The Capricornian Ltd

ABN 54 087 650 940

Interim report

for the half-year ended 31 December 2018

The Capricornian Ltd ABN 54 087 650 940
Interim report – 31 December 2018

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by The Capricornian Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The financial statements were authorised for issue by the directors on 14th March 2019. The credit union has the power to amend and reissue the financial statements.

Directors	George Anthony Edwards *Chairman* John Francis Siganto *Deputy Chairman* Vicki Anne Bastin-Byrne Christopher Bernard O'Brien Peter Graham Olrich Janette Linda Davis (appointed 24th September 2018)
Secretary	Dale Frederick Grounds
Registered office	157 East Street, Rockhampton Qld 4700 A.F.S.L 246 780 A.B.N. 54 087 650 940 Telephone (07) 4931 4900 Facsimile (07) 4931 4970 Email info@capricornian.com.au Phonefast 1300 654 654 Online Banking www.capricornian.com.au
Branches	157 East Street, Rockhampton Stockland Rockhampton, Yaamba Road, North Rockhampton 2 James Street, Yeppoon 115 Egerton Street, Emerald Blomfield Street, Miriam Vale 174 Goondoon Street, Gladstone 29 Eclipse Street, Springsure
ATM's	Automatic Teller Machines (ATM's) are located at all locations listed above with the exception of Gladstone and Springsure Branches
External Auditor	BDO Audit Pty Ltd
Internal Auditor	KPMG
Solicitors	Gadens Lawyers (Brisbane) Daniels Bengtsson Pty Ltd (Sydney) Results Legal Solutions (Brisbane)
Affiliations	Cuscal Ltd Australian Settlements Limited Customer Owned Banking Association
Website address	www.capricornian.com.au
Regulatory Disclosures	www.capricornian.com.au/About-Us/Prudential-Disclosures/

Directors' report

Your directors present their report on the operations of The Capricornian Ltd for the half-year ended 31 December 2018.

Directors
The following persons were directors of The Capricornian Ltd during the whole of the half-year and up to the date of this report:

George Anthony EDWARDS (Chairman)

John Francis SIGANTO (Deputy Chairman)

Vicki Anne BASTIN-BYRNE

Christopher Bernard O'BRIEN

Peter Graham OLRICH

Janette Linda DAVIS

Review of operations

The performance of The Capricornian Ltd for the first six months of the current financial year, as measured by asset, loan growth, and profitability has been satisfactory. While profitability and efficiency, as measured by our cost to income ratio, are strong, lending growth has been modest. This result reflects local, state and national economic factors. House prices in our key markets remain stagnant; record low new private housing approvals for the half year ended 31 December 2018 point to a significant reduction in demand for the construction of new houses; and unemployment remains stubbornly high, at 6.7% overall for Central Queensland and 13.9% for Youth unemployment. These numbers being well above the state average.

The six month post-tax profit of $898,764 represents an 18% increase on the same period last year. This result has been positively impacted by unbudgeted income, but the underlying financial performance remains strong. Margin compression continues to place pressure on income. Being generated by member expectations of lower home loan rates, while at the same time market expectation on higher term deposit rates are increasing. Technology, working smarter and changing member preferences for service have combined to allow TCL to record a cost to income ratio of 75.80%. Customer service remains a focus of our staff and the pleasant and professional ways in which this service are delivered are reflected in recent very strong Net Promoter Scores (NPS), well in excess of similar scores recorded by our much bigger competitors.

In addition to our substantial financial commitment via sponsorships and the Community Grants program, The Capricornian's Community involvement continues in all of our regions. Highlights of our community participation in the half year have been:

- The Capricornian Charity Golf Day supporting Give Me 5 For Kids
- RACQ Capricorn Helicopter Rescue Step Up Volunteer Program
- Disability Action Week 2018 – Emu Park Beach day
- Heart Foundation Christmas Wrap and Anglicare CQ Adopt A Family

The Capricornian Staff Blood donation program

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 on page 4.

This report is made in accordance with a resolution of directors.

G. A. Edwards Director	J. F. Siganto Director

Rockhampton
14th March 2019

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DECLARATION OF INDEPENDENCE BY M CUTRI TO THE DIRECTORS OF THE CAPRICORNIAN LTD

As lead auditor for the review of The Capricornian Ltd 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.

M Cutri
Director

BDO Audit Pty Ltd

Brisbane, 14 March 2019

The Capricornian Ltd
Statement of Comprehensive Income
For the half-year ended 31 December 2018

	Notes	Half-year 2018 $	2017 $
Interest revenue	3	7,245,450	6,798,392
Interest expense	3	(2,983,303)	(2,749,214)
Net interest revenue		4,262,147	4,049,178
Fee and commission revenue	4	678,958	751,193
Other revenue	4	499,097	75,556
Total net interest income and other revenue		5,440,202	4,875,927
Bad and doubtful debts (expense)/revenue		(32,550)	(63,225)
Other expenses	5	(4,167,977)	(3,770,088)
Total expenses		(4,200,527)	(3,833,313)
Profit before income tax expense		1,239,675	1,042,614
Income tax expense		(340,911)	(286,719)
Profit for the half-year attributable to members		898,764	755,895
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the half-year attributable to members		898,764	755,895

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

	Notes	**31 December 2018 $**	30 June 2018 $
ASSETS			
Cash and cash equivalents		36,984,298	33,958,882
Receivables		507,566	458,753
Investments measured at amortised cost with a maturity of more than 3 months		11,041,327	12,054,188
Loans and advances		284,407,475	282,339,992
Property, plant and equipment		2,623,535	2,954,129
Intangible Assets		165,799	245,517
Deferred tax assets		592,824	592,824
Other assets	8	314,506	833,066
Total assets		336,637,330	333,437,351
LIABILITIES			
Deposits and borrowings		308,855,904	306,554,694
Other liabilities		2,374,725	2,383,554
Provision for income tax		161,346	116,179
Provisions		510,102	481,105
Total liabilities		311,902,077	309,535,532
Net assets		24,735,254	23,901,819
EQUITY			
Contributed equity		2,508,579	2,508,579
Reserves		1,271,243	1,252,195
Retained profits		20,955,432	20,141,045
Total equity		24,735,254	23,901,819

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

	Contributed Equity $	Asset Revaluation Reserve $	Credit Loss Reserve $	Retained Earnings $	Total $
Balance 1 July 2017	2,508,579	704,554	520,601	18,866,058	22,599,792
Profit for the half-year as reported in the 2017 interim report	-	-	-	755,895	755,895
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	755,895	755,895
Transfer to / from reserve for credit losses	-	-	1,765	(1,765)	-
Total transfers to / from retained earnings	-	-	1,765	(1,765)	-
Transactions with investment shareholders					
Dividend provided for	-	-	-	(56,119)	(56,119)
	-	-	-	(56,119)	(56,119)
Balance half-year ended 31 December 2017	2,508,579	704,554	522,366	19,564,069	23,299,568
Balance 1 July 2018	2,508,579	704,554	547,641	20,141,045	23,901,819
Profit for the half-year as reported in the 2018 interim report	-		-	898,764	898,764
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	898,764	898,764
Transfer to / from reserve for credit losses	-	-	19,048	(19,048)	-
Total transfers to / from retained earnings	-	-	19,048	(19,048)	-
Transactions with investment shareholders					
Dividend provided for	-	-	-	(65,329)	(65,329)
	-	-	-	(65,329)	(65,329)
Balance half-year ended 31 December 2018	2,508,579	704,554	566,689	20,955,432	24,735,254

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

	Half-year 2018 $	Half-year 2017 $
Cash flows from operating activities		
Interest received	7,250,617	6,779,874
Interest paid	(2,703,790)	(2,383,872)
Loans and advances funded	(24,751,047)	(38,399,172)
Loans repaid excluding overdrafts	22,648,704	21,985,469
Net inflow in member deposits	2,386,834	19,852,297
Non interest revenue received	185,114	750,023
Payments to suppliers and employees	(2,953,525)	(4,405,905)
Income taxes paid	(272,960)	(301,909)
Net cash inflow from operating activities	1,789,947	3,876,805
Cash flows from investing activities		
Payments for investments measured at amortised cost with a maturity of more than 3 months	1,012,861	13,545
Payments for property, plant and equipment and intangible assets	(39,733)	(200,923)
Proceeds from sale of property, plant and equipment	406,761	279
Net cash inflow from investing activities	1,379,889	(187,099)
Cash flows from financing activities		
Repayment of Borrowings	(85,623)	(505,300)
Dividends paid	(58,797)	(59,581)
Net cash outflow from financing activities	(144,420)	(564,881)
Net increase in cash and cash equivalents	3,025,416	3,124,825
Cash and cash equivalents at the beginning of the half-year	33,958,882	30,966,217
Cash and cash equivalents at end of the half-year	36,984,298	34,091,042

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

1 Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by The Capricornian Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) New and amended standards adopted by The Capricornian Ltd

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the annual financial report for the financial year ended 30 June 2018, except for the adoption of new standards effective as of 1 July 2018. The Credit Union has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Credit Union applies, for the first time, AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers. The adoption of these new and revised Standards and Interpretations did not have any material impact on the amounts recognised in the financial statements of the group for the current or prior periods. However, the accounting policies have changed from that disclosed in the 30 June 2018 financial statements. The new accounting policies for the group adopted for the first time in these financial statements are as follows:

(i) AASB *15 Revenue from Contracts with Customers* supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The adoption of AASB 15 has not impacted the amounts disclosed within the financial statements.

The Credit Union has adopted the new standard and has determined that there is no significant impact on the group, as most of its revenues arise from the provision of financial services which are largely governed by other accounting standards. The impact to the revenue streams relating to certain fees and commissions that are captured on transition will not be materially impacted.

(ii) AASB 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. The requirements of AASB 9 represent a significant change from AASB 139. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Credit Union's accounting policies resulting from its adoption of AASB 9 are summarised below.

Classification of financial assets and financial liabilities

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). AASB 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous AASB 139 categories of held-to-maturity, loans and receivables and available-for-sale.

AASB 9 largely retains the existing requirements in AASB 139 for the classification of financial liabilities. However, although under AASB 139 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under AASB 9, fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

- the remaining amount of change in the fair value is presented in profit or loss.

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss (ECL)' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

The Credit Union incorporates past, current and forward looking economic conditions when estimating expected losses. The guiding principle of the expected credit loss model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. There are two measurement bases:

- 12-month ECL (Stage 1), which applies to all items from initial recognition, as long as there is no significant deterioration in credit quality; and

- Lifetime ECL (Stage 2 & 3), which applies when a significant increase in credit risk has occurred.

The Credit Union will assess at each reporting date whether there has been a significant increase in credit risk of financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

In assessing whether there has been a significant increase in credit risk, the Credit Union has considered the reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward looking information. Credit risk assessment has been carried out on an individual and collective basis.

When measuring ECLs, the Credit Union has taken into account the probability weighted outcome of cash shortfalls over the expected life of the asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group is expected to receive.

The impact on the adoption of AASB 9 was deemed to not be material.

Interest

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or

– the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Credit Union estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 July 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

2 Cash and cash equivalents

Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Half-year	
	2018 **$**	2017 $
Cash on hand and at bank	13,619,344	8,709,188
Investments measured at amortised cost with a maturity of less than 3 months	24,365,444	25,381,854
	37,984,788	34,091,042

3 Interest Revenue and Interest Expense

The following table shows the amount of interest revenue or expense for each of the major categories of interest bearing assets and liabilities.

	Half-year	
	2018 **$**	2017 $
Interest Revenue		
Cash and cash equivalents	56,463	77,028
Investment securities	456,030	377,384
Loans and advances	6,732,957	6,343,392
	7,245,450	6,798,392
Interest Expense		
Member deposits	2,960,536	2,700,187
Investment bonds	22,233	48,041
Borrowings	534	986
	2,983,303	2,749,214

4 Fee, Commission and Other Revenue

	Half-year	
	2018 **$**	2017 $
Non-Interest Revenue		
Fees and commissions		
-loan fee income	73,432	80,473
-other fee income	314,857	354,036
-insurance commissions	196,462	198,045
-other commissions	94,207	118,639
Subtotal	678,958	751,193
Bad debts recovered	1,465	2,942
Other revenue		
-insurance claim proceeds on loss of property	389,056	-
-other	108,576	72,614
Subtotal	499,097	75,556
Total non-interest revenue	1,178,055	826,749

5 Other Expenses

	Half-year 2018 $	2017 $
Depreciation and amortisation		
-plant and equipment	72,905	71,434
-buildings	27,363	26,628
-intangible assets	97,991	121,287
General and administration		
-personnel costs	1,748,357	1,682,345
-other	1,111,195	1,052,776
Other expenses		
-operating lease expenses	128,801	127,142
-loss on disposal of property	234,896	-
-other	746,469	688,476
Total Other Expenses	4,167,977	3,770,088

6 Dividends

	Half-year 2018 $	2017 $
Investment Shares		
Final dividend for the year ended 30 June 2018 (paid on 5th November 2018)	58,797	59,581
Interim dividend for the half year ended 31 December 2018 (paid on 31st January 2019)	62,717	56,119

Investment Shares are irredeemable, non-cumulative, non-participating preference shares issued under Division 2 of Appendix 3 to The Capricornian's constitution.

7 Contingent Liabilities

Guarantees
The Capricornian has issued guarantees to support the obligations of certain members. The guarantees are for limited amounts and limited terms. Security is taken from the member whose obligation is guaranteed in accordance with The Capricornian's normal lending policies.

	31 December 2018 $	30 June 2018 $
Guarantees	399,997	319,043

8 Other Assets

	31 December 2018	30 June 2018
	$	$
Other Assets	314,506	833,066
	314,506	833,066

The balance of other assets consists of clearing accounts that are expected to settle within one month.

9 Events Subsequent to Reporting Date

No matters or circumstances have arisen since the end of the half-year which would be likely to have a significant affect on the operations of the credit union, the results of these operations or the state of affairs of the credit union in subsequent financial periods.

10 Fair Values

(a) Fair value hierarchy

The Capricornian measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using:
    - o quoted market prices in active markets for similar instruments;
    - o quoted prices for identical or similar instruments in markets that are considered less than active; or;
    - o other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values for financial instruments traded in active markets are based on quoted market prices at reporting date. The quoted market price for financial assets is the current bid price. The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. To the extent possible assumptions used are based on observable market prices and rates at the end of the reporting date.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

(b) Fair value estimates

The following methods and assumptions are used to determine the fair values of financial assets and financial liabilities.

Cash and cash equivalents and other receivables

The carrying values approximate their fair value as they are short term in nature or are receivable on demand.

Loans and advances

The carrying value of loans and advances is net of provisions for impairment. For variable rate loans, the carrying amount is a reasonable estimate of the net fair value.

Financial assets measured at amortised cost

The carrying values of financial assets measured at amortised cost approximate their net fair value due to short-term maturities of these securities.

10 Fair Values (continued)

(a) Fair value hierarchy (continued)

Deposits from members

The fair value of at call and variable rate deposits, and fixed rate deposits repriced within twelve months, approximates the carrying value. Discounted cash flow models based upon deposit types and related maturities were used to calculate the fair value of other term deposits. The discount rates applied were based on the current benchmark rate offered for the actual remaining term of the portfolio as at 31 December.

(c) Financial instruments measured at fair value - Fair value hierarchy

The table below categorises assets measured and recognised at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	$	$	$	$	$
December 2018					
Financial liabilities					
Deposits	-	309,333,565	-	309,333,565	308,855,904
June 2018					
Financial liabilities					
Deposits	-	305,349,450	-	305,349,450	306,554,694

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 12 are in accordance with the *Corporations Act 2001,* including:
  (i) complying with AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of The Capricornian Ltd's financial position as at 31 December 2018 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that The Capricornian Ltd 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.

G. A. Edwards	J. F. Siganto
Director	Director

Rockhampton
14th March 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of The Capricornian Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of The Capricornian Ltd (the Company), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, notes comprising a statement of significant 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 Company is not in accordance with the *Corporations Act 2001* including:

A. Giving a true and fair view of the Company's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

B. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *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 Company'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 Company, 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 Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

M Cutri
Director

Brisbane, 14 March 2019