

TRADING AUSTRALIAN UNITED RETAILERS LIMITED SECURITIES

Introduction

The Exchange provides a facility for trading securities with special requirements though still within the same regulatory, trading and settlement framework.

This practice note outlines the additional procedures required by participants to adequately identify “Eligible Members” of Australian United Retailers Limited and consequently determine trading status.

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Definitions

Act means the Corporations Act 2001, as amended.

AURL means Australian United Retailers Limited (ACN 077 879 782);

Class A Shares means Class A Redeemable Preference Shares in AURL with the rights attached as set out in AURL’s constitution;

Eligible Member means, subject to the constitution any of the following persons as may be determined by the Directors to be eligible to hold shares in AURL:

- (a) An Approved Storeowner;
- (b) A Branded Storeowner;
- (c) A Related Party of an Approved Storeowner.

Qualifications

The National Stock Exchange of Australia (NSX) issues practice notes to promote commercial certainty, reduce costs to business and assist market participants, and we are available to discuss any questions you have in relation to a practice note.

NSX may replace practice notes at any time. Issuers and participants should contact NSX to ensure that they have the latest version of a practice note. As a practice note is only a guide to NSX practice, issuers and participants are advised to contact NSX to discuss their particular circumstances and the application of the listing rules. NSX cannot give legal advice to issuers or participants and recommends that they consider taking advice from a qualified professional person.

Practice Note History

First Issued:

21st Dec 2007

Current date:

15th June 2009

HISTORY AND BACKGROUND OF AUSTRALIAN UNITED RETAILERS LIMITED

FOODWORKS

AURL is an independent retail supermarket group trading under the "FoodWorks" brand.

It was created from the merger of the FoodWorks Supermarket Group Limited and AURL in November 2004. The merger created a network of stores which has since grown to approximately 700 stores with annual aggregate store turnover in excess of \$1.8 billion.

Since the merger, FoodWorks has grown to represent a network of branded and unbranded stores, spanning all states and territories across Australia.

CAPITAL STRUCTURE AND CLASS A SHARE RIGHTS AND RESTRICTIONS

1. WHAT IS AURL'S CAPITAL STRUCTURE?

The share capital of AURL is divided into Class A redeemable preference shares, Class B redeemable preference shares and Class C redeemable preference shares.

In accordance with their terms of issue, all fully paid Class C shares converted to Class A shares on 15th June 2009. Any partly paid Class C shares on issue will convert to Class A shares as soon as the outstanding call(s) are paid.

2. WHAT RIGHTS AND RESTRICTIONS ATTACH TO THE CLASS A SHARES?

Apart from the general requirements of the Act and general law, the rights and restrictions attaching to shares in AURL arise from AURL's constitution. A summary of the main rights and restrictions follows:

Rights of holders of Class A Shares

- (a) Right to receive notice of any general meeting of AURL and to attend such meetings and, subject to the restrictions under the Constitution with respect to voting entitlements, the right to vote on matters before the meeting.
- (b) Right to participate in any distribution of the assets of the Company.
- (c) Right to participate in any dividend declared and paid by AURL to the holders of Class A shares.

Restrictions of holders of Class A Shares

- (a) Class A Shares may only be issued or transferred to an Eligible Member. Public companies (other than a co-operative), an entity controlled by a public company, or (unless otherwise agreed by the Board) a person who is in the employ of, or controls or is controlled by a supplier of goods or services to the retail industry, are expressly excluded as Eligible Members under AURL's constitution.
- (b) If a Redemption Event occurs (which includes the shareholder ceasing to be an Eligible Member or where a Default Event occurs) the Directors may, at their option, suspend the right to vote at any general meetings and give 90 days notice to the shareholder to either transfer the shares to an Eligible Member or remedy the Redemption Event, failing which the Directors may redeem the shares in accordance with the Redemption Procedure set out in AURL's constitution and the Act.
- (c) The maximum voting entitlement of a Member and their associates can never exceed 7.5% of the total voting rights across each share class. Notwithstanding the voting restriction, the level of share ownership potentially available to any one Member is unrestricted.

VERIFYING “ELIGIBLE MEMBER” STATUS OF PARTICIPANTS

Only an Eligible Member can hold and trade Class A Shares. Special procedures are in place to determine whether a buyer is an Eligible Member. This means brokers must follow a specific procedure before placing a buy order on NETS. These procedures are set out below.

STEPS FOR PARTICIPANTS REQUIRED TO PROCESS BUY ORDERS

1. Obtain SRN from proposed shareholder if they have one.
2. Check buyer eligibility via Eligible Member Status Declaration with AURL Company Secretary by emailing companysecretary@foodworks.com.au or faxing (03) 9809 8699.
3. Receive confirmation of eligibility via returned Eligible Member Status Declaration.
4. Place buy order on the NETS terminal as per the usual method for ordinary securities.
5. Broker to retain on their records completed Eligible Member Status Declaration from AURL Company Secretary.

STEPS FOR PARTICIPANTS REQUIRED TO PROCESS SELL ORDERS

1. Obtain SRN from client.
2. Check seller's SRN with Computershare (fax 03 9473 2500) via form 12A.
3. Place sell order on the NETS terminal as per the usual method for ordinary securities.

EXECUTING BIDS, OFFERS AND TRADES

Bids and Offers will be matched as per the NSX Business Rules. Once a trade occurs then normal reporting and settlement processes apply.

The Exchange, at its discretion, may also verify the eligibility of a trade before settlement occurs.

The client can deal in any size parcel of shares, subject to the requirements of the NSX Business Rules.

Participants are able to vary orders and trades in a manner constituent with the NSX Business Rules

SETTLEMENT

Settlement of Class A Shares occurs in the same way as other securities listed on the Exchange. Settlement occurs via CHESS on a T+2 basis. The share registry is Computershare Investor Services.

ERRORS AND CANCELLATIONS

The participant or the Exchange can cancel the trade before settlement pursuant to NSX Business Rule Part C Rule 88 if either the Participant or Exchange becomes aware that:

- (a) The buyer is not eligible to buy Shares; or
- (b) The seller is not eligible to sell Shares.

The participant will return all monies within 3 days of any such order being cancelled.

WHAT HAPPENS IF A TRADE IS LATER DETERMINED TO BE INVALID AFTER SETTLEMENT HAS OCCURRED?

The directors of AURL may only allow a transfer of Class A Shares where the transferee is an Eligible Member.

Notwithstanding a trade has been effected and settlement has occurred, if the buyer is not an Eligible Member, then a Redemption Event will be deemed to have occurred and upon AURL becoming aware of this, the directors have the right to suspend the voting rights of the shares and give 90 days notice to the shareholder to either transfer the shares to an Eligible Member or remedy the Redemption Event, failing which the directors may redeem the shares in accordance with the Redemption Procedure set out in AURL's constitution and the Act.

Additional information about AURL

Additional information may be obtained from:

- the Exchange website <http://www.nsx.com.au> or by contacting the Exchange on (03) 9001 0304 or (02) 4929 6377, or
- AURL Company Secretary on (03) 9809 8672 or emailing companysecretary@foodworks.com.au.

FOODWORKS

ELIGIBLE MEMBER STATUS DECLARATION

Name of FoodWorks store owner	
Address of FoodWorks store	
Name of shareholder(s) in which shares are to be registered	
Relationship of proposed shareholder(s) to FoodWorks store owner (if proposed shareholder(s) is/are not the store owner)	
Your contact details	Day telephone: Email address: Fax number:

- I/We declare** that the Foodworks store owner named above has a current signed Unity Agreement and/or Approved Store Agreement with Australian United Retailers Limited (trading as FoodWorks) ("AURL").
- I/We declare** that I am/we are an Eligible Member(s) as that term is defined in the AURL constitution (a copy of which may be viewed on the Member's section of the FoodWorks' website – www.foodworks.com.au).
- I/We acknowledge** that:
 - I am/we are aware that ownership of shares in AURL is limited to an Eligible Member;
 - If I am /we are not an Eligible Member(s), a Redemption Event as defined in the AURL constitution will be deemed to have occurred and the Directors may, at their option, suspend the voting rights of the shares and give 90 days notice to the shareholder to either transfer the shares to an Eligible Member or remedy the Redemption Event, failing which the Directors may redeem the shares in accordance with the redemption procedure set out in the AURL constitution and the Corporations Act;
 - I am/we are aware of the restriction that even if I/we hold more than 7.5% of the total issued Class A Shares, I am/we are not entitled to vote more than the number of votes which is equal to 7.5% of the total number of Class A shares.
- I/we represent and acknowledge** that all statements made by me/us in this declaration are true and complete.

 Signed by shareholder (Where joint ownership, all shareholders must sign.)

 Date

 Executed under Company seal (if applicable)

 Date

Office use Only
 Verification by AURL Company
 Secretary of status

 Signature

 Date / /



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