

**AUSTRALIAN UNITED
RETAILERS LIMITED
ABN: 93 077 879 782
AND CONTROLLED ENTITIES**

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2017**

This half-year financial report is to be
read in conjunction with the financial
report for the year ended
30 June 2017.

AUSTRALIAN UNITED RETAILERS LIMITED
FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2017

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DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

The directors present their report together with the condensed financial report of the Consolidated Entity consisting of Australian United Retailers Limited and the entities it controlled (Consolidated Entity), for the half-year ended 31 December 2017 and independent auditor's review report thereon. This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

Directors Names

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

<u>Name</u>	<u>Period of directorship</u>
Neil Osborne	
David Williamson	
Fred Fairthorne	
Malcolm Ward	
Sien Van Nguyen	
Paul Job	Resigned as Director 9 November 2017
Rick Wight	
Rod McPhee	Appointed as Director 21 February 2018

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

Review of Operations

The consolidated profit of the Consolidated Entity for the half-year after providing for income tax amounted to \$799,000 (31 December 2016: profit \$1,352,000).

The profit before income tax of \$1,141,000 for the half-year, being a decrease from the \$1,931,000 profit before income tax recorded in the same period last year.

Significant changes in state of affairs

There were no other significant changes in the nature of the activities of the Consolidated Entity during the half-year.

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

After Balance Date Events

On the 21st of February 2018, the Board declared a Dividend of 3 cents per share which is payable in April 2018. The total amount payable to shareholders is \$339,000.

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

Auditor's Independence Declaration

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

Rounding of amounts to nearest thousand dollars

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

Signed in accordance with a resolution of the directors:



Director.....

N OSBORNE

Dated this 8th day of March 2018

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

In relation to the independent auditor's review for the half-year ended 31 December 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 Limited and the entities it controlled during the period.



K L BYRNE
Partner



PITCHER PARTNERS
Melbourne

8 March 2018

**CONDENSED CONSOLIDATED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Half-year	
	2017	2016
	\$'000	\$'000
Revenue and other income	26,168	27,743
	<u>26,168</u>	<u>27,743</u>
Less: Expenses		
Employee benefits	(6,458)	(6,503)
Occupancy expenses	(384)	(369)
Depreciation and amortisation	(173)	(110)
Costs of member services	(5,086)	(4,926)
Distribution to members	(9,096)	(9,391)
Marketing, merchandising and administrative costs	(3,830)	(4,513)
	<u>(25,028)</u>	<u>(25,812)</u>
Profit before income tax expense	1,141	1,931
Income tax expense	(342)	(579)
Net profit from continuing operations	799	1,352
	<u>799</u>	<u>1,352</u>
Net profit for the half-year	799	1,352
	<u>799</u>	<u>1,352</u>
Profit for the half-year	799	1,352
Other Comprehensive Income	-	-
Total Comprehensive income for the half year	799	1,352
	<u>799</u>	<u>1,352</u>
Profit is attributable to:		
Members of the parent	799	1,352
	<u>799</u>	<u>1,352</u>
Total comprehensive Income attributable to:		
Members of the parent	799	1,352
	<u>799</u>	<u>1,352</u>
Total comprehensive Income attributable to members of the parent arises from:		
Continuing operations	799	1,352
	<u>799</u>	<u>1,352</u>

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	31 Dec	30 June
	2017	2017
	\$'000	\$'000
CURRENT ASSETS		
Cash and cash equivalents	3,591	3,164
Trade and other receivables	12,479	11,198
Other	132	493
TOTAL CURRENT ASSETS	16,202	14,855
NON-CURRENT ASSETS		
Property, plant and equipment	1,284	1,289
Deferred tax asset	881	1,223
Other	210	56
TOTAL NON-CURRENT ASSETS	2,375	2,568
TOTAL ASSETS	18,577	17,423
CURRENT LIABILITIES		
Trade and other payables	12,791	11,489
Provisions	2,409	2,997
TOTAL CURRENT LIABILITIES	15,199	14,486
NON-CURRENT LIABILITIES		
Provisions	110	98
TOTAL NON-CURRENT LIABILITIES	110	98
TOTAL LIABILITIES	15,309	14,584
NET ASSETS	3,268	2,839
EQUITY		
Contributed equity	9,890	9,918
Accumulated losses	(12,188)	(12,188)
Accumulated profits reserve	5,566	5,109
TOTAL EQUITY	3,268	2,839

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

Consolidated	Contributed Equity	Accumulated Losses	Accumulated Profits Reserve	Total Equity
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2016	10,119	(12,188)	3,408	1,339
Total comprehensive income for the half-year	-	-	1,352	1,352
Dividends Paid			(347)	(347)
Balance as at 31 December 2016	10,119	(12,188)	4,412	2,343

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

The accompanying notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Half-year	
	2017	2016
	\$'000	\$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	26,150	24,832
Payments to suppliers and employees	(25,222)	(23,193)
Interest received	36	31
Net cash provided by operating activities	964	1,670
CASH FLOW FROM INVESTING ACTIVITIES		
Payment for property, plant and equipment	(168)	(1,146)
Net cash used in investing activities	(168)	(1,146)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends Paid	(341)	(347)
Share Buy-backs	(28)	-
Net cash used in financing activities	(369)	(347)
Net increase in cash and cash equivalents	427	177
Cash and cash equivalents at beginning of half-year	3,164	4,207
Cash and cash equivalents at end of the half-year	3,591	4,384

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2017

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

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

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by Australian United Retailers Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

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

The half-year financial report was authorised for issue by the directors on 8 March 2018.

(a) Basis of preparation

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

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

The accounting policies applied in this condensed consolidated half-year financial report are consistent with those of the annual financial report for the year ended 30 June 2017 and the corresponding half-year.

(b) 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.

(c) 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).

(d) Comparatives

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

**NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL
STATEMENTS 31 DECEMBER 2017**

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

**(e) Accounting standards and interpretations issued but not operative at 31
December 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 and to not-for profit entities for annual reporting periods commencing on or after 1 January 2019).

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;

**NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL
STATEMENTS 31 DECEMBER 2017**

- 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.

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2017

NOTE 2: PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 31 December 2017 the Consolidated Entity acquired assets with a cost of \$168,000. No assets were acquired through business combinations during the half-year ended 31 December 2017. During the six months ended 31 December 2016 the Consolidated Entity acquired assets with a cost of \$587,000. No assets were acquired through business combinations during the half-year ended 31 December 2016.

NOTE 3: BORROWINGS

(a) Items pledged as security:

The National Australia Bank has provided a guarantee & indemnified certain AURL's lease agreement obligations up to a value of \$270,000 (2016: \$270,000).

NOTE 4: DIVIDENDS

	Half-year	
	2017	2016
	\$'000	\$'000
(a) Dividends paid or declared		
Dividends paid at \$0.03 per share (2016: \$0.03 per share) fully franked at 30%	341	347
(b) Dividends declared after 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 per share) fully franked at 30%	339	347
(c) Franking account		
Balance of franking account on a tax basis at financial half year-end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent years	378	673

NOTE 5: RELATED PARTY DISCLOSURES

During the half-year ended 31 December 2017, there were no related party transactions which are material to the understanding of the financial report.

NOTE 6: FAIR VALUE MEASUREMENT

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

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2017

NOTE 7: CONTINGENT LIABILITIES

(a) Operating lease commitments

The Consolidated Entity has certain operating lease obligations, which were disclosed at 30 June 2017.

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

	31 Dec 2017	30 June 2017
	\$'000	\$'000
Payable		
- not later than one year	1,097	1,154
- later than one year and not later than five years	2,350	2,608
- later than five years	710	913
	<u>4,157</u>	<u>4,675</u>

The Consolidated Entity has non-cancellable leases with terms ranging from one year to eight years, with rent payable one month in advance. Contingent rental provisions have been calculated based on annual rental increases of between 3.25% and 4.00% where applicable.

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

(b) Reinstatement of Transitional Funding Facility

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

The trigger event is, if before the end of June 2021, a change in control of the Parent Entity occurs. No such trigger event has transpired in the half year ended 31 December 2017 or in the period since balance date.

(c) Guarantees

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

This guarantee means that Australian United Retailers Limited may become responsible for the lease obligations of the new owner in the event of default. The guarantee relates to the period of the current lease which expires in 2024. The maximum amount payable under the guarantee is \$2.3 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.

**NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL
STATEMENTS 31 DECEMBER 2017**

NOTE 9: Subsequent Events

On the 21st of February 2018, the Board declared a Dividend of 3 cents per share which is payable in April 2018. The total amount payable to shareholders is \$339,000.

Except for the matters noted above, there have been no matters or circumstances, which have arisen since 31 December 2017 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2017, of the Consolidated Entity, or
- (b) the results of those operations, or
- (c) the state of affairs, in the years subsequent to 31 December 2017, of the Consolidated Entity.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 6 to 15 are in accordance with the *Corporations Act 2001*, including:

- (a) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and
- (b) Giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2017 and of its performance for the half-year ended on that date.

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

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



.....
N OSBORNE

Director

Melbourne

Date 8 March 2018

**AUSTRALIAN UNITED RETAILERS LIMITED
ABN 93 077 879 782
AND CONTROLLED ENTITIES**

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

We have reviewed the accompanying half-year financial report of Australian United Retailers Ltd “the Company” and its controlled entities “the Group”, which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration.

Directors’ Responsibility for the Half-Year Financial Report

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

Auditor’s Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group’s financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

**AUSTRALIAN UNITED RETAILERS LIMITED
ABN 93 077 879 782
AND CONTROLLED ENTITIES**

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



K L BYRNE
Partner
8 March 2018



PITCHER PARTNERS
Melbourne