

OUTBACK Stores

Working With Communities

Annual Report
2015-16





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 company of choice by being the most efficient and effective provider of retail services that deliver quality and sustainable retail stores.

Nutrition Aim

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

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This document must be attributed as the Outback Stores Pty Ltd Annual Report 2015-2016.





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NOTES TO THE FINANCIAL STATEMENTS

25th of August 2016

Senator the Hon Nigel Scullion
The Minister for Indigenous Affairs
PO Box 6100
Senate
Parliament House Canberra ACT 2600

Dear Minister,

In accordance with *Section 97 of the Public Governance, Performance and Accountability Act 2013* (PGPA Act), I submit the Annual Report of Outback Stores Pty Ltd for the year ended June 2016.

Under section 97 of the *PGPA 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 orders under the *PGPA Act*.

All reports and Audited Financial Statements contained in this Annual Report were made in accordance with a resolution of Outback Stores Directors on the 24th of August 2016.

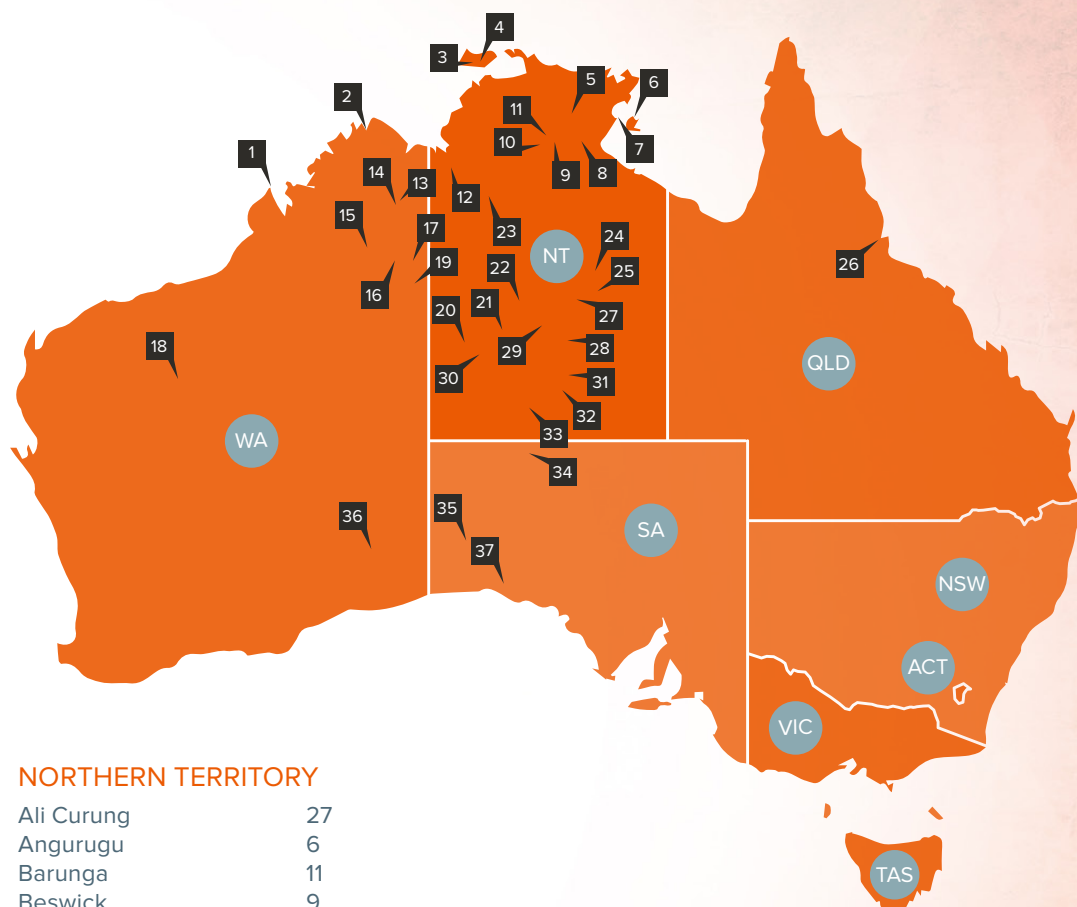
Yours Sincerely,

A handwritten signature in black ink, appearing to read 'S Bradley'.

Stephen Bradley
Chairman, Board of Directors



STORE LOCATIONS



NORTHERN TERRITORY

Ali Curung	27
Angurugu	6
Barunga	11
Beswick	9
Bickerton Island	7
Bulman	5
Canteen Creek	25
Engawala	28
Epenarra	24
Imanpa	33
Jilkminggan	10
Mt Liebig	30
Ngukurr	8
Nyirripi	20
Pigeon Hole	23
Titjikala	32
Ti Tree	29
Santa Teresa	31
Willowra	22
Timber Creek	12
Wurrumiyanga (Nguui)	3
Wurrumiyanga (Nguui Club)	4
Yuendumu	21

WESTERN AUSTRALIA

Balgo	19
Beagle Bay	1
Jigalong	18
Kalumburu	2
Mulan	16
Ringer Soak	17
Tjuntjuntjara	36
Wungkul (Store)	14
Warmun (Road House)	13
Yiyili	15

SOUTH AUSTRALIA

Mimili	34
Oak Valley	35
Yalata	37

QUEENSLAND

Cardwell	26
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CHAIRMAN'S REPORT

On behalf of the Board, I am pleased to report on Outback Stores' performance for the 2015-2016 financial year.

Outback Stores provides retail management services to Indigenous community stores in remote areas of Australia. We are an Australian Government owned organisation with a mandate to improve the affordability and quality of nutritious food available in communities. Outback Stores is committed to making a positive difference to the health, employment and economy of remote Indigenous communities by providing quality, sustainable retail stores.

This year Outback Stores Pty Ltd made an operating loss of \$23,095 managing stores with total sales of \$82.5m. A major contributor to this result was the low returns available to our cash investments caused by the low interest rate environment. We are evaluating additional investment strategies to improve the overall return with appropriate management of risk.

A key objective of Outback Stores is to be financially self-sufficient, so that we can fund our core operations and the underpinning of unviable stores, without the need for further government subsidy. A meaningful measure of this objective is comparable cash outflows of \$2.16m this year against \$2.89m last year. Whilst this was an improvement on our plans, we continue to challenge ourselves to reduce the cash outflow to a point where we are break even.

As a business, we are tasked with supporting some stores that are not commercially viable due to

either geographic location, or small population, where access to a food supply is required. A major focus for this year has been to reduce the cost to financially support these stores.

Thanks to the hard work of our store managers, store staff and support office personnel, I am pleased to report that the cost to support stores has reduced to \$369 per person in comparison to \$569 per person for the previous year. This year we provided \$1.52m of funds to support fourteen stores, with a further \$362,031 provided for capital improvements in stores. At the end of the year, three stores improved controllable costs significantly enough to mean that in the new financial year, they will no longer require funds to pay operating costs. This is a great outcome for those communities and a testament to the work done to improve the operational running of these stores.

Outback Stores finished the year with thirty seven businesses under management. The Tennant Creek Foodbarn left the group to be managed directly by the owners and Nguuiu Club joined us to become the second community club under Outback Stores management. I would like to welcome the Nguuiu Club to Outback Stores and also wish the Tennant Creek Foodbarn a successful future and hope that the new managers can build on the solid foundation we had built during our time there.

We were fortunate to be able to move into nine new or refurbished community owned stores this year, thanks to the Aboriginals Benefit

Account (ABA) Stores Infrastructure Project, an Australian Government initiative to improve infrastructure in remote communities. This has resulted in lower operating costs and some additional Indigenous employment opportunities across those stores. The project also delivered three new store manager's houses and one refurbished house; this will assist in retaining store managers in those communities.

In addition to the new ABA stores, the new Beagle Bay Store opened in January 2016, following a fire that destroyed the original store the previous year. This store will also be more cost effective to operate and has delivered three additional jobs to the community, a great outcome from a terrible event.

Our commitment to provide affordable healthy food continues to be a focus for the company. This year has seen renewed emphasis on reducing the sale of full sugar soft drinks in communities. Working with suppliers, government, our clients and customers, we have been successful in reducing the proportion of full sugar soft drinks from all drink sales by 0.5%. The success of the program is directly linked to each community's involvement in developing and implementing programs suitable for the individual community needs.

We continue to pursue additional sales of fresh fruit and vegetables, with the sales of these products increasing by 5% in comparable stores for the year. This continues a trend we have seen for a number of years and we remain convinced that significant dietary

change will take many years and our support programs need to operate for the longer term to be effective.

We have been less successful with tobacco, where turnover has remained consistently high and has moved from 8.03 to 8.34m sticks during the year. As the price of tobacco has increased, consumption has not reduced and tobacco now accounts for 19 % of all food and grocery sales, which is 4.4 times that spent on fruit and vegetables.

Indigenous employment and training remains one of our cornerstone objectives. This year, our training officers delivered 11450 hours of accredited training to Indigenous staff in communities. As a result of this work, fifty eight students completed 177 units of training, with ten successfully completing a training course. Congratulations to those students who passed their courses this year.

I would like to thank all of our store staff and support office staff for their hard work and dedication during the year, particularly our store managers, who move away from family and friends to work with Outback Stores in some of the most remote parts of Australia. Without their commitment and dedication we would not be able to deliver our mission.

Steve Moore resigned as CEO on 15 July 2016 to pursue the next stage of his career. Steve has served as CEO for five years and made a great contribution to Outback Stores. He leaves with our very best wishes for

CHAIRMAN'S REPORT (cont)

his future career. In keeping with its succession plans, the Board has appointed Louise Dutton as Acting CEO while it completes the recruitment of the permanent CEO. Louise will be actively assisted by Graham Cook one of our directors, who will be located in Darwin during the transitional period.

There was significant change to the composition of the Board this year with the appointment of two new directors and the retirement of four. Drew Robinson's term expired on 19/09/2015 after being involved with the company since its creation. Alastair King resigned from the Board on 01/10/2015 after having also served on the Board since its creation. Naum Onikul resigned on 02/06/2016 after four years' service and Natasha Short's term expired on 25/06/2016 after three years on the Board. I would like to thank all these directors for their contribution to Outback Stores over the years.

Geoff Thomas joined the Board on 16/09/2015. Geoff has a long and distinguished career in retail and logistics and brings a wealth of skills to the Board. Graham Cook also joined the Board on 16/09/2015. Graham has

a long association working with stores in remote Aboriginal communities and brings great skills to the Board. I believe the Board has operated very effectively in guiding the organisation and offers a wide range of skills relevant to the operation of Outback Stores. I thank all directors for their contribution.

Finally, I would like to thank our clients; without the store directors and community's support Outback Stores would not be able to make its contribution to the health, employment and economy of the communities. Working with communities is one of the most rewarding parts of working for Outback Stores. I am sure with their continued support, Outback Stores will continue to grow and be successful for many years to come.



Stephen Bradley
Chairman



ORGANISATION STRUCTURE





OUR ORGANISATION

LOCATION:

Outback Stores Darwin Support Office
67 Pruen Rd,
Berrimah NT 0828

WORKPLACE PROFILE

The number of employees at Outback Stores has increased slightly from an average of 145 in 2014-15 to 147 in 2015-16. Approximately 370 staff employed in stores 80% are Indigenous, consisting of:

Male Full-time 15	Male Casual 85	Female Full-time 11
Male Part-time 31	Female Casual 171	Female Part-Time 57

SENIOR MANAGEMENT TEAM

Chief Executive Officer (CEO) - Highest executive corporate officer. Responsible for the total management of Outback Stores, reports to the Board of Directors.

Chief Operating Officer (COO) - Oversees plans and directs all aspects of the organisations operational policies, objectives and initiatives. The COO reports to the CEO and is responsible for the attainment of short and long-term financial and operational goals whilst leading the development of the organisation to ensure future growth.

Chief Financial Officer (CFO) - Manages the financial risks and supervises the finance department of Outback Stores. Also responsible for financial planning and record-keeping, as well as financial reporting to the CEO and the Board of Directors.

Operations Manager - Responsible for the daily operation of Outback Stores' thirty-seven remote stores and routinely reports to the Chief Executive Officer.

Merchandise Manager - Manages the stores' merchandising activities by maintaining supplier relationships, formulating retail strategies and determining promotions and pricing.

Human Resources Manager - Responsible for the attraction, selection, training, assessment, and rewarding of employees and ensuring compliance with employment and safety legislation.

Health and Nutrition Manager - Oversees the nutritional, health and food safety requirements of community stores managed by the company, while ensuring we meet the parts of our mission relating to the health and nutrition of Indigenous people.

Special Projects and IT Manager - Responsible for implementing and maintaining Outback Stores' technology infrastructure, monitors the company's operational requirements and builds the most cost-effective and efficient system to achieve these goals.

Business Development Manager - Responsible for establishing, developing and maintaining relationships with remote community boards, committees and key Outback Stores stakeholders.

LEARNING AND DEVELOPMENT

Outback Stores is a Registered Training Organisation (RTO) offering nationally recognised qualifications in retail services. We offer Certificate I, II and III in Retail Operations and have arrangements with other providers to continue on to Certificate IV in Retail Management for eligible store staff.

SUBSIDIARIES

Outback Stores has two subsidiaries; these are Ti Tree Grocery Pty Ltd in Ti Tree, Northern Territory and Cardwell Supermarket Pty Ltd in Cardwell, Queensland. Information regarding these subsidiaries can be found in the financial reports.

An orange circle containing white text.

370 staff
employed in
stores 80% are
Indigenous

OUTBACK STORES' PERFORMANCE

PURPOSE OF OUTBACK STORES

Outback Stores is a Commonwealth owned company with an independent Board of Directors, which provides retail management services to Indigenous owned stores.

It has been established to improve access to affordable, healthy food for Indigenous communities, particularly in remote areas, through providing food supply, store management and support services, and as far as practicable, to operate sustainably, competitively and efficiently, and provide employment and training opportunities for Indigenous people.

PERFORMANCE SUMMARY

The company has been working towards achieving the following seven strategic priorities over the past financial year.

1. We exceed our shareholders expectations
2. We are recognised as a trusted reliable retail provider
3. We have strong partnerships with current and potential store owners
4. We have an effective healthy food strategy
5. We are an employer of choice
6. We are the most innovative retailer in our market
7. We make a surplus before interest

THE KEY PERFORMANCE INDICATORS

In line with the organisation's purpose, our key focus has been in the following areas

EMPLOYMENT & TRAINING

Permanent Indigenous employees enrolled in accredited training programs

Target	Performance
60%	79.3%

HEALTH AND NUTRITION

Increase fruit & vegetables tonnage (Kg)*

Target	Performance
2%	5%

*Kilogram percentage increase

Reduce full sugar soft drink sales as a % of total drink sales by

Target	Performance
(0.1%)	(0.5%)



CONTRIBUTION TO BROADER GOVERNMENT POLICY AND PROGRAMS

Another key focus of the business over the past year has been to align its operations with the broader government policy and programs.

CONTRIBUTION TO GOVERNMENT PRIORITIES

Close the gap in life expectancy within a generation.

Outback Stores is committed to providing access to good quality food at an affordable price, leading to better health outcomes for current and future generations. Having access to a broad range of fresh fruit and vegetables not only improves the quality of life, but studies consistently show that diets plentiful in fruits and vegetables help people maintain a healthy weight and protect against cardiovascular disease. This would directly impact closing the gap in life expectancy within a generation.

Halve the gap in mortality rates for Indigenous children under five within a decade.

We work with a number of stores, communities, schools, health care providers and non-government organisations, such as the Jimmy Little Foundation, to promote healthy food choices at a young age. Activities such as cooking classes, shopping tours and healthy lifestyle programs are also offered to help increase community awareness and knowledge about health and nutrition. Investing in such activities enables community members to be able to care for their young families and teaches young children to choose the healthier options in life.

Halve the gap in employment outcomes between Indigenous and non-Indigenous Australians.

Our focus on providing employment opportunities for Indigenous Australians since 2006 has been strong. At 30th of June 2016, we had 297 Indigenous staff employed in Outback Stores managed stores. Outback Stores is a Registered Training Organisation (RTO), offering nationally recognised qualifications in retail services. This opportunity allows Indigenous Australians to gain accredited qualifications and opens doors for a range of new employment opportunities.

STORE OPERATIONS

Another challenging year in sales for the group, with sales of \$82.5m achieved. This shows an improvement of \$2.66m or 3.69% on comparable store sales against the previous year. As a group, sales by quarter follow a similar trend to that of financial year 2015; however, individual stores showed fluctuations as a result of population movement.

Nine stores have been involved in the Aboriginals Benefit Account (ABA) Stores Infrastructure Project, an Australian Government initiative to improve infrastructure in remote communities. As a result, seven refurbished stores have re-opened at;

- ▶ Gulin-Gulin Community Store, Bulman, NT
- ▶ Beswick Community Store, Beswick, NT
- ▶ Dungalan Store, Jilkminggan, NT
- ▶ Nguru-Walalja Store, Yuendumu, NT
- ▶ Canteen Creek Community Store, Canteen Creek, NT
- ▶ Wetenggerr Store, Epenarra, NT
- ▶ Engawala Store, Engawala, NT

The reopening of stores has been positively received in each of the communities. Sales have been strong with the majority of stores recording sales growth.

Operating profit continues to improve, this improvement is a direct result of several key areas:

- ▶ The employment of highly skilled store managers suitable for the specialised role in a remote community store.
- ▶ Improved retention of service for store managers.
- ▶ Ongoing training and development of our store management and Indigenous staff through accredited retail certificate training.
- ▶ Store committees working closely with store managers and area managers to improve their stores.
- ▶ Improved stores infrastructure through capital investment in stores.
- ▶ Improvements to store product ranges and pricing.

REDUCING UNDERPINNING

Underpinning refers to the money provided by Outback Stores to keep stores trading that are not financially self-sufficient. For the year, Outback Stores has provided stores financial underpinning of \$1.88m, or \$369 per person, this is a reduction of \$1.27m compared to \$3.15m in the previous financial year. There are several key areas which have made this result possible, as detailed below:

- ▶ Improving gross profit through tighter operational controls and the continual review of store performance throughout the year.
- ▶ Reduced expenses through more effective use of contractors and service providers.
- ▶ Improved store infrastructure through capital investment. Funding from either Outback Stores or the ABA Stores Infrastructure Project has seen a large reduction in repairs and maintenance required in stores.
- ▶ Increased retention of store managers, resulting in managers gaining a better knowledge of the store they are managing, whilst also building relationships with local staff and community members.
- ▶ It is important to note with the below average rainfall in northern Australia during the 2015/16 wet season, road access to many communities which would normally be cut off due to flooding remained open. This in turn has reduced the use of air freight and the underpinning funds normally required.

ONGOING IMPROVEMENTS TO STORE RANGING AND PRICING

We have continued to improve the range of products in stores and further tailored our range specifically for our customers and demographics. In addition there has been significant progress in increasing promotional activity in our stores, with specials now a regular feature of an Outback Store's managed business. This strategy is particularly important as many of our customers now have increased mobility and regularly visit regional centres. Our customers are more price aware and expect competitive pricing in their store more than ever before. Many communities now have improved access to the internet, with an increase in online shopping by community members. Pricing and special offers will continue to be a major focus of Outback Stores, to ensure our customers are receiving value for money and are proud of their store, providing a point of difference from our competitors.

INCREASED INDIGENOUS EMPLOYMENT AND TRAINING

Outback Stores continues to offer training to all store based staff. All new staff receive an induction program which explains the tasks required, opportunities and career paths in their store and with Outback Stores. Forty six new trainees enrolled in this financial year and ten completed certificate level training. Local store staff are now in a better position than ever to progress into senior roles at store level and Outback Stores.

STORE OPERATIONS (cont)

JUST AROUND THE CORNER

The coming twelve months hold many opportunities, with work set to continue on improving stores in a number of areas.

New store building projects are planned through the Aboriginal Benefit Account Stores Infrastructure Project for community owned stores, Wirrimanu Community Store, Balgo, WA. Wirib Store and Tourist Park, Timber Creek, NT and Barunga Community Store, Barunga, NT, introduction of procedures to improve stock control in stores, supporting store committees to improve their knowledge of store operations, refining store operations with a view to reduce operating cost by .05% and increasing Indigenous employment opportunities with local staff taking over duties traditionally conducted by store managers.

John Quill
Operations Manager



BEAGLE BAY STORE REOPENS

The new look Beagle Bay Community Store reopened on Thursday 21st January 2016 after it was destroyed by fire in October 2014. More than 200 people celebrated the grand opening, which included traditional dances and a community lunch. Senator the Hon.



The old store after fire gutted the building

Nigel Scullion, Minister for Indigenous Affairs was also in attendance.

The store was severely damaged during the fire, almost physically burnt to the ground. Remarkably only five days later, a temporary store was erected at the Beagle Bay Women's Centre and open for trade, ensuring that the community would not be without essential everyday items for longer than necessary. The temporary store continued to operate at the Women's Centre whilst the new store was being built. The effort to open and trade in a temporary store in five days in a remote location is a significant achievement and testament to Outback Stores.

The new store boasts many improvements, including: improved air-conditioning, a rear loading chiller and freezers to save on power costs and improve refrigeration. A larger range of healthy food and other necessities including white goods, furniture and bikes is now available to the community. A new takeaway service is now operated independently from the store for the first time in several years and offers a range of healthy meals including curries, salads and sandwiches in-line with the Outback Stores health and nutrition policy.



Beagle Bay Team L-R Leticia Shadforth, Outback Stores Store Manager Richard Makins, Helena Williams, Ethan Victor, Outback Stores Manager Melissa Rankine, Fumiko Akune and Rikita Cox

The store has been trading well since the re-opening under the guidance of Store Managers Richard Makins and Melissa Rankine.

Outback Stores would like to acknowledge the support of the community, and the efforts of Ngarlan Store Directors Lenny O'Meara (Chairman), Laurie Cox, Debra Anne Sabastian, Paula Augustine and Albert Bevan; and say a big 'thank you' to the Beagle Bay Women's Centre for providing the temporary location.

The new store well stocked
with fresh produce and
ready to trade

BANANAS
KG
\$4.69

POTATOES
LOOSE WASHED
KG
\$3.25



MERCHANDISING

This year has seen Merchandise working closely with Store Operations to improve service, range and offer good value to all our customers in the communities across the Northern Territory, South Australia and Western Australia. Building stronger relationships with all suppliers has been paramount in ensuring their ongoing support in helping to bring the cost of living down in communities, as well as supporting our health and nutrition objectives by promoting healthy eating.

This year suppliers joined us in supporting a number of promotions. Our major supplier Independent Grocers participated in a price reduction campaign on their Black & Gold brand, as well as a Price Freeze promotion on branded goods. Both promotions resulted in a significant reduction in the price of goods for customers. In addition there were eight other major promotions that ran throughout the year, to assist in providing improved affordability. These savings were passed on to the communities

Independent Grocers annual Trade Show offers us the opportunity to source new products as well as take advantage of promotional deals. We have consolidated our supply and continue to look for new and improved opportunities to promote efficiency and growth. A review of stores has resulted in some adjustment to margins and freight costs, in order to minimise the level of underpinning. A number of supply agreements are coming up for renewal and will go out to tender. Reducing the level of underpinning in stores will continue to be a priority and all options will be considered.

FRESH PRODUCE

From torrential rains to extreme heat patterns, 2016 has been one of the most challenging years on record for market gardeners Australia wide. Never have there been so many natural weather disasters in one year. South Australia has been at the forefront of delivering quality produce, with new bubble house crops and hydro growing schemes.

Our suppliers and their growers have advanced their shipping techniques and storage technology significantly in the last twelve months, this has helped deliver an improved standard of fresh produce in communities.

In line with our strategy of ensuring a nutritious, affordable and quality food supply is available, fresh produce remains a high priority. All the Northern Territory Community stores receive their fresh produce through Adelaide.

South Australia has the longest growing period of around seven months compared to Queensland's five months. Local product grown in the Northern Territory is brought in to Darwin and sent out to stores offering a fresh local product at lower prices. This window is limited however.

Buying good quality produce is essential due to the need for longevity through the time and distance travelled out to stores.

LOGISTICS

With the enormous spread of stores across Central and Western Australia, ensuring all stores are appropriately serviced is extremely challenging. Road and barge freight is critical to delivering grocery, chilled and frozen stock to all stores in a timely manner, whilst maintaining the cold chain. Road freight is used for the majority of stores, with four stores having their goods sent by barge from Darwin. Road freight agreements were finalised in September last year and to date all freight is being delivered without major issue. The wet season, December to April, was relatively dry, with only one store being isolated for any length of time. During this period, where no vehicles could get through due to damaged roads, essential items were flown in by light plane.

There are some changes expected with the marine freight out of Darwin, due to the acquisition of Toll Marine by Sea Swift.

In September 2015 we completed the road freight Tender, with two new providers being successful and replacing an existing one. The new contracts have delivered a 8.6% road freight reduction on last year in comparable stores.

JUST AROUND THE CORNER

The upcoming year will be centred on working with all stakeholders both internally and externally to ensure continued support from all suppliers and freight operators. We will consult with Operations and Finance to find opportunities to improve the profitability of stores. We will strive to reduce the cost of goods across all categories, as well as continue to focus on managing healthy food options in all stores, whilst improving the health and well-being of all our customers.

Notwithstanding the general slower economy and reduction in available cash in communities, the 2017 financial year will look to be one of change and growth.

Alan Malakou

Merchandise Manager



8.6% road
freight
reduction on
last year

HEALTH AND NUTRITION

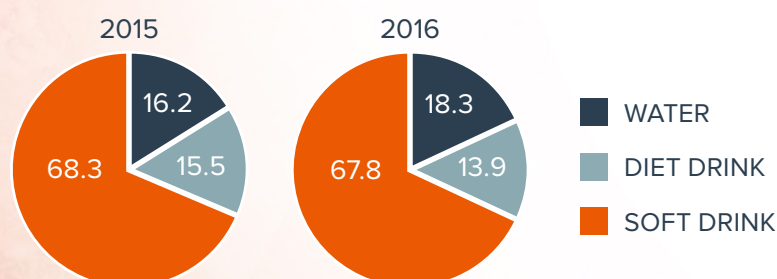
Outback Stores continues to work with communities to ensure a nutritious, affordable and quality food supply.

There has been a strong focus on improving nutrition through reducing sugary drinks and increasing fruit and vegetables; working with our partners to promote healthy eating. Other key activities over the financial year included food safety training, promoting healthy takeaways and work on affordability of healthy choices.

REDUCING SUGARY DRINKS

Consumption of sugary drinks is higher in Indigenous people than non-Indigenous; particularly in young people. There has been increasing interest from communities to reduce sugary drinks. Over the last twelve months, Outback Stores has been working with communities to reduce the amount of sugary drinks being consumed. This has involved extensive collaboration with a range of partners to identify, develop and trial community led strategies. Early results in a number of communities are promising and showed a marked decrease in the sale of sugary drinks. Strategies included: education, social marketing, product changes and reduced availability. Different communities have adopted different strategies that are relevant and feasible. The common theme for strategies with promising results is support of the whole community and community leaders to drive the strategy. The sales of soft drink across all community stores decreased from 68.3% to 67.8% of all drink sales. Sales of water increased from 16.2% to 18.3%.

PROPORTION OF TOTAL DRINK SALES 2015-2016

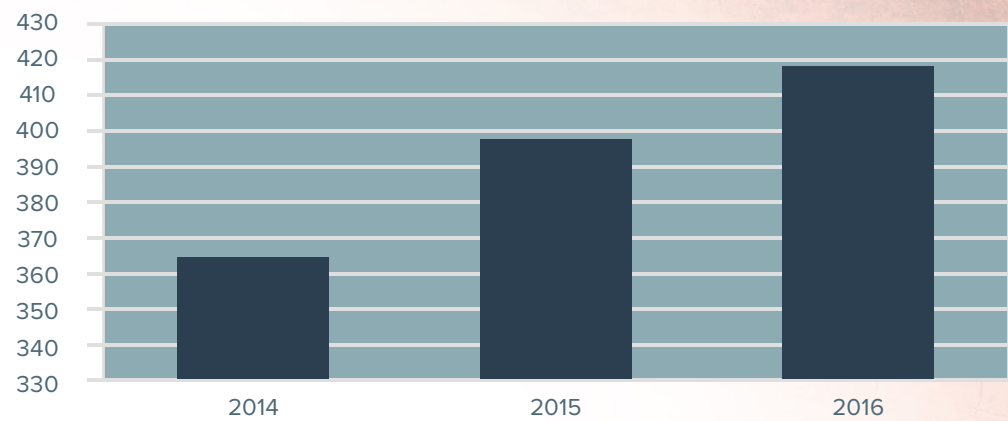


Sales of water increased from 16.2% to 18.3%

FRUIT AND VEGETABLES

Fruit and vegetables are an indicator of healthy food choices. There is an ongoing focus on increasing fruit and vegetable sales. An incentive prize was offered in Quarter 2 to managers with the largest growth in fruit and vegetable sales. The volume of fruit and vegetables sold in community stores increased 5% in comparable stores from 398 tonnes to 418 tonnes.

VOLUME OF FRUIT AND VEGETABLES IN COMPARABLE COMMUNITY STORES



** The numbers in the 2016 annual report were calculated using a different mix of stores to 2015*

FOOD SAFETY

To ensure compliance with food safety legislation, new store managers are now required to provide evidence of satisfactory completion of nationally recognised accredited food safety training. If they do not have these qualifications, then satisfactory completion of the Outback Stores designated food safety unit is required. All current store managers are in the process of completing accredited food safety training. This is being managed by the training group. As part of reviewing food safety in stores, reporting requirements have been updated to ensure food sold is safe and stores are compliant with legislation.

TAKEAWAYS

A number of communities received funding to build new stores. Some of these stores included a full service takeaway, where previously there was only a pie warmer. Outback Stores now manages nineteen stores with takeaways.

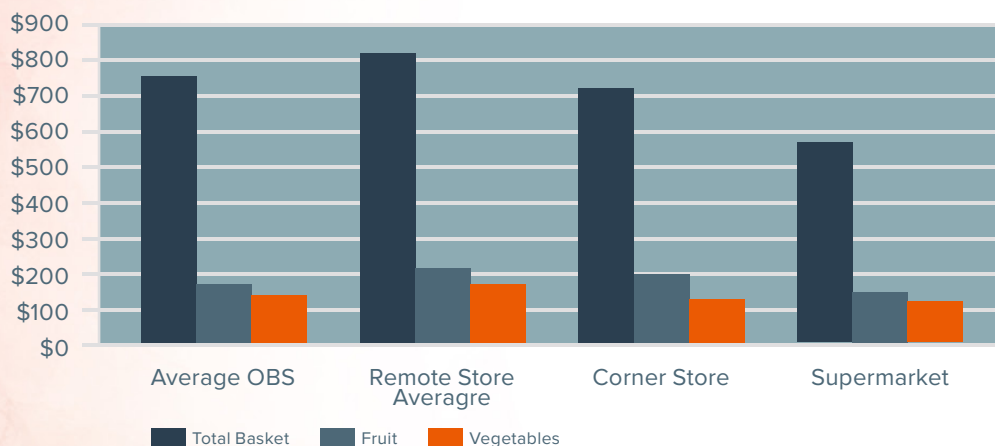
We have supported stores to identify and improve access to healthier pre-prepared takeaway options. The takeaway options have focused on healthier cooking methods through the use of combination steam ovens (combi-ovens) which can bake, steam, poach, and grill to replace unhealthy cooking methods such as deep frying. I have been working with store managers on increasing awareness and knowledge of nutritious options and work has started on standardised processes and recipes for all takeaways. I have also been exploring partnerships with community organisations to increase demand for healthier takeaway options in communities. Progress in this area has been limited by available resources.

HEALTH AND NUTRITION (cont)

AFFORDABILITY

The cost of foods in remote stores is an ongoing issue with higher costs of supplying food in remote areas. The Northern Territory Market Basket Survey showed the cost of a healthy food basket was an average of 32% more expensive in Outback Stores than Darwin supermarkets, compared to the average for all remote stores which was 41% more expensive than Darwin supermarkets. Outback Stores had consistently lower prices than the average remote store, privately run stores, and community run stores.

NORTHERN TERRITORY MARKET BASKET SURVEY 2015



JUST AROUND THE CORNER

Over the next twelve months the focus in Health and Nutrition will continue on communication, training, implementation and promotion of nutrition priorities. There will be a particular focus on reducing sugary drinks, reviewing the fruit and vegetable strategy, updating food safety procedures, and takeaways.

Jen Savenake

Health and Nutrition Manager



THE MICHAEL LONG CUP - WORKING WITH OUR PARTNERS TO PROMOTE HEALTHY EATING

Outback Stores is proud to be a naming sponsor for the Michael Long Cup. The under-14 football competition brings together players from all over the Northern Territory. Groups of Indigenous male and female students from remote areas also have the opportunity to stay at the Michael Long Learning and Leadership Centre (MLLLC). The MLLLC has a focus well beyond football, linking sport, education and healthy living. This is a good fit with the mission of Outback

Stores to improve health, employment and the economy in remote Indigenous communities. As part of the sponsorship, Outback Stores Health and Nutrition Manager Jen Savenake participated in a number of the remote student camps. Jen provided information to the students on cooking and healthy eating. At the Michael Long Cup on the 11-13 February 2016 there was also information on healthy drinks for all the players.



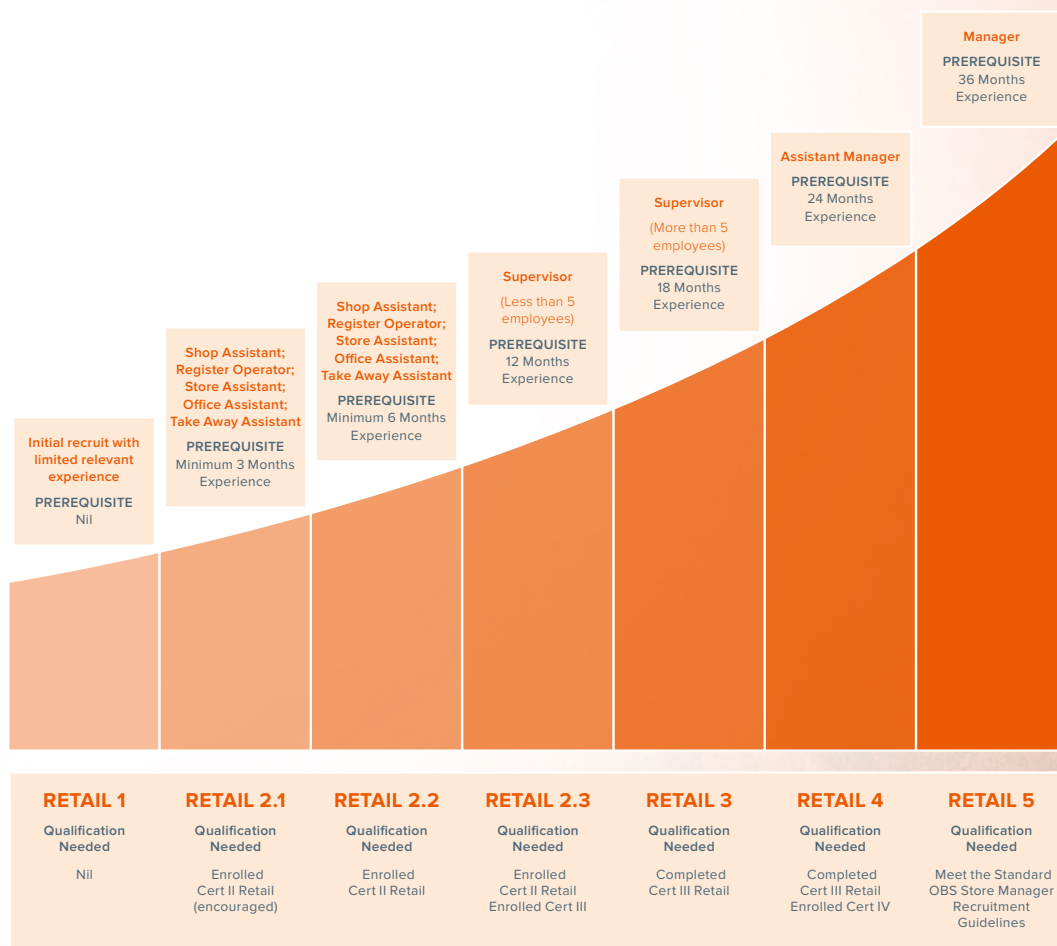
Photo is from NT Thunder Facebook Page.

PATHWAYS TO MANAGEMENT

Pathways to management was originally launched in June 2014 to provide a clear and obtainable career pathway for aspiring staff members. This process outlines the pathway to the role of store manager detailing the experience and qualifications on the pathway upwards to higher rates of pay and greater role responsibilities.

As a result of a strong focus on training and development over the last two years, we now have seventeen team members who have reached assistant manager level, a significant improvement on the previous year, when two team members were at the same level.

In addition ninety six team members have now progressed to Retail 2.1, 2.2, 2.3 or 3 from the entry level Retail I stage. This is confirmation that the program continues to gain traction and that staff members who have the right attitude, along with great support are progressing and developing both personally and professionally whilst working with Outback Stores.



INDIGENOUS TRAINING

The Outback Stores training team continued to go from strength to strength with a record number of 151 students enrolled in training across thirty locations throughout the year. Nationally accredited training was extended to store managers late in the year, focusing on food safety and implementing a benchmark of Certificate III in Retail for all new store managers. Compliance with the Standards for Registered Training Organisations 2015 continued to be a heavy focus, ensuring quality training and assessment practices to allow the continued growth of the training organisation.

The training team has worked hard to improve the perception of the training program being delivered throughout Outback Stores managed stores and in 2015 acquitted the highest value training contract received to date from the Northern Territory Government under the User Choice Program. The successful completion of this contract leads to contract renewals and the approval of endorsed provider status in the Northern Territory, allowing eligibility for future funding opportunities.

Outback Stores also applied successfully to be part of the Northern Territory Training Entitlement Pilot Program, receiving funding to provide NT residents with their first Certificate III. This has allowed Outback Stores to up-skill existing eligible store managers and staff with a Certificate III in Retail.

The inclusion of store managers in the nationally accredited training programs Outback Stores offers, gives store managers an opportunity to formalise their existing skills and an understanding of the training store staff are participating in. Store managers have become training role models for their staff, which provides them with an appreciation of the time and dedication required to gain their qualification.

The focus for the training team for the next twelve months, will be the redevelopment of the training and assessment tools to meet the new requirements of the retail training package. Aligning actual workplace tasks and streamlining activities will ensure trainees are learning current and relevant information, that improves the productivity and cohesiveness of their stores. This will allow store staff to take ownership of their duties and progress their careers on the pathways to management.

The training team will aim to increase the stores participating in training to all stores across the group by investigating new and existing technology that will help bridge the learning gap.

*record number
of 151 students
enrolled in
training across
thirty locations*

SANTA TERESA TEAM EXCELS AT TERRITORY TRAINING AWARDS

Success was celebrated at Santa Teresa Community Store this year, with two employees being nominated in the Group Training Northern Territory Training Awards. Both Charlotte Flowers and Troy Turner were nominated for Remote Trainee of the Year, with Charlotte ultimately taking out the award. This was Charlotte's second consecutive nomination in this category, whilst it was Troy's first.

Both Charlotte and Troy are long term employees of the store, having both commenced in 2009. They have both developed their skills and knowledge

by working side by side with dedicated managers. Charlotte has advanced to Store Supervisor, capable of running the day to day operations of the store, whilst Troy is a competent Storeman-managing the stock room and ordering of his areas.

Outback Stores proudly acknowledges and celebrates the success of Charlotte and Troy as well as that of all store employees enjoying successful careers in each of their communities.

Well done Charlotte and Troy!



L-R Troy Turner, Charlotte Flowers and Santa Teresa Store Manager Rob Monkley

CORPORATE GOVERNANCE

INTRODUCTION

Outback Stores is a wholly owned Commonwealth company and is currently under the Prime Minister and Cabinet Portfolio. The responsible Minister for the 2015-16 reporting period is Senator the Hon. Nigel Scullion, Minister for Indigenous Affairs. Outback Stores was required to fulfil the requirements of the *Corporations Act 2001* and *Public Governance, Performance and Accountability Act 2013* (PGPA Act) for the full financial year.

CORPORATE GOVERNANCE STATEMENT

Unless otherwise disclosed below, the company has followed the best practice guide on corporate governance principles, as published by the Australian National Audit Office, for the entire financial year ended 30 June 2016.

BOARD COMPOSITION

The skills, experience and expertise relevant to the position of each director who is in office at the date of the Annual Report and their term of office are detailed in the Directors Report on page thirty-seven. Outback Stores Directors are appointed by the Australian Government. All directors are non-executive.

ETHICAL STANDARDS

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

BOARD DEVELOPMENT AND REVIEW

New Board members undertake a formal induction into their role, including a meeting with the Chair and other Directors. They are given an induction pack that includes the Board Governance Charter. Directors are required to pursue their own development and continuously update their knowledge to attain and maintain the levels of competence demanded of them. Directors are expected to undertake ongoing professional development that is relevant, required and commensurate with Outback Stores' requirements.

REMUNERATION

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

INDEMNITY AND INSURANCE

Outback Stores indemnifies current and former Directors and staff members against any liability or costs incurred in connection with any claim brought against them as a result of, or in connection with, their appointment to any office or position in Outback Stores or a related entity. Outback Stores holds directors' and officers' liability insurance cover through Comcover, the Australian Government's self-managed fund. As part of its annual insurance renewal process, Outback Stores reviewed its insurance coverage in 2015-16 financial year to ensure it remained appropriate for its operations. The cost of directors' and officers' indemnity insurance for 2015-16 financial year was \$36,005.87.

BOARD OF DIRECTORS

As of 30th June 2016



Stephen Bradley
Chairman



Kerin O'Dea



Robert Hudson



Geoff Thomas



Graham Cook

MEETINGS HELD DURING THE YEAR AND ATTENDANCE:

The Board of Directors meet quarterly, in August, November, February and May of each financial year. Emergency board meetings are held as required.

Name	Director	Committee	Attendance 4 Meetings in FY2015-16	Meetings Missed
Mr Stephen Bradley (Chair)	Non Executive	AR, SAC & SOC	4	0
Mr Robert Hudson	Non Executive	AR & SOC	4	0
Mr Geoff Thomas*	Non Executive	AR	3	0
Prof. Kerin O'Dea	Non Executive	SAC & SOC	4	0
Mr Graham Cook*	Non Executive	AR, SAC & SOC	3	0
Ms Natasha Short	Non Executive	AR & SOC	3	1
Mr Naum Onikul **	Non Executive	AR	3	0
Drew Robinson ***	Non Executive	AR & SAC	1	0
Alastair King ****	Non Executive	AR & SAC	1	0
Dr. Belinda Orme	No, Secretary	Nil	3	1

Note: *Appointed 16/09/2015, ** Appointed 16/09/2015, Resigned ,02/06/2016, *** Resigned 19/09/2015, **** Resigned 01/10/2015.

CORPORATE GOVERNANCE (cont)

PERFORMANCE EVALUATION

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

AUDIT AND RISK COMMITTEE:

The Audit and Risk Committee was established in 2007 and meets quarterly or as required. The Company is required to have an Audit Committee under section 45 the PGPA Act.

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

The functions of the Committee include:

- a. Helping the Company and its Directors to comply with obligations under the *Public Governance, Performance and Accountability Act 2013* and the *Corporations Act 2001* and
- b. Providing a forum for communication between the Directors, the Senior Management, and the internal and external Auditors of the Company.

The performance evaluation of the Committee is conducted yearly and follows the same process as the Board evaluation.

AUDIT AND RISK COMMITTEE MEETINGS HELD DURING THE YEAR AND ATTENDANCE

Name	Company Director	Committee Position	Attendance 5 Meetings FY2015/16	Meetings Missed
Mr Robert Hudson	Yes	Chairman	5	0
Ms Natasha Short*	Yes	Member	2	0
Mr Naum Onikul **	Yes	Member	2	0
Mr Graham Cook **	Yes	Member	2	0
Mr Steve Bradley ***	Yes	Member	1	0
Mr Geoff Thomas ***	Yes	Member	1	0
Mr Drew Robinson ****	Yes	Member	2	0
Mr Drew Robinson ****	No	Member	2	1
Dr. Belinda Orme	No	Secretary	4	1

Note: * Appointed 21/11/2013- 27/08/15. ** Appointed from 27/08/15 - 25/2/16. *** Appointed 25/2/2016, **** Resigned 19/9/2015, Appointed 25/02/16 - 02/06/2016 as a non - director

SOCIAL OUTCOMES COMMITTEE:

The Board established the Social Outcomes Committee in 2013 and meetings are held quarterly or as required. Its Charter is to consider any matter relating to social outcomes in individual Indigenous communities; including nutrition, employment, community engagement and economic development.

The functions of the committee include:

- c. Developing strategies with management on;
 - i) Health and nutrition
 - ii) Indigenous employment
 - iii) Community engagement and
 - iv) Economic development in communities
- d. Monitor and review progress against approved strategies.
- e. Review and approve formal working partnerships with other agencies in nutrition, Indigenous employment, community engagement and economic development.

CORPORATE GOVERNANCE (cont)

SOCIAL OUTCOMES COMMITTEE MEETINGS HELD DURING THE YEAR AND ATTENDANCE

Name	Company Director	Committee Position	Attendance 4 Meetings in FY2015/6	Meetings Missed
Mr Stephen Bradley	Yes	Chairman/Member	4	0
Prof. Kerin O'Dea	Yes	Member	4	0
Mr Graham Cook *	Yes	Chairman/Member	3	0
Ms. Natasha Short *	Yes	Member	2	1
Mr. Bob Hudson **	Yes	Member	1	0
Dr. Belinda Orme	No	Secretary	3	1

Note: * Appointed 27/08/2015. ** Appointed 25/2/2016

STORE ASSESSMENT COMMITTEE:

The Store Assessment Committee, previously the Store Acquisition Committee, continued with the responsibilities delegated last financial year. The Board established the Store Assessment Committee in 2007 and meetings are held monthly or as required. Its Charter is to consider any matter relating to store management in individual Indigenous communities; including strategy, agreements, termination, expenditure, capital loans and underpinning.

The functions of the committee include:

- f. Consider management proposals for store acquisitions under management agreements, leases or purchases.
- g. Consider management proposals to discontinue management services.
- h. To authorise requested operational underpinning by management for unviable stores.
- i. To authorise requested capital underpinning by management for unviable stores.
- j. To authorise commercial loans to stores under company management.
- k. To ensure robust procedures are implemented and followed for the use of public funds to support remote stores under company management.

STORE ASSESSMENT COMMITTEE MEETINGS HELD DURING THE YEAR AND ATTENDANCE

Name	Company Director	Committee Position	Attendance 8 meetings FY2015-16	Meetings Missed
Mr Stephen Bradley	Yes	Chairman	7	1
Prof. Kerin O'Dea *	Yes	Member	5	2
Mr Graham Cook **	Yes	Member	5	1
Mr Steven Moore	No	CEO/Member	7	1
Mr Drew Robinson ***	Yes	Member	1	0
Mr Drew Robinson ***	No	Member	3	2
Dr. Belinda Orme	No	Secretary	8	0

*Note: * Resigned SAC 2/6/2016. ** Appointed 25/2/16, *** Resigned 19/9/2015, Appointed as non - director 25/11/2015 - 02/062016*

OTHER INFORMATION

ENVIRONMENTAL PERFORMANCE AND ECOLOGICALLY SUSTAINABLE DEVELOPMENT

Section 516A of the Environmental Protection and Biodiversity Conservation Act 1999 (EPBC Act) requires Australian Government organisations-including authorities such as Outback Stores to include in their Annual Report a section detailing their environmental performance and their contribution to Ecologically Sustainable Development (ESD). In doing this, Outback Stores is committed to the principles of ESD as detailed in section 3A of the EPBC Act.

The following table details Outback Stores' ESD activities in accordance with section 516A(6) of the EPBC Act 1999.

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

OUTBACK STORES' APPROACH TO IMPLEMENTING ESD PRINCIPLES

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

As a result, we are yet to develop a comprehensive environmental strategy; however we have continued our efforts to reduce Outback Stores' carbon footprint through various measures such as implementing more sustainable energy practices, water management and waste management. We are continuing the development of programs at our national office and remote stores to reduce environmental impacts and although we are yet to develop metrics to monitor our carbon footprint, we are committed to continual improvement in environmental performance management.

RISK MANAGEMENT

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

OUTBACK STORES PTY LTD COMPANY CONSTITUTION

There were no changes to the constitution of the organisation during the reporting period.

DISCLOSURE REQUIREMENTS FOR GOVERNMENT BUSINESS ENTERPRISES

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

EXEMPTIONS

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

MINISTERIAL DIRECTIONS AND GENERAL POLICY ORDERS

There have been no Ministerial Directions, General Policies or General Policy Orders issued to Outback Stores.

OTHER INFORMATION (cont)

JUDICIAL DECISIONS AND REVIEWS BY OUTSIDE BODIES

There were no judicial decisions or decisions of administrative tribunals that had a significant effect on Outback Stores' operations during 2015-16. The Commonwealth Ombudsman received no complaints regarding Outback Stores.

DISABILITY REPORTING

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

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010-2020, which sets out a ten year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high level two-yearly report will track progress against each of the six outcome areas of the Strategy and present a picture of how people with disability are faring. Further information can be found at www.dss.gov.au

INFORMATION PUBLICATION SCHEME

Outback Stores received no freedom of information requests in the 2015-16 financial year. Agencies subject to the *Freedom of Information Act 1982 (FOI Act)* are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act. Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements.

HEALTH AND SAFETY

The Work Health and Safety group met throughout the year with the focus on improving reporting procedures and risk registers. Safety procedures and relevant forms are now available to all stores on SharePoint ensuring they have access to new or reviewed procedures and forms as they become available. SharePoint has been developed as a common area for all Outback Stores policies, procedures and relevant forms. All staff has access to SharePoint.

Workplace checklists have been reviewed and amended to include hazards not previously recognised. This checklist is conducted by all stores on a quarterly basis. All hazards identified are reviewed by area managers until corrective actions have been completed.

As part of Employee Development and Training, area managers have completed Cert III in Retail and store managers are now required to complete Certificate III in Retail. This certificate includes modules SIRXWHS002 - Contribute to workplace health and safety and SIRRFA002 - Supervise a food safety program. The feedback from store managers has been positive.

A WHS focus group has been formed to focus on increasing emphasis on Workplace Health and Safety, risk registers, workplace safety checklists and store staff training. This has resulted in improving the safety culture in our stores, with store managers and local store workers taking responsibility for implementing and monitoring workplace safety in their stores.

Under Schedule 2, Part 4 of the *Work Health and Safety Act 2011* there was one notifiable incident recorded during the reporting period. This was a serious accident where a spinal injury occurred due to a vehicle incident which resulted in emergency treatment.

This incident was reported to the regulator and a full investigation followed.

KEY ACTIVITIES AND CHANGES AFFECTING THE COMPANY

There were no key changes or activities during the reporting period.

Compliance Index of *Public Governance, Performance and Accountability Act 2013 (PGPA Act)* requirements for Commonwealth Companies

Requirement:	Reference:	Page (s)
Approval by Directors	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28E</i>	7
Details of exemptions granted by Finance Minister in regard to reporting requirements	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28E</i>	43
Responsible Minister	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28E</i>	36
Ministerial Directions	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28E</i>	43
General Policy Orders	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28E</i>	43
Freedom of Information	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28E</i>	44
Occupational Health and Safety	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28E</i>	44 - 45
Ecologically sustainable development and environmental performance	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28E</i>	42 - 43
Directors	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28E</i>	37
Statement on governance	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28E</i>	36 - 37
Board Committees	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28E</i>	38 - 41
Organizational structure (including subsidiaries)	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28E</i>	14 - 15
Related entity transactions	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28E</i>	95
Key activities and changes affecting the company	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28E</i>	45
Significant judicial or administrative tribunal decisions	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28E</i>	44
Obtaining information from subsidiaries	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28E</i>	17
Disclosure requirements for Government Business Enterprises	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28F</i>	43
Index of annual report requirements	<i>Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) Section 28E</i>	46



FINANCIAL STATEMENTS

Outback Stores Pty Ltd and its controlled entities

ABN: 63 120 661 234

General purpose financial statements for the year ended 30 June 2016

Outback Stores Pty Ltd and its Controlled Entities

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Outback Stores Pty Ltd and its Controlled Entities

Director's Report

The directors of Outback Stores Pty Ltd (The Company or Outback Stores) and its controlled entities (the Group) submit herewith the annual consolidated financial statements of the Group for the year ended 30 June 2016. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Information about the directors

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

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 on 24 July 2006 in a non-executive capacity with over 25 years of retailing and remote retailing experience.
Mr. R.E. Hudson	Chartered Accountant and former Managing Partner of Deloitte Touche Tohmatsu in the Northern Territory, joined the Board on 24 July 2008 in a non-executive capacity.
Prof. K. O'Dea AO	Director of the Sansom Institute of Health Research at the University of South Australia and serves on national committees advising government on health and medical research, Indigenous health, nutrition and diabetes. In 2004, she was made an Officer of the Order of Australia for service to medical and nutrition research and the development of public health policy, particularly research into chronic diseases affecting Indigenous Australians. Appointed to the Board 15th of July 2010 in a non-executive capacity.
Mr. N. Onikul	Former Senior executive with Woolworths over 40 years successful experience in the retail environment. He has specialised in all aspects of the food, liquor and petrol business and managed the Woolworths liquor business (BWS & Dan Murphy) during initial conceptualisation to growth. Appointment to the board 24th May 2011. Reappointed to the board on 16 September 2015.
Ms. N. Short	Natasha Short has a long association and deep interest in helping to make positive changes among Aboriginal people. Her fields of experience cover education, justice and housing which have been important tools in gaining valuable insights into some of the challenges facing Indigenous people. Since June 2011, Natasha has served on the board of directors of the Wunan Foundation - an Aboriginal organisation which is dedicated to making long term changes within the East Kimberley Region. Natasha remains passionately committed to the goal of Indigenous people improving their quality of life and working with a team of people who would like to make a difference in remote locations. Appointment to the board on 26 June 2013 in a non-executive capacity.
Mr. G. Cook	Joined the Board on 16 September 2015 in a non-executive capacity. Mr Cook has a strong background in retail, enterprise development, consultancy, training and tourism. Mr Cook has worked with both mainstream and indigenous enterprises.
Mr. G. Thomas	Joined the Board on 16 September 2015 in a non-executive capacity. Mr Thomas has worked in transforming consumer supply chains for over 25 years. Mr Thomas has spanned senior executive roles, both as a senior business leader with blue chip corporates, as well as an advisor in management consulting. Mr Thomas has acquired deep expertise in the retail and FMCG industries.

Outback Stores Pty Ltd and its Controlled Entities

Director's Report

Mr. A. Robinson	Former partner of Allan Moore & Co Solicitors (now part of Gadens Solicitors), Corporate Counsel of Ipex Information Technology Group, Corporate Counsel of Senetas Corporation Ltd, Solicitor and Assistant Company Secretary with Coles Myer Ltd. Currently Principal of Flexpertise Pty Ltd, an organisation that provides legal and governance expertise to organisations. Appointed to the Board on 20 September 2012 in a non-executive capacity.
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The above named directors held office during the whole of the financial year except for:

Mr. A.R. King - resigned 1 October 2015

Prof. K. O'Dea AO - expired 14 July 2016

Mr. N. Onikul - resigned on 2 June 2016

Mr. A. Robinson - expired 19 September 2015

Ms. N. Short - expired 25 June 2016

Mr. G. Thomas - appointed 16 September 2015

Mr. G. Cook - appointed 16 September 2015

Outback Stores Pty Ltd and its Controlled Entities

Director's Report

Shares options granted to directors and senior management

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

Company secretary

Dr. B Orme held the position of company secretary of the Group at the end of the financial year.

Principal activities

The Group's principal activities in the course of the financial year were the management services provided to remote Indigenous Community stores across Australia. Activities also include the investment in regional supermarkets (Cardwell), commercial loans and support to unviable remote community stores.

Review of operations

Outback Stores managed 37 stores at the end of the financial year. Combined store turnover for the financial year was over \$82.5 million dollars from 37 stores.

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

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

The business of managing retail stores in remote community stores continues to be challenging due to the ongoing high operating costs both for the stores and for the Group 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.

	2016	2015
	\$	\$
Profit / (Loss) for the year	703,584	(23,087)
Plus: Income tax	147,724	102,148
Profit before income tax	851,308	79,061
Less: Adjustments for non-operating profit		
Revenue from Government Grants	3,136,787	3,267,349
Gain on sale of fixed assets	44,549	66,624
Store grant expenditure (underpinning)	(1,888,559)	(3,159,312)
Grant expenditure	(418,374)	(108,038)
Total non-operating loss	874,403	66,623
Total operating profit / (loss)	(23,095)	12,438

Change in state of affairs

On 1st July 2015, the store business owned by Ti Tree Grocery Stores Pty Ltd was transferred for no consideration to Anmatjere Community Store Aboriginal Corporation. Ownership of the property was transferred back to Outback Stores Pty Ltd.

Outback Stores Pty Ltd and its Controlled Entities

Director's 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 21 to the financial statements. Effective July 15, 2016, Mr Steve Moore has resigned from the Chief Executive Officer position and Ms Louise Dutton is now the acting Chief Executive Officer.

Future developments

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

Dividends

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

Indemnification of officers

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

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

Auditor's independence declaration

The auditor's independence declaration is included on page 9 of the annual report.

Remuneration report

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of the Group's directors and its senior management for the financial year ended 30 June 2016. The prescribed details for each person covered by this report are detailed below under the following headings:

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

Director and senior management details

The following persons acted as directors of the company during or since the end of the financial year: Mr. S. Bradley (Chairman)

Mr. A.R. King
Mr. R.E. Hudson
Mr. N. Onikul
Prof. K. O'Dea
Mr. A. Robinson
Ms. N. Short
Mr. G. Thomas
Mr. G. Cook

Outback Stores Pty Ltd and its Controlled Entities

Director's Report

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

Mr. S. Moore (Chief Executive Officer, appointed 29 June 2011. Resigned 15 July 2016)

Ms. L. Dutton (Chief Operating Officer, appointed 24 August 2015. Acting as Chief Executive Officer, appointed 15 July 2016)

Mr. J. Rathore (Chief Financial Officer - appointed 1 July 2015)

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

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 6 board meetings, 11 store acquisition committee meetings, 4 audit and risk committee meetings and 4 social and outcomes committee meetings were held.

Directors	Board of directors		Store Assessment Committee		Audit and risk committee		Social and outcomes committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr. S. Bradley	4	4	8	7	1	1	4	4
Mr. R.E. Hudson	4	4	-	-	5	5	1	1
Mr. A.R. King	1	1	-	-	-	-	1	-
Prof. K. O'Dea	4	4	7	5	-	-	4	4
Mr. A. Robinson	1	1	5	3	2	2	-	-
Ms. N. Short	4	3	-	-	2	2	3	2
Mr. N. Onikul	3	3	1	-	2	2	-	-
Mr. G. Cook	3	3	6	5	2	2	3	3
Mr. G. Thomas	3	3	-	-	1	1	-	-

Note: Mr. S. Moore (Chief Executive Officer) is also a member of the Store Assessment Committee and attended 7 meetings during the year.

Outback Stores Pty Ltd and its Controlled Entities

Director's Report

Remuneration policy

It is a requirement to agree any remuneration package and wage contract of senior management with the Chairman.

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

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 profit or loss and other comprehensive income.

Remuneration of directors and senior management

Non-executive

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

	2016	2015
	\$	\$
Short-term employee benefits	236,651	268,958
Total remuneration:	236,651	268,958

<u>Executive officers</u>		
Short-term employee benefits	821,084	605,437
Termination benefits	-	-
Total remuneration:	821,084	605,437

Outback Stores Pty Ltd and its Controlled Entities

Director's Report

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

Bonuses

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

Employee share option plan

None.

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 is four weeks.

Mr. S. Moore (Chief Executive Officer) - Three year contract commencing 29 September 2012, with a required termination notice of three months. Resigned 15 July 2016.

Ms. L. Dutton - (Chief Operating Officer) - Permanent employee commencing 1 March 2009 with a required termination notice of eight weeks. Currently working as Chief Executive Officer appointed on 15 July 2016.

Mr. J. Rathore - (Chief Financial Officer) - Position commencing 1 July 2015.

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

On behalf of the Directors



Mr. S. Bradley
Chairman

Darwin, Dated: 24/08/2016

Outback Stores Pty Ltd and its Controlled Entities

Directors' Declaration

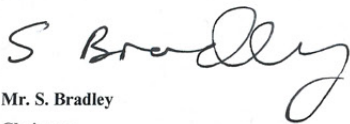
In the opinion of the Directors of Outback Stores Pty Ltd:

- a. The consolidated financial statements and notes of Outback Stores Pty Ltd are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of its financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
 - ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b. There are reasonable grounds to believe that Outback Stores Pty Ltd will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the acting Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2016.

Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors: On behalf of the Directors



Mr. S. Bradley
Chairman

Darwin, Dated: 24/08/2016



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

**OUTBACK STORES PTY LTD FINANCIAL REPORT 2015-16
AUDITOR'S INDEPENDENCE DECLARATION**

In relation to my audit of the financial report of Outback Stores Pty Ltd for the year ended 30 June 2016, 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

Jodi George
Audit Principal

Delegate of the Auditor-General

Canberra
24 August 2016



INDEPENDENT AUDITOR'S REPORT

To the members of Outback Stores Pty Ltd

Report on the Financial Report

I have audited the accompanying financial report of Outback Stores Pty Ltd, which comprises the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Notes comprising a Summary of Significant Accounting Policies and other explanatory information, and the Directors' Declaration.

Opinion

In my opinion, the financial report of Outback Stores Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of Outback Stores Pty Ltd's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Directors' Responsibility for the Financial Report

The Directors of Outback Stores Pty Ltd are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Australian National Audit Office

A handwritten signature in black ink, appearing to read 'J George', written in a cursive style.

Jodi George
Audit Principal

Delegate of the Auditor-General

Canberra

24 August 2016

Outback Stores Pty Ltd and its Controlled Entities

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2016

	Notes	Consolidated	
		2016 \$	2015 \$
Revenue			
Revenue from government grants	3A	3,136,787	3,267,349
Sale of goods and rendering of services	3B	10,458,508	7,032,387
Interest income	3C	1,341,377	1,620,339
Rental income	3D	14,993	20,741
Store recoveries and charges	3E	8,358,768	7,840,682
Rebates	3F	2,098,181	2,172,625
Other revenue	3G	680,812	506,218
Gain on disposal of fixed assets	3H	44,549	66,624
Total Revenue		26,133,975	22,526,965
Expenses			
Consulting expenditure	4A	289,598	445,179
Cost of goods sold	4B	4,952,355	2,094,320
Depreciation and amortisation	4C	1,105,434	1,077,521
Employee benefits expense	4D	12,910,078	11,924,894
Rental expenses	4E	411,303	286,495
Store grant expenditure	4F	1,888,559	3,159,312
Administrative expenditure	4G	3,306,966	3,352,145
Other grant expenditure	4H	418,374	108,038
Total Expenses		25,282,667	22,447,904
Profit before income tax		851,308	79,061
Income tax expense	5A	147,724	102,148
Profit / (Loss) for the year		703,584	(23,087)
Other comprehensive income			
Total comprehensive income/(loss)		703,584	(23,087)
Profit / (loss) for the year attributable to:		703,584	(23,087)
Owners of the Company			
Total comprehensive income/(loss) for the year attributable to:		703,584	(23,087)
Owners of the Company			

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

Outback Stores Pty Ltd and its Controlled Entities

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

	Notes	Consolidated	
		2016	2015
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	6A	52,349,439	53,355,069
Inventories	6B	315,549	443,402
Trade and other receivables	6C	2,470,550	2,660,706
Other financial assets	6D	96,237	58,143
Other current assets	6E	163,871	100,310
Total current assets		55,395,646	56,617,630
Non-current assets			
Property, plant and equipment	7	3,292,790	3,897,934
Deferred tax assets	5D	450,803	555,192
Other financial assets	6D	841,804	760,449
Intangible assets	8	197,993	198,842
Goodwill	19	559,127	559,127
Total non-current assets		5,342,517	5,971,544
Total Assets		60,738,163	62,589,174
LIABILITIES			
Current liabilities			
Trade and other payables	9A	1,166,978	1,580,936
Government grants	9B	15,913,773	17,824,775
Provisions	9C	891,844	920,474
Other liabilities	9D	-	79,740
Current tax liabilities	5C	17,394	277,498
Total current liabilities		17,989,989	20,683,423
Non-current liabilities			
Provisions	9C	513,837	400,939
Deferred tax liabilities	5D	34,126	8,185
Total non-current liabilities		547,963	409,124
Total Liabilities		18,537,952	21,092,547
Net Assets		42,200,211	41,496,627
EQUITY			
Issued capital	10	40,000,001	40,000,001
Retained earnings		2,200,210	1,496,626
Total Equity		42,200,211	41,496,627

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

Outback Stores Pty Ltd and its Controlled Entities

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

	Issued Capital	Retained Earnings	Total Equity
	\$	\$	\$
Balance at 1 July 2014	40,000,001	1,519,713	41,519,714
Loss for the year	-	(23,087)	(23,087)
Balance at 30 June 2015	40,000,001	1,496,626	41,496,627
Balance at 1 July 2015	40,000,001	1,496,626	41,496,627
Profit for the year	-	703,584	703,584
Balance at 30 June 2016	40,000,001	2,200,210	42,200,211

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

Outback Stores Pty Ltd and its Controlled Entities

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		21,737,855	16,981,362
Payments to suppliers and employees		(23,892,887)	(17,429,189)
Grants received		3,136,876	397,894
Income taxes paid		(277,498)	(207,506)
Net cash from/(used in) operating activities	12b	704,346	(257,439)
Cash flows from investing activities			
Payments for property, plant and equipment	7	(593,930)	(897,353)
Proceeds from sales of property, plant and equipment		100,887	114,936
Payment for purchase of intangible assets	8	(52,188)	(221,911)
Payment for acquisition in new subsidiary	18	-	(1,331,661)
Underpinning payments for stores and other grants		(2,306,933)	(3,267,351)
Amounts received from / (payments to) stores under commercial loans		(127,574)	69,739
Bond deposits received/(paid)		8,125	(564,032)
Interest received		1,341,377	2,048,018
Net cash used in investing activities		(1,630,236)	(4,049,615)
Cash flows from financing activity			
Proceeds from / (payments to) borrowings		(79,740)	79,740
Net cash (used in)/from financing activity		(79,740)	79,740
Net decrease in cash and cash equivalents		(1,005,630)	(4,227,314)
Cash and cash equivalents at the beginning of the year		53,355,069	57,582,383
Cash and cash equivalents at the end of the year	6A	52,349,439	53,355,069

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

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 1: General information

1. General information

Outback Stores Pty Ltd (Outback Stores or the Company) is a proprietary company limited by shares, incorporated and domiciled in Australia. Outback Stores' principal activities are management services provided to remote Indigenous community stores across Australia and commercial loans and other financial support to unviable remote community stores through the support of Department of The Prime Minister and Cabinet (October 2013 to date). Previously we were supported by the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA).

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

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

67 Pruen Road,
Berrimah,
Darwin NT 0828

Note 2: Summary of significant accounting policies

2.1 Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year end.

Standards affecting presentation and disclosure

AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn. The application of the amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'

The amendments to AASB 128 align the relief available in AASB 10 and AASB 128 in respect of the financial reporting requirements for Australian groups with a foreign parent. The amendments require that the ultimate Australian entity shall apply the equity method in accounting for interests in associates and joint ventures if either the entity or the group is a reporting entity, or both the entity and group are reporting entities. The application of these amendments does not have any impact on the disclosures in the Group's consolidated financial statements.

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 2: Summary of significant accounting policies

2.2 Standards and Interpretations in issue not yet adopted

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

<u>Standard / Interpretation</u>	<u>Effective for annual reporting periods beginning on or after</u>	<u>Expected to be initially applied in the financial year ending</u>
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2018	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

The potential effect of the revised Standards/Interpretations on the Group's financial statements has not yet been determined.

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 2: Summary of significant accounting policies

2.3 Significant accounting policies

2.3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the

Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

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

The consolidated financial statements for the year ended 30 June 2016 were approved and authorised for issue by the Board of Directors on 24 August 2016.

2.3.2 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 'Inventories' or value in use in AASB 136 'Impairment of Assets'.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 2: Summary of significant accounting policies

2.3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; but
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Refer to note 13 for related party disclosures. Profit and loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition for up to the date of disposal, as applicable.

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 2: Summary of significant accounting policies

(a) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Sharebased Payment' at the acquisition date;
- and assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 2: Summary of significant accounting policies

where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(c) Cash and cash equivalents

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

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

(d) Employee benefits

Short-term and long-term employee benefits

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

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

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

Termination benefit

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(e) Financial instruments

Financial assets held by the Group are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 2: Summary of significant accounting policies

from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories which are applicable to the Group: 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets: Loans and receivables

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

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

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

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

Derecognition of financial assets

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

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 2: Summary of significant accounting policies

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

(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 10.

Financial liabilities

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

Other financial liabilities

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

Derecognition of financial liabilities

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

(g) Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government assistance which does not have conditions attached specifically relating to the operating activities of the entity is recognised in accordance with the accounting policies above.

(h) Impairment testing of goodwill, other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 2: Summary of significant accounting policies

to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

(i) Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 2: Summary of significant accounting policies

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

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

Current and deferred tax for the year

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

(j) Inventories

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

(k) Intangible assets

Patents, trademarks and licences

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

IT Software

IT Software is recorded at cost less accumulated amortisation and impairment. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each reporting period,

Estimated useful lives are:

<u>Class of intangible asset</u>	<u>2016</u>	<u>2015</u>
Trademarks	10 years	10 years
IT software	3 years	3 years

(l) Leased assets

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

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 2: Summary of significant accounting policies

progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

As lessor

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

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

As lessee

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

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

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

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

(m) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 2: Summary of significant accounting policies

(n) Property, plant and equipment

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

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

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

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

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

<u>Class of Property, Plant and Equipment</u>	<u>2016</u>	<u>2015</u>
Containers	20%	20%
Furniture and Fittings	20%	20%
Housing	10%	10%
IT Equipment	25% - 66.67%	25% - 66.67%
Capitalised leased assets	20% - 66.67%	20% - 66.67%
Leasehold improvements	2.50%	2.50%
Motor vehicles and components	20% - 33.33%	20% - 33.33%

(o) Provisions, contingent liabilities and contingent assets

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

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

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

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 2: Summary of significant accounting policies

Onerous contracts

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

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

(p) **Revenue**

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

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and the titles have passed, at which time all the following conditions are satisfied:

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

Rendering of services

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

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

Rental income:

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

Interest income

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

Government grants

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

Rebate income

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

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 2: Summary of significant accounting policies

(q) Goods and services tax

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

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

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

2.4 Critical accounting judgments and key sources of estimation uncertainty

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

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

2.4.1 Critical judgements in applying accounting policies

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

Useful lives of property, plant and equipment

As described in note 2(n), the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. No changes were made to the useful lives for existing assets.

Employee entitlements

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

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

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

Intangible assets

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

Inventories

Inventory set out in note 6B represents finished goods purchased for sale in the retail stores owned and managed by the Group and is calculated at the lower of cost and net realisable value as stated in note 2 (j). The net realisable value of inventories is the estimated selling price in the ordinary

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 2: Summary of significant accounting policies

course of business less estimated cost to sell which approximates fair value less cost to sell. The key assumptions require the use of management judgement and are reviewed annually. These key assumptions are the variables affecting the estimated costs to sell and the expected selling price. Any reassessment of cost to sell or selling price in a particular year will affect the cost of goods sold. The potential effect of a change in these assumptions is not expected to be material.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cashgenerating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at 30 June 2016 was \$ 555,127 (30 June 2015: \$555,127). No impairment loss was recognised during 2016 (2015: nil). Further disclosures are set out in note 19.

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 3: Revenue

	Consolidated	
	2016	2015
	\$	\$

Note 3A: Revenue from Government Grants

Grants from related entities:		
Department of Social Services - Food Grant	1,917,032	1,151,863
Department of Social Services - Food Security	1,062,088	2,009,448
Department of Social Services - Governance and Training	157,667	106,038
Total revenue from Government Grants	3,136,787	3,267,349

Note 3B: Sale of goods and rendering of services

Management fees	4,003,289	4,103,640
Sale of goods	6,455,219	2,928,747
Total sale of goods and rendering of services	10,458,508	7,032,387

Note 3C: Interest income

Financial Institutions	25,328	5,342
Interest from Loans to Stores	12,155	10,503
Term Deposits	1,303,894	1,604,494
Total interest income	1,341,377	1,620,339

Note 3D: Rental income

Operating lease:		
House	14,993	20,741
Total rental income	14,993	20,741

Note 3E: Store recoveries and charges

Managers Services On-charged	6,687,448	6,358,789
Recoveries from Managed Stores	1,671,320	1,481,893
Total store recoveries and charges	8,358,768	7,840,682

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 3: Revenue (cont)

	Consolidated	
	2016	2015
	\$	\$

Note 3F: Rebates

Rebates received	2,098,181	2,172,625
Total other revenue	2,098,181	2,172,625

Note 3G: Other revenue

Commission received	12,001	10,545
Consultancy fees	305,990	213,219
Sundry income	106,128	17,703
Training government subsidy	256,693	264,751
Total other revenue	680,812	506,218

Note 3H: Gain on disposal of fixed assets

Gain on disposal of fixed assets	44,549	66,624
Total gain on disposal of fixed assets	44,549	66,624

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 4: Expenses

		Consolidated
	2016	2015
	\$	\$

Note 4A: Consulting expenditure

Consultancy fees	272,089	431,538
Legal fees	17,509	13,641
Total consulting expenditure	289,598	445,179

Note 4B: Cost of goods sold

Purchases and direct cost	4,952,355	2,094,320
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Note 4C: Depreciation and amortisation

Amortisation of intangible assets	53,037	44,214
Depreciation of property, plant and equipment	1,052,397	1,033,307
Total depreciation and amortisation	1,105,434	1,077,521

Note 4D: Employee benefits expense

Wages and salaries	11,611,970	10,640,477
Travel and other allowances	124,688	114,155
Superannuation contributions - defined contribution plans	1,025,727	971,868
Staff incentive provision	18,512	16,859
Leave and other entitlements	129,181	181,535
Total employee benefit	12,910,078	11,924,894

Note 4E: Rental expenses

Operating lease rentals	411,303	286,495
Total rental expenses	411,303	286,495

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 4: Expenses (cont)

	Consolidated
2016	2015
\$	\$

Note 4F: Store grant expenditure

Barunga - Barunga Community Store Indigenous Corporation - Ngan Jilngurru Store	5,725	101,189
Beagle Bay - Ngarlan Store Indigenous Corporation	174,052	277,797
Jigalong - Jigalong Community Enterprises Pty Ltd atf Jigalong Community Unit Trust	3,140	49,000
Bulman - Gulin Gulin Community Store Aboriginal Corporation	(9,767)	169,101
Canteen Creek - Canteen Creek Store Nominees Pty Ltd atf Canteen Creek Store Charitable Trust	7,284	2,136
Engawala - Ntjaminya General Store Aboriginal Corporation	71,059	46,227
Epenarra - Wetengerr Aboriginal Corporation	104,162	183,204
Imanpa - Imanpa General Store Anangu Aboriginal Corporation	277,339	225,426
Jilkminggan - Dungalan Aboriginal Corporation	172,729	68,991
Lagulalya - Lagulalya Aboriginal Corporation	-	122,938
Manyallaluk - Manyallaluk Store Aboriginal Corporation	-	4,359
Mulan - Pinanyi Store Aboriginal Corporation	79,385	216,163
Nyirripi - Nyirripi Aboriginal Corporation	-	63,092
Pigeon Hole - Nitjpurru Aboriginal Corporation	110,447	333,335
Ringer Soak - Kundat Djaru Community Store Aboriginal Corporation	252,919	245,639
Titjikala - Titjikala Community Store Aboriginal Corporation	85,225	181,945
Ti Tree - Anmatjere Community Store Aboriginal Corporation	93,004	-
Willowra - Wirliyajarayy Aboriginal Corporation	19,541	73,339
Yalata - Yalata Community Store Pty Ltd as trustee for the Yalata Community Store Trust	-	426,736
Yiyili - Yiyili Store Indigenous Corporation	79,263	205,013
Mt Liebig - Mt Liebig Community Store Aboriginal Corporation	3,000	25,157
Tjuntjuntjara - Paupiyala Tjarutja Aboriginal Corporation	179,414	106,498
Timber Creek - Wirib Pty Ltd T/as Wirib Store and Tourism Park	182,638	25,642
Oak Valley - Oak Valley (Maralinga) Inc T/as Oak Valley Community Store	(2,000)	6,385
Total store grant expenditure	1,888,559	3,159,312

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

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 4: Expenses (cont)

	Consolidated	
	2016	2015
	\$	\$

Note 4G: Administrative expenditure

Travel and accommodation	366,955	385,639
Loss on disposal of fixed assets	9,121	-
Bad debts	(45,639)	45,746
Information technology	219,767	371,731
Recruitment costs	57,176	52,130
Insurance	361,612	292,943
Accountancy fees	40,876	51,097
Audit fees (Note 4I)	52,750	51,500
Motor vehicle	228,922	238,853
Fringe benefit and payroll tax	740,569	704,622
Training	182,271	124,219
Communication	104,683	98,489
Other expenses	987,903	935,177
Total Administrative expenditure	3,306,966	3,352,145

Note 4H: Other grant expenditure

Expenditure of grants received from other entities: Food Security	2,000	2,000
Nutrition	157,667	106,038
Other	258,707	-
Total other grant expenditure	418,374	108,038

Note 4I: Auditors' remuneration

Amounts paid or payable in respect of the audit or review of the financial statements of the Group to:		
The Australian National Audit Office	52,750	51,500
Total auditors' remuneration	52,750	51,500

No non-audit services were provided by the auditors.

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 5: Income tax expense

	Consolidated	
	2016	2015
	\$	\$

Note 5A: Income tax recognised in profit or loss

Tax expense comprises:		
Current tax expense / (income) in respect of the current year	17,394	277,498
Current tax	17,394	277,498
Deferred tax expense / (income) relating to the origination and reversal of temporary differences	130,330	(175,350)
Total income tax expense	147,724	102,148

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

Profit before income tax	851,308	79,061
Income tax expense calculated at 30% (2015: 30%)	255,393	23,718
Effect of expenses that are not deductible in determining taxable profit	3,983	2,050
Effect of income that are deductible in determining taxable profit	14,029	-
Effect of unused tax losses not recognised as deferred tax asset	(125,681)	74,440
Prior year adjustment	-	1,940
Income tax expense in statement of comprehensive income	147,724	102,148

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.

Opening balance	2,002,531	1,755,082
Tax paid	269,393	247,449
Closing balance	2,271,924	2,002,531

Note 5C: Current tax liabilities

Current tax liabilities		
Income tax payable	17,394	277,498
	17,394	277,498

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 5: Income tax expense (cont)

Note 5D: Deferred tax balances

Consolidated

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

	Charged to Income	Recognised directly in profit or loss	Recognised directly in equity	Total
2016		\$	\$	\$
Temporary differences				
Allowance for impairment		(13,690)	-	-
Prepayments		(25,941)	-	(34,126)
Property, plant & equipment and Intangible assets		(127,090)	-	27,665
Other assets		(5,107)	-	14,377
Accrued expenses		(24,873)	-	4,311
Employee benefits		69,317	-	388,839
Provision for audit fees		(1,850)	-	11,445
Fringe benefit and payroll tax		(1,096)	-	4,166
	-	(130,330)	-	416,677
Presented on the statement of financial position as follows:				
Deferred tax liability attributable to continuing operations				34,126
				34,126
Deferred tax asset attributable to continuing operations				450,803
				450,803

	Charged to Income	Recognised directly in profit or loss	Recognised directly in equity	Total
2015		\$	\$	\$
Temporary differences				
Allowance for impairment		6,380	-	13,690
Prepayments		9,895	-	(8,185)
Property, plant & equipment and Intangible assets		57,718	-	154,755
Other assets		15,020	-	19,484
Accrued expenses		29,184	-	29,184
Employee benefits		54,460	-	319,522
Provision for audit fees		2,225	-	13,295
Fringe benefit and payroll tax		468	-	5,262
	-	175,350	-	547,007
Presented on the statement of financial position as follows:				
Deferred tax liability attributable to continuing operations				8,185
				8,185
Deferred tax asset attributable to continuing operations				555,192
				555,192

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 6: Current Assets

	Consolidated	
	2016	2015
	\$	\$

Note 6A: Cash and cash equivalents

Cash	3,449,439	2,855,069
Short term deposits	48,900,000	50,500,000
Total cash and cash equivalents	52,349,439	53,355,069

The effective interest rate on short term deposits was 3.03% (2015:3.01%). The deposits have an average maturity of 161 days.

Note 6B: Inventories

Finished goods at cost	315,549	443,402
	315,549	443,402

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

The cost of inventories recognised as an expense during the year in respect of continuing operations was \$4,572,591 (2015: \$2,005,142).

Note 6C: Trade and other receivables

Trade receivables (i)		
Other	26,741	46,238
Rebates	615,290	592,922
Store debt	1,432,389	1,334,114
	2,074,420	1,973,274
Allowance for impairment of trade receivables	-	(45,633)
Total trade receivables	2,074,420	1,927,641
Other receivables		
Accrued interest	309,358	317,189
Bonds	13,866	15,066
Rebates accruals	-	8,000
Sundry receivables	72,906	392,810
Total other receivables	396,130	733,065
Total trade and other receivables	2,470,550	2,660,706

(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.

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 6: Current Assets (cont)

	Consolidated	
	2016	2015
	\$	\$
<u>Net receivables are aged as follows:</u>		
Not overdue	2,356,501	2,509,933
Overdue:		
30 to 60 days	(6,206)	22,810
60 to 90 days	(5,023)	14,203
More than 90 days	125,278	113,760
Total trade and other receivables	2,470,550	2,660,706
<u>Movement in allowance for impairment of trade receivables</u>		
Balance at the beginning of the year	45,633	24,401
Impairment (decrease)/increase recognised on receivables	(45,633)	21,232
Balance at the end of the year	-	45,633

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

<u>Ageing of impaired trade receivables</u>		
More than 90 days	-	45,633
Balance at the end of the year	-	45,633

Note 6D: Other financial assets

<u>Current</u>		
Loans to other entities (i)	96,237	58,143
	96,237	58,143
<u>Non-current</u>		
Loans to other entities (i)	285,897	196,417
Bond deposits	555,907	564,032
	841,804	760,449
Total other financial assets	938,041	818,592

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

Note 6E: Other current assets

Prepayments	163,871	100,310
Total other current assets	163,871	100,310

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 7: Property, Plant and Equipment

	Consolidated						
	Housing at cost	Containers at cost	Furniture and fittings at cost	Leasehold Improve-ments at cost	Motor Vehicle and components at cost	IT Equipment at cost	Total
	\$	\$	\$	\$	\$	\$	\$
As at 1 July 2015							
Gross book value	2,174,512	73,024	1,240,118	175,924	2,374,367	2,194,369	8,232,314
Accumulated depreciation/ amortisation and impairment	(725,318)	(71,425)	(296,058)	(135,414)	(1,628,450)	(1,477,715)	(4,334,380)
Net book value 1 July 2015	1,449,194	1,599	944,060	40,510	745,917	716,654	3,897,934
Additions	-	-	64,238	-	413,822	115,870	593,930
Transfer	-	-	-	-	-	-	-
Acquisitions through business combination	-	-	-	-	-	-	-
Depreciation	(111,411)	(400)	(80,456)	(6,156)	(446,732)	(407,242)	(1,052,397)
Disposals	-	-	(69,900)	-	(66,699)	(10,078)	(146,677)
Net book value 30 June 2016	1,337,783	1,199	857,942	34,354	646,308	415,204	3,292,790
Net book value at 30 June 2016 represented by:							
Gross book value	2,174,512	73,024	1,057,276	175,924	2,421,214	2,004,610	7,906,560
Accumulated depreciation/ amortisation and impairment	(836,729)	(71,825)	(199,334)	(141,570)	(1,774,906)	(1,589,406)	(4,613,770)
	1,337,783	1,199	857,942	34,354	646,308	415,204	3,292,790

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 7: Property, Plant and Equipment (cont)

	Consolidated						
	Housing at cost	Containers at cost	Furniture and fittings at cost	Leasehold Improvements at cost	Motor Vehicle and components at cost	IT Equipment at cost	Total
	\$	\$	\$	\$	\$	\$	\$
As at 1 July 2014							
Gross book value	2,124,832	85,274	427,016	136,558	2,195,022	3,835,802	8,804,503
Accumulated depreciation/ amortisation and impairment	(582,945)	(81,981)	(259,048)	(131,143)	(1,677,508)	(2,876,285)	(5,608,911)
Net book value 1 July 2014	1,541,887	3,293	167,968	5,415	517,514	959,517	3,195,592
Additions	2,894	-	1,718	39,366	626,378	226,997	897,353
Transfer	46,786	-	(46,786)	-	-	-	(0)
Acquisitions through business combination	-	-	858,890	-	14,000	2,020	874,910
Depreciation	(142,373)	(1,694)	(37,730)	(4,271)	(407,994)	(427,551)	(1,021,611)
Disposals	-	-	-	-	(3,981)	(44,329)	(48,310)
Net book value 30 June 2015	1,449,194	1,599	944,060	40,510	745,917	716,654	3,897,934
Net book value at 30 June 2015 represented by:							
Gross book value	2,174,512	73,024	1,240,118	175,924	2,374,367	2,194,369	8,232,314
Accumulated depreciation/ amortisation and impairment	(725,318)	(71,425)	(296,058)	(135,414)	(1,628,450)	(1,477,715)	(4,334,380)
	1,449,194	1,599	944,060	40,510	745,917	716,654	3,897,934

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 8: Intangible Assets

	Consolidated		
	Trademarks	IT Software	Total
	\$	\$	\$
As at 1 July 2015			
Gross book value	16,177	613,480	629,657
Accumulated amortisation and impairment	(13,544)	(417,271)	(430,815)
Net book value 1 July 2015	2,633	196,209	198,842
Additions	-	52,188	52,188
Amortisation	(1,618)	(51,419)	(53,037)
Disposals	-	-	-
Net book value 30 June 2016	1,015	196,978	197,993
Net book value at 30 June 2016 represented by:			
Gross book value	16,177	665,668	681,846
Accumulated amortisation and impairment	(15,162)	(468,691)	(483,852)
	1,015	196,978	197,993
As at 1 July 2014			
Gross book value	16,177	391,569	407,746
Accumulated amortisation and impairment	(11,927)	(362,980)	(374,907)
Net book value 1 July 2014	4,250	28,589	32,839
Additions	-	221,911	221,911
Amortisation	(1,617)	(54,291)	(55,908)
Net book value 30 June 2015	2,633	196,209	198,842
Net book value at 30 June 2015 represented by:			
Gross book value	16,177	613,480	629,657
Accumulated amortisation and impairment	(13,544)	(417,271)	(430,815)
	2,633	196,209	198,842

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 9: Current Liabilities

	Consolidated	
	2016	2015
	\$	\$

Note 9A: Trade and other payables

Trade creditors	592,951	466,305
Goods and services tax payable	270,760	287,580
Accrued expenses	279,350	802,585
PAYG withholding tax	23,917	24,465
Total trade and other payables	1,166,978	1,580,935

The average credit period on purchases of goods is 1 month. No interest is charged on the trade payables for outstanding balances. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Note 9B: Government grants

Unexpended grants - Parent entity		
IBA - Northern Territory Emergency Relief Funding (NTER)	7,225,315	9,142,347
Department of Social Services Food Grant	8,607,767	8,581,223
Unexpended grants - Other		
Nutritional and minor Grant Funding	80,691	101,121
Governance and Training Grant Funding	-	84
Total grants	15,913,773	17,824,775
<i>Grants liabilities are represented by:</i>		
Current	15,913,773	17,824,775
Total grants	15,913,773	17,824,775

Note 9C: Provisions

<u>Current</u>		
Employee benefits	782,294	766,011
Audit fees	38,150	81,218
Fringe benefit and payroll tax	71,400	73,245
Total current provisions	891,844	920,474
<u>Non-current</u>		
Employee benefits (i)	513,837	400,939
Total provisions	1,405,681	1,321,413

(i) The non-current employee benefits are represented by the employee entitlements not expected to be taken within 12 months, being \$513,837 long service leave, (2015: \$400,939 long service leave).

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 9: Current Liabilities (cont)

		Consolidated
Employee Benefits	Audit fees	Fringe benefit and payroll tax
\$	\$	\$

Note 9C: Provision movements

2016

Balance at 1 July 2015	1,166,950	81,218	73,245
Increase / (decrease) in provisions recognised	129,181	(43,068)	(1,845)
	1,296,131	38,150	71,400
Balance as at 30 June 2016	1,296,131	38,150	71,400
Disclosed in the financial statements as:			
Current provisions	782,294	38,150	71,400
Non-Current provision	513,837	-	-
	1,296,131	38,150	71,400

2015

Balance at 1 July 2014	883,539	36,900	84,057
Increase / (decrease) in provisions recognised	283,411	44,318	(10,812)
	1,166,950	81,218	73,245
Balance as at 30 June 2015	1,166,950	81,218	73,245
Disclosed in the financial statements as:			
Current provisions	766,011	81,218	73,245
Non-Current provision	400,939	-	-
	1,166,950	81,218	73,245

	Consolidated
2016	2015
\$	\$

Note 9D: Other liabilities

Unsecured - at amortised cost		
<u>Current</u>	-	79,740
Corporate credit cards (i)	-	79,740

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

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 10: Issued Capital

	Consolidated	
	2016	2015
	\$	\$
Authorised and issued shares:		
40,000,001 fully paid ordinary share (2015: 40,000,001 fully paid ordinary share)	40,000,001	40,000,001

Note 11: Leases

Operating leases

Lessee arrangements

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

Non-cancellable operating lease commitments

	Minimum lease payments	
Committed at the reporting date but not recognised as payables:		
Within one year	198,889	266,799
One to five years	1,093,278	1,101,087
	1,292,167	1,367,886

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 12: Cash flow reconciliation

	Consolidated
2016	2015
\$	\$

Note 12A

Reconciliation of cash and cash equivalents		
Cash and cash equivalents	52,349,439	53,355,069
Total cash and cash equivalents	52,349,439	53,355,069

Note 12B

Reconciliation of profit / (loss) to cash flows from operating activities		
Profit / (loss) for the year after income tax	703,584	(23,087)
Items reclassified as investing activities:		
Interest received	(1,341,377)	(1,620,339)
Underpinning of stores	2,306,933	3,267,351
Non cash flows in profit		
Depreciation and amortisation	1,105,434	1,077,521
Gain on disposal of fixed assets	(44,549)	(66,624)
Loss on disposal of fixed assets	9,121	-
Changes in net assets and liabilities:		
(Increase) / decrease in assets:		
Trade and other receivables	190,156	(499,662)
Inventories	127,853	(314,831)
Other current assets	(63,561)	(32,778)
Deferred tax assets	104,389	(165,455)
Increase / (decrease) in liabilities:		
Trade and other payables	(413,958)	612,907
Grants	(1,911,002)	(2,869,456)
Current tax liabilities	(260,104)	69,992
Deferred tax liabilities	25,941	(9,895)
Provisions	165,486	316,917
Net cash from/(used in) operating activities	704,346	(257,439)

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 13: Related Party Disclosures

Parent and Ultimate Parent Entity

The immediate parent and ultimate controlling party of the Group is the Department of The Prime Minister and Cabinet, on behalf of the Commonwealth of Australia.

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

Relationship

Ti - Tree Grocery Store and Cardwell Supermarket are subsidiaries of Outback Stores Pty Ltd, see note 17. Tennant Creek Foodbarn Partnership is partly owned by Indigenous Business Australia. The Commonwealth is the sole shareholder of Outback Stores Pty Ltd and Indigenous Business Australia is a Commonwealth Statutory Authority.

Mr. A.R. King is CEO of The Arnhem Land Progress Aboriginal Corporation (ALPA) and has been on the Board of Outback Stores since the inception. He resigned on 1 October 2015.

Mr Cook, who joined the Board in September 2015 is also providing support services to the management team from 18 July 2016 for the transition period of CEO recruitment. The service is being provided at a commercial rate.

Transactions with Key Management Personnel

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

Terms and conditions

In March 2009 Outback Stores entered into an agreement with ALPA for IT helpdesk Services. A 3 year agreement was signed on 1 August 2009. In August 2012, Outback Stores negotiated a 3 year extension to the contract. This contract expired August 2015.

The Point of Sale (POS) systems in Outback Stores are exclusively supplied by Worldsmart. As ALPA is the sole Worldsmart agent in the NT, this equipment is invoiced through ALPA and payment is made to ALPA.

ALPA also supplies some associated training and installation services to Outback Stores.

Majority of the POS systems are owned by Outback Stores and rented to stores managed by Outback Stores.

Trading transactions between Outback Stores and ALPA

The following trading transactions were recognised during the financial year:

	Consolidated	
	2016	2015
	\$	\$
IT expenses	18,068	228,527
Training expenses	-	1,000

The following balances were outstanding at the end of the reporting period in relation to trading and other transactions:

Amounts owing to ALPA	-	9,027
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The above amounts were invoiced as at 30 June 2016 with trading term of 30 days.

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 14: Key Management Personnel Compensation

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

	Consolidated	
	2016	2015
	\$	\$
Short-term employee benefits	1,057,735	874,396
Total	1,057,735	874,396

Details of key management personnel:

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

Mr. S. Moore	Chief Executive Officer (appointed 29 June 2011, resigned 15 July 2016)
Mr. J. Quill	Operations Manager (appointed 27 February 2013)
Ms. L. Dutton	Chief Operating Officer (appointed 24 August 2015). Acting as Chief Executive Officer (appointed 15 July 2016)
Mr. J. Rathore	Chief Financial Officer (appointed 1 July 2015)
Mr. A.R. King	Director (appointed 24 July 2006)
Mr. R.E. Hudson	Director (appointed 24 July 2008)
Mr. S. Bradley	Chairman (appointed 31 July 2007)
Mr. A. Robinson	Director (appointed 20 September 2012)
Prof. K. O'Dea	Director (appointed 15 July 2010)
Ms. N. Short	Director (appointed 26 June 2013)
Mr. N. Onikul	Director (appointed 16 September 2015)
Mr. G. Thomas	Director (appointed 16 September 2015)
Mr. G. Cook	Director (appointed 16 September 2015)

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 15: Financial Instruments

	Consolidated	
	2016	2015
	\$	\$
15A Categories of financial instruments		
<u>Financial Assets</u>		
Loans and receivables:		
Cash and cash equivalents	52,349,439	53,355,069
Trade and other receivables	2,470,550	2,660,706
Other financial assets - loans	938,041	818,592
Carrying amount of financial assets	55,758,030	56,834,367
<u>Financial Liabilities</u>		
Other financial liabilities:		
Trade and other payables	1,166,978	1,662,154
Grants	15,913,773	17,824,775
Other liabilities	-	79,740
Carrying amount of financial liabilities	17,080,751	19,566,669

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 15: Financial Instruments (cont)

15B Financial risk management objectives

Capital management

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

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

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

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

Financial risk management objectives

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

The Store Assessment 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 Australian Government.

The capital structure of the Group consists of debt and unexpended grant funding in note 9B.

Market Risk

Credit risk

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

Foreign currency risk management

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

Interest rate risk

The Group's activities expose it to the financial risks of changes in interest rates. The Group has a treasury function policy and interest rate risks are managed by investing in short term interest bearing deposits, and lending to stores using varied maturity periods. Periods include up to ten years and are provided to stores at a discounted rate of interest.

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

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 15: Financial Instruments (cont)

Interest rate risk management

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

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

		Consolidation					
	Weighted Average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
2016	%	\$	\$	\$	\$	\$	\$
Short term deposits (fixed interest rate)	3.03%	-	3,500,000	45,400,000	-	-	48,900,000
Other cash & cash equivalents (variable interest)	1.90%	-	-	3,449,439	-	-	3,449,439
Store loans (fixed interest rate)	5.92%	-	-	96,237	285,897	-	382,134
Bond deposits	5.48%	-	-	-	554,617	-	554,617
		-	3,500,000	48,945,676	840,514	-	53,286,190
2015	%	\$	\$	\$	\$	\$	\$
Short term deposits (fixed interest rate)	2.96%	1,000,000	8,000,000	41,500,000	-	-	50,500,000
Other cash & cash equivalents (variable interest)	1.90%	-	-	2,855,069	-	-	2,855,069
Store loans (fixed interest rate)	5.92%	-	-	58,143	196,417	-	254,560
Bond deposits	5.48%	-	-	-	564,032	-	564,032
		1,000,000	8,000,000	44,413,212	760,449	-	54,173,661

Liquidity risk management

Ultimate responsibility for liquidity risk management exists with the Board of Directors.

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

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

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 15: Financial Instruments (cont)

				Consolidation			
	Weighted Average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
2016	\$	\$	\$	\$	\$	\$	\$
Trade and other payables Grants	-	-	1,166,978	-	-	-	1,166,978
Corporate cards	-	-	-	15,913,773	-	-	15,913,773
	-	-	-	-	-	-	-
		-	1,166,978	15,913,773	-	-	17,080,751
2015	\$	\$	\$	\$	\$	\$	\$
Trade and other payables Grants	-	-	1,580,936	-	-	-	1,580,936
Corporate cards	-	-	-	17,824,775	-	-	17,824,775
	-	79,740	-	-	-	-	79,740
		79,740	1,580,936	17,824,775	-	-	19,485,451

15C Fair value of financial instruments

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

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

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

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

Fair value hierarchy as at 30 June 2016

	Level 1 \$	Level 2 \$	Level 3 \$	Level 4 \$
Financial assets				
Loans and receivables:				
Trade and other receivables	-	-	2,470,550	2,470,550
Total	-	-	2,470,550	2,470,550
Financial liabilities				
Financial liabilities held at amortised cost:				
Grants	-	-	15,913,773	15,913,773
Trade and other payables	-	-	1,166,978	1,166,978
Total	-	-	17,080,751	17,080,751

The categorisation of fair value measurements into the different levels of the fair value hierarchy depends on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. Level 3 inputs are unobservable inputs for the asset and liability.

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 16: Parent Entity Disclosures

	Company	
	2016	2015
	\$	\$

Financial position

<u>Assets:</u>		
Current assets	56,533,260	57,875,841
Non-current assets	3,963,548	4,120,420
Total assets	60,496,808	61,996,261
<u>Liabilities</u>		
Current liabilities	17,620,086	20,153,562
Non-current Liabilities	513,472	389,252
Total liabilities	18,133,558	20,542,814
<u>Equity</u>		
Issued capital	40,000,001	40,000,001
Retained earnings	1,455,864	1,453,446
Total equity	41,455,865	41,453,447

	Year Ended 2016	2015
	\$	\$

Comprehensive income

Profit for the year	907,385	213,142
Total comprehensive income	907,385	213,142

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 17: Subsidiaries

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group
Cardwell Supermarket Pty Ltd	Ownership and operation of a retail supermarket	Incorporation - 67 Pruen Rd, Berrimah NT, 0828 Operation - 198 Victoria Street, Cardwell QLD, 4849	100 ordinary shares - all owned by Outback Stores
Ti Tree Grocery Store Pty Ltd	None	Incorporation - Bonner House, 5 Neptune Street, Woden ACT 2606 Operation - 535 Spencer Street, Ti Tree NT 0872	1 ordinary share - owned by Outback Stores

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 18: Business combinations

18A Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred
2016	Nil			
2015	Ownership and operation of a retail supermarket	9 March 2015	100%	\$1,331,661

Cardwell Supermarket Pty Ltd

2016	2015
\$	\$

18B Consideration transferred

Cash	-	1,331,661
	-	1,331,661

Cardwell Supermarket Pty Ltd

2016	2015
\$	\$

18C Assets acquired and liabilities assumed at the date of acquisition

Non-current assets		
Plant and equipment	-	874,910
Current liabilities		
Trade and other payables	-	102,376
	-	772,534

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 18: Business combinations (cont)

Cardwell Supermarket Pty Ltd	
2016	2015
\$	\$

18D Goodwill arising on acquisition

Consideration transferred	-	1,331,661
Plus: non-controlling interests	-	-
Less: fair value of net assets acquired	-	(772,534)
Goodwill arising on acquisition	-	559,127

Net cash outflow on acquisition of subsidiaries

Consideration paid in cash	-	1,331,661
Less: cash and cash equivalent balances acquired	-	-
	-	1,331,661

18E Impact of the acquisition on the results of the group

2016: Nil as there were no acquisitions during the year.

Outback Stores Pty Ltd and its Controlled Entities

Notes to the financial statements for the year ended 30 June 2016

Note 19: Goodwill

	Consolidated	
	2016	2015
	\$	\$
Cost	559,127	559,127
Accumulated impairment losses	-	-
	559,127	559,127

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- Cardwell Supermarket Pty Ltd

Note 20: Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets at balance date that required reporting.

Note 21: Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years. Effective July 15, 2016, Mr Steve Moore has resigned from CEO position and Ms Louise Dutton is now the acting Chief Executive Officer.

An aerial photograph of a winding river, likely the Colorado River, flowing through a dry, hilly landscape. The river is a deep blue-green color, contrasting with the surrounding brown and tan terrain. The hills are covered in sparse, low-lying vegetation. The river meanders through the landscape, creating a series of loops and curves. The overall scene is arid and rugged.

Annual Report

2015-16

NOTES

This image shows a single sheet of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. There is no text or other markings on the paper.

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Working With Communities

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