Consolidated year ended 2010 $	year ended 2009 $
Cash flows from operating activities			
Receipts from customers		**13,110,500**	9,168,819
Payments to suppliers and employees		**(18,544,333)**	(17,552,874)
Grants received		**168,564**	17,397,386
Interest and other costs of finance paid		**(6,452)**	(36,228)
Income taxes (paid) / refunded		**910,190**	(1,554,637)
Net cash flows from or (used by) operating activities	13b	**(4,361,531)**	7,422,466
Cash flows from investing activities			
Payments for property, plant and equipment		**(366,902)**	(5,739,371)
Proceeds from sales of property, plant and equipment		**462,889**	173,603
Payment for purchase of intangible assets		**(9,585)**	(292,966)
Underpinning payments for stores and other grants		**(2,484,703)**	(1,827,602)
Amounts received / (advanced to) from stores under commercial loans		**310,168**	(232,605)
Interest received		**3,217,350**	2,776,383
Net cash flows from or (used by) investing activities		**1,129,217**	(5,142,558)
Cash flows from financing activities			
Loans from / (to) related parties		**-**	-
Proceeds from issues of redeemable preference shares		**-**	10,000,000
Repayment of capitalised finance lease		**(66,576)**	(73,440)
Net cash flows from or (used by) financing activities		**(66,576)**	9,926,560
Net increase / (decrease) in cash and cash equivalents		**(3,298,891)**	12,206,468
Cash and cash equivalents at the beginning of the year		**67,092,419**	54,885,951
Cash and cash equivalents at the end of the year	13a	**63,793,528**	67,092,419

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

SCHEDULE OF COMMITMENTS
as at 30 June 2010

		Consolidated	
		2010	2009
	Notes	$	$
BY TYPE			
Other commitments			
Operating leases	12	1,167,025	1,302,122
Net Commitments by Type		1,167,025	1,302,122
BY MATURITY			
Commitments receivable			
One year or less	12	-	47,933
Total operating lease income		-	47,933
Commitments payable			
Operating lease commitments			
One year or less		551,299	346,973
From one to five years		615,726	955,149
Over five years		-	-
Total operating lease commitments		1,167,025	1,302,122
Net Commitments Receivable by Maturity		-	47,933
Net Commitments Payable by Maturity		1,167,025	1,302,122

Commitments are disclosed net of the amount of goods and services tax.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

1. General information

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

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

Registered office and principal place of business
67 Pruen Road
Berrimah
Darwin NT 0828

Note 2: Summary of Significant Accounting Policies

2. Significant accounting policies

Statement of compliance
The financial statements are general purpose financial statements and have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Boards (AASB) and comply with other requirements of the law that apply for the reporting period.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 27 August 2010.

Basis of preparation
The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Critical accounting judgments and key sources of estimation uncertainty
In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. 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.

Note 1: Summary of Significant Accounting Policies

The following critical accounting judgements have been made in determining the values contained in the financial statements. Unless otherwise stated below, it is impractical to determine the effect of a change in these accounting judgements.

Useful lives of property, plant and equipment

As described in note 2(m), the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. No changes were made to the useful lives for existing assets, however management determined a shortened effective life for new equipment purchased during the 2009-10 financial year, due to the remote location and harsh conditions its used in. The potential effect of a change in these estimates is not expected to be material.

Employee entitlements

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

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

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

Intangible assets

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

Inventories

Inventory set out in note 7B represents finished goods purchased for sale in the retail stores owned and managed by the company and is calculated at the lower of cost or net realisable value. 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 material.

Adoption of new and revised Accounting Standards

In the current year, the company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has resulted in changes to the accounting policies and has affected the presentation and disclosure of the financial statements however has not materially affected the amounts reported for the current or prior years.

Note 2: Summary of Significant Accounting Policies

Future Australian Accounting Standard requirements

At the date of authorisation of the financial statements, the following Standards and Interpretations were in issue but not yet effective:

Standard	Effective annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 124 Related Party Disclosures (2009), AASB 2009-12 Amendment to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process	1 January 2010	30 June 2011
AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-Settled Share-based Payment Transactions	1 January 2010	30 June 2011
AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issues	1 February 2010	30 June 2011
AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement	1 January 2011	30 June 2012
AASB 2010-1 Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters - Amendment to AASB	1 July 2010	30 June 2011
AASB 1053 Application of Tiers of Australian Accounting Standards	1 July 2013	30 June 2014
AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	1 July 2013	30 June 2014
AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2010	30 June 2011
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2011	30 June 2012
Interpretation 19 Extinguishing Liabilities with Equity Instruments	1 July 2010	30 June 2011

Economic dependency

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

Accounting policies

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

(a) **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries referred to as 'the Group' in these financial statements). 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 results of subsidiaries acquired during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

Note 2: Summary of Significant Accounting Policies

(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 company and group did not have an overdraft during the financial period.

(d) 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 employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

(e) Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the parent entity disclosures (note 19).

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' 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.

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 less impairment.

Impairment of financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at least each reporting date. Financial assets are impaired where 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 negatively impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced directly by the impairment loss with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is 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.

With the exception of available-for-sale equity instruments, 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.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in profit or loss.

(f) 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 11.

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid or payable on the financial liability. Fair value is determined in the manner described in note 19C.

Other financial liabilities
Other financial liabilities, including borrowings, 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.

Note 2: Summary of Significant Accounting Policies

(g) 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 as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. 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 as income of the period in which it becomes receivable.

(h) Impairment of long-lived assets

At each reporting date, 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). Recoverable amounts is measured as value in use. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where 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.

Intangible assets are tested for impairment whenever there is an indication that the asset may be impaired.
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 (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Note 2: Summary of Significant Accounting Policies

(i) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by 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 is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and 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 these 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by 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 reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset 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.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised in other comprehensive, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(j) Intangible assets

Patents, trademarks and licenses

Patents, trademarks and licenses are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes being recognised as a change in accounting estimate.

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

Note 2 Summary of Significant Accounting Policies

Estimated useful lives are:

Class of intangible asset	2010	2009
Trademarks	10 years	10 years
IT software	2.5 years	2.5 years

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are 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.

(l) Leased assets

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

As lessor
Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease receipts are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.
Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. However, contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

As lessee
Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. 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 charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to 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. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are depreciated on a straight line basis over the estimated useful life of the asset. Refer to note 2(m).
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.

Note 2: Summary of Significant Accounting Policies

(m) Property, plant and equipment

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

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.

The Group did not revalue any buildings during the financial year.

Plant and equipment, leasehold improvements 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 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:

Class of Property, Plant and Equipment	2010	2009
Containers	20%	20%
Furniture and Fittings	20.00%	20.00%
Portable Housing	10.0%	10.0%
IT Equipment	25% - 66.67%	25% - 66.67%
Leasehold improvements	2.50%	2.50%
Motor vehicles and components	20% - 67%	20% - 67%

(n) 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 reporting date, 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.

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.

Note 2: Summary of Significant Accounting Policies

<u>Onerous contracts</u>
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 under it. The Group was not subject to an onerous contract during the reporting period.

(o) 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.

<u>Sale of goods</u>
Revenue from the sale of goods is recognised when all the following conditions are satisfied:
- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

<u>Rendering of services</u>
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:
- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at reporting date
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.
- management and accounting fees are recognised by reference to the management service contract which reflect the performance of contracted services.

<u>Interest revenue</u>
Interest revenue 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.

<u>Government grants</u>
Government grants are recognised in accordance with the accounting policy outline in note 2(g).

(p) 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 cash flow statement 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.

Note 3: Revenue

	Consolidated	
	2010	2009
Revenue	$	$
Note 3A: Revenue from Government Grants		
Grants from related entities:		
IBA - Operational	-	2,300,000
FaHCSIA - Food Grant	2,623,767	7,647,518
FaHCSIA - Food Security	1,479,333	-
FaHCSIA - Nutrition	40,714	-
FaHCSIA - Elliot	69,430	
FaHCSIA - Pigeon Hole Bush Order	-	2,759
FaHCSIA - School Nutrition Programme - Wallace RockHole	-	18,767
FaHCSIA - Indigenous Coordination Centre (Jilkminggan - Dungalan Aboriginal Association Incorporated)	-	100,000
FaHCSIA - Other	109,164	-
Total revenue from Government Grants	4,322,408	10,069,044
Note 3B: Sale of goods and rendering of services		
Management fees	2,773,747	2,176,398
Sale of goods	1,970,570	1,007,277
Total sale of goods and rendering of services	4,744,317	3,183,675
Note 3C: Interest		
Financial Institutions	139,067	928,361
Interest from Loans to Stores	47,802	47,360
Term Deposits	2,219,435	2,214,489
Total interest	2,406,304	3,190,210
Note 3D: Rental income		
Operating lease:		
House	14,101	-
Training Centre	-	47,933
Total rental income	14,101	47,933
Note 3E: Store recoveries and charges		
Managers Services On-charged	4,013,965	2,965,703
Recoveries from Managed Stores	1,278,016	694,997
Total store recoveries and charges	5,291,981	3,660,700

Note 3: Revenue

	Consolidated 2010 $	Consolidated 2009 $
Note 3F: Other revenue		
Commission Received	**4,043**	3,847
Consultancy Fees	**175,581**	9,000
Markup Administration Fees	**-**	312
Rebates Received	**1,075,889**	784,874
Sundry income	**9,630**	1,729
Training Government Subsidy	**95,103**	37,561
Other rental income	**932**	-
Total other revenue	**1,361,178**	837,323

Note 4: Expenses

	Consolidated 2010 $	2009 $
Note 4A: Cost of goods sold		
Purchases and direct cost	**1,477,349**	859,338
Note 4B: Depreciation and amortisation		
Amortisation of intangible assets	**41,293**	129,059
Depreciation of property, plant and equipment	**1,445,433**	1,277,477
Total depreciation and amortisation	**1,486,726**	1,406,536
Note 4C: Employee benefits		
Wages and salaries	**6,792,051**	9,666,280
Termination benefits	**111,332**	74,997
Travel and other allowances	**123,901**	169,902
Superannuation contributions - defined contribution plans	**689,499**	792,049
Staff incentive provision	**93,183**	59,175
Leave and other entitlements	**1,150,984**	372,279
Total employee benefits	**8,960,950**	11,134,682
Note 4D: Finance costs		
Interest on obligations under finance leases	**4,884**	11,471
Other interest payments	**1,568**	36,229
Total finance costs	**6,452**	47,700
Note 4E: Impairment of assets		
Trade and other receivables	**(132,768)**	(757,077)
Other financial assets	**(81,297)**	246,437
Total impairment / (impairment recovery) of assets	**(214,065)**	(510,640)

Impairment recoveries arise from the reassessment of previously recognised amounts as doubtful or the underpinning of store receivables with store grants (refer Note 4H)

	Consolidated 2010 $	2009 $
Note 4F: Loss/(Gain)on disposal of fixed assets		
Gain on disposal of fixed assets	**(42,828)**	-
Loss on disposal of fixed assets	**12,979**	88,758
Total losses/(Gains) from assets sales	**(29,849)**	88,758

Note 4: Expenses (Cont'd)

	Consolidated 2010 $	Consolidated 2009 $
Note 4G: Rent		
Operating lease rentals	**526,413**	354,072
Total rental expenses	**526,413**	354,072
Note 4H: Store grant expenditure		
Ali Curung - Mirnirri Aboriginal Corporation	**99,079**	143,000
Bagot - Bagot Community Store Inc	**1,062**	155,164
Bulman - Gulin Gulin Community Store Incorporated	**106,972**	-
Canteen Creek - Canteen Creek Store Charitable Trust	**201,899**	262,000
Dajarra - Pathwell Pty Ltd	**6**	187,608
Epenarra - Wetengerr Aboriginal Corporation	**422,941**	257,861
Imanpa - Imanpa Yaaritjiti Store Association Incorporated	**138,511**	-
Jilkminggan - Dungalan Aboriginal Association Incorporated	**160,984**	181,244
Manyallaluk - Nungalawuy Store Aboriginal Corporation	**211,753**	76,897
Nyirripi - Nyirripi Community Store Incorporated	**8,314**	60,000
Pigeon Hole - Nitjpurru Aboriginal Corporation	**263,786**	224,875
Ringer Soak – Kundat Djaru Community Store Aboriginal Corporation	**254,172**	187,000
Nguru Walalja - Yuendumu Women's Centre trading as Nguru Walalja	**-**	11,953
Willowra - Wirliyajarrayi Store Inc	**65,689**	50,000
Engawala - Ntjaminya Store Aboriginal Corporation	**128,925**	-
Mimili - Mimili Maku Store Aboriginal Corporation	**95,385**	-
Barunga - Barunga Community Store Aboriginal Corporation - Ngan Jilaguru Store	**41,224**	-
Yarralin - Victoria Daly Shire - Yarralin Store	**1,200**	-
Titjikala - MacDonnell Shire Council - Titjikala Store	**8,314**	-
Beswick - Wadulduk Progress Aboriginal Corporation - Beswick Community Store	**8,314**	-
Total store grant expenditure	**2,218,530**	1,827,602

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

	Consolidated 2010 $	Consolidated 2009 $
Note 4I: Other expenses		
Travel and accommodation	**320,607**	769,747
Bad debts	**16,254**	1,641
Information technology	**508,863**	675,793
Recruitment costs	**123,511**	162,562
Insurance	**115,582**	110,036
Accountancy fees	**109,717**	295,257
Agency fees	**-**	441,579
Audit fees (Note 4K)	**62,563**	76,786
Motor vehicle	**284,231**	392,314
Fringe benefit and payroll tax	**722,263**	906,829
Training	**94,449**	193,616
Communication	**188,111**	231,214
Other	**579,987**	807,436
Total other expenses	**3,126,138**	5,070,810

Note 4: Expenses (Cont'd)

	Consolidated 2010 $	Consolidated 2009 $
Note 4J: Other grant expenditure		
Expenditure of grants received from other entities:		
ICC (Jilkminggan)	-	100,000
Canteen Creek - Canteen Creek Store Charitable Trust	-	73,139
Pigeon Hole Bush Order	-	2,759
Elliot Grant Funding	69,430	
Food Security	106,030	
Nutrition	40,714	-
Other	50,000	-
Total other grant expenditure	266,174	175,898

	Consolidated 2010 $	Consolidated 2009 $
Note 4K: Auditors' remuneration		
Amounts paid or payable in respect of the audit or review of the financial statements of the company to:		
The Auditor-General of Australia	55,000	57,300
Total auditors' remunerations	55,000	57,300

No non-audit services were provided by the auditors.

Note 5: Other income and expenses

	Consolidated 2010 $	Consolidated 2009 $
Note 5A: Other income		
Change in fair value of redeemable preference shares upon initial recognition (a)	-	4,461,271
Total other income/(loss)	-	4,461,271
Note 5B: Other expenses		
Change in fair value of redeemable preference shares upon initial recognition (a)	14,173,778	-
Interest discount on redeemable preference shares (Note 10D)	983,600	1,373,511
Total other expenses	15,157,378	1,373,511

(a) Changes in the fair value of redeemable cumulative preference shares arise from the issuing or redemption of these financial instruments at other than fair value. Refer Note 10D (ii).

Note 6: Income tax expense

	Consolidated	
	2010	2009
	$	$
Note 6A: Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense / (income) in respect of the current year	**-**	13,414
Deferred tax expense / (income) relating to the origination and reversal of temporary differences	**174,167**	44,080
Adjustments recognised in current year in relation to prior years	**137,316**	-
Total income tax expense	**311,483**	57,494

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

Profit / (Loss) before income tax	**(15,064,242)**	3,052,118
Income tax expense / (benefit) calculated at 30 %	**(4,519,273)**	915,635
Effect of revenue that is exempt from taxation	**-**	(926,328)
Effect of expenses that are not deductible in determining taxable profit - redeemable preference shares	**4,547,213**	-
Effect of expenses that are not deductible in determining taxable profit	**39,087**	68,187
Effect of deferred tax expense / (income) relating to the origination and reversal of temporary differences	**107,140**	-
Adjustments recognised in current year in relation to prior years	**137,316**	-
Income tax expense in statement of comprehensive income	**311,483**	57,494
The applicable weighted average effective tax rates are as follows:	-2%	2%

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 6B: Franking Credits		
Franking account balance	**1,017,829**	1,928,019

Note 6C: Current tax assets and liabilities		
Current tax assets		
Income tax receivable	**266**	910,455
	266	910,455
Current tax liabilities		
Income tax payable	**-**	-
	-	-

Note 6: Income tax expense (Cont'd)

Note 6D: Deferred tax balances

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

2010	Opening balance $	Charged to Income $	Charged to Equity $	Change in income tax rate $	Total $
Temporary differences					
Allowance for impairment	39,926	5,180	-	-	45,106
Prepayments	(42,037)	32,341	-	-	(9,696)
Property, plant & equipment and Intangible assets	147,478	(156,329)	-	-	(8,851)
Accrued expenses	-	-	-	-	-
Staff liabilities	-	5,344	-	-	5,344
Employee benefits	322,786	(133,384)	-	-	189,402
Provision for audit fees	17,190	(690)	-	-	16,500
Fringe benefit and payroll tax	99,391	(87,595)	-	-	11,796
Finance lease liability	(23,649)	23,649	-	-	-
	561,085	(311,484)	-	-	249,601

Presented on the balance sheet as follows:

Deferred tax liability attributable to continuing operations	18,547
	18,547
Deferred tax asset attributable to continuing operations	268,148
	268,148

2009	Opening balance $	Charged to Income $	Charged to Equity $	Change in income tax rate $	Total $
Temporary differences					
Allowance for impairment	214,250	(174,324)	-	-	39,926
Prepayments	(9,251)	(32,786)	-	-	(42,037)
Property, plant & equipment and Intangible assets	(34,248)	181,726	-	-	147,478
Accrued expenses	52,796	(52,796)	-	-	-
Staff liabilities	493	(493)	-	-	-
Employee benefits	258,520	64,266	-	-	322,786
Provision for audit fees	9,000	8,190	-	-	17,190
Fringe benefit and payroll tax	118,663	(19,272)	-	-	99,391
Finance lease liability	(5,058)	(18,591)	-	-	(23,649)
	605,165	(44,080)	-	-	561,085

Presented on the balance sheet as follows:

Deferred tax liability attributable to continuing operations	65,686
	65,686
Deferred tax asset attributable to continuing operations	626,771
	626,771

Note 6: Income tax expense (Cont'd)

Note 6E: Unrecognised deferred tax assets

	Consolidated 2010 $	Consolidated 2009 $
Unrecognised deferred tax assets	**127,676**	319,573
	127,676	319,573

Note 6F: Recoverability of deferred tax balances

During the February 2010 meeting the board of Outback Stores Pty Ltd resolved to take further action to enhance the Company's position to apply for Public Benevolent Institution (PBI) Status. If Outback Stores Pty Ltd were able to obtain PBI status it would no longer be subject to income tax and the deferred tax balance would no longer be recoverable and will be written off. At the date that these financial statements were authorised for issue Outback Stores Pty Ltd has not made an application for PBI status with the Australian Taxation Office.

Note 7: Current Assets

	Consolidated 2010 $	2009 $
Note 7A: Cash and cash equivalents		
Cash	**2,993,528**	26,092,419
Short term deposits	**60,800,000**	41,000,000
Total cash and cash equivalents	**63,793,528**	67,092,419
Note 7B: Inventories		
Finished goods at cost	**200,826**	178,200
	200,826	178,200

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.

	Consolidated 2010 $	2009 $
Note 7C: Trade and other receivables		
Trade receivables (i)		
Other	**88,614**	7,985
Rebates	**205,264**	52,495
Store debt	**776,037**	1,368,319
	1,069,915	1,428,799
Allowance for impairment of trade receivables	**(302)**	(133,070)
Total trade receivables	**1,069,613**	1,295,729
Other receivables		
Accrued interest	**418,580**	496,160
Bonds	**20,579**	24,899
Employees	**836**	20,321
Fringe benefit refundable	**15,089**	
POS clearing - stores	**-**	19,538
Rebates accruals	**17,251**	169,353
Sundry receivables	**325,785**	152,217
Total other receivables	**798,120**	882,488
Total trade and other receivables	**1,867,733**	2,178,217

(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.

	Consolidated 2010 $	2009 $
Net receivables are aged as follows:		
Not overdue	**1,820,956**	1,702,261
Overdue:		
30 to 60 days	**45,226**	
60 to 90 days	**-**	95,222
More than 90 days	**1,551**	380,734
Total trade and other receivables	**1,867,733**	2,178,217

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note 7: Current Assets (cont'd)

	Consolidated 2010 $	Consolidated 2009 $
Movement / (recoveries) in allowance for impairment of trade receivables		
Balance at the beginning of the year	133,070	890,166
Reversal of impairment provision	(133,481)	(757,096)
Impairment losses recognised on receivables	713	-
Balance at the end of the year	302	133,070

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.

	Consolidated 2010 $	Consolidated 2009 $
Ageing of impaired trade receivables		
Current	302	109,390
30 to 60 days	-	-
60 to 90 days	-	22,044
More than 90 days	-	1,636
Balance at the end of the year	302	133,070

Note 7D: Other financial assets

	Consolidated 2010 $	Consolidated 2009 $
Current		
Loans to other entities (i)	81,894	117,183
Allowance for impairment of loans to other entities	(16,000)	(34,200)
	65,894	82,983
Non-current		
Loans to other entities (ii)	504,816	798,295
Allowance for impairment of loans to other entities	(149,140)	(212,237)
	355,676	586,058
Total other financial assets	421,570	669,041

	Consolidated 2010 $	Consolidated 2009 $
Movement / (recoveries) in allowance for impairment of loans to other entities		
Balance at the beginning of the year	246,437	-
Reversal of impairment provision	(161,263)	-
Impairment losses recognised on loans to other entities	79,966	246,437
Balance at the end of the year	165,140	246,437

Note 7: Current Assets (cont'd)

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

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

(ii) Loans to other entities represents unsecured commercial loans to community stores under the terms of management agreements, repayable over the management agreement period, being between 1 to 10 years.

	Consolidated	
	2010	2009
	$	$
Note 7E: Other current assets		
Prepayments	**61,651**	145,349
Deposits paid	**18,601**	-
Total other current assets	**80,252**	145,349

Note 8: Property, Plant and Equipment

Consolidated

	Portable Store Housing at cost $	Containers at cost $	Furniture and Fixtures at cost $	Capitalised Leased Assets at cost $	Leasehold Improvements at cost $	Motor Vehicles at cost $	IT Equipment at cost $	Total $
As at 1 July 2009								
Gross book value	1,389,562	162,600	304,645	191,837	70,967	2,423,982	2,427,828	6,971,421
Accumulated depreciation/amortisation and impairment	(58,171)	(27,825)	(108,867)	(114,876)	(36,408)	(610,669)	(527,962)	(1,484,778)
Net book value 1 July 2009	1,331,391	134,775	195,778	76,961	34,559	1,813,313	1,899,866	5,486,643
Additions	-	39,865	19,132	-	20,232	81,687	205,986	366,902
Depreciation	(94,021)	(40,225)	(62,713)	(63,061)	(32,052)	(584,420)	(568,940)	(1,445,432)
Transfers	-	-	13,424	(1,047)	45,855	(11,033)	(47,199)	-
Disposals	-	(14,768)	(3,994)	-	(12)	(362,334)	(51,931)	(433,039)
Net book value 30 June 2010	1,237,370	119,647	161,627	12,853	68,582	937,213	1,437,782	3,975,074
Net book value as of 30 June 2010 represented by:								
Gross book value	1,389,562	184,106	326,624	128,411	140,344	1,891,632	2,493,324	6,554,003
Accumulated depreciation/amortisation and impairment	(152,192)	(64,459)	(164,997)	(115,558)	(71,762)	(954,419)	(1,055,541)	(2,578,928)
	1,237,370	**119,647**	**161,627**	**12,853**	**68,582**	**937,213**	**1,437,783**	**3,975,075**
As at 1 July 2008								
Gross book value	-	59,100	53,328	191,837	46,865	765,947	427,919	1,544,996
Accumulated depreciation/amortisation and impairment	-	(2,716)	(32,906)	(50,930)	(1,861)	(45,224)	(124,249)	(257,886)
Net book value 1 July 2008	-	56,384	20,422	140,907	45,004	720,723	303,670	1,287,110
Additions	1,413,962	103,500	268,590	-	95,321	1,687,228	2,170,770	5,739,371
Depreciation	(58,387)	(25,109)	(80,028)	(63,946)	(38,467)	(574,057)	(437,089)	(1,277,083)
Disposals	(24,184)	-	(13,206)	-	(67,299)	(20,581)	(137,485)	(262,755)
Net book value 30 June 2009	1,331,391	134,775	195,778	76,961	34,559	1,813,313	1,899,866	5,486,643
Net book value as of 30 June 2009 represented by:								
Gross book value	1,389,562	162,600	304,645	191,837	70,967	2,423,982	2,427,828	6,971,421
Accumulated depreciation/amortisation and impairment	(58,171)	(27,825)	(108,867)	(114,876)	(36,408)	(610,669)	(527,962)	(1,484,778)
	1,331,391	**134,775**	**195,778**	**76,961**	**34,559**	**1,813,313**	**1,899,866**	**5,486,643**

Note 9: Intangible Assets

Consolidated

	Trademarks $	IT Software $	Total $
As at 1 July 2009			
Gross book value	16,177	413,639	429,816
Accumulated depreciation/amortisation and impairment	(3,838)	(194,283)	(198,121)
Net book value 1 July 2009	12,339	219,356	231,695
Additions	-	9,585	9,585
Amortisation	(1,618)	(39,676)	(41,294)
Disposals	-	-	-
Net book value 30 June 2010	10,721	189,265	199,986
Net book value as of 30 June 2010 represented by:			
Gross book value	16,177	423,224	439,401
Accumulated depreciation/amortisation and impairment	(5,456)	(233,959)	(239,415)
	10,721	**189,265**	**199,986**

As at 1 July 2008			
Gross book value	16,177	120,673	136,850
Accumulated depreciation/amortisation and impairment	(2,220)	(66,842)	(69,062)
Net book value 1 July 2008	13,957	53,831	67,788
Additions	-	292,966	292,966
Amortisation	(1,618)	(127,441)	(129,059)
Disposals	-	-	-
Net book value 30 June 2009	12,339	219,356	231,695
Net book value as of 30 June 2009 represented by:			
Gross book value	16,177	413,639	429,816
Accumulated depreciation/amortisation and impairment	(3,838)	(194,283)	(198,121)
	12,339	**219,356**	**231,695**

Note 10: Current Liabilities

	Consolidated 2010 $	2009 $
Note 10A: Trade and other payables		
Trade creditors	**319,871**	825,103
Goods and services tax payable	**162,246**	1,593,815
Accrued store underpinning	**-**	306,625
Accrued expenses	**406,389**	537,772
Staff and other liabilities	**995**	1,868
PAYG withholding tax payable	**4,619**	201,217
Total trade and other payables	**894,126**	3,466,400

Settlement of trade creditors is net 30 days.

	Consolidated 2010 $	2009 $
Note 10B: Grants		
Unexpended grants - Parent entity		
IBA - Northern Territory Emergency Relief Funding (NTER)	**15,458,615**	17,931,460
FAHCSIA Food Grant	**14,215,650**	15,008,388
Unexpended grants - Other		
Elliot Grant Funding	**85,707**	150,000
Nutritional and minor Grant Funding	**79,966**	170,470
Total grants	**29,839,938**	33,260,318
Grants liabilities are represented by:		
Current	**29,839,938**	33,260,318
Non-current	**-**	-
Total grants	**29,839,938**	33,260,318

	Consolidated 2010 $	2009 $
Note 10C: Provisions		
Current		
Employee benefits	**529,536**	613,840
Audit fees	**55,000**	57,300
Fringe benefit and payroll tax	**37,529**	331,304
Total current provisions	**622,065**	1,002,444
Non-current		
Employee benefits (i)	**100,810**	136,412
Total provisions	**722,875**	1,138,856

(i) The non-current employee benefits are represented by the employee entitlements not expected to be taken within 12 months, being $100,810 long service leave.(2009: $95,345 long service leave, $40,000 employee bonus, $1,067 annual leave).

Note 10: Current Liabilities (Cont'd)

Note 10C: Provision movements

	Consolidated	
	Audit fees $	Fringe benefit and payroll tax $
2010		
Balance at 1 July 2009	57,300	331,304
Reduction resulting from payments of future economic benefits	(70,863)	(1,031,126)
Reduction resulting from remeasurement	-	-
Additional provisions recognised	68,563	722,262
	55,000	**22,440**
Fringe benefit refundable (Note 7C)	-	15,089
Balance as at 30 June 2010	**55,000**	**37,529**
Current provisions	55,000	37,529
Non Current provision	-	-
	55,000	**37,529**

	Consolidated	
	2010 **$**	2009 $
Note 10D: Borrowings		
Unsecured - at amortised cost		
Current		
Corporate credit cards (i)	**39,759**	10,462
Non-Current		
Redeemable cumulative preference shares (ii)	-	24,842,622
Secured - at amortised cost		
Current		
Finance lease liability (iii) (Note 12)	**16,292**	66,576
Non-Current		
Finance lease liability (iii) (Note 12)	-	16,292
Total borrowings	**56,051**	24,935,952
Disclosed in the financial statements:		
Current borrowings	**56,051**	77,038
Non-current borrowings	-	24,858,914
	56,051	24,935,952

Note 10: Current Liabilities (Cont'd)

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

(ii) 20,000,000 redeemable cumulative preference shares were issued on 31 March 2007, 10,000,000 on 1 August 2007 and 10,000,000 on 7 August 2008 at $1 per share to the Group's then parent entity, Indigenous Business Australia (IBA). The shares were redeemable in 10 years after the issue date, but could be redeemed at the issue price after a minimum holding period of one year and giving one year's notice unless both parties agreed to short notice. These shares were discounted to the present value at the date of issue using a government yield rate and risk.

On 11 February 2010 the 40,000,000 redeemable cumulative preference shares were converted to 40,000,000 fully paid ordinary shares.

No dividend was declared or expected during the holding period of preference shares.

(iii) Secured by the applicable capitalised leased assets (Note 8). The borrowing represents capitalised leased motor vehicles with repayment periods of 3 years.

Note 11: Issued Capital

	Consolidated	
	2010	2009
	$	$
Authorised and issued shares:		
40,000,001 fully paid ordinary share (2009: 1 fully paid ordinary share)	**40,000,001**	1

Redeemable cumulative preference shares:

On 11 February 2010 the redeemable cumulative preference shares previously recognised as borrowings (Note 10D) were converted to 40,000,000 fully paid ordinary shares. In 2009, 40,000,000 redeemable cumulative preference shares issued by the company had been classified as liabilities (see Note 10D).

On 2 March 2010 the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs (the immediate and ultimate parent entity) purchased the shareholding of Outback Stores Pty Ltd from Indigenous Business Australia (see Note 14).

Note 12: Leases

Finance Leases

Lessee arrangements

Finance leases relate to motor vehicles with lease terms of 3 years. The leases are non-cancellable, with a implicit interest rate averaged 10.5%. Capitalised leased assets secure the lease liabilities. There are no contingent rentals.

	Consolidated	
	2010	2009
	$	$
Minimum future lease payments:		
No later than one year	**16,620**	71,460
Later than 1 year and not later than 5 years	**-**	16,620
Minimum future lease payments	**16,620**	88,080
Less: future finance charges	**(328)**	(5,212)
Present value of minimum lease payments	**16,292**	82,868
Included in the financial statements as:		
Current borrowings (Note 10D)	**16,292**	66,576
Non-current borrowings (Note 10D)	**-**	16,292
	16,292	82,868

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	**551,299**	346,973
Later than 1 year and not later than 5 years	**615,726**	955,149
Later than 5 years	**-**	-
	1,167,025	1,302,122
Included in the financial statements as other payables:		
Accrued expenses (Note 10A)	**502**	15,728
	502	15,728

Note 12: Leases (Cont'd)

Operating leases

Lessor arrangements

The operating lease represents rent of training centre premises. There are no further lease arrangement contracts applicable.

	Consolidated	
	2010	2009
	$	$
Minimum future lease payments:		
No later than one year (Note 3D)	-	47,933
	-	47,933
Included in the financial statements as other receivables:		
Current trade and other receivables (Note 7C)	-	
	-	-

Note 13: 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 2010 $	Consolidated 2009 $
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents	**63,793,528**	67,092,419
Total cash and cash equivalents	**63,793,528**	67,092,419
(b) Reconciliation of profit to cash flows from operating activities		
Profit for the year	**(15,375,725)**	2,994,624
Items reclassified as investing activities:		
Interest received	**(3,217,350)**	(2,776,383)
Underpinning of stores	**2,484,703**	1,827,602
Non cash transactions		
Fair value adjustment of preference shares	**14,173,778**	(4,461,271)
Interest on preference shares	**983,600**	1,373,511
Impairment provision	**(214,386)**	(264,203)
Depreciation and amortisation	**1,486,726**	1,406,536
(Gain) / Loss on disposal of fixed assets	**(29,850)**	88,738
Recognition of grant revenue	**-**	(10,069,044)
Changes in net assets and liabilities:		
(Increase) / decrease in assets:		
Trade and other receivables	**520,833**	831,077
Inventories	**(22,626)**	(178,200)
Other current assets	**46,497**	(114,513)
Deferred tax assets	**345,210**	27,610
Increase / (decrease) in liabilities:		
Trade and other payables	**(2,581,592)**	1,237,545
Grants	**(3,420,379)**	15,000,000
Current tax liabilities	**923,603**	630,767
Deferred tax liabilities	**(47,139)**	16,469
Provisions	**(417,434)**	(148,419)
Net cash flows from or (used by) operating activities	**(4,361,531)**	7,422,466

(c) Non cash transactions

On 2 March 2010, the company converted its liability in respect of $40,000,000 redeemable cumulative preference shares to ordinary shares at the issue price of $1.

Note 14: Related Party Disclosures

Parent and Ultimate Parent Entity

On 2 March 2010 the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA)(the immediate and ultimate parent entity) purchased the shareholding of Outback Stores Pty Ltd from Indigenous Business Australia.

Prior to 2 March 2010 the immediate parent entity was the Indigenous Business Australia. The ultimate parent entity of the Group was the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs.

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 that are not members of the Group.

	Sales of goods		Purchases of goods	
	year ended 2010	year ended 2009	**year ended 2010**	year ended 2009
	$	$	**$**	$
Leonora Investment Trust(i)	**212,194**	276,059	**113**	-
Tennant Creek Foodbarn Partnership (i)	**462,476**	495,591	**-**	3,233
Total	**674,670**	771,650	**113**	3,233

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

	Amounts owed by related parties		Amounts owed to related parties	
	2010	2009	**2010**	2009
	$	$	**$**	$
Leonora Investment Trust(i)	**-**	48,151	**-**	-
Tennant Creek Foodbarn Partnership (i)	**-**	66,176	**-**	-
Total	**-**	114,327	**-**	-

(i) Leonora Investment Trust and Tennant Creek Foodbarn Partnership are related parties with Indigenous Business Australia, the previous parent entity of Outback Stores Pty Ltd.

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 arrangement.

Note 15: Key Management Personnel Compensation

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

	Consolidated	
	2010	2009
	$	$
Short-term employee benefits	**961,253**	851,740
Other long-term benefits	**69,315**	-
Termination benefits	**111,332**	74,997
Total	**1,141,900**	926,737

Details of key management personnel:

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

Alastair King	Chief Executive Officer (appointed 17 August 2009 and contract ended 27 August 2010)
John Kop	Chief Executive Officer (resigned 10 August 2009)
Robert Loughnan	Regional Area Manager (resigned 9 October 2009)
Barry Orr	Operations Manager
Louise Dutton	Chief Financial Officer (appointed 1 March 2009)

Note 16: Subsequent Events

There were no events subsequent to balance date.

Note 17: Contingent Liabilities and Contingent Assets

Outback Stores Pty Ltd currently does not have any contingent liabilities or contingent assets.

Note 18: Financial Instruments

	Consolidated 2010 $	Consolidated 2009 $
18A Categories of financial instruments		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	**63,793,528**	67,092,419
Trade and other receivables	**1,867,733**	2,178,217
Other financial assets - loans	**421,570**	669,041
Carrying amount of financial assets	**66,082,831**	69,939,677
Financial Liabilities		
Other financial liabilities:		
Trade and other payables	**894,120**	3,466,400
Grants	**29,839,938**	33,260,318
Borrowings	**56,051**	24,935,952
Carrying amount of financial liabilities	**30,790,109**	61,662,670
Financial liabilities designated as at 'amortised cost'.		
Changes in fair value of preference shares	**(14,173,778)**	4,461,271
Interest expense on preference shares	**(983,600)**	(1,373,511)
Difference between carrying amount and maturity amount		
Financial liability at fair value	-	24,842,622
Amount payable at maturity	-	(40,000,000)
	-	(15,157,378)

Note 18: Financial Instruments (Cont'd)

18B Financial risk management objectives

Capital risk management

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

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

The Group is not subject to external 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 objections

The Group has no formalised risk management processes in place. 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 an interest rates that approximate the prevailing market value.

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 10D, cash and cash equivalents in note 7A and unexpended grant funding in note 10B.

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

Market Risk

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

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.

Other price risks

The Group only deals with stores that it manages, related parties, funding bodies or credit worthy counter parties such as ALPA. It therefore is in a position to ensure that it minimises its exposure to credit risk.

Note 18: 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 no treasury function and interest rate risk is managed via 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

	Average effective interest rate %	within 1 year $	1 to 2 years $	2-5 years $	Total $
2010					
Short term deposits (fixed interest rate)	**5.913%**	**60,800,000**	**-**	**-**	**60,800,000**
Other cash & cash equivalents (variable interest)	**4.440%**	**2,993,528**	**-**	**-**	**2,993,528**
Store loans (variable interest rate)	**-**	**-**	**-**	**-**	**-**
Store loans (fixed interest rate)	**5.645%**	**65,894**	**261,217**	**94,459**	**421,570**
		63,859,422	**261,217**	**94,459**	**64,215,098**
2009					
Short term deposits (fixed interest rate)	4.190%	41,000,000	-	-	41,000,000
Other cash & cash equivalents (variable interest)	3.610%	26,092,419	-	-	26,092,419
Store loans (variable interest rate)	-	-	-	-	-
Store loans (fixed interest rate)	6.450%	82,983	225,026	361,032	669,041
		67,175,402	225,026	361,032	67,261,460

Note 18: Financial Instruments (Cont'd)

Liquidity risk management

Ultimate responsibility for liquidity risk management exists with the board of directors.
The Group manages liquidity risk by maintaining adequate reserves 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

	Average effective interest rate %	within 1 year $	1 to 5 years $	>5 years $	Total $
2010					
Finance lease liability (fixed interest rate)	**10.55%**	**16,292**	-	-	**16,292**
Trade and other payables	-	**894,120**	-	-	**894,120**
Grants	-	**29,839,938**	-	-	**29,839,938**
Corporate cards	-	**39,759**	-	-	**39,759**
		30,790,109	-	-	**30,790,109**
2009					
Finance lease liability (fixed interest rate)	10.51%	71,460	16,620	-	88,080
Trade and other payables	-	3,474,453	-	-	3,474,453
Grants	-	33,260,318	-	-	33,260,318
Corporate cards	-	10,462	-	-	10,462
Redeemable preference shares (fixed interest rate)	**6.01%**	-	-	40,000,000	40,000,000
		36,816,693	16,620	40,000,000	76,833,313

18C 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 accepting 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.

Financial position	Company	
	2010	2009
	$	$
Assets:		
Current assets	66,241,023	70,272,122
Non-current assets	4,498,901	7,123,715
Total assets	70,739,924	77,395,837
Liabilities		
Current liabilities	31,345,218	37,561,249
Non-current Liabilities	118,854	25,060,594
Total liabilities	31,464,072	62,621,843
Equity		
Issued capital	40,000,001	1
Retained earnings	(724,149)	14,773,993
Total equity	39,275,852	14,773,994

Financial peformance	Year ended 2010	Year ended 2009
Profit for the year	(15,498,142)	3,117,039
Other comprehensive income	-	-
Total comprehesive income	(15,498,142)	3,117,039

NOTES

Core Values

Integrity
- We are committed to the principles of truth and honesty and we will be equitable, ethical and professional

Diversity
- We respect and embrace cultural differences

Health & Safety
- Health and safety is a fundamental element of all our activities

Simplicity
- we value and practice simplicity

Quality
- We measure quality by our stakeholder satisfaction

Accountability
- As individuals we will be transparent, accountable to our organisation, stakeholders and each other

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