AUR

Australian United Retailers Ltd.

Annual Report

2016/2017 Financial Year

Truly Local & Independent

AUSTRALIAN UNITED RETAILERS LTD

ABN: 93 077 879 782
AND CONTROLLED ENTITIES

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2017

AUSTRALIAN UNITED RETAILERS LTD AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE YEAR ENDED
30 JUNE 2017

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DIRECTORS' REPORT

The directors present their report together with the financial report of the Consolidated Entity consisting of Australian United Retailers Ltd ("AURL") and the entities it controlled, for the financial year ended 30 June 2017 (together referred to as the "Consolidated Entity") and auditor's report thereon.

Directors

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

Name	Period of directorship
Neil Osborne	
Allan Burge	Retired as Director 22 November 2016
Fred Fairthorne	
Paul Job	
Sien Van Nguyen	
Malcolm Ward	
David Williamson	
Rick Wight	

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

Principal activities

The principal activity of the parent entity during the financial year was the provision of retail support services to its members.

There has been no significant change in the nature of these activities during the financial year.

The controlled entities did not engage in any activity during the financial year.

Results

The profit of the Consolidated Entity for the financial year, after income tax, amounted to $2,395,000 (2016: Profit of $1,863,000).

Review of operations

A review of the operations of the Consolidated Entity during the financial year and the results of those operations are as follows:

The Member based business contributed a profit after tax of $2.4 million which is up on the prior year primarily as a result of the inclusion of a 53rd trading week. Retail outlets are continuing to secure supply from alternative sources which resulted in reduction in revenues which was offset by an increase in trading arrangements with suppliers. There was a modest increase in the costs of operating the support office when compared to the prior year.

On 28 February 2017, the Consolidated Entity de-listed from the National Stock Exchange of Australia.

In June 2017, the Consolidated Entity completed a share buy-back of 216,875 shares at a total cost of $201,267 from 14 shareholders who were no longer eligible members under the Consolidated Entity's constitution.

The Member based business continues to be focused on the delivery of a robust support function whilst maintaining a level of profitability which will allow the business to grow and achieve its longer term corporate objectives. The longer term objectives include driving the sales and profitability of its Member's stores and the payment of dividends to shareholders.

The Consolidated Entity has no borrowings as at 30 June 2017. The Consolidated Entity has cash reserves and additional banking facilities as outlined in Note 18 to enable the business to pursue short term objectives and evolve its service offer to Members in the coming financial years.

As disclosed in Note 20, the Consolidated Entity remains subject to the Second Amendment and Restatement Deed which includes restrictions which if triggered will result in re-instatement of the Transitional Funding Facility Reinstatement Amount previously held with CSA Retail (Finance) Pty Ltd. This re-instatement would equate to $7.1 million plus interest accruing on the facility, if before the end of June 2021, a change in control of the parent entity occurs.

The Directors are of the view that the restriction above is not a significant barrier to the normal operating activities of the Consolidated Entity and will not prevent the on-going normal business activities of the Consolidated Entity.

Significant changes in the state of affairs
There have been no significant changes in the Consolidated Entity's state of affairs during the financial year.

After balance date events
On the 13th September 2017, the Board declared a fully franked dividend of 3 cents per share payable in October 2017. The total amount payable is $340,000.

No other matters or circumstances have arisen since the end of the financial year 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.

Likely developments
The Company will continue to pursue its strategy to deliver quality retail support services to its Members.

Environmental regulation
The Consolidated Entity's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Dividend paid, recommended and declared
Details of dividends paid, declared or recommended are as follows:

	2017 $	2016 $
(a) Dividends paid or declared		
Dividends paid at $0.06 per share (2016: $0.03) fully franked at 30%	693,619	346,794
	693,619	346,794
(b) Dividends declared after the reporting period and not recognised		
Since the end of the reporting period the directors have declared a dividend at $0.03 per share (2016: $0.03) fully franked at 30%	340,306	346,810

Share options
No options over unissued shares or interests in the Consolidated Entity were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

Information on directors and company secretary

The qualifications, experience and special responsibilities of each person who has been a director of Australian United Retailers Ltd at any time during or since 1 July 2016 is provided below, together with details of the company secretary as at the year end.

Neil Osborne	-	Independent Non Executive Chairman (Appointed 19 November 2014)
Qualifications	-	Fellow Australian Institute of Company Directors (FAICD) Bachelor of Commerce Certified Practising Accountant
Experience	-	With over 20 years experience in the retail industry, Neil was appointed as a Director in November 2006, and as Chairman on 19 November 2014. He has also been a Director of Vita Group since June 2007 and Beacon Lighting Group since February 2014. Neil has held a variety of senior executive positions with Myer Grace Bros and Coles Myer Ltd, as well as being a former partner of Accenture.
Special Responsibilities	-	Was Chairman of the Audit & Risk Committee and Supply Chain Management Committee, up until his appointment as Chairman of the Board on 19 November 2014.

David Williamson	-	Non Executive Director
Experience	-	Appointed as a director of the Company on 17 November 2010. David has been part of a family who has been serving its local community as owners of an Independent Retail Business for over 30 years. He has grown up in this industry, helping his family run their Tuckerbag Supermarket from a young age. At the age of 17, he became Store Manager of his family's second store, Riddell's Creek Riteway. From there he moved on to manage their third store which became a Payless Super barn and then graduated to their biggest store, Tuckerbag. He continued as the Store manager until 16 years ago when he was made a Company Director when the family's Gisborne and Riddells Creek stores joined the FoodWorks Supermarket Group. In 2002 David was voted onto the FoodWorks Board as a Retail Board member and served for two years before choosing to resign in 2004 to help reduce the number of Board members when the two groups merged to become AURL. In 2006, with his wife, David purchased the Gisborne store, excited by the prospect of carrying on his family's legacy. Since this time he has also purchased FoodWorks Sunbury.
Special Responsibilities	-	Member of the Remuneration & Nomination Committee, Chairman of the Supply Chain Committee (Appointed 19 November 2014) and appointed Deputy Chairman of the Board on 19 November 2014.

Allan Burge	-	Non Executive Director. Allan retired as a Director on 22 November 2016.
Qualifications	-	Fellow Australian Institute of Company Directors (FAICD)
Experience	-	Appointed as a director of the Company on 17 November 2010. Allan has been a retailer since 1968 and currently operates two FoodWorks Supermarkets at Loganholme and Woodridge in Queensland. At the direction of a General Meeting of SPAR Retailers during 1999, a group of retailers prepared a business plan for the purchase and distribution of fresh fruit and vegetables for Queensland and New South Wales, SPAR Fresh Pty Ltd was registered and commenced operations in 1999 trading as Independent Produce Professionals. It is still progressing today. Allan was elected a Director and founding Chairman and he has retained these positions to date.
Special Responsibilities	-	Chairman of the Remuneration & Nomination Committee until his retirement on 22 November 2016.
Fred Fairthorne	-	Non Executive Director
Experience	-	Appointed as a Director of the Company on 9 September 2009. Fred has been closely involved in the operation and management of supermarkets for many years. His family has been involved in supermarket operations since 1961; consequently Fred has been personally involved from an early age. He was a co-founding shareholder of Action Supermarkets in WA in 1977. Subsequently he co-founded Newmart Supermarkets in 1988 and is a director of Supermarkets West Pty Ltd, the marketing and promotion company for Foodworks and Farmer Jack stores in WA. Fred has a strong presence in supermarket retailing, and is currently involved in the ownership and operation of several facilities in the Perth area as well as operating a Supermarket in Sydney with a strong focus on merchandising, marketing product offerings and store layout development.
Special Responsibilities	-	Member of the Supply Chain Management Committee.
Malcolm Ward	-	Non Executive Director
Experience	-	Appointed as a director of the Company on 17 November 2010. Malcolm and his wife Liz have been owner/operators of supermarkets since 1994. Malcolm is the Managing Director of their family companies operating three FoodWorks stores in Western Australia, and is a director of Supermarkets West Pty Ltd, the marketing and promotion company for FoodWorks and Farmer Jacks stores in WA. Malcolm is a director and audit committee member of several production and marketing companies in the Australian egg industry, including Farm Pride Foods Ltd since May 2008. Malcolm has a broad range of commercial experience having been involved in a number of industries including retailing, business management, agricultural production, marketing, project and property management and banking.
Special Responsibilities	-	Chairman of the Audit & Risk Committee.

Sien Van Nguyen	-	Non Executive Director
Experience	-	Appointed as a Director of the Company on 22 November 2011. Sien joined the supermarket industry in 1994 when he purchased his first store in Inala, south of Brisbane. Sien currently owns three FoodWorks supermarkets in Brisbane. He is the managing director of a family group of companies operating the supermarkets and other enterprises. In this role, Sien is actively involved in the strategic management of all three supermarkets. Sien's successes in retail and strategic management have enabled him to branch out into various other industries, some of which include Gordon House Pty Ltd, a company which is in the process of building an accommodation village for the Liquefied Natural Gas and mining industry in the Surat Basin and Sing Sing Investments, an investment company focusing on retail shopping centre acquisition, development and management. In addition, Sien is also a partner of Hydco International, a manufacturer of drilling rigs operating in India.
Special Responsibilities	-	Member of the Audit & Risk Committee and the Supply Chain Committee.
Paul Job	-	Non Executive Director
Experience	-	Appointed as a Director of the Company on 27 November 2012. Paul currently owns two FoodWorks Supermarkets. One in the ACT and the other in Sydney NSW. He is the Managing Director of a group of Companies that operates these stores and other businesses. Paul brings to the Board over 30 years experience in retail. Starting with one Service Station and expanding to over thirteen sites, operating across three states at different points in time. Paul has a background in the finance industry with a focus on Development and Leasing finance. Paul and his wife Margaret are well known for their charity work raising funds for seriously ill children.
Special Responsibilities	-	Chairman of the Remuneration & Nomination Committee (Appointed 22 November 2016) and Member of the Supply Chain Management Committee.

Rick Wight	-	Executive Director
Qualifications	-	Bachelor of Business (Accounting & Economics)
	-	Fellow Institute of Chartered Accountants Australia (FCA)
	-	Graduate Australian Institute of Company Directors (GAICD)
Experience	-	Appointed as a Director of the Company on 30 May 2014. Rick has a strong background in finance, franchising and strategy management. Prior to joining FoodWorks, Rick spent 15 years at Blockbuster International where he worked in various senior executive roles including Chief Executive Officer and Area Senior Vice President for Asia Pacific. Rick joined FoodWorks in the role of Chief Operating Officer in 2008 and was appointed as Chief Executive Officer in 2010.
Special Responsibilities	-	Rick is the Chief Executive Officer of the Consolidated Entity and a member of the Supply Chain Management Committee.
Tony Pacella	-	Company Secretary. Tony left AURL on 26 June 2017.
Qualifications	-	Bachelor of Business (Accountancy) Associate of the Australian Institute of Chartered Accountants in Australia
	-	Graduate Australia Institute of Company Directors (GAICD)
Experience	-	Tony joined AURL in April 2010 as Chief Financial Officer and assumed the responsibilities of Company Secretary effective 30 June 2012 in addition to his executive role with the business.

Directors' meetings
The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

DIRECTORS	BOARD MEETINGS		AUDIT & RISK COMMITTEE		REMUNERATION & NOMINATION COMMITTEE		SUPPY CHAIN MANAGEMENT COMMITTEE	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
N Osborne	12	12	-	-	-	-	-	-
A Burge (Retired 22 Nov 2016)	6	6	-	-	1	1	-	-
F Fairthorne	12	10	-	-	-	-	3	1
M Ward	12	12	4	4	-	-	-	-
D Williamson	12	11	-	-	2	2	3	3
S Van Nguyen	12	12	4	2	-	-	3	3
P Job	12	12	2	2	2	2	3	3
R Wight	12	12	-	-	-	-	3	3

Transactions with directors and director related entities

For transactions with directors and director related entities, refer to the Remuneration Report and Note 23 (c).

Indemnification and insurance of directors, officers and auditors
Indemnities have been given or insurance premiums paid during or since the end of the financial year, for any directors or officers of the Consolidated Entity.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for auditors of the Consolidated Entity.

Proceedings on behalf of the Consolidated Entity
No person has applied for leave of Court to bring proceedings on behalf of the Consolidated Entity.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

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).

Signed in accordance with a resolution of the directors.

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Director N. Osborne

Melbourne

Dated this 13th Day of September 2017

AUSTRALIAN UNITED RETAILERS LTD AND CONTROLLED ENTITIES

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

In relation to the independent audit for the year ended 30 June 2017, 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 Ltd and the entities it controlled during the year.

K L BYRNE
Partner

13 September 2017

PITCHER PARTNERS
Melbourne

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Revenue and other income			
Supplier & member income	**4**	49,545	48,957
Interest income	**4**	74	66
Other income	**4**	1,673	763
		51,292	49,786
Less: expenses			
Distribution to members		(18,520)	(18,553)
Cost of members services		(7,592)	(6,985)
Merchandising expenses		(3,472)	(3,302)
Marketing expenses		(1,877)	(2,035)
Business development expenses		(563)	(1,034)
Administrative expenses		(15,601)	(15,078)
Depreciation and amortisation	**5**	(278)	(82)
		(47,903)	(47,069)
Profit before income tax		3,389	2,717
Income tax expense	**6**	(994)	(854)
Profit for the year		**2,395**	**1,863**
Other comprehensive income		-	-
Total comprehensive income		2,395	1,863
Profit is attributable to:			
Members of the parent		2,395	1,863
Total comprehensive income attributable to:			
Members of the parent		2,395	1,863

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	**8**	3,164	4,207
Trade and other receivables	**9**	11,198	10,448
Other	**10(a)**	493	116
Total current assets		14,855	14,771
Non-current assets			
Property, plant and equipment	**11**	1,289	870
Deferred tax asset	**6(c)**	1,223	2,217
Other	**10(b)**	56	-
Total non-current assets		2,568	3,087
Total assets		17,423	17,858
Current liabilities			
Trade and other payables	**12**	11,489	13,796
Provisions	**13**	2,997	2,524
Total current liabilities		14,486	16,321
Non-current liabilities			
Provisions	**13**	98	198
Total non-current liabilities		98	198
Total liabilities		14,584	16,519
Net assets		2,839	1,339
Equity			
Share capital	**14**	9,918	10,119
Accumulated losses	**15(a)**	(12,188)	(12,188)
Accumulated profits reserve	**15(b)**	5,109	3,408
Total equity		2,839	1,339

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

Consolidated Entity	**Contributed equity $'000**	**Accumulated Profits $'000**	**Accumulated Losses $'000**	**Total Equity $'000**
Balance as at 1 July 2015	10,119	1,890	(12,188)	(178)
Profit for the year	-	1,863	-	1,863
Total comprehensive income for the year	**-**	**1,863**	**-**	**1,863**
Dividend paid	**-**	(347)	-	(347)
Balance as at 30 June 2016	**10,119**	**3,408**	**(12,188)**	**1,339**
Balance as at 1 July 2016	10,119	3,408	(12,188)	1,339
Profit for the year	-	2,395	-	2,395
Total comprehensive income for the year	**-**	**2,395**	**-**	**2,395**
Buy-backs	(201)	-	-	(201)
Dividend paid	-	(694)	-	(694)
Balance as at 30 June 2017	**9,918**	**5,109**	**(12,188)**	**2,839**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Cash flow from operating activities			
Cash receipts in the course of operations		53,253	52,895
Cash payments in the course of operations		(52,193)	(50,322)
Interest received		74	66
Net cash received in operating activities	**16(b)**	1,134	2,639
Cash flow from investment activities			
Payments for purchases of property, plant and equipment		(1,282)	(87)
Proceeds from sale of fixed assets		-	6
Net cash used in investing activities		(1,282)	(81)
Cash flow from financing activities			
Share Buy-backs		(201)	-
Dividends paid		(694)	(347)
Net cash used in financing activities		(895)	(347)
Net (decrease)/increase in cash held		(1,043)	2,211
Cash and cash equivalents at beginning of financial year		4,207	1,996
Cash and cash equivalents at end of financial year	**16(a)**	3,164	4,207

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

NOTES TO THE CONSOLIDIATED FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the Consolidated Entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Reporting Entity

Australia United Retailers Ltd (the "Company") is a company limited by shares, incorporated and domiciled in Australia. The address of the Company's registered office is Level 1, 1601 Malvern Road, Glen Iris VIC 3146. The consolidated financial statements of the Company is for the 53 week year ended 30 June 2017 and comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity"). The 53 week year solely impacts Contract income and distribution rebates paid to members relating to Contract income. The comparative period is for the 52 week year ended 30 June 2016.

(b) Basis of preparation of the financial report

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The financial report covers Australian United Retailers Ltd and controlled entities as a Consolidated Entity. Australian United Retailers Ltd is a company limited by shares, incorporated and domiciled in Australia. Australian United Retailers Ltd is a for-profit entity for the purpose of preparing the financial report.

The financial report was authorised for issue by the directors on 13 September 2017.

Compliance with IFRS

The financial report also complies with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Historical cost convention

The 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.

Significant accounting estimates and adjustments

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2 to the consolidated financial statements.

(c) 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 reported a profit for the year after income tax of $2,395,000 (2016: $1,863,000), a net surplus of assets totalling $2,839,000 (2016: surplus of $1,339,000) and a current working capital surplus of $369,000 (2016: current working capital deficit of $1,550,000).

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

As at 30 June 2017, the Consolidated Entity has a bank loan facility of $300,000 with its Bankers. The bank loan facility can be cancelled by the relevant Bank at short notice as per normal banking terms and conditions. The Directors believe that the Bank will continue to make the loan facility available for the duration of the loan period which will enable the business to continue to operate normally.

(d) Accumulated profits reserve

At the conclusion of each financial year, the Consolidated Entity records profits earned during the year to accumulated profits reserve and losses incurred during the year to accumulated losses.

(e) Principles of consolidation

The consolidated financial statements are those of the Consolidated Entity, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The Consolidated entity controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

(f) Revenue

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.

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).

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(h) Property, plant and equipment

Cost and valuation

Each class of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

The depreciable amount of all property, plant and equipment is calculated using the straight line method over their estimated useful lives commencing from the time the asset is held ready for use, consistent with estimated consumption of economic benefits embodied in the asset.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

Class of fixed asset	**Depreciation rates**	**Depreciation basis**
Leasehold improvements	5 – 33 %	Straight Line
Plant and equipment	12.5 – 33 %	Straight Line
Furniture, fixtures and fittings	5 – 20 %	Straight Line
Computer equipment	25 – 33 %	Straight Line

(i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(j) Impairment of non-financial assets

Goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

(k) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax balances

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

Australian United Retailers Limited (parent entity) and its wholly owned subsidiaries have implemented the tax consolidation legislation and have formed a tax-consolidated group from 1 July 2009. The parent entity and subsidiaries in the tax-consolidated group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances; and
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the subsidiary to the head entity as inter-company payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

(l) Provisions

Provisions are recognised when the Consolidated Entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of bonus incentives, compensated absences such as annual leave and accumulated sick leave are recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the statement of financial position.

(ii) Other long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that terms approximating to term the terms of the related obligation. For currencies in which there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency are used. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the statement of financial position.

(iii) Retirement benefit obligations

The Consolidated Entity makes superannuation contributions (currently 9.5% of the employee's average ordinary salary) to the employee's *defined contribution superannuation plan* of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The group's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the statement of financial position.

(iv) Bonus plan

The Consolidated Entity recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

(v) Termination benefits

The Consolidated Entity recognises an obligation and expense for termination benefits at the earlier of: (a) the date when the Consolidated Entity can no longer withdraw the offer for termination benefits; and (b) when the Consolidated Entity recognises costs for restructuring and the costs include termination benefits. In either case, the obligation and expense for termination benefits is measured on the basis of the best estimate of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before twelve months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

(n) Financial instruments

Classification

The Consolidated Entity classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the item and the purpose for which the instruments are held.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Derivative financial instruments

The Consolidated Entity may hold derivative financial instruments to mitigate its risk exposures from foreign currency and interest rate movements.

Derivatives that are not designated in a qualifying hedge relationship are subsequently measured at fair value through profit or loss.

Some financial instruments have embedded derivatives within them. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

(o) Impairment of financial assets

Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment.

For loans and receivables carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

Individual receivables and held-to-maturity investments that are known to be uncollectible are written off to profit or loss by reducing the carrying amount of the asset directly. For other receivables and held-to-maturity investments, estimated impairment losses are recognised in a separate provision for impairment. The consolidated entity applies the following criteria as objective evidence that an impairment loss has occurred:

- significant financial difficulties of the debtor;
- payments more than 30 days overdue and failure by the debtor to adequately respond to a follow-up request for payment;
- payment more than 90 days overdue;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- the consolidated entity, for reasons relating to the debtor's financial difficulty, granting to the debtor a concession the entity would not otherwise consider.

When it is concluded that it is probable the consolidated entity will not recover the net carrying amount (gross carrying amount less impairment provisions) of an impaired receivable or held-to-maturity investment, the allowance amount attributable to the asset is written off directly against the gross carrying amount of the asset.

(p) Foreign currency translations and balances

Functional and presentation currency

The financial statements of each entity within the Consolidated Entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the Consolidated Entity's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies of entities within the consolidated entity are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

(q) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) Comparatives

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

(s) Rounding of amounts

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 consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

(t) New and revised accounting standards effective at 30 June 2017

The Consolidated Entity has adopted the following new and revised accounting standards for the first time for their annual reporting period ending 30 June 2017.

AASB 1057: Application of Australian Accounting Standards and AASB 2015-9: Amendments to Australian Accounting Standards – Scope and Application Paragraphs (applicable for annual reporting periods commencing on or after 1 January 2016).

These Standards make amendments to Australian Accounting Standards and Interpretations to relocate the application paragraphs within the individual Standards and Interpretations to AASB 1057, the primary purpose of which is to facilitate the publication of Australian versions of International Financial Reporting Standards (IFRS). These Standards do not alter the accounting requirements in Australian Accounting Standards and Interpretations.

AASB 2014-4: Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable for annual reporting periods commencing on or after 1 January 2016). This Amending Standard amends AASB 116: Property, Plant and Equipment and AASB 138: Intangible Assets to:

- establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; and
- clarify the limited circumstances in which revenue based methods may be used for measuring the consumption of economic benefits embodied in an intangible asset.

AASB 2015-1: Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (applicable for annual reporting periods commencing on or after 1 January 2016). This Amending Standard amends a number of Australian Accounting Standards arising from the issuance of Annual Improvements to IFRSs 2012-2014 Cycle by the International Accounting Standards Board (IASB), including:

- AASB 5: Non-current Assets Held for Sale and Discontinued Operations to clarify the accounting treatment of an asset held for sale that is reclassified as held for distribution to owners, and the reclassification of assets no longer held for distribution to owners;
- AASB 7: Financial Instruments: Disclosures to clarify: (a) what 'continuing involvement' means in the context of a transferred financial asset; and (b) the circumstances in which the offsetting disclosures in AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities apply to interim statements;
- AASB 119: Employee Benefits to clarify that the discount rates used to measure defined benefit obligations should be determined based on the currency in which the obligations are denominated, rather than the country where the obligation is located; and
- AASB 134: Interim Financial Reporting to clarify that certain disclosures may be incorporated in the interim financial statements by cross-reference to another part of the interim financial report.

AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (applicable for annual reporting periods commencing on or after 1 January 2016).

This Amending Standard makes a number of narrow-focus amendments that address concerns regarding the application of some of the presentation and disclosure requirements inAASB 101: Presentation of Financial Statements. These amendments include clarification that:

- an entity discloses its significant accounting policies (not a summary of those policies);
- specific line items in the statement of profit or loss and other comprehensive income and statement of financial position can be disaggregated;
- materiality applies in respect of items specifically required to be presented or disclosed, even when AASB 101 contains a list of specific requirements or describes them as minimum requirements;
- entities have flexibility in relation to the order in which they present their notes; and
- the requirements that apply when additional subtotals are presented in the statement of profit or loss and other comprehensive income and statement of financial position.

(u) Accounting standards issued but not yet effective at 30 June 2017

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 9: *Financial Instruments* (December 2014), AASB 2014-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014), AASB 2014-8: Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2018).
These Standards will replace AASB 139: Financial Instruments: Recognition and Measurement. The key changes that may affect the Consolidated entity on initial application of AASB 9 and associated amending Standards include:

- simplifying the general classifications 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 has yet to assess the impact of new general hedge accounting model on its hedge arrangements.

AASB 15: *Revenue from Contracts with Customers*, AASB 2014-5: Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15 and AASB 2016-3: Amendments to Australian Accounting Standards – Clarifications to AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 15 will provide (except 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 current accounting pronouncements on revenue.

These Standards provide a revised principle for recognising and measuring revenue. Under AASB 15, revenue is recognised in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled. To give effect to this principle, AASB 15 requires the adoption of the following 5-step model:

- identify the contract(s) with a customer;
- identify the performance obligations under the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations under the contract(s); and
- recognise revenue when (or as) the entity satisfies the performance obligations.

AASB 15 also provides additional guidance to assist entities in applying the revised principle to licences of intellectual property, warranties, rights of return, principal/agent considerations and options for additional goods and services.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue in the financial statements as well as additional disclosures. The Consolidated Entity has yet to assess the impact.

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-of-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 yet to assess the impact of AASB16 on the accounting of its operating leases.

NOTE 2: SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) Employee benefits

Calculation of long term employment benefits requires estimation of the retention of staff, future remuneration levels and timing of the settlement of the benefits. The estimates are based on historical trends.

(b) Income tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(c) Non Contract Income

Due to the timing delay between when stores make purchases and when suppliers provide purchase data to the Consolidated Entity, management use historical data to estimate the income to be accrued at year end. In order to appropriately recognise accrued income at year end relating to purchase volumes, the recording of accrued income involves estimation and judgement.

NOTE 3: FINANCIAL RISK MANAGEMENT

The Consolidated Entity is exposed to the following financial risks in respect to the financial instruments that it held at the end of the reporting period:

- Interest rate risk
- Credit risk
- Liquidity risk
- Currency risk

The board of directors has overall responsibility for identifying and managing operational and financial risks.

The Consolidated Entity holds the following financial instruments:

	2017	2016
Financial assets	**$'000**	**$'000**
Cash and cash equivalents	3,164	4,207
Trade and other receivables	11,198	10,448
Other non-current assets	56	-
	14,418	14,655
Financial liabilities		
Trade and other payables	11,489	13,796
	11,489	13,796

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Consolidated Entities exposure to interest rate risks in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Financial instruments	**Interest bearing**	**Non-interest bearing**	**Total carrying amount**	**Weighted average effective interest rate**	**Fixed / variable rate**
2017	**$'000**	**$'000**	**$'000**	**%**	
(i) Financial assets					
Cash	3,162	2	3,164	2.1	Variable
Trade and other receivables	-	11,198	11,198	-	
Other non-current assets	56	-	56	6	Fixed
Total financial assets	3,218	11,200	14,418	-	
(ii) Financial liabilities					
Trade and other payables	-	11,489	11,489	-	
Total financial liabilities	-	11,489	11,489	-	
2016					
(i) Financial assets					
Cash	4,205	2	4,207	1.7	Variable
Trade and other receivables	-	10,448	10,448	-	
Total financial assets	4,205	10,450	14,655	-	
(ii) Financial liabilities					
Trade and other payables	-	13,796	13,796	-	
Total financial liabilities	-	13,796	13,796	-	

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

NOTE 3: FINANCIAL RISK MANAGEMENT (Cont'd)

Sensitivity

If interest rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then no significant impact on profit for the year and equity is expected.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the counterparty by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to the consolidated financial statements.

The Consolidated Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Consolidated Entity.

i) Cash deposits

Credit risk for cash deposits is managed by holding all cash deposits with major Australian banks.

ii) Trade and other receivables

The management of the receivables balance is key in the minimisation of the potential bad debt exposure to the Company. Receivables balances are monitored on an ongoing basis and a formal review of all balances occurs every 6 months and where necessary appropriate provisions are established.

The ageing analysis of trade and other receivables is provided in Note 11.

The Consolidated Entity does not have any material credit risk exposure for other receivables or other financial instruments.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Maturity analysis

The tables below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

Year ended 30 June 2017	**< 6 Months $'000**	**6-12 Months $'000**	**1-5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount $'000**
Cash and cash equivalents	3,164	-	-	3,164	3,164
Trade and other receivables	11,198	-	-	11,198	11,198
Other non-current assets	56	-	-	56	56
Trade and other payables	(11,469)	-	(20)	(11,489)	(11,489)
Net maturities	2,949	-	(20)	2,929	2,929
Year ended 30 June 2016					
Cash and cash equivalents	4,207	-	-	4,207	4,207
Trade and other receivables	10,448	-	-	10,448	10,448
Trade and other payables	(13,772)	-	(24)	(13,796)	(13,796)
Net maturities	883	-	(24)	859	859

(d) Fair value compared with carrying amounts

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

NOTE 3: FINANCIAL RISK MANAGEMENT (Cont'd)

(e) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. If change in foreign exchange currency rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then no significant impact on profit for the year and equity is expected.

NOTE 4: REVENUE AND OTHER INCOME

Revenue and other income

	2017 $'000	2016 $'000
Operating activities		
Supplier & member income	48,520	47,939
Rent from member stores	1,025	1,018
	49,545	48,957
Other income		
Interest	74	66
Other revenue	1,673	763
Total revenue & other income	51,292	49,786

NOTE 5 PROFIT FROM OPERATIONS

Profit before income tax has been determined after the following specific expenses:

	2017 $'000	2016 $'000
Employee benefits expense		
Wages and salaries	10,843	10,186
Workers' compensation costs	39	42
Superannuation costs	838	815
	11,720	11,043
Depreciation and amortisation of non-current assets		
Leasehold improvements	12	12
Plant and equipment	2	10
Computer equipment	260	55
Furniture, fixtures and fittings	4	4
	278	81
Other expenses		
Inventory write-off	-	(10)
Bad debts	-	43
Doubtful debts write back	(8)	(66)
Net Loss on disposal of Plant & Equipment	-	(4)
	(8)	(37)

NOTE 6: INCOME TAX

(a) Components of tax expense:

	2017 $'000	2016 $'000
Current tax	-	-
Deferred tax	994	854
	994	854

(b) Prima facie tax payable

	2017 $'000	2016 $'000
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Profit before tax	3,389	2,717
Total profit before income tax	3,389	2,717
Prima facie income tax payable on profit before income tax at 30% (2016: 30%)	1,017	815
Add tax effect of:		
- other non-allowable items	9	10
	1,026	825
Less tax effect of:		
- (Over)/Under provision for income tax in prior year	(32)	29
	(32)	29
Income tax expense attributable to profit	994	854

(c) Deferred tax

	2017 $'000	2016 $'000
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Provision for doubtful debts	139	142
Accruals	(301)	452
Employee benefits – annual and long service leave	928	817
Tax losses carried forward	457	806
Net deferred tax assets	1,223	2,217

(d) Deferred income tax revenue included in income tax expense comprises

	2017 $'000	2016 $'000
Decrease in deferred tax assets	994	854

(e) Deferred tax assets recognised

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry forward unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

NOTE 7: DIVIDENDS

	2017 $'000	2016 $'000
(a) Dividends paid or declared		
Dividends paid at $0.06 per share (2016: $0.03) fully franked at 30%	694	347
	694	347
(b) Dividends declared after the reporting period and not recognised		
Since the end of the reporting period the directors have declared a dividend at $0.03 per share (2016: $0.03) fully franked at 30%	340	347
(c) Franking account		
Balance of franking account on a tax paid basis at financial 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:	525	822

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank and on hand	2	2
Deposits at call	3,162	4,205
	3,164	4,207

NOTE 9: TRADE AND OTHER RECEIVABLES

CURRENT		
Trade and member receivables	9,948	8,856
Provision for impairment	(64)	(72)
	9,884	8,784
Sundry debtors and accrued income	1,714	2,064
Provision for impairment	(400)	(400)
	1,314	1,664
	11,198	10,448

NOTE 9: TRADE AND OTHER RECEIVABLES (Cont'd)

(a) Provision for impairment:

Trade receivables are non interest bearing with 30 day terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. The impairment losses have been included within the administrative expenses in the Consolidated Statement of Profit and Loss and Other Comprehensive Income. Amounts outstanding beyond the normal 30 day trading terms which have not been provided for at 30 June 2017 or 2016 are not considered impaired by management based on the trading history with the debtor. All trade receivables that are not impaired are expected to be received within trading terms.

	2017 $'000	2016 $'000
Movements in the provision for impairment were:		
Opening balance at 1 July	472	538
Writeback for the year	(8)	(66)
Closing balance at 30 June	464	472

(b) Trade receivables

Trade and other receivables ageing analysis at 30 June is:

	Gross 2017 $'000	Impairment 2017 $'000	Gross 2016 $'000	Impairment 2016 $'000
Not past due	4,868	-	4,828	-
Past due 31-60 days	1,718	-	1,736	-
Past due 61-90 days	417	-	124	52
Past due more than 91 days	25	13	(2)	-
	7,028	13	6,686	52

(c) Member receivables

Member receivables ageing analysis at 30 June is:

	Gross 2017 $'000	Impairment 2017 $'000	Gross 2016 $'000	Impairment 2016 $'000
Not past due	659	-	1,163	-
Past due 8-14 days	997	51	1,035	20
Past due 15-21 days	1,237	-	2	-
Past due more than 22 days	27	-	(30)	-
	2,920	51	2,170	20
Trade and member receivables	**9,948**	**64**	**8,856**	**72**

NOTE 10: OTHER CURRENT AND NON-CURRENT ASSETS

	2017 $'000	2016 $'000
(a) Other Current Assets		
Prepayments	492	115
Security deposit	1	1
	493	116
(b) Other Non-Current Assets		
Loans to Stores	56	-
	56	-

NOTE 11: PROPERTY PLANT AND EQUIPMENT

	2017 $'000	2016 $'000
Leasehold improvements		
At cost	1,137	1,137
Accumulated depreciation	(996)	(984)
	141	153
Plant and equipment		
At cost	183	183
Accumulated depreciation	(177)	(175)
	6	8
Computer equipment		
At cost	2,238	958
Capital work in progress	-	584
Accumulated depreciation	(1,119)	(859)
	1,119	683
Furniture, fixtures and fittings		
At cost	88	86
Accumulated depreciation	(65)	(60)
	23	26
Total property, plant and equipment		
Cost	3,646	3,559
Accumulated depreciation and amortisation	(2,357)	(2,689)
Total property, plant and equipment	**1,289**	**870**

NOTE 11: PROPERTY PLANT AND EQUIPMENT (Cont'd)

(a) Movement in carrying amounts

	Leasehold Improve-ments	Plant and Equipment	Computer equipment	Furniture fixtures and fittings	Total
	$'000	$'000	$'000	$'000	$'000
Carrying amount as at 1 July 2015	165	20	69	29	282
Additions	-	-	670	1	671
Disposal	-	(2)	-	-	(2)
Depreciation charge for the year	(12)	(10)	(55)	(4)	(81)
Carrying amount as at 30 June 2016	153	8	683	26	870
Additions	-	-	695	2	697
Disposals	-	-	-	-	-
Depreciation charge for the year	(12)	(2)	(260)	(4)	(278)
Carrying amount at 30 June 2017	141	6	1,118	24	1,289

NOTE 12: TRADE & OTHER PAYABLES

	2017	2016
	$'000	$'000
CURRENT		
Trade payables	8,324	6,555
Sundry payables and accrued expenses	3,165	7,241
	11,489	13,796

NOTE 13: PROVISIONS

CURRENT		
Employee benefits	2,997	2,524
NON-CURRENT		
Employee benefits	98	198
Aggregate employee benefits liability	3,095	2,722

NOTE 14: CONTRIBUTED CAPITAL

	2017 $'000	2016 $'000
(a) Issued and paid up capital		
11,343,540 Class A redeemable preference shares (2016: 11,560,348)	9,918	10,119

(b) Movements in shares on issue

	Parent Equity 2017		Parent Equity 2016	
	No of Shares	$'000	No of Shares	$'000
Beginning of the financial year	11,560,348	10,119	11,560,388	10,119
− Shares issued during the year	67	-	78	-
− Share buybacks	(216,875)	(201)	(118)	-
End of the financial year	11,343,540	9,918	11,560,348	10,119

(c) Rights of each type of share

Only Class 'A' redeemable preference shares carry the right to vote at meetings of shareholders. The holder shall have one vote for each share held when a poll is called.

On a winding up of the Company, the holder shall be entitled to participate in any distribution of the assets of the Company and each share carries the right to participate in any dividend declared and paid by the Company to the holders of Class 'A' redeemable preference shares. There is no obligation to redeem the shares and redemption is at the discretion of the directors.

27 February 2007 was the last date on which the Company issued Class 'B' redeemable preference shares to 'bannered' members. As at 30 June 2017 123 Class 'B' preference shares are on issue (2016: 123). Holders of Class 'B' redeemable preference shares do not have the right to vote at meetings of shareholders but shall have the right to vote at a meeting of the holders of Class 'B' redeemable preference shares. Holders of Class 'B' preference shares do not have the right to participate in any surplus assets of the Company on winding up or upon a reduction of capital. Each Class 'B' redeemable preference share carries the right to participate in any dividend declared and paid by the Company to holders of Class 'B' redeemable preference shares but does not as of right, have an entitlement to the same dividend as other share in this class.

(d) Capital Management

Management monitors the capital of the Consolidated Entity to ensure that the Consolidated Entity can fund its operations and continue as a going concern. Under the Second Amendment and Restatement Deed with CSA Retail (Finance) Pty Ltd if the Consolidated Entity was to engage in a capital raise before the end of June 2016 which exceeds $6.4 million then the Transitional Funding Facility plus accrued interest would be reinstated to the Balance Sheet. This date has now passed and no such capital raise was undertaken. Refer to Note 20(a) for other details regarding the potential for the Transitional Funding Facility to be reinstated.

During 2017, management paid dividends of $693,619 (2016: 346,811).

NOTE 15: ACCUMULATED LOSSES AND ACCUMULATED PROFITS RESERVE

	2017 $'000	2016 $'000
(a) Accumulated losses		
Accumulated losses at the beginning of the financial year	(12,188)	(12,188)
Accumulated losses at the end of the financial year	(12,188)	(12,188)
(b) Accumulated profits reserve		
Accumulated profits reserve at the beginning of the financial year	3,408	1,890
Profit attributable to members of the entity	2,395	1,863
Dividends paid	(694)	(347)
Accumulated profits reserve at the end of the financial year	5,109	3,408

NOTE 16: CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than three months and net of bank overdrafts.

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:

	2017 $'000	2016 $'000
Cash Items		
– Cash on hand	2	2
– Cash at bank	3,162	4,205
Closing cash balance	3,164	4,207

(b) Reconciliation of cash flow from operations with profit after tax

Profit from ordinary activities after tax	2,395	1,863
Non - Cash Items		
– Depreciation and amortisation	278	82
– Accrued capital expenditure	584	(584)
– Net Profit on disposal of PP&E	-	(4)
– Decrease in provision for doubtful debts	(8)	(66)
Changes in assets and liabilities		
– (Increase)/decrease in debtors	(742)	469
– Decrease in deferred tax asset	994	854
– Increase in other assets	(432)	(91)
– (Decrease)/increase in trade and other payables	(2,307)	202
– Increase/(decrease) in provisions	372	(86)
Net cash flow from operating activities	**1,134**	**2,639**

(c) Credit stand-by arrangements with banks (National Australia Bank)

Credit facility	4,775	4,775
Amount utilised	(305)	(270)
Unused credit facility	4,470	4,505

(d) Loan facilities

Bank guarantee facility	350	350
Business card facility – variable interest rate	125	125
Direct Payments facility –variable interest rate	4,000	4,000
Unused bank loan facility	300	300

NOTE 17: COMMITMENTS

Lease expenditure commitments

(a) Operating leases (non-cancellable):

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.

	2017	2016
	$'000	$'000
The future minimum lease payments under non-cancellable operating leases are payable:		
– Not later than one year	1,154	1,209
– Later than one year and not later than five years	2,608	3,353
– Later than five years	913	1,319
Aggregate lease expenditure contracted for at reporting date	4,675	5,881

NOTE 18: CONTINGENCIES

(a) Reinstatement of Transitional Funding Facility

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

The trigger events are:
(i) If before the end of June 2021, a change in control of the Parent Entity occurs, or
(ii) If before the end of June 2016, a capital raise which exceeds $6.4 million occurs. This date has now passed and no such capital raise was undertaken, accordingly there is no risk of re-instatement under this particular trigger event.

(b) 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 any such 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 19: DIRECTORS' AND EXECUTIVES' COMPENSATIONS

	2017	2016
Non-Executive Directors	**$**	**$**
Short-term employment benefits	450,858	497,384
Post-employment benefits	19,754	22,644
Total Directors' compensations	470,612	520,028
Executives (including CEO who is an Executive Director)		
Short-term employment benefits	1,797,491	1,770,092
Post-employment benefits	134,853	127,935
Termination benefits	237,026	217,114
Total Executives' compensations	2,169,370	2,115,141
	2,639,982	2,635,169

NOTE 20: RELATED PARTY DISCLOSURES

(a) The consolidated financial statements include the financial statements of Australian United Retailers Ltd and its controlled entities listed below:

	Country of incorporation	Percentage owned 2017	Percentage owned 2016
Parent Entity:			
Australian United Retailers Ltd	Australia		
Subsidiaries of Australian United Retailers Ltd			
Australian United Grocers Pty Ltd	Australia	100%	100%
National Retailers Group Pty Ltd	Australia	100%	100%
Foodworks Retail Pty Ltd	Australia	100%	100%
FW Retail Holdings Pty Ltd	Australia	100%	100%
FW Viva 1 Pty Ltd	Australia	100%	100%
FW Viva 5 Pty Ltd	Australia	100%	100%
FW Viva 8 Pty Ltd	Australia	100%	100%
FW Viva 10 Pty Ltd	Australia	100%	100%
FW Viva 11 Pty Ltd	Australia	100%	100%
FW Viva 13 Pty Ltd	Australia	100%	100%
FW Viva 15 Pty Ltd	Australia	100%	100%
FW Viva 18 Pty Ltd	Australia	100%	100%

(b) Loans to and from directors and director related entities

There were no loans to and from directors and director related entities at 30 June 2017 (2016: $nil).

(c) Other transactions with directors and director related entities

Directors or director related entities that hold Australian United Retailers Ltd shares as store members enter into transactions with the Company and may have outstanding balances at year end.

The Directors involved are:

Allan Burge*	Paul Job	David Williamson
Fred Fairthorne	Sien Van Nguyen	Malcolm Ward

*Allan Burge retired as a Director on 22 November 2016 and all disclosures include transactions up to the date of his retirement.

The aggregate amounts of store membership fees received or receivable and included in the result for the year are $37,918 (2016: $35,803). The aggregate amount of rebates paid or payable and included in the result for the year is 1,879,054 (2016: $2,488,537).

Rebates for Malcolm Ward and Fred Fairthorne are paid via Supermarkets West Pty Ltd. During the financial year $3,087,461 (2016: $3,683,165) were paid or payable to Supermarkets West Pty Ltd. Of this a portion was paid to these directors in line with the same commercial terms and conditions as transactions with other members.

During the year $27,000 was paid to Edge Sales & Promotions Pty Ltd, a related party of Fred Fairthorne for catalogue production costs.

During the year $278,239 was paid to Fresh & Direct Wholesalers Pty Ltd, a related party of David Williamson for rebate distributions.

These transactions are on the same commercial terms and conditions as transactions with other members.

NOTE 20: RELATED PARTY DISCLOSURES (cont'd)

Dividends (Franked) paid at the date of this report:

	2017	2016
	$	$
Allan Burge^	11,743	11,743
Fred Fairthorne	112,963	53,143
Malcolm Ward	148,668	73,820
David Williamson	13,629	6,172
Sien Van Nguyen	34,252	17,126
Paul Job	1,543	772

^Allan Burge retired as a Director on 22 November 2016 and has retained his shares in the Company up to the date of this report.

(d) Director Shareholdings

Aggregate number of shares held at the date of this report:
"A" Class redeemable non-cumulative preference shares:

	2017	2016
	No of Shares	No of Shares
Allan Burge^	274,001	274,002
Fred Fairthorne	1,395,796	1,240,003
Malcolm Ward	1,746,463	1,722,463
David Williamson	154,003	144,003
Sien Van Nguyen	399,605	399,603
Paul Job	18,003	18,002

^ Allan Burge retired as a Director on 22 November 2016 and has retained his shares in the Company up to the date of this report.

(e) Transactions with entities in the Consolidated Entity

There were no current or prior reporting period transactions reported for FoodWorks Retail. The support services provided to FoodWorks Retail were on terms identical to other members, whilst the funding was a non interest bearing loan.

NOTE 21: AUDITOR'S REMUNERATION

	2017	2016
	$	$
Amounts paid and payable to Pitcher Partners *(Melbourne)* for:		
(i) Audit and other assurance services		
An audit or review of the financial report of the entity and any other entity in the Consolidated Entity	108,740	104,616
Other assurance services	2,100	2,121
Total remuneration for audit and other assurance services	110,840	106,737
(ii) Other non-audit services		
Taxation services	11,000	11,050
Total remuneration for non-audit services	11,000	11,050
Total remuneration of Pitcher Partners (Melbourne)	**121,840**	**117,787**

NOTE 22: PARENT ENTITY INFORMATION

	2017 $'000	2016 $'000
(a) Summarised statement of financial position		
Assets		
Current assets	14,855	14,771
Non-current assets	2,568	3,087
Total assets	17,423	17,858
Liabilities		
Current liabilities	14,476	16,311
Non-current liabilities	98	198
Total liabilities	14,574	16,509
Net assets	2,849	1,349
Equity		
Contributed capital	9,918	10,119
Accumulated losses	(12,178)	(12,178)
Accumulated profits reserve	5,109	3,408
Total equity	2,849	1,349
(b) Summarised statement of profit and loss and other comprehensive income		
Profit for the year	2,395	1,863
Other comprehensive income for the year	-	-
Total comprehensive income for the year	2,395	1,863

(c) Parent entity guarantees

The parent entity has provided the guarantees outlined in Note 20(b).

(d) Parent entity contingent liabilities

The parent entity has a contingent liability relating to the Second Amendment and Restatement Deed with CSA Retail (Finance) Pty Ltd as disclosed in Note 20(a).

(e) Parent entity contractual commitments

The parent entity finance lease obligations as outlined in Note 19(a).

The future minimum lease payments under non-cancellable operating leases are payable:

	2017 $'000	2016 $'000
− Not later than one year	1,154	1,209
− Later than one year and not later than five years	2,608	3,353
− Later than five years	913	1,319
	4,675	5,881

NOTE 23: SUBSEQUENT EVENTS

On the 13th September 2017, the Board declared a fully franked dividend of 3 cents per share payable in October 2017. The total amount payable is $340,000. There has been no other matter or circumstance, which has arisen since 30 June 2017 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2017, of the Consolidated Entity, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2017, of the Consolidated Entity.

DIRECTORS DECLARATION

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages on pages 14 to 36 are in accordance with the *Corporations Act 2001,* including:

(a) complying with Australian Accounting Standards and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;

(b) as stated in Note 1(a) the consolidated financial statements also comply with International Financial Reporting Standards; and

(c) giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2017 and of its performance for the year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that Australian United Retailers Ltd will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and head of finance to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2017.

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

N. Osborne
Director

Melbourne
Date 13th September 2017

AUSTRALIAN UNITED RETAILERS LTD AND CONTROLLED ENTITIES
ABN 93 077 879 782

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AUSTRALIAN UNITED RETAILERS LTD AND CONTROLLED ENTITIES

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Australian United Retailers Ltd "the Company" and its controlled entities "the Consolidated Entity", which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Consolidated Entity, is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AUSTRALIAN UNITED RETAILERS LTD AND CONTROLLED ENTITIES

Key Audit Matter	How our audit addressed the key audit matter
Revenue recognition – Volume based income (Note 5) The Consolidated Entity's supplier and member income stream, includes a significant amount of volume based income, which is comprised of income rebates from sales made by the individual store's and purchase rebates based on the individual store's purchases. At the year end the volume based income involves management judgement in estimating the income to be accrued from volume based income. This is due to the reliance on suppliers to provide information in a timely manner. We focussed on the existence and accuracy of volume based income as a key audit matter as this income stream is a key contributor to the determination of profit.	Our procedures included, amongst others: • Understanding an evaluating the Consolidated Entity's controls and processes for recognising and recording volume based income transactions at year end. • Testing a sample of volume based income to supporting supplier invoices and bank statements. • For a sample of accrued volume based income, testing the accrual raised actual sales data provided by the supplier post year end. Additionally testing sample selected to the bank receipts. • Testing credit notes issued post year end. • Reviewing general journals throughout the year impacting on volume based income.
Revenue recognition – Over & above income (Note 5) The Consolidated Entity's supplier and member income stream includes income that is derived based on specific marketing campaign's to promote sales of specific products (over and above income) within AURLs branded stores. These agreements are negotiated by category managers and suppliers. We focussed on the existence and accuracy of the over and above income as a key audit matter as this income stream is a key contributor to determination of profit.	Our procedures included, amongst others: • Understanding and evaluating the Consolidated Entity's controls and processes for recognising and recording over and above income transactions. • Testing a sample of over and above income to supporting invoices and bank statements. • Testing a sample of accrued over and above income transactions, by vouching the over and above income to an internally generated invoice based on negotiated terms with the supplier and tracing through to receipted in the bank statement. • Testing credit notes issued post year end. • Reviewing general journals throughout the year impacting on over and above income.
Related party transactions and disclosures (Note 22) A number of the directors own stores that form a part of the AURLs branded network managed by the Consolidated Entity.	Our procedures included, amongst others: • Obtaining related party confirmations from the directors. • Performing ASIC director searches to confirm ownership and directorships of related parties disclosed in the related party confirmations. • Reviewing the general ledger for related party transactions and assessing whether the

As a result there are a number of related party transactions that include store membership fees and rebates. Related parties has been assessed as a key audit matter in terms of evaluating the arm's length nature of the transactions to ensure that the stores owned by directors are not provided advantageous fees or rebates at the detriment of the members of the Consolidated Entity.	transactions undertaken were at an arm's length rate. This included testing: - Store membership fees. - Rebates. • Rebates paid to directors of the Consolidated Entity were also tested from the returned related party confirmations to the general ledger and to the related party disclosures within the audited report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's directors' Report which was obtained as at the date of our audit report, and any additional other information included in the Consolidated Entity's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgment to determine the appropriate action to take.

Responsibilities of the Directors for the Financial Report

The directors of the Company 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.

In preparing the financial report, the directors are responsible for assessing the ability of the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director's.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
AUSTRALIAN UNITED RETAILERS LTD AND CONTROLLED ENTITIES

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

K L BYRNE
Partner

PITCHER PARTNERS
Melbourne

13 September 2017

SHAREHOLDER INFORMATION

Class A Redeemable Preference Shares. One Class A redeemable preference share is issued and allotted to each approved storeowner in respect of each approved store they operate and control. Other than in certain prescribed circumstances, Class A redeemable preference shares are the only shares that carry voting rights at general meetings of the Company, with each eligible member or its related party having one vote per share. On 15 June 2009, pursuant to the prospectus dated 2 April 2007, all fully paid Class C redeemable preference shares converted to Class A redeemable preference shares on a 1:1 basis. There were 11,343,540 Class A redeemable preference shares issued at 30 June 2017.

Class B Redeemable Preference Shares. Until February 2007, one Class B redeemable preference share was issued and allotted to each branded storeowner who signed a banner agreement in respect of each branded store they operate and control. These shares have no voting rights at general meetings of the Company. There were 123 Class B redeemable preference shares issued at 30 June 2017. There are no substantial shareholders of Class B redeemable preference shares.

On 28 February 2017, the Consolidated Entity de-listed from the exchange operated by the National Stock Exchange of Australia.

Top 10 holders of fully paid Class A redeemable preference shares as at 30 June 2017

	No of shares	**%**
DALEWING PTY LTD	975,791	8.60%
MR MALCOLM GEOFFREY WARD	891,250	7.86%
MR PAUL DAMIAN REILLY	865,000	7.63%
MR MICHAEL DAMIAN REDDROP + MRS TINA DREYFUS REDDROP <DREYFUS SUPER FUND A/C>	760,000	6.70%
MR JEFFREY NEVILLE HALL	716,000	6.31%
MR GARRY RAYMOND ROBERSON	609,800	5.38%
OAKMEADOW PTY LTD <SUNRISE SUPER FUND A/C>	457,000	4.03%
MRS DU THI TRAN	399,600	3.52%
MELLWAY HOLDINGS PTY LTD	300,000	2.64%
FISH LAY PTY LTD <J & A SUPER FUND A/C>	285,673	2.52%
		55.19%