1. Company details

Name of entity:	Nick Scali Limited
ABN:	82 000 403 896
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	10.3%	to	141,078
Profit from ordinary activities after tax attributable to the owners of Nick Scali Limited	up	8.0%	to	25,387
Profit for the year attributable to the owners of Nick Scali Limited	up	8.0%	to	25,387

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2018 paid on 24 October 2018	24.0	24.0

On 6 February 2019 the directors declared a fully franked interim dividend of 25.0 cents per ordinary share with a record date of 6 March 2019 to be paid on 27 March 2019.

Comments

The profit for the company after providing for income tax amounted to $25,387,000 (31 December 2017: $23,514,000).

	Consolidated 31 Dec 2018 $'000	31 Dec 2017 $'000
Profit after income tax expense	25,387	23,514
Interest income	(463)	(448)
Finance costs	528	398
Income tax expense	10,372	10,185
Earnings Before Interest and Tax (EBIT)	35,824	33,649
Depreciation and amortisation expense	2,402	1,916
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	38,226	35,565

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	106.85	100.35

Nick Scali Limited

ABN 82 000 403 896

Half-Year Report - 31 December 2018

Contents

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'consolidated entity') consisting of Nick Scali 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 names and details of the Company's directors in office at any time during the financial year or until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

John W Ingram
Greg R Laurie
Carole A Molyneux
Stephen T Goddard
Anthony J Scali

Principal activities
The principal activities of the consolidated entity during the period were the sourcing and retailing of household furniture and related accessories.

No significant change in the nature of these activities occurred during the period.

Operating and financial review

For the half-year to 31 December 2018, the consolidated entity reported a net profit after tax result of $25.4m, up 8.0% on the prior year result of $23.5m.

Profit growth was driven by 10.3% increase in revenue to $141.1m for the half-year. The increased revenue resulted from new store openings for Nick Scali Furniture stores, across both Australia and New Zealand.

Gross margin strengthened to 62.8% (H1-18: 62.6%) driven by efficiencies from supplier consolidation and volume growth, offset by the devaluation of the AUD.

Operating expenses increased as a percentage of sales to 36.1% (H1-18: 35.2%).

Store network
The consolidated entity opened four new Nick Scali Furniture stores during the half year to 31 December 2018, in Mackay (QLD), Morayfield (QLD), Brisbane Airport (QLD) and Hamilton (New Zealand).

The total number of stores at 31 December 2018 was 55 Nick Scali Furniture stores.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Rounding of amounts
The Company is of a kind referred to in Class Order 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

Auditor's independence declaration
The directors received an independence declaration from the auditor of Nick Scali Limited and this is included on page 4 of the Financial Statements.

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

John W Ingram
Chairman

Anthony J Scali
Managing Director

6 February 2019
Sydney

Building a better working world

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Auditor's Independence Declaration to the Directors of Nick Scali Limited

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

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review*;* and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Nick Scali Limited and the entities it controlled during the financial period.

Ernst & Young

Lisa Nijssen-Smith
Partner
6 February 2019

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Revenue from sale of goods	3	141,078	127,953
Cost of goods sold		(52,485)	(47,851)
Gross profit		88,593	80,102
Other income	3	1,094	917
Expenses			
Marketing expenses		(9,217)	(8,802)
Employment expenses	4	(19,026)	(17,260)
General and administration expenses		(5,649)	(4,221)
Property expenses	4	(16,420)	(14,237)
Distribution expenses		(686)	(486)
Depreciation and amortisation		(2,402)	(1,916)
Finance costs		(528)	(398)
Profit before income tax expense		35,759	33,699
Income tax expense		(10,372)	(10,185)
Profit after income tax expense for the year attributable to the owners of Nick Scali Limited		25,387	23,514
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax		(326)	188
Exchange differences on translation of foreign operations		(2)	(1)
Other comprehensive income for the year, net of tax		(328)	187
Total comprehensive income for the year attributable to the owners of Nick Scali Limited		25,059	23,701
		Cents	**Cents**
Basic earnings per share		31.3	29.0
Diluted earnings per share		31.3	29.0

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

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Assets			
Current assets			
Cash and cash equivalents		38,187	36,585
Receivables		1,011	1,863
Inventories	6	37,138	36,175
Other financial assets	7	988	1,453
Prepayments	8	1,693	979
Total current assets		79,017	77,055
Non-current assets			
Property, plant and equipment	9	91,597	91,888
Intangible assets		2,378	2,378
Total non-current assets		93,975	94,266
Total assets		172,992	171,321
Liabilities			
Current liabilities			
Borrowings	10	20,362	20,362
Payables	11	39,601	44,055
Current tax liabilities		2,227	1,308
Provisions	12	3,237	2,953
Total current liabilities		65,427	68,678
Non-current liabilities			
Borrowings	13	13,300	13,300
Provisions	14	5,310	4,880
Deferred tax		31	800
Total non-current liabilities		18,641	18,980
Total liabilities		84,068	87,658
Net assets		88,924	83,663
Equity			
Issued capital		3,364	3,364
Reserves		750	1,436
Retained profits		84,810	78,863
Total equity		88,924	83,663

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

	Contributed equity $'000	Equity benefits reserve $'000	Capital profits reserve $'000	Cash flow hedge reserve $'000	Currency translation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2017	3,364	284	78	(386)	-	67,044	70,384
Profit after income tax expense for the year	-	-	-	-	-	23,514	23,514
Other comprehensive income for the year, net of tax	-	-	-	188	(1)	-	187
Total comprehensive income for the year	-	-	-	188	(1)	23,514	23,701
Share-based payments	-	(82)	-	-	-	-	(82)
Dividends paid (note 5)	-	-	-	-	-	(16,200)	(16,200)
Balance at 31 December 2017	3,364	202	78	(198)	(1)	74,358	77,803

	Contributed equity $'000	Equity benefits reserve $'000	Capital profits reserve $'000	Cash flow hedge reserve $'000	Currency translation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2018	3,364	341	78	1,018	(1)	78,863	83,663
Profit after income tax expense for the year	-	-	-	-	-	25,387	25,387
Other comprehensive income for the year, net of tax	-	-	-	(326)	(2)	-	(328)
Total comprehensive income for the year	-	-	-	(326)	(2)	25,387	25,059
Share-based payments	-	(358)	-	-	-	-	(358)
Dividends paid (note 5)	-	-	-	-	-	(19,440)	(19,440)
Balance at 31 December 2018	3,364	(17)	78	692	(3)	84,810	88,924

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

	Note	Consolidated 31 Dec 2018 $'000	31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers		156,039	140,381
Payments to suppliers and employees		(122,766)	(111,666)
		33,273	28,715
Interest received		463	448
Income taxes paid		(10,064)	(8,958)
Net cash from operating activities		23,672	20,205
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,102)	(26,390)
Net cash used in investing activities		(2,102)	(26,390)
Cash flows from financing activities			
Payment of dividends on ordinary shares	5	(19,440)	(16,200)
Proceeds from borrowings		-	11,000
Interest paid		(528)	(398)
Net cash used in financing activities		(19,968)	(5,598)
Net increase/(decrease) in cash and cash equivalents		1,602	(11,783)
Cash and cash equivalents at the beginning of the financial year		36,585	39,944
Cash and cash equivalents at the end of the financial half-year		38,187	28,161

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

Note 1. Basis of preparation

Basis of preparation
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, unless otherwise stated.

Where necessary, and as a result of a change in the classification of certain expenses during the current year, comparative amounts in the statement of comprehensive income have been reclassified for consistency with presentation in the current year.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2018. A subsidiary is an entity that is controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intercompany transactions, balances and unrealised gains on transactions between the Company and its subsidiary are eliminated. Accounting policies of subsidiary are consistent with the policies adopted by the Company.

Changes in accounting policies, accounting standards and interpretations
The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the annual financial statements for the period ended 30 June 2018, except as noted below.

- **AASB 9 Financial instruments**. This standard was adopted in full by the Company on 1 July 2018, the Company had early adopted the hedge accounting components of the standard during the financial year ended 30 June 2016.

  The Group's financial assets are classified, at initial recognition, and subsequently measured at amortised cost, and fair value through profit or loss, depending on the financial asset's contractual cash flow characteristics and the Group's business model to manage them.

  The Group's financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Financial liabilities are subsequently measured depending on their categorization, as follows.

  Loans and borrowings
  After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost.

  Derivatives designated as hedging instruments
  The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

  For the purpose of hedge accounting, hedges are classified as fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or cash flow hedges when hedging the exposure to variability in cash flows that is attributable to a particular risk associated with a highly probable forecast transaction.

Note 1. Basis of preparation (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Hedges that meet the qualifying criteria for hedge accounting are accounted for as a fair value hedge or a cash flow hedge.

Other financial liabilities
Other financial liabilities are subsequently measured at fair value through profit or loss.

- **AASB 15 Revenue from contracts with customers.** This standard was adopted by the Company on 1 July 2018. Revenue from contracts with the Group's customers is recognized when control of the related goods or services are transferred to the customer, generally on delivery of the goods to the customer, and the Group is considered the principal in the arrangement because it controls the goods before transferring them to the customer.

  The Group recognizes as revenue an amount that reflects the consideration to which it expects to be entitled in exchange for the goods, and considers whether its contracts with customers contain further separate performance obligations to which a portion of the transaction price should be allocated. The Group's normal credit terms are payment on delivery.

New Accounting Standards and Interpretations not yet mandatory or early adopted
The Company adopted all new and amended Australian Accounting Standards and Interpretations that became applicable in the current financial year.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the reporting period ended 31 December 2018. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, is set out below.

- **AASB 16 Leases.** This standard includes requirements to improve the recognition, measurement and presentation of leases, and applies to annual reporting periods beginning on or after 1 January 2019.

  AASB 16 Leases will replace existing accounting requirements for leases under AASB 117 and will result in the recognition of a right-of-use asset and an associated lease liability in the Consolidated Statement of Financial Position in respect of each of the Group's property leases. Subsequently, an interest expense will be recognised in relation to the lease liabilities and depreciation will be charged for the right-of-use assets.

  The standard will be adopted by the Company on 1 July 2019, using the modified retrospective approach and will have a material impact on the Group's financial statements. The impact will depend on future economic conditions (including the Group's borrowing rate), the composition of the Group's lease portfolio and management's view of the likelihood of exercising future lease options, all of which are subject to change and consequently the Company has yet to fully quantify the financial impact of adopting the standard.

  At 31 December 2018, the Group had a total of 61 property leases, with options extending over the next 20 years, and further leases under negotiation.

Note 2. Segment Information

The Company has identified the Managing Director and the Board of Directors as the chief operating decision makers. The consolidated entity has one reportable segment being the retailing of furniture.

Note 3. Revenue

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Sales revenue	141,078	127,953
Interest income	463	448
Rent received	537	260
Sundry income	94	209
Total other income	1,094	917
Total revenue	142,172	128,870

Note 4. Expenses

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Profit before income tax includes the following specific expenses:		
Expenses		
Property expenses	16,420	14,237
Employee benefits expenses		
Salaries and wages	14,717	13,566
Superannuation expense	1,329	1,354
Share-based payments	149	140
Other[1]	2,831	2,200
	19,026	17,260

[1] Other employee benefits include commissions, payroll tax, workers compensation and contract staff.

Note 5. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Final fully franked dividend for 30 June 2018: 24.0 cents (2017: 20.0 cents)	19,440	16,200

On 6 February 2019 the directors declared a fully franked interim dividend of 25.0 cents per fully paid ordinary share with a record date 6 March 2019 to be paid on 27 March 2019.

Note 6. Current assets - Inventories

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Finished goods - at net realisable value	29,410	30,993
Stock in transit - at cost	7,728	5,182
	37,138	36,175

For the half-year ended 31 December 2018, $372,000 (31 December 2017: $640,000) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of goods sold.

Note 7. Current assets - Other financial assets

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Derivative hedge receivable (note 16)	988	1,453

Note 8. Current assets - prepayments

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Prepayments	1,693	979

Note 9. Non-current assets - property, plant and equipment

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Land and buildings - at cost	81,403	80,610
Less: accumulated depreciation	(3,910)	(2,978)
	77,493	77,632
Leasehold improvements - at cost	17,588	15,229
Less: accumulated depreciation	(8,317)	(6,437)
	9,271	8,792
Fixtures and fittings - at cost	953	2,770
Less: accumulated depreciation	(726)	(2,241)
	227	529
Motor vehicles - at cost	648	815
Less: accumulated depreciation	(380)	(538)
	268	277
Office equipment - at cost	10,962	10,619
Less: accumulated depreciation	(6,624)	(5,961)
	4,338	4,658
	91,597	91,888

Note 10. Current liabilities - Borrowings

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Commercial bills payable	20,362	20,362

Note 11. Current liabilities - Payables

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Trade creditors	14,999	11,578
Other creditors and accruals	4,616	6,080
Customer deposits	19,986	26,397
	39,601	44,055

Note 12. Current liabilities - Provisions

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Employee entitlements	2,712	2,723
Deferred lease incentives	525	230
	3,237	2,953

Note 13. Non-current liabilities - Borrowings

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Commercial bills payable	13,300	13,300

Financing facilities available

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Unrestricted access was available on the following lines of credit at the reporting date:		
Total facilities		
Bank loans expiring within 12 months	21,262	21,262
Bank loans expiring in greater 12 months	13,300	13,300
Bank guarantees	2,000	2,000
Interchangeable facilities, including letters of credit	5,000	5,000
	41,562	41,562
Facilities used at reporting date:		
Bank loans expiring within 12 months	20,362	20,362
Bank loans expiring in greater 12 months	13,300	13,300
Bank guarantees	1,312	1,477
Interchangeable facilities, including letters of credit	-	223
	34,974	35,362
Facilities unused at reporting date:		
Bank loans expiring within 12 months	900	900
Bank loans expiring in greater 12 months	-	-
Bank guarantees	688	523
Interchangeable facilities, including letters of credit	5,000	4,777
	6,588	6,200

Note 14. Non-current liabilities - Provisions

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Employee entitlements	871	919
Deferred lease incentives	3,714	3,441
Lease make good	725	520
	5,310	4,880

Note 15. Financial instruments

Foreign currency risk
All of the consolidated entity's sales are denominated in Australian dollars or New Zealand dollars, whilst the majority of stock purchases are denominated in currencies other than Australian dollars or New Zealand dollars, primarily in US dollars. Where appropriate the consolidated entity has used forward currency contracts and options to manage its currency exposures; and where the qualifying criteria has been met, they have been designated as hedging instruments for the purposes of hedge accounting.

During the period, the consolidated entity designated foreign currency forward contracts as hedges of highly probable purchases of inventory in US dollars. The forecast purchases are expected to occur during January 2019 to September 2019.

The terms of the foreign currency forward contracts have been negotiated to match the terms of the forecasted transactions. Both parties of the contract have fully cash collateralised the foreign currency forward contracts, and therefore, effectively eliminated any credit risk associated to the contracts (both the counterparty's and the consolidated entity's own credit risk). Consequently, the hedges were assessed to be highly effective. As at 31 December 2018, an unrealised loss of $328,000 (31 December 2017: an unrealised gain of $187,000) is recorded within other comprehensive income.

Note 16. Fair value measurement

Fair value hierarchy
All financial instruments for which fair value is recognised or disclosed are categorised with the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

At the reporting date the fair value of derivative financial instrument represented a derivative hedge receivable of $988,000 (30 June 2018: derivative hedge receivable of $1,453,000).

All foreign currency forward contracts were measured at fair value using the Level 2 method

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 17. Contingent liabilities

There are no contingent liabilities as at 31 December 2018 (30 June 2018: Nil).

Note 18. Commitments

Capital Commitments

As at 31 December 2018, there are no capital commitments of a significant nature.

Note 19. Events after the reporting period

Apart from the dividend declared as disclosed in note 5, no other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 20. Related party transactions

Transactions with related parties
Dealings between the Company and the directors and personally-related entities were made during the year in the ordinary course of business on normal commercial terms and conditions. The nature of these dealings were primarily the reimbursement of personal expenses incurred on Company paid credit cards and the purchase of products for their own use.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

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 company'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

John W Ingram
Chairman

Anthony J Scali
Managing Director

6 February 2019
Sydney

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Independent Auditor's Review Report to the Members of Nick Scali Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Nick Scali Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2018, the condensed statement of comprehensive income, condensed statement of changes in equity and 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) 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, anything has come to our attention that causes us to 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 consolidated financial position as at 31 December 2018 and its consolidated 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.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Lisa Nijssen-Smith
Partner
Sydney
6 February 2019