

Ultima United Limited

ACN 123 920 990

**Half Year Report
31 December 2017**

COMPANY DIRECTORY

Executive Chairman & Managing Director

(Simon) Xing Yan

Executive Director

Eric Kong

Non-Executive Director

(James) Zixi Ban

Company Secretary

Piers Lewis

Principal and Registered Office

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Como WA 6152

Telephone: (08) 6436 1888

Facsimile: (08) 9367 3311

Auditors

Moore Stephens

Level 15 Exchange Tower

2 The Esplanade

PERTH WA 6000

Share Registrar

Advanced Share Registry Services

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NEDLANDS WA 6009

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Securities Exchange Listing

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

Codes: UUL

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DIRECTORS' REPORT

Your directors submit the financial report of the Company for the half year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

1) BOARD OF DIRECTORS

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Directors	Position
(Simon) Xing Yan	Executive Chairman & Managing Director
Eric Kong	Executive Director (Appointed Executive Director 1 December 2017)
(James) Zixi Ban	Non-Executive Director

2) REVIEW OF OPERATIONS

PROPERTY DEVELOPMENT

3 Oak Street, Cannington, Western Australia

On 2 February 2016 the Company received development approval from the City of Canning for the construction of 12 apartments at 3 Oak Street, Cannington, with each apartment having 2 bedrooms and 2 bathrooms.

During the period the Company successfully secured construction funding by a leading Australian bank and at 31 December 2017 the project was at 35% completion, with an estimated completion date of August 2018.

19-21 Tate Street, Bentley, Western Australia

During the 30 June 2016 financial year the Company applied for and received authority to amalgamate 19 & 21 Tate Street, Bentley into one property, and development approval (subject to conditions) from the City of Canning for the construction of 14 apartments at 19 & 21 Tate Street, Bentley, with 10 apartments having 2 bedrooms and 2 bathrooms and 4 apartments having 1 bedroom and 1 bathroom.

During the 30 June 2017 financial year the Company recognized an impairment of \$772,326 on the two developments given the property sentiment across Western Australia at the time.

During the current period the company completed its architect concept drawing and will seek planning approval by mid-2018.

3) FINANCIAL RESULTS

The financial results of the Group for the half year ended 31 December 2017 are:

	31/12/2017	30/06/2017	% Change
Cash and cash equivalents (\$)	615,969	1,117,853	(45%)
Net assets (\$)	2,191,951	2,388,220	(8%)

	31/12/2017	31/12/2016	% Change
Revenue (\$)	219	41,977	(99%)
Net loss after tax (\$)	(196,269)	(942,572)	79%
Loss per share (cents per share)	(0.77)	(3.70)	79%

4) EVENTS SUBSEQUENT TO REPORTING DATE

There have not been any significant events that have arisen since 31 December 2017 and up to the date of this report that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

5) AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Moore Stephens, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2017.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the Corporations Act 2001.



Eric Kong

Executive Director

Signed at Perth this 20th day of February 2018

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AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF ULTIMA UNITED LIMITED

As lead auditor for the review of Ultima United Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 20th day of February 2018

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

	Notes	31 December 2017	31 December 2016
		\$	\$
Interest revenue		219	1,095
Share of profit in Joint Venture		-	40,882
Administration expenses		(2,417)	(6,421)
Consultancy expenses		(18,000)	(21,000)
Depreciation expense		(408)	(615)
Employee benefit expenses		(124,925)	(128,177)
Finance costs		(20,441)	-
Impairment loss on property development	3	-	(772,326)
Legal and compliance expenses		(29,147)	(26,959)
Net gain on financial assets held at fair value		4,669	519
Occupancy expenses		(5,819)	(29,570)
Loss before income tax expense		(196,269)	(942,572)
Income tax expense		-	-
Net loss for the period		(196,269)	(942,572)
Other comprehensive Income		-	-
Total comprehensive income for the period		(196,269)	(942,572)
Basic and diluted loss per share (cents per share)		(0.77)	(3.70)

The accompanying notes form part of this financial report

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

	Notes	31 December 2017	30 June 2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		615,969	1,117,853
Trade and other receivables		59,869	7,487
Inventories – works in progress	2	1,842,895	-
TOTAL CURRENT ASSETS		2,518,733	1,125,340
NON CURRENT ASSETS			
Property development	3	1,170,382	2,298,756
Financial assets	4	9,857	5,188
Plant and equipment		1,166	1,171
TOTAL NON CURRENT ASSETS		1,181,405	2,305,115
TOTAL ASSETS		3,700,138	3,430,455
CURRENT LIABILITIES			
Trade and other payables		26,526	83,530
Provision		70,443	62,081
Borrowings	5	58,931	48,389
TOTAL CURRENT LIABILITIES		155,900	194,000
NON-CURRENT LIABILITIES			
Borrowings	5	1,352,287	848,235
TOTAL NON-CURRENT LIABILITIES		1,352,287	848,235
TOTAL LIABILITIES		1,508,187	1,042,235
NET ASSETS		2,191,951	2,388,220
EQUITY			
Issued capital		7,714,827	7,714,827
Reserves		482,267	482,267
Accumulated losses		(6,005,143)	(5,808,874)
TOTAL EQUITY		2,191,951	2,388,220

The accompanying notes form part of this financial report

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

	Issued Capital	Option Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2016	7,714,827	482,267	(4,685,112)	3,511,982
Loss for the period	-	-	(942,572)	(942,572)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(942,572)	(942,572)
Balance at 31 December 2016	7,714,827	482,267	(5,627,684)	2,569,410
Balance at 1 July 2017	7,714,827	482,267	(5,808,874)	2,388,220
Loss for the period	-	-	(196,269)	(196,269)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(196,269)	(196,269)
Balance at 31 December 2017	7,714,827	482,267	(6,005,143)	2,191,951

The accompanying notes form part of this financial report

**STATEMENT OF CASH FLOW
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

Notes	31 December 2017	31 December 2016
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(281,559)	(258,126)
Interest and other income	219	1,095
Finance costs	(20,441)	-
Net cash used in operating activities	(301,781)	(257,031)
Cash flows from investing activities		
Joint venture – property development	-	(14,104)
Payment for purchase of plant and equipment	(404)	-
Payment for property development	(714,293)	(48,395)
Net cash used in investing activities	(714,697)	(62,499)
Cash flows from financing activities		
Proceeds from borrowings	540,727	-
Repayment of borrowings	(26,133)	(19,348)
Net cash provided by / (used in) financing activities	514,594	(19,348)
Net decrease in cash and cash equivalents held	(501,884)	(338,878)
Cash and cash equivalents at beginning of period	1,117,853	1,375,502
Cash and cash equivalents at end of reporting period	615,969	1,036,624

The accompanying notes form part of this financial report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report comprises general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with the International Financial Reporting Standards.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

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

Basis of Preparation

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The same accounting policies and methods of computation have been followed in this half-year report as were applied in the most recent annual financial statements.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

Significant Accounting Judgment and Key Estimates

In the half-year ended 31 December 2017, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2017.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2017. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to the Company accounting policies.

Inventories

Inventories and work in progress are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost includes the cost of acquisition, development costs, holding costs and directly attributable interest on borrowed funds where the development is a qualifying asset. Capitalisation of borrowing costs is ceased during extended periods in which active development is interrupted. When a development is completed and ceases to be a qualifying asset, borrowing costs and other costs are expensed as incurred.

Current and Non-current Inventory Assets

Inventory is classified as current when it satisfies any of the following criteria:

- it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle;
- it is held primarily for the purpose of being traded; or
- it is expected to be realised within twelve months of the reporting date.

All other inventory is treated as non-current.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 2: INVENTORIES – WORKS IN PROGRESS

	31 December 2017	30 June 2017
	\$	\$
Costs carried forward in respect of properties of interest in (Oak Street Cannington):		
At the beginning of the reporting period	-	-
Reclassification from Property Development	1,138,126	-
Additions during the period	704,769	-
Balance at reporting date	1,842,895	-

NOTE 3: PROPERTY DEVELOPMENT

	31 December 2017	30 June 2017
	\$	\$
Costs carried forward in respect of properties of interest in:		
At the beginning of the reporting period	2,298,756	2,932,040
Additions during the period	9,752	139,042
Impairment loss on property development	-	(772,326)
Reclassification to Inventory – Works in Progress (Oak Street, Cannington)	(1,138,126)	-
Non-current balance at reporting date	1,170,382	2,298,756

NOTE 4: FINANCIAL ASSETS

	31 December 2017	30 June 2017
	\$	\$
Non-Current		
Listed shares at fair value	9,857	5,188
Total financial assets at fair value through profit or loss	9,857	5,188

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 5: BORROWINGS

	31 December 2017	30 June 2017
	\$	\$
Current		
Loan from financial institutions (i)	58,931	48,389
	58,931	48,389
Non-Current		
Loan from financial institutions (i)	1,352,287	848,235
	1,352,287	848,235
Total Borrowings	1,411,218	896,624

(i) Terms and conditions:

NATIONAL AUSTRALIA BANK FACILITY

Facility:	Business Loan	
Facility Limit:	\$945,000	
Loan Type:	Variable Rate Interest Only (100% offset)	
Loan Term:	29 Years	
Interest Rate:	4.70% per annum	
Security:	Registered Mortgage over property situated at 19 and 21 Tate Street Bentley WA 6102	
Covenants:	There are no covenants to be complied with	

WESTPAC BANKING FACILITY

Facility:	Business Overdraft	Bank Bill Business Loan
Facility Limit:	\$85,000	\$2,289,000
Loan Type:	Variable Rate Interest Only	Variable Rate Interest Only
Loan Term:	Annual Review but repayable on demand	2 Years & 1 Month
Interest Rate:	6.29% per annum	4.355% per annum
Facility Fee:	1.2% per annum	1.5% per annum

The total facility of \$2,374,000 is secured by the following:

- Limited Guarantee and Indemnity by Xing Yan.
- Limited Guarantee and Indemnity by S & A Holding (Aust) Pty Ltd supported by:
 - General Security Agreement by S & A Holding (Aust) Pty Ltd over all existing and future assets and undertakings.
 - Mortgage by S & A Holding (Aust) Pty Ltd over the property located at 1 Tamara Drive Cockburn Central, WA 6164.
- Mortgage by Ultima United Limited over the property located at 3 Oak Street Cannington, WA 6107
- General Security Agreement by Ultima United Limited over all existing and future assets and undertakings.

Facility Covenants:

- At all times, the total amount owing under the loan must not exceed 61% of the development costs (LCR) and 51% of the "on-comp" value of 3 Oak Street, Cannington as determined by the lender (LVR).

In the event the above covenants are exceeded, the Company must repay that portion of the amount owing sufficient to ensure the covenants are satisfied or provide additional security acceptable to the lender to ensure the LCR & LVR are maintained.

These covenants were complied with during the half year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

NOTE 6: OPERATING SEGMENTS

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Company operates in one geographical and business segment being property development in Australia. All segment assets, segment liabilities and segment results relate to the one segment and therefore no segment analysis has been prepared.

NOTE 7: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

There have not been any significant events that have arisen since 31 December 2017 and up to the date of this report that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

NOTE 9: FINANCIAL INSTRUMENTS

This note provides information about how the Company determines fair values of various financial assets and liabilities.

Except as determined in the following table, the Directors consider that the carrying value of the financial assets and financial liabilities are recognised in the financial statements approximate their fair values.

	31 December 2017		30 June 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	615,969	615,969	1,117,853	1,117,853
Trade and other receivables	59,869	59,869	7,487	7,487
Financial assets (listed shares)	9,857	9,857	5,188	5,188
	685,695	685,695	1,130,528	1,130,528
Financial Liabilities				
Trade and other creditors	(26,526)	(26,526)	(83,530)	(83,530)
Borrowings	(1,411,218)	(1,411,218)	(896,624)	(896,624)
	(1,437,744)	(1,437,744)	(980,154)	(980,154)

NOTE 10: CAPITAL COMMITMENTS

Amounts below relate to minimum capital expenditure required on the Company's Cannington Project.

	< 12 Months	1-5 Years	Total
	\$	\$	\$
Capital Commitments	1,589,200	-	1,589,200
	1,589,200	-	1,589,200

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes thereto, as set out on 5 to 12:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the Company's financial position as at 31 December 2017 and of its performance for the half-year then ended.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s303(5) of the Corporations Act 2001.



Eric Kong

Executive Director

Signed at Perth this 20th day of February 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ULTIMA UNITED LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ultima United Limited which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, the condensed 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 Ultima United Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) 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 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 Ultima United Limited'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 Ultima United Limited, 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, which has been given to the directors of Ultima United Limited, would be in the same terms if provided to the directors as at the time of this auditor's review report.

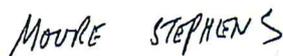
Conclusion

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 Ultima United Limited is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 20th day of February 2018