

Microequities Asset Management Group Limited

ABN 17 110 777 056

Interim Report - 31 December 2018

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Dear Fellow Shareholders,

During the second quarter of Financial Year 2019 ('FY19'), domestic and world equity markets experienced pronounced market price declines. The consequent effect of these declines on our business is twofold; firstly, as the bulk of our funds under management ('FUM') are marked to market, our FUM falls in concert with the market price declines of our investments. Secondly, the market price declines negatively affect investor sentiment, thus causing a slow down in gross inflows and incrementing outflow patterns, as some investors react to short term equity market trends. The market declines were especially pronounced in the asset classes we manage, with the Small Cap Accumulation index and the Emerging Companies Accumulation index falling 13.7% and 16.4% respectively over the last calendar quarter of 2018.

Paradoxically and ironically, deep value investment opportunities under these market conditions increase, thereby improving the potential long-term investment outcomes for our existing and new clients. Primarily as a result of the second quarter market declines, our FUM has declined from a previously reported \$406million (as of 31 October 2018) to \$369 million (as of 31 December 2018). The core of funds under management are well poised to deliver intrinsic value growth in FY19 and we see the current equity market conditions as benefiting our deep value and fundamental approach to long term capital allocation.

Summary Profit or Loss Statement (\$000's unless stated)	31 Dec 2018	31 Dec 2017	% change
Funds Under Management (\$m)	369.0	441.7	-16%
Operating profit from investment management			
Recurring Revenue ¹	3,418.9	3,346.0	+2%
Ongoing Operating Expenses ²	-1,590.8	-1,493.5	+7%
Operating profit from recurring revenue	1,828.1	1,852.6	-1%
Performance fee Income	591.1	1,982.0	-70%
Interest revenue and other income	176.0	193.3	-9%
Other income and gains/(loss) on investments	(267.0)	41.1	-749%
Employee share based payment expense	(610.2)	-	
Tax expense	(487.6)	(1,111.0)	-56%
Profit attributable to non-controlling interesting	(146.1)	(138.0)	+6%
Profit from ordinary activities after tax attributable to the owners of Microequities Asset Management Group	1,084.3	2,820.0	-62%
Client Numbers (units)	818	837	-2%
Ongoing operating expenses to recurring revenue	46.5%	44.6%	+4%

¹ Represents management fees

² Excludes costs related to the employee share-based payment expense

Operating Profit from recurring revenue

Financially, in the first half we experienced an increase in recurring revenue of +2% to \$3.42million versus the previous corresponding period ('PCP') whilst operating profit from recurring revenue declined marginally to \$1.83million. Total client numbers are down slightly to 818 (-2% versus PCP).

Balance sheet and dividend payment and buyback

The business continues to trade profitably, with a strong balance sheet and \$8.7million of net tangible assets. The board of directors are pleased to declare an interim dividend of 1 cent per share fully franked. Additionally, following the publication of these financial results it is the intention of the company to continue to undertake considered, measured and opportunistic share buybacks, should conditions permit.

Looking ahead for the rest of FY19

We are pleased to report that on 31 January 2019 we successfully launched our Microequities Value Income Fund which is the first of funds that allows retail investors access to our product offering and will target the financial advisors as the distribution channel. This fund is based on the strategy of our proven Microequities High Income Value Microcap Fund, which is a fund for wholesale investors and has a +5-year track record of capital growth and regular high cash income payments.

The current equity environment is likely to create greater levels of pricing dislocation over the near term and our investment management team is intensely focused on identifying long term investment opportunities that will inevitably be created from irrational investor behaviour. Our investment management team is highly focused on their continued research and investment activities and we look forward to demonstrating the combined effects of long-term value investing applied to a growth asset class.



Carlos Gil
Chief Executive Officer, Chief Investment Officer

14 February 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Microequities Asset Management Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Directors

The following persons were directors of Microequities Asset Management Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Leslie Szekely - Chairman
Craig Shapiro
Carlos Gil
Samuel Gutman

Principal activities

During the financial half-year the principal continuing activities of the Group consisted the management of investment funds.

Review of operations

The profit for the Group after providing for income tax and non-controlling interest amounted to \$1,084,265 (31 December 2017: \$2,820,064).

Refer to Chief Executive Officer's report for further commentary on the review of operations.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

On behalf of the directors



Leslie Szekely
Chairman

14 February 2019



Carlos Gil
Chief Executive Officer

DECLARATION OF INDEPENDENCE BY ARTHUR MILNER TO THE DIRECTORS OF MICROEQUITIES ASSET MANAGEMENT GROUP LIMITED

As lead auditor for the review of Microequities Asset Management Group Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Microequities Asset Management Group Limited and the entities it controlled during the period.



Arthur Milner
Partner

BDO East Coast Partnership

Sydney, 14 February 2019

Microequities Asset Management Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018



	Note	Consolidated 31 Dec 2018 \$	31 Dec 2017 \$
Revenue	4	4,118,471	5,444,031
Other income and gain/(loss) on investments	5	(267,009)	41,124
Interest revenue calculated using the effective interest method		67,566	77,390
Expenses			
Employee benefits expenses		(1,710,027)	(1,024,783)
Legal and professional expenses		(60,930)	(34,670)
Advertising expenses		(80,240)	(139,056)
Occupancy expenses		(153,998)	(138,496)
Other expenses		(195,801)	(156,460)
Profit before income tax expense		1,718,032	4,069,080
Income tax expense		(487,632)	(1,110,976)
Profit after income tax expense for the half-year		1,230,400	2,958,104
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		<u>1,230,400</u>	<u>2,958,104</u>
Profit for the half-year is attributable to:			
Non-controlling interest		146,135	138,040
Owners of Microequities Asset Management Group Limited		<u>1,084,265</u>	<u>2,820,064</u>
		<u>1,230,400</u>	<u>2,958,104</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		146,135	138,040
Owners of Microequities Asset Management Group Limited		<u>1,084,265</u>	<u>2,820,064</u>
		<u>1,230,400</u>	<u>2,958,104</u>
		Cents	Cents
Basic earnings per share	11	0.83	2.16
Diluted earnings per share	11	0.83	2.12

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Microequities Asset Management Group Limited
 Consolidated statement of financial position
 As at 31 December 2018



	Note	Consolidated 31 Dec 2018 \$	Consolidated 30 Jun 2018 \$
Assets			
Current assets			
Cash and cash equivalents		5,508,115	6,562,576
Trade and other receivables		608,015	784,866
Other		94,582	82,182
Total current assets		<u>6,210,712</u>	<u>7,429,624</u>
Non-current assets			
Financial assets at fair value through profit or loss	6	3,114,037	2,876,277
Deferred tax		156,601	92,730
Total non-current assets		<u>3,270,638</u>	<u>2,969,007</u>
Total assets		<u>9,481,350</u>	<u>10,398,631</u>
Liabilities			
Current liabilities			
Trade and other payables	7	461,291	634,886
Income tax		133,111	766,409
Employee benefits		207,995	216,586
Total current liabilities		<u>802,397</u>	<u>1,617,881</u>
Total liabilities		<u>802,397</u>	<u>1,617,881</u>
Net assets		<u>8,678,953</u>	<u>8,780,750</u>
Equity			
Issued capital	8	2,795,987	2,706,045
Reserves		367,299	327,597
Retained earnings		5,515,657	5,747,098
Equity attributable to the owners of Microequities Asset Management Group Limited		<u>8,678,943</u>	<u>8,780,740</u>
Non-controlling interest		10	10
Total equity		<u>8,678,953</u>	<u>8,780,750</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Microequities Asset Management Group Limited
 Consolidated statement of changes in equity
 For the half-year ended 31 December 2018



Consolidated	Issued capital \$	Reserves \$	Retained earnings \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2017	2,655,669	-	3,177,619	10	5,833,298
Profit after income tax expense for the half-year	-	-	2,820,064	138,040	2,958,104
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	2,820,064	138,040	2,958,104
<i>Transactions with owners in their capacity as owners:</i>					
Repayments under loan funded share plan	15,000	-	-	-	15,000
Distribution of profits to non-controlling interest	-	-	-	(138,040)	(138,040)
Dividends paid (note 9)	-	-	(2,645,000)	-	(2,645,000)
Balance at 31 December 2017	2,670,669	-	3,352,683	10	6,023,362
Consolidated	Issued capital \$	Reserves \$	Retained earnings \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2018	2,706,045	327,597	5,747,098	10	8,780,750
Profit after income tax expense for the half-year	-	-	1,084,265	146,135	1,230,400
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	1,084,265	146,135	1,230,400
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 8)	28,680	-	-	-	28,680
Transfer on exercise of options	190,139	(190,139)	-	-	-
Share-based payments	-	229,841	-	-	229,841
Share buy-back	(128,877)	-	-	-	(128,877)
Distribution of profits to non-controlling interest	-	-	-	(146,135)	(146,135)
Dividends paid (note 9)	-	-	(1,315,706)	-	(1,315,706)
Balance at 31 December 2018	2,795,987	367,299	5,515,657	10	8,678,953

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

	Consolidated	Consolidated
	31 Dec 2018	31 Dec 2017
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	4,692,306	9,025,840
Payments to suppliers and employees (inclusive of GST)	<u>(2,548,601)</u>	<u>(2,127,972)</u>
	2,143,705	6,897,868
Dividends and distributions received	7,577	-
Interest received	69,776	77,390
Income taxes paid	<u>(1,184,801)</u>	<u>(1,319,883)</u>
Net cash from operating activities	<u>1,036,257</u>	<u>5,655,375</u>
Cash flows from investing activities		
Payments for investments	(500,000)	(1,016,778)
Proceeds from disposal of investments	<u>-</u>	<u>1,018,434</u>
Net cash from/(used in) investing activities	<u>(500,000)</u>	<u>1,656</u>
Cash flows from financing activities		
Payments for share buy-backs	(128,877)	-
Dividends paid	(1,315,706)	(3,295,000)
Distribution of profits to non-controlling entity	<u>(146,135)</u>	<u>(138,040)</u>
Net cash used in financing activities	<u>(1,590,718)</u>	<u>(3,433,040)</u>
Net increase/(decrease) in cash and cash equivalents	(1,054,461)	2,223,991
Cash and cash equivalents at the beginning of the financial half-year	<u>6,562,576</u>	<u>3,715,128</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>5,508,115</u></u>	<u><u>5,939,119</u></u>

Note 1. General information

The financial statements cover Microequities Asset Management Group Limited as a Group consisting of Microequities Asset Management Group Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (referred to as the 'Group'). The financial statements are presented in Australian dollars, which is Microequities Asset Management Group Limited's functional and presentation currency.

Microequities Asset Management Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 3105, Level 31 Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 14 February 2019.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Comparatives

Certain comparative information in the consolidated statement of profit or loss have been reclassified, where necessary, for consistency with the current period presentation.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Significant accounting policies (continued)

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 9 Financial Instruments

The Group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption

AASB 9 and AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group and therefore there was no impact on opening retained earnings as at 1 July 2018.

Note 3. Operating segments

The main business activities of the Group are the provision of funds management services. The Board of Directors are identified as the Chief Operating Decision Makers ('CODM'), and they consider the performance of the main business activities on an aggregated basis to determine the allocation of resources.

Other activities undertaken by the Group, including investing activities, are incidental to the main business activities.

Based on the internal reports that are used by the CODM the Group has one operating segment being the provision of funds management services with the objective of offering investment funds to wholesale and sophisticated investors. There is no aggregation of operating segments.

The operating segment information is the same information as provided throughout the financial statements and are therefore not duplicated.

The information reported to the CODM is on a monthly basis.

Note 4. Revenue

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Management fees	3,418,913	3,346,095
Performance fees	591,130	1,981,994
Other revenue	108,428	115,942
	<u>4,118,471</u>	<u>5,444,031</u>

Note 5. Other income and gain/(loss) on investments

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Dividends and distributions	20,881	37,503
Realised gain on investments	-	63,395
Unrealised loss on investments	(287,890)	(59,774)
	<u>(267,009)</u>	<u>41,124</u>

Note 6. Non-current assets - financial assets at fair value through profit or loss

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Investment in unlisted Australian unit trusts - designated at fair value through profit or loss	3,114,037	2,876,277

Refer to note 10 for further information on fair value measurement.

Note 7. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Trade payables	144,022	92,575
Accruals and other payables	317,269	542,311
	<u>461,291</u>	<u>634,886</u>

Note 8. Equity - issued capital

	Consolidated			
	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	133,525,473	132,938,073	4,020,588	3,930,646
Less: Treasury shares	(2,637,776)	(2,637,776)	(1,224,601)	(1,224,601)
	<u>130,887,697</u>	<u>130,300,297</u>	<u>2,795,987</u>	<u>2,706,045</u>

Note 8. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2018	132,938,073	3,930,646
Share buy-back	9 October 2018	(216,076)	(125,232)
Shares issued on exercise of options	19 November 2018	759,161	-
Shares issued	19 November 2018	50,760	28,680
Share buy-back	21 November 2018	(6,445)	(3,645)
Transfer from share-based payment reserve on exercise of options		-	190,139
Balance	31 December 2018	<u>133,525,473</u>	<u>4,020,588</u>

Share buy-back

During the half-year, the Company bought back 222,521 shares at a cost of \$128,877. The buy-back program is expected to expire on 12 September 2019.

Note 9. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Interim dividend for the year ended 30 June 2018 of 2.009 cents per ordinary share	-	2,645,000
Final dividend for the year ended 30 June 2018 of 1.000 cent per ordinary share	1,315,706	-
	<u>1,315,706</u>	<u>2,645,000</u>

On 14 February 2019, the directors declared a fully franked interim dividend for the year ending 30 June 2019 of 1 cent per ordinary share, to be paid on 8 March 2019 to eligible shareholders on the register as at 22 February 2019. This equates to a total estimated distribution of \$1,308,877, based on the number of ordinary shares on issue as at 31 December 2018. The financial effect of dividends declared after the reporting date are not reflected in the financial statements and will be recognised in subsequent financial statements.

Note 10. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Investment in unlisted Australian unit trusts	-	3,114,037	-	3,114,037
Total assets	-	<u>3,114,037</u>	-	<u>3,114,037</u>

Note 10. Fair value measurement (continued)

Consolidated - 30 Jun 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Investment in unlisted Australian unit trusts	-	2,876,277	-	2,876,277
Total assets	-	2,876,277	-	2,876,277

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Investments in unlisted Australian unit trusts

The investments are recorded at fair value determined on the basis of the published unit prices of those unlisted managed investment funds at the reporting date, adjusted where deemed appropriate, to reflect values based on recent actual market transactions.

Note 11. Earnings per share

	Consolidated 31 Dec 2018 \$	31 Dec 2017 \$
Profit after income tax	1,230,400	2,958,104
Non-controlling interest	(146,135)	(138,040)
Profit after income tax attributable to the owners of Microequities Asset Management Group Limited	<u>1,084,265</u>	<u>2,820,064</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	130,389,492	130,300,296
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	518,352	2,512,287
Performance rights over ordinary shares	46,067	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>130,953,911</u>	<u>132,812,583</u>
	Cents	Cents
Basic earnings per share	0.83	2.16
Diluted earnings per share	0.83	2.12

The weighted average number of ordinary shares for half-year ended 31 December 2018 does not include 2,637,776 treasury shares (31 December 2017:1,367,432).

31 December 2017 weighted average number of ordinary shares has been adjusted to give effect to share-split that occurred on 16 February 2018.

Note 12. Events after the reporting period

Apart from the dividend declared as disclosed in note 9, no other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Leslie Szekely
Chairman



Carlos Gil
Chief Executive Officer

14 February 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Microequities Asset Management Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Microequities Asset Management Group Limited (the company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial 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*.

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 is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'AM', with a flourish at the end.

Arthur Milner
Partner

Sydney, 14 February 2019