AUSTRALIAN UNITED RETAILERS LIMITED

ABN: 93 077 879 782

AND CONTROLLED ENTITIES

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2018.

AUSTRALIAN UNITED RETAILERS LIMITED

FINANCIAL REPORT FOR THE HALF-YEAR ENDED

31 DECEMBER 2018

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DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

The directors present their report together with the condensed financial report of the Consolidated Entity consisting of Australian United Retailers Limited and the entities it controlled (Consolidated Entity), for the half-year ended 31 December 2018 and independent auditor's review report thereon. This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

Directors Names

The names of the directors in office at any time during or since the end of the half-year are:

Name	Period of Directorship
Neil Osborne	
David Williamson	
Fred Fairthorne	
Rod McPhee	Appointed as Director on 21 February 2018
Sien Van Nguyen	
Malcolm Ward	
Rick Wight	

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

The consolidated loss of the Consolidated Entity for the half-year after providing for income tax amounted to ($891,000) (31 December 2017: profit $799,000).

The loss before income tax for the half-year was $1,274,000 (31 December 2017 profit of $1,141,000).

On 5 June 2018, the owner of a head lease store failed to rectify a breach of their lease obligations with Australian United Retailers Limited. As a result, the Consolidated Entity took ownership of the assets of the Retail Outlet and is managing the operation until a buyer is found.

Trading and Lease losses from the aforementioned store which are included in the consolidated losses are $1,596,000 which includes an impairment loss of $1,110,000 (2017 : Nil).

Supply chain costs of $440,000 have been expensed in the half-year and are also included in the losses of the Consolidated Entity.

Had it not been for the above costs and losses, the profit before tax for the half-year would have been $762,000.

Significant changes in state of affairs

On 5 June 2018, the owner of a head lease store failed to rectify a breach of their lease obligations with Australian United Retailers Limited. As a result, the Consolidated Entity took ownership of the assets of the Retail Outlet and is managing the operation until a buyer is found. Australian United Retailers Limited are in the process of negotiating the sale of this store and a final contract is expected to be signed imminently. Under the proposed sale agreement, Australian United Retailers Limited will not be able to recover all future lease obligations under the head lease, and, in accordance with AASB137 *Provisions, Contingent Liabilities and Contingent Assets*, the Consolidated Entity has recognised a provision for an onerous contract of $1,110,000, being the present value of unavoidable future lease payments over the period of the lease. Post 31 December 2018, the lease will continue for a further period of 4 years (48 months). The loss to the Consolidated Entity for the financial period included trading losses of approximately $486,000 relating to the operation of this Retail Outlet. These losses are in addition to the impairment loss of $1,110,000.

Except for the matters noted above, there were no other significant changes in the nature of the activities of the Consolidated Entity during the half-year.

After Balance Date Events

The Consolidated Entity has a bank loan facility of $300,000. The bank has approved an increase to the facility to $1,000,000 post half-year end.

Excepting for the above, no matters or circumstances have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporation Act 2001* in relation to the review for the half-year is provided with this report.

Rounding of amounts to nearest thousand dollars

The Parent Entity and the Consolidated Entity have applied the relief available under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and accordingly, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Signed in accordance with a resolution of the directors:

Director……………………………………………………………………………………………

N OSBORNE

Dated this 13th day of March 2019

AUSTRALIAN UNITED RETAILERS LIMITED

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF AUSTRALIAN UNITED RETAILERS LIMITED

In relation to the independent auditor's review for the half-year ended 31 December 2018, 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 contraventions of APES 110 *Code of Ethics for Professional* Accountants.

This declaration is in respect of Australian United Retailers Limited and the entities it controlled during the period.

K L BYRNE
Partner

PITCHER PARTNERS
Melbourne

13 March 2019

CONDENSED CONSOLIDATED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Half-year 2018 $'000	Half-year 2017 $'000
Revenue and other income	2	27,762	26,168
		27,762	26,168
Less: Expenses			
Employee benefits		(7,161)	(6,458)
Occupancy expenses		(789)	(384)
Depreciation and amortisation		(176)	(173)
Costs of member services		(5,250)	(5,086)
Cost of sales – Bradbury		(2,021)	-
Onerous Lease – Bradbury		(1,110)	-
Distribution to members		(8,530)	(9,096)
Supply Chain Costs		(440)	(177)
Marketing, merchandising and administrative costs		(3,559)	(3,653)
		(29,036)	(25,028)
(Loss)/Profit before income tax expense		**(1,274)**	**1,141**
Income tax benefit/(expense)		383	(342)
Net (loss)/profit from continuing operations		**(891)**	**799**
Net (loss)/profit for the half-year		**(891)**	**799**
(Loss)/Profit for the half-year		(891)	799
Other Comprehensive Income		-	-
Total Comprehensive income for the half year		**(891)**	**799**
(Loss)/Profit is attributable to:			
Members of the parent		(891)	799
Total comprehensive Income attributable to:			
Members of the parent		(891)	799
Total comprehensive Income attributable to members of the parent arises from:			
Continuing operations		(891)	799

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 Dec 2018 $'000	30 June 2018 $'000
CURRENT ASSETS			
Cash and cash equivalents		4,056	3,875
Trade and other receivables		13,674	11,918
Other current assets		287	269
Inventories		412	256
TOTAL CURRENT ASSETS		**18,429**	**16,318**
NON-CURRENT ASSETS			
Property, plant and equipment		2,269	1,155
Deferred tax asset		1,488	1,105
Other non-current assets		32	210
TOTAL NON-CURRENT ASSETS		**3,789**	**2,470**
TOTAL ASSETS		**22,218**	**18,788**
CURRENT LIABILITIES			
Trade and other payables		15,225	11,344
Provisions	5	2,811	2,895
Current tax liability		615	615
TOTAL CURRENT LIABILITIES		**18,651**	**14,854**
NON-CURRENT LIABILITIES			
Provisions	5	997	134
TOTAL NON-CURRENT LIABILITIES		**997**	**134**
TOTAL LIABILITIES		**19,648**	**14,988**
NET ASSETS		**2,570**	**3,800**
EQUITY			
Contributed equity		9,890	9,890
Accumulated losses		(12,188)	(12,188)
Accumulated profits reserve		4,868	6,098
TOTAL EQUITY		**2,570**	**3,800**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Consolidated	Contributed Equity	Accumulated Losses	Accumulated Profits Reserve	Total Equity
	$'000	$'000	$'000	$'000
Balance as at 1 July 2017	9,918	(12,188)	5,109	2,839
Total comprehensive income for the half-year	-	-	799	799
Buy-backs	(28)			(28)
Dividends Paid	-	-	(341)	(341)
Balance as at 31 December 2017	**9,890**	**(12,188)**	**5,566**	**3,268**

Consolidated	Contributed Equity	Accumulated Losses	Accumulated Profits Reserve	Total Equity
	$'000	$'000	$'000	$'000
Balance as at 1 July 2018	9,890	(12,188)	6,098	3,800
Total comprehensive income for the half-year	-	-	(891)	(891)
Buy-backs	-	-	-	-
Dividends Paid	-	-	(339)	(339)
Balance as at 31 December 2018	**9,890**	**(12,188)**	**4,868**	**2,570**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Half-year	
	2018	**2017**
	$'000	**$'000**
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	27,531	26,150
Payments to suppliers and employees	(25,754)	(25,222)
Interest received	33	36
Net cash provided by operating activities	**1,810**	**964**
CASH FLOW FROM INVESTING ACTIVITIES		
Payment for property, plant and equipment	(1,290)	(168)
Net cash used in investing activities	**(1,290)**	**(168)**
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends Paid	(339)	(341)
Share Buy-backs	-	(28)
Net cash used in financing activities	**(339)**	**(369)**
Net increase in cash and cash equivalents	181	427
Cash and cash equivalents at beginning of half-year	3,875	3,164
Cash and cash equivalents at end of the half-year	**4,056**	**3,591**

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by Australian United Retailers Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

This condensed consolidated half-year financial report covers Australian United Retailers Limited and controlled entities as a Consolidated Entity. Australian United Retailers Limited is a company limited by shares, incorporated and domiciled in Australia. The address of Australian United Retailers Limited's registered office and principal place of business is Level 1, 1601 Malvern Road, Malvern VIC 3146. Australian United Retailers limited is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors on 13th March 2019.

(a) Basis of preparation

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, as appropriate for for-profit entities, and the *Corporations Act 2001*. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The condensed consolidated half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

The accounting policies applied in this condensed consolidated half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2018 and the corresponding half-year other than as stated below in Note 1(b).

(b) Summary of significant accounting policies

New accounting standards and interpretations issued

The Consolidated Entity has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

The Consolidated Entity adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. AASB 15 provides (other than in relation to some specific exceptions, such as lease contracts and insurance contracts) a single source of accounting requirements for all contracts with customers, thereby replacing all the current accounting pronouncements on revenue. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Accordingly, in contrast to the approach under AASB 118 Revenue, AASB 15 does not prescribe different patterns of revenue recognition depending on whether the entity provides a good or service to the customer.

The Consolidated Entity adopted AASB 15 with no material impact resulting to revenue recognised. The accounting policy in relation to revenue after the adoption of AASB 15 is included in Note 1 (c).

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

The Consolidated Entity adopted AASB 9 *Financial Instruments,* from 1 July 2018. AASB 9 replaces AASB 139: *Financial Instruments: Recognition and Measurement.* The key changes to the requirements in AASB 139 include:

- simplifying the general reclassifications of financial assets into those carried at amortised cost and those carried at fair value;
- permitting entities to irrevocably elect on initial recognition to present gains and losses on an equity instrument that is not held for trading in other comprehensive income (OCI);
- simplifying the requirements for embedded derivatives, including removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in OCI, except when it would create an 'accounting mismatch';
- introducing a new model for hedge accounting that permits greater flexibility in the ability to hedge risk, particularly with respect to non-financial items; and
- requiring impairment of financial assets carried at amortised cost to be based on an expected loss approach.

The Consolidated Entity adopted AASB 9 with no resulting change to the classification and measurement of the consolidated entity payables and borrowings. In relation to impairment of financial assets, the changes to the expected loss approach did not have a material impact to the consolidated entities financial position.

(c) Revenue

Revenue arises mainly from rebates received from suppliers, who supply product into branded and non-branded stores and from member services income received from these stores, as well as other minor sources of revenue.

Revenue from suppliers is in the form of contract income and non-contract income. Contract income arises from contracts with suppliers whereby rebates are received for orders placed by a store on the supplier. Non-contract income is income received from multiple suppliers. The amounts of the non-contract rebates received vary from one supplier to another and also varies with different products purchased.

Revenue from Member Services comprises fees for services provided to members, income received on behalf of members stores and Members Fees. Members Fees are recoverable under the Unity Agreements signed by member stores and AURL.

The main source of Other Income is funds raised to offset the cost of functions held for our member stores.

To determine whether to recognise revenue the following principles apply:

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

- Supplier and member income is recognised when the right to receive the revenue has been established.
- Interest revenue is measured in accordance with the effective interest method.
- Rent revenue from operating leases is recognised on a straight-line basis over the term of the lease.
- Sales revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered to have passed to the buyer at the time of delivery of the goods to the customer.
- Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The consolidated entity recorded a loss for the half year after income tax of $891,000 (31 December 2017 profit of $799,000), a net surplus of assets totalling $2,570,000 (30 June 2018 : $3,800,000), and current working capital shortfall of $222,000 (30 June 2018 : Surplus of $1,464,000)

The Directors believe that with the maintenance of normal trading volumes, the ongoing trading activities of the core business are expected to enable the Consolidated Entity to meet is obligations as and when they fall due.

(e) Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

(f) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

(g) Accounting standards and interpretations issued but not operative at 31 December 2018

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Consolidated Entity. The Consolidated Entity has decided not to early adopt any of these new and amended pronouncements. The Consolidated Entity's assessment of the new and amended pronouncements that are relevant to the Consolidated Entity but applicable in future reporting periods is set out below.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-o-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
- investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or
- property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

The Consolidated Entity has no cancellable operating lease commitments. The Consolidated Entity is still considering the appropriate treatment for transitioning to the new standard. The standard will primarily affect the accounting for the Consolidated Entity's operating leases. As at the reporting date, the Consolidated Entity has non-cancellable operating lease commitments of $12.1 million. The Consolidated Entity has not yet forecast the full financial impacts of AASB 16 on the accounting of its operating leases. This will be completed by the Consolidated Entity closer to the application of the standard.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 2: REVENUE AND OTHER INCOME

Revenue and other income

	Half-year	
	31 Dec 2018 $'000	**31 Dec 2017 $'000**
Operating Activities		
Supplier and Member Income	22,019	23,153
Rent from member stores	210	514
Sales of goods - Bradbury	2,453	-
	24,682	23,667
Other income		
Interest	33	36
Other revenue	2,957	2,465
Total revenue and other income	27,762	26,168

The above note includes the disaggregation of revenue disclosures in line with AASB 15 *Revenue from Contracts with Customers.*

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 31 December 2018 the Consolidated Entity acquired assets with a cost of $1,290,077. No assets were acquired through business combinations during the half-year ended 31 December 2018. During the six months ended 31 December 2017 the Consolidated Entity acquired assets with a cost of $168,000. No assets were acquired through business combinations during the half-year ended 31 December 2017.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 4: BORROWINGS

(a) Items pledged as security:

The National Australia Bank has provided a guarantee & indemnified certain AURL's lease agreement obligations up to a value of $270,000 (2017: $270,000).

(b) Loan Facility:

In addition, the Consolidated Entity has a bank loan facility of $300,000. The bank has approved an increase to the facility to $1,000,000 post half-year end.

NOTE 5: PROVISIONS

			31-Dec-18 $'000			30-Jun-18 $'000
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Employee benefits	2,543	155	2,698	2,895	134	3,029
Provision for Onerous lease	268	842	1,110	-	-	-
	2,811	997	3,808	2,895	134	3,029

On 5 June 2018, the owner of a head lease store failed to rectify a breach of their lease obligations with Australian United Retailers Limited. As a result, the Consolidated Entity took ownership of the assets of the Retail Outlet and is managing the operation until a buyer is found. Australian United Retailers Limited are in the process of negotiating the sale of this store and a final contract is expected to be signed imminently. Under the proposed sale agreement, Australian United Retailers Limited will not be able to recover all future lease obligations under the head lease, and so, in accordance AASB137 on Provisions, Contingent Liabilities and Contingent Assets, the Consolidated Entity has recognised a provision for onerous contract of $1,110,000, being the present value of unavoidable future lease payments over the period of the lease. Post 31 December 2018, the lease will continue for a further period of 4 years (48 months).

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 5: PROVISIONS (Continued)

The following table provides a reconciliation of the opening and closing balances of provisions for the reporting period

	Employee benefits	Onerous Lease	Total
Balance at 1 July 2018	3,029	-	3,029
Additional provisions made during the period	1,080	1,110	2,190
Amounts used during the period	(1,411)	-	(1,411)
Balance at 31 Dec 2018	2,698	1,110	3,808
Current provision	2,543	268	2,811
Non-current provision	155	842	997
	2,698	1,110	3,808

	Half-year	
	31-Dec 2018 $000	**31-Dec 2017 $000**
NOTE 6: DIVIDENDS		
Dividends paid at $0.03 per share (2017: $0.03 per share) fully franked at 30%	339	341

(a) Dividends declared after reporting period and not recognised

Since the end of the reporting period the directors have not declared a dividend (2017: $0.03 per share) fully franked at 30%	-	339

(b) Franking account

Balance of franking account on a tax basis at financial half year-end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent years	702	378

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 7: RELATED PARTY DISCLOSURES

During the half-year ended 31 December 2018, there were no related party transactions which are material to the understanding of the financial report.

NOTE 8: FAIR VALUE MEASUREMENT

The net fair value of financial assets and financial liabilities approximates their carrying amounts as described in the consolidated statement of financial position, notes and the financial statements.

NOTE 9: CONTINGENT LIABILITIES

(a) Operating lease commitments

The Consolidated Entity has certain operating lease obligations, which were disclosed at 30 June 2018.

The level of non-cancellable operating leases contracted for but not capitalised in the financial statements:

	31 Dec 2018	30 June 2018
Payable	**$'000**	**$'000**
- not later than one year	4,174	2,656
- later than one year and not later than five years	7,580	8,176
- later than five years	311	507
	12,065	11,339

The Consolidated Entity has non-cancellable leases with terms ranging from one year to eight years, with rent payable one month in advance. Contingent rental provisions have been calculated based on annual rental increases of between 0% and 4.00% where applicable.

Non-property operating leases have an average lease term of 3 years. Assets that are the subject of operating leases include motor vehicles and items of small machinery and office equipment.

Included in provisions is an accrual for the present value of expected future lease commitments resulting from an onerous lease of $1,110,000 (30 June 2018: Nil).

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2018

NOTE 9: CONTINGENT LIABILITIES (Continued)

(b) Reinstatement of Transitional Funding Facility

The Second Amendment and Restatement Deed with CSA Retail (Finance) Pty Ltd includes conditions which, if triggered, will result in the re-instatement of the Transitional Funding Facility Reinstatement Amount which equates to $7.1 million plus interest accruing on the facility up to the date that the triggering event occurs.

The trigger event is, if before the end of June 2021, a change in control of the Parent Entity occurs. No such trigger event has transpired in the half year ended 31 December 2018 or in the period since balance date.

(c) Guarantees

Australian United Retailers Limited agreed to act as guarantor for the lease obligations of one of the former corporate owned stores.

This guarantee means that Australian United Retailers Limited may become responsible for the lease obligations of the new owner in the event of default. The guarantee relates to the period of the current lease which expires in 2024. The maximum amount payable under the guarantee is $2.5 million.

Australian United Retailers Limited has a guarantee from one of the Directors of the new owner as to the performance of the new owner.

NOTE 10: Subsequent Events

The Consolidated Entity has a bank loan facility of $300,000. The bank has approved an increase to the facility to $1,000,000 post half-year end.

There have been no other matters or circumstances, which have arisen since 31 December 2018 that have significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 31 December 2018, of the Consolidated Entity, or
(b) the results of those operations, or
(c) the state of affairs, in the years subsequent to 31 December 2018, of the Consolidated Entity.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 6 to 18 are in accordance with the *Corporations Act 2001*, including:

(a) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and

(b) Giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2018 and of its performance for the half-year ended on that date.

In the directors' opinion, there are reasonable grounds, at the date of declaration, to believe that Australian United Retailers Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

………………………………………………

N OSBORNE

Director

Melbourne

Date 13th March 2019

PITCHER PARTNERS

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
AUSTRALIAN UNITED RETAILERS LTD**

We have reviewed the accompanying half-year financial report of Australian United Retailers Ltd "the Company" and its controlled entities "the Group", which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian United Retailers Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

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TO THE MEMBERS OF
AUSTRALIAN UNITED RETAILERS LTD

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

K L BYRNE
Partner

13 March 2019

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Melbourne